



Research and Analysis

The Bureau of Economic Analysis (BEA) conducts a variety of research and analytical activities in support of the international accounts. The topics covered include all the major areas in which BEA produces international statistics—the international transactions accounts, the international investment position, international services, 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 within BEA to improve the accounts.

To interpret the accounts and place them in context, BEA'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* articles.

Some of the research conducted by BEA'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 an improved methodology for estimating interest received and paid on long-term debt securities in the international accounts. This methodology employs a measure of yield known as the *current yield* that reflects only coupon interest flows. Previously, the methodology employed a yield known as the *yield to maturity*. The new measure makes interest recorded in the international accounts more consistent with that in the national income and product accounts and with international statistical guidelines.

A third project led to 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 (MNCs) 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, BEA's researchers have developed techniques for deriving statistics on value added of MNCs from accounting data reported for these companies in BEA's surveys. Related research developed a methodology for valuing the value added 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, foreign direct investment in the United States, and international services transactions, BEA 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. Recent research projects have examined the effect on the U.S. international accounts of treating R&D expenditures of MNCs as investment, the impact of the foreign activities of U.S. MNCs on their U.S. employment and wages, how the propensity of MNCs to fragment their production internationally is influenced by the characteristics of foreign host countries and the MNCs themselves, and factors that influence where U.S. MNCs locate new foreign manufacturing affiliates.

Some research projects are undertaken with a view to improving the quality of the data. One recent project compared U.S. and United Kingdom cross-border trade in services data in order to identify methodological and statistical differences in the two countries' international services statistics. Another project involved linking BEA data for MNCs with U.S. Census Bureau data for all U.S. businesses to improve and enhance U.S. statistics on research and development.

BEA's international accounts staff have participated in numerous outside activities. Staff have 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 MNC expansion strategies. Some of the papers have subsequently been included in outside publications. In addition, staff have provided technical assistance to other countries seeking to improve their statistics on international services and operations of MNCs.

Staff have also 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 for indicators of globalization. In the future, a significant amount of research will focus on implementing these newly adopted international standards.

BEA's international accounts staff also prepare methodologies and users' guides explaining the accounts and documenting their methodologies and procedures.

For more information

Much of this research material is available on the BEA Web site at www.bea.gov. To contact one of our staff, call the Balance of Payments Division at 202-606-9845, or e-mail internationalaccounts@bea.gov.