

Comparing Cross-Border Trade and Services Supplied Through Affiliates

The statistics on cross-border trade and services supplied through affiliates represent services provided to, and received from, international markets through two distinct channels. Cross-border trade covers transactions between a U.S. resident and a nonresident. These transactions are recorded as U.S. exports and U.S. imports in the international transactions accounts (ITAs), or balance of payments accounts. Services supplied through affiliates cover transactions between foreign affiliates of U.S. companies and foreign residents and those between U.S. affiliates of foreign companies and U.S. residents. These transactions are not considered U.S. exports or U.S. imports in the ITAs because under the residency principle of balance-of-payments accounting, affiliates of multinational companies are considered residents of the countries where they are located rather than of the country of their owners.

The cross-border trade statistics and the services-supplied statistics together present a more complete picture of services provided to and received from international markets. However, differences in coverage and classification make it difficult to precisely compare cross-border trade in services with services supplied through affiliates. An example of a difference in coverage is the inclusion of distributive services in services supplied through affiliates but not in the cross-border trade statistics. The distributive services associated with importing and exporting goods are included, but not separately identifiable, in the value of trade in goods. The difference in classification is that the statistics on cross-border trade in services are collected and published by type of service, but those on services supplied through affiliates are collected and published by the affiliate's primary industry.¹ Despite the difficulties in comparing U.S. cross-border transactions in services and those supplied through affiliates, the large difference in value between the two indicates that the latter is the larger channel of delivery of services in international markets.

¹ For example, computer-related services may be delivered via cross-border services transactions; through affiliates in several industries, including those classified in computer systems design and related services or in other industries that have secondary activities in computer services; by individuals who are employees of a nonresident employer (the wages of these individuals are recorded in compensation receipts in the international transactions accounts); or may be embedded in the value of goods. For more on the delivery of computer-related services in international markets, see the FAQ [“Where can I find information about computer services supplied to foreign markets by U.S. companies or individuals?”](#) on BEA's Web site at <http://www.bea.gov/>.