

**Webinar on Upcoming Comprehensive Restructuring
of the International Economic Accounts
May 28, 2014
Q&A**

Q: How will the 2013 NIPA revision for intellectual property products (R&D, etc.) affect or how is it reflected in the restructuring of the international accounts?

A: The new international guidelines did recommend changes to the international accounts related to the treatment of expenditures on research and development (R&D) and on artistic originals as investment that was introduced in the National Income and Product Accounts (NIPAs) with the July 2013 comprehensive revision. BEA is continuing to investigate how to fully implement the new treatment of R&D in the International Transactions Accounts (ITAs).

Under the new guidelines, transactions for the rights to use intellectual property, the rights to reproduce or distribute intellectual property, and outright sales and purchases of intellectual property should be identified and treated differently in the ITAs. Rights to reproduce or distribute intellectual property and some rights to use intellectual property should be classified under “charges for the use of intellectual property.” Transactions related to the outright sale of intellectual property and certain transactions related to its use should be reclassified to the respective services categories. (However, the outright sales of marketing assets—such as trademarks, brands, logos, and franchises—should be recorded in the capital account because they are still treated as nonproduced, nonfinancial assets.) For example, outright sales of the outcomes of R&D, such as the outright sale of a patent or a copyright, should be recorded in R&D services, while the rights to use the outcomes of R&D should be recorded as charges for the use of intellectual property. Treating outright sales and purchases of the outcomes of R&D as trade in R&D services enables the recommended measurement of domestic R&D investment in the NIPAs, which is defined as domestic R&D output plus imports of R&D services less exports of R&D services. Currently, transactions for the use of intellectual property and some transactions for the sale of intellectual property are commingled in BEA’s source data and are recorded indistinguishably under “royalties and license fees.” BEA is continuing to evaluate the feasibility of allocating total receipts and payments for intellectual property across the three categories so that this new treatment can be implemented.

There is another impact of treating R&D expenditures as investment in the international accounts. Multinational companies are important producers of R&D, and capitalizing R&D would affect direct investment income receipts and payments. BEA is not yet ready to implement this treatment in the international accounts. However, BEA’s surveys of multinational companies have been used to develop experimental estimates of the effects of capitalizing R&D on direct investment income; because both direct investment income receipts and payments are raised by the new treatment, the effect on the direct investment income surplus is positive but small, about 1 percent. See Daniel R. Yorgason, “[Treatment of International R&D as Investment: Issues and Estimates](#),” BEA/National Science Foundation R&D Satellite Account Background Paper (Washington, DC: BEA, October 2007).

Q: With regard to the old “passenger fare receipts,” it looks like these data will be aggregated under the main “Air Transport” aggregate for the monthly data, but disaggregated to give the details with the quarterly/annual releases, correct?

A: Yes, that is correct. However, we will continue to provide a monthly series for passenger fares (as well as for the “old” travel concept) in a supplemental table on BEA’s website. With the June 4 release of the U.S. International Trade in Goods and Services report, this table is now available here: http://www.bea.gov/newsreleases/international/trade/trad_time_series.xls.

Q: Under the new Comprehensive Restructuring of the ITAs and IIPs, has the country detail (# of countries) been expanded?

A: The country detail has not been expanded this year. We are considering this for a future annual revision.

Q: Will "computer services" and "information services" include IT consulting or will that remain a part of "professional and management consulting services"?

A: Computer consulting is included in "computer services" in the new presentation. Computer consulting was also included in computer services in the old presentation; however, computer services was not a stand-alone category and was included within "business, professional, and technical services" in the old ITA tables.

Q: Will the accounting of R&D be incurred by industries in FDI, and if deficits will no longer be accounted for in the BOP, how will losses in R&D be treated?

A: The treatment of R&D in FDI is not changing this year. However, the issue is under study. For more information, see Daniel R. Yorgason, "[Treatment of International R&D as Investment: Issues and Estimates](#)," BEA/National Science Foundation R&D Satellite Account Background Paper (Washington, DC: BEA, October 2007).

Also, to clarify, deficits and losses will still be shown as negative signs in the balance of payments accounts. What has been eliminated is the use of negative signs for debit entries in the accounts (imports, income payments, transfers made, increases in assets, and decreases in liabilities).

Q: When is BEA going to address the "Holding Company" issue (NAICS 5512) and start to disaggregate these data in the ITAs (i.e., rolling the economic activities of hundreds of foreign affiliates up to, and reported under, the ultimate parent holding company)?

A: This issue is currently under active study.

Q: With regard to the templates, can we assume that the layout of the press release tables will be identical to table 1.2 for both the ITA and IIP reports?

A: Yes, the layout of the ITA press release table will be the same as the new ITA table 1.2. A template of the new press release table is now available at <http://www.bea.gov/international/xls/preview-ita-news-release-table.xls>.

The layout of the IIP press release table will be the same as new IIP table 1.2. For a template of IIP table 1.2, see

<http://www.bea.gov/iTable/iTableHtml.cfm?reqid=62&step=6&isuri=1&6210=2&6200=144>. A template for the IIP news release itself will also be posted to the BEA website soon.

Q: Is there any way BEA could continue to provide the ITA/IIP data in the old format through Dec. 2014?

A: Given resource constraints, we do not plan to update data in the old tables beyond June 2014.

Q: Is the decomposition of, say, portfolio investment into private vs. public (e.g., foreign official entities) still going to be available?

A: Yes, data for transactions and positions for U.S. liabilities to foreign official agencies will be available in ITA table 9.1 and in IIP table 3.1. For a template of ITA table 9.1, see <http://www.bea.gov/iTable/iTableHtml.cfm?reqid=62&step=6&isuri=1&6210=1&6200=74>. For a template of IIP table 3.1, see <http://www.bea.gov/iTable/iTableHtml.cfm?reqid=62&step=6&isuri=1&6210=2&6200=150>.

For U.S. claims on foreigners, one U.S. government (public) category is reserve assets, which will be shown in new ITA tables 1.2 and 1.3. The other U.S. government asset category, currently referred to as “other U.S. government assets,” which is comprised of loans to foreigners, will be shown in new ITA table 8.1 as other investment in the general government sector.

Tables 7.1 and 8.1 provide detail for U.S. government (public) claims and liabilities with foreigners in the context of U.S. economic sectors, for portfolio investment and other investment.

Q: Will BEA continue to publish DI positions measured at current cost past June?

A: Yes, we will continue to publish statistics adjusted to a current-cost basis for income, financial flows, and the investment position. The current-cost position will be a supplementary item in the IIP.

Q: Will BEA begin reporting foreign direct investment in the United States by industry and by state?

A: BEA does not publish the direct investment transactions and positions that are in the ITAs and the IIP by state. However, we do publish detailed information on direct investment financial flows and positions by industry, which are available at <http://www.bea.gov/international/di1fdibal.htm>.

BEA also publishes information on the operations of U.S. affiliates of foreign companies in our multinational company operations data, which is available at <http://www.bea.gov/international/di1fdiop.htm>. Within this dataset, we publish information on employment by state.

Beginning with the 2014 survey of foreign direct investment in the United States, as the result of a new budget initiative, we will expand the information we collect and publish by state to once again include gross book value of property, plant, and equipment; commercial property; and manufacturing employment by state. These data items were previously reported but were eliminated in 2008 due to resource constraints.

Q: How do old tables 5, 8a, 8b, etc. map to the new tables?

A: U.S. reserve asset transactions shown in old table 5 part A will now be presented in new ITA table 1.2. Transactions for foreign official assets shown in old table 5 part B will now be presented in new ITA tables 7.1, 8.1, and 9.1. Securities transactions shown in old table 8a will now be presented in new ITA table 7.1.

A full concordance between the old and new basis will be made available in the near future. This concordance will be posted to www.bea.gov/international/modern.htm. A concordance going from the new to the old basis will also be made available.

Q: The data for the monthly international trade in goods and services can be currently found at

http://www.bea.gov/newsreleases/international/trade/2014/xls/trad_time_series_0314.xls. This file contains the whole data history. Where would I be able to find the new format of this data? Would the new file also contain all data history?

A: Monthly data on goods and services trade on the new basis are available back to 1999 in the time series file at http://www.bea.gov/newsreleases/international/trade/trad_time_series.xls. The series based on the previous presentation (with statistics beginning in 1992) is available in the same file. Data on the new basis became available with the monthly release on June 4.

Q: Is "current cost" equivalent to "nominal value," where nominal value represents the amount outstanding (owed) on an asset or liability?

A: No, current cost has a very specific meaning related to direct investment data. Investment positions for direct investment are valued at current-period prices based on a revaluation of book values. Book values are reported by U.S. multinational companies on surveys conducted by BEA. The current-cost method values the U.S. and foreign parents' shares of their affiliates' investment in (1) plant and equipment using the current cost of capital equipment, (2) land using general price indexes, and (3) inventories using estimates of their replacement cost.

Q: In these revisions, what category do direct military expenditures fall under?

A: Direct defense expenditures and other U.S. government miscellaneous services are now combined under imports of "government goods and services n.i.e. (not included elsewhere)." On the exports side, "government goods and services n.i.e." includes transfers under U.S. military agency sales contracts and U.S. government miscellaneous services.

Q: Can you summarize the main thrust of the revisions for the layperson? What does this information mean for business and investors?

A: The major takeaway is that with the restructured accounts, users will get more detail. We are often asked to provide greater detail on trade by type of service, so that's what we are providing in the new presentation. For the financial account, what users are getting is a more logical presentation of the accounts based on the nature of and motivation behind the investment, and then, consistent detail on the types of investment by instrument and maturity. Whereas currently a user must be familiar with the structure of the accounts to understand where to pull all these pieces, now users can easily follow the presentation almost like they would a balance sheet.

Q: In the old table formats, there used to be a reference to the footnotes directly in the observation cells. This format made it really difficult for programming software to handle these fields. Do you plan to do the same in the new tables? I hope not. Example: <http://www.bea.gov/iTable/iTable.cfm?ReqID=6&step=1#reqid=6&step=3&isuri=1&600=1> line number 71, observation for fourth quarter 2013.

A: We understand that this has been a problem for data users in the past. We've eliminated the need for these kinds of footnotes in the new presentation to the extent feasible.

Q: Regarding sale vs. license for use of intellectual property: Were those included in aggregate before, so the change [you are planning to implement in the future] is to separate them? When will those splits be available?

A: Yes, currently transactions for the use of intellectual property and for the sale of intellectual property are commingled in BEA's source data and are recorded indistinguishably under "royalties and license fees." We are currently investigating the feasibility of separately identifying these types of transactions and hope to implement this change in an annual revision in the near future.

Q: When you say "new country detail expanded for ITAs," can you give a sense of how many/which new countries might be covered?

A: One thing we would like to do in the future is to publish the same level of country detail on a quarterly basis for trade in services that we're able to publish on an annual basis in our [International Services](#) publication. Right now that's about 50 countries and areas. In the ITAs, we publish statistics for 38 countries and areas. In the future, we will also consider expanding that list to include more countries, including Free Trade Agreement countries and other countries of interest. We will explore expanding the country detail for all accounts, not just for trade.

Q: In addition to education travel, will you be disaggregating education tuition, fees, and other expenses incurred by foreign students?

A: Unfortunately, no, we don't publish those statistics at this time.

Q: Can we assume that the added detail has been studied as to avoid too many "withheld" items? In other words, will adding all these new details create issues with the potential for items sometimes being withheld to mask individual identities?

A: As we have developed the new presentation we have considered whether additional detail might potentially create the need for greater suppression of detail for reasons of data confidentiality. While there will be an increase in the number of suppressions, we do not expect it to be a significant increase.

Q: Will Q1 2014 be the last time the old presentation will be updated?

A: Yes, that's correct. We will not continue to update the old presentation of the accounts. As we continue with our normal release schedule, we'll publish preliminary second quarter 2014 and revised first quarter in September on the new basis. At that time, we'll remove preliminary first quarter 2014 from the old presentation tables. We will continue to truncate the old presentation as we revise historical periods, but several years of data on the old basis will remain available to users as an overlap or bridge.

We are also planning to publish a concordance between the old presentation and the new presentation. After the June 18 release of the ITAs, we'll publish a concordance table that goes from the new presentation back to the old presentation. We hope that these concordances will provide users with a better understanding of how the new presentation of the accounts relates to what they are accustomed to seeing in the old presentation. The concordance tables will be posted to www.bea.gov/international/modern.htm.

Q: How about separating non-R&D testing services from RDT?

A: We are exploring the feasibility of separating non-R&D testing services from R&D and testing services.

Q: I understand that the SNA adopted the SEEA framework in 2012. Does this restructuring embrace potential changes to environmental accounting?

A: The new international guidelines for the international accounts do make new recommendations for reporting separately on certain environmental services such as waste treatment and depollution services and the production of carbon offsets or carbon sequestration. The international guidelines also provide information on how to record certain arrangements involving emissions permits. However, they do not explicitly call for a new framework, and BEA has no plans at this time to introduce one for the international accounts.

Q: Are you considering having an API available on the BEA website?

A: Yes, an API is currently under development. Information is available here: <http://www.bea.gov/API/signup/index.cfm>.