

## **Cross-Border Services: Definitions and Classifications**

The cross-border trade statistics cover both affiliated and unaffiliated transactions between U.S. residents and foreign residents. Affiliated transactions consist of intrafirm trade within multinational companies—specifically, trade between U.S. parent companies and their foreign affiliates and trade between U.S. affiliates and their foreign parent groups. Unaffiliated transactions are with foreigners that neither own, nor are owned by, the U.S. party to the transaction.

Cross-border trade in private services is classified in the same five broad categories that are used in the U.S. international transactions accounts—travel, passenger fares, other transportation, royalties and license fees, and other private services. For additional information on the transactions included in each type of service and the methodologies used to estimate them, see [U.S. International Transaction Accounts: Concepts and Estimation Methods](#) on BEA's Web site at [www.bea.gov](http://www.bea.gov). To access this document, click on "International" and then select the tab for "Methodologies" at the top of the page.

**Travel.** These accounts cover purchases of goods and services by U.S. persons traveling abroad and by foreign travelers in the United States for business or personal reasons. These goods and services include food, lodging, recreation, gifts, entertainment, cruise fares, local transportation in the country of travel, and other items incidental to a foreign visit. U.S. travel transactions with both Canada and Mexico include border transactions, such as day trips for shopping and sightseeing.

A "traveler" is a person who stays less than a year in a country and is not a resident of that country. Diplomats and military and civilian government personnel are excluded regardless of their length of stay; their expenditures are included in other international transactions accounts. Students' educational expenditures and living expenses and medical patients' expenditures for medical care are included in other private services.

**Passenger fares.** These accounts cover the fares received by U.S. air carriers from foreign residents for travel between the United States and foreign countries and between foreign points and the fares paid by U.S. residents to foreign air carriers for travel between the United States and foreign countries.

**Other transportation.** These accounts cover U.S. international transactions arising from the transportation of goods by ocean, air, land (truck and rail), pipeline, and inland waterway carriers to or from the United States, and from space transport, such as the launching of space satellites. The accounts

cover freight charges for transporting exports and imports of goods and cover operating expenses that transportation companies incur in foreign ports.

Freight charges cover the receipts of U.S. carriers for transporting U.S. exports of goods and for transporting goods between foreign points and the payments to foreign carriers for transporting U.S. imports of goods. (Freight insurance on goods exports and imports is included in insurance in the other private services accounts.) Port services consist of the value of the goods (except fuel, which is included in merchandise trade) and services purchased by foreign carriers in U.S. ports and by U.S. carriers in foreign ports.

**Royalties and license fees.** These accounts cover transactions with nonresidents that involve intangible assets—including patents, trade secrets, and other proprietary rights—that are used in connection with the production of goods; copyrights; trademarks; franchises; rights to reproduce or distribute motion pictures and television recordings; rights to broadcast live events, software licensing fees; and other intellectual property rights.

**Other private services.** These accounts consist of education, financial services, insurance services, telecommunications, business, professional, and technical services, and other services.

Education consists of expenditures for tuition and living expenses by foreign students enrolled in U.S. colleges and universities and by U.S. students studying abroad. This category excludes fees for distance-learning technologies and for educational and training services provided on a contract or fee basis; these transactions are included in training services in table 1 of the [detailed statistics for cross-border trade](#).

Financial services include funds management and advisory services, credit card services, fees and commissions on transactions in securities, fees on credit-related activities, and other financial services.

Insurance services consist of the portion of premiums that remain after provision for expected or “normal” losses, an imputed premium supplement that represents the investment income of insurance companies on funds that are treated as belonging to policyholders, and auxiliary insurance services.<sup>1</sup> Primary insurance mainly consists of life insurance and property and casualty insurance, and each type may be reinsured.<sup>2</sup>

---

<sup>1</sup> The portion of total premiums required to cover “normal losses” is estimated by BEA on the basis of the relationship between actual losses and premiums averaged over several years. Auxiliary insurance services include agents’ commissions, actuarial services, insurance brokering and agency services, claims adjustment services, and salvage administration services. For a detailed description of the imputed premium supplement, see [Christopher](#)

Telecommunications services consist of receipts and payments between U.S. and foreign communications companies for the transmission of messages between the United States and other countries; channel leasing; telex, telegram, and other jointly provided basic services; value-added services, such as electronic mail, video conferencing, and online access services (including Internet backbone services, router services, and broadband access services); and telecommunications support services.

Business, professional, and technical services covers a variety of services, such as legal services, accounting services, and advertising services (see the list in table 1 of the [detailed statistics for cross-border trade](#)).

The “other services” component of other private services receipts consists mainly of expenditures of foreign residents employed temporarily in the United States; expenditures (except employee compensation) by foreign governments in the United States for services such as maintaining their embassies and consulates; and noncompensation-related expenditures by international organizations, such as the United Nations and the International Monetary Fund, that have operations in the United States. The “other services” component of other private services payments consists primarily of expenditures by U.S. residents temporarily employed abroad.

---

[L. Bach, “Annual Revision of the U.S. International Accounts, 1989–2003,” SURVEY 84 \(July 2004\): 60-62.](#) For a description of other components of insurance services, see [Christopher L. Bach, “Annual Revision of the U.S. International Accounts, 1992–2002,” SURVEY 83 \(July 2003\): 35–37](#) and [Christopher L. Bach, “Annual Revision of the U.S. International Accounts, 1995–2005,” SURVEY 84 \(July 2006\): 42.](#)

<sup>2</sup> Reinsurance is the ceding of a portion of a premium to another insurer who then assumes a corresponding portion of the risk, allowing insurers to spread risks across two (or more) companies.