

Research and Analysis

U.S. Department of Commerce



Bureau of Economic Analysis

The Bureau of Economic Analysis conducts a variety of research and analytical activities in support of the international accounts. The topics covered include all the major areas in which the Bureau produces international statistics—the international transactions accounts, the international investment position, and the operations of U.S. parent companies, their foreign affiliates, and U.S. affiliates of foreign companies. The results of the research may be published in the *SURVEY OF CURRENT BUSINESS*, presented in outside publications or meetings, or used in-house to improve the accounts.

To interpret the accounts and place them in context, the Bureau's economists relate developments in the international accounts to developments in the U.S. and foreign economies, such as macroeconomic developments, changes in exchange rates, and events in markets for particular types of goods, services, and financial assets. The results of this work are included in regular and special analytical *SURVEY OF CURRENT BUSINESS* articles and in news releases presenting the accounts.

Some of the research conducted by the Bureau's international accounts staff has resulted in the development of new methodologies that have improved the usefulness of the accounts or expanded their scope and application. An example is the development of techniques for valuing direct investment in terms of current-period prices in the international transactions accounts and the international investment position. Valuation on this basis gives a more meaningful picture of U.S. international investment, and of the income earned on that investment, than can be obtained from statistics based on historical-cost accounting.

Another research project resulted in the construction of a breakdown of the U.S. current account along ownership lines, to supplement the conventional breakdown based primarily on the types of goods and services traded. Presentation on this basis gives a more detailed picture of the role and importance of multinational companies in U.S. international trade and

investment than is available from the conventional breakdown. It also provides an alternative measure of U.S. economic performance that reflects the net effect on the U.S. economy, not only of cross-border exports and imports but also of the participation of U.S. firms in international markets through locally established affiliates.

In the area of operations of affiliates, the Bureau's researchers have developed techniques for deriving estimates of gross product (value added) of multinational companies from accounting data reported for these companies in the Bureau's surveys. Recently, a methodology was introduced for valuing the gross product of majority-owned foreign affiliates of U.S. companies in real terms, thus isolating movements in production in real terms from movements attributable to changes in prices and exchange rates.

As the collector of primary source data on U.S. direct investment abroad and foreign direct investment in the United States, the Bureau conducts significant research to analyze and interpret these data. This work may be done at the level of statistical aggregates for countries and industries, or it may involve the analysis of microdata for individual companies. In some cases, the research has been done in collaboration with outside researchers. In all cases, the research is done under strict guidelines and procedures that protect the confidentiality of company-specific data, as required by law. Among the topics covered by recent research projects have been intrafirm trade of U.S. and foreign multinational companies, rates of return on foreign direct investment in the United States, the structure of production and origin of content of production by foreign affiliates of U.S. companies and U.S. affiliates of foreign companies, and expansion strategies of U.S. multinational firms. The results of some of these and several other projects were published in a compendium, *International Direct Investment: Studies by the Bureau of Economic Analysis* (Washington, DC: U.S. Government Printing Office, 1999).

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The Bureau's international accounts staff have participated in numerous outside activities. Staff have been involved in the development of international statistical guidelines. For example, they have participated in exercises, coordinated by international organizations, to prepare international manuals for balance-of-payments compilation, for statistics on trade in services, and in an ongoing exercise to prepare a manual on indicators of globalization. Staff have also given papers and presentations at a number of outside meetings and conferences, both academic and business-related. Recently, papers have been presented on trade-in-services statistics, on intrafirm trade, and on multinational-company expansion strategies. Some of the papers have subsequently been included in outside publications.

Some research projects are undertaken with a view to improving the quality of the data. One recent project examined services related to e-commerce and the Internet, to ensure that these and other new types

of services were adequately covered and properly described in BEA's surveys of international trade in services. Another recent project compared U.S. data on trade in goods with similar data for selected partner countries to see if they suggested undercounting in the U.S. data.

The Bureau's international accounts staff also prepare methodologies and users' guides explaining the accounts, documenting their methodologies and procedures, and describing implementation strategies for new and evolving international standards. Much of this research material is available on the Bureau's Web site at <www.bea.gov>.

For more information

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