An Overview of U.S. Bureau of Economic Analysis Statistics on Multinational Companies

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Introduction:

1. Statistics on multinational companies (MNC’s) may be grouped into two broad categories: (1) those that pertain to cross-border transactions and positions between direct investors and direct investment enterprises (balance of payments and direct investment position data), and (2) those that pertain to MNC operations more broadly, including statistics on their domestic as well as international activities (financial and operating data). The former is often thought of as a subset of the latter, but the two types of data may serve somewhat different primary purposes and may be compiled by different government agencies. As a consequence, the MNC operations data may not relate well to, or be easy to integrate with, balance of payments (BOP) and direct investment position data.

2. In the United States, however, a single government agency -- the U.S. Bureau of Economic Analysis (BEA) -- is responsible for compiling and publishing both types of data. The source data pertaining to the BOP and international investment position (IIP) accounts are collected by a variety of different government organizations and agencies – including BEA itself – and are edited, adjusted to BOP concepts, and incorporated into the U.S. economic accounts by BEA. The source data collected by BEA include all of the data included in the economic accounts pertaining to direct investment. Also, comprehensive data pertaining to the operations of MNC’s are collected by BEA by means of mandatory surveys that BEA designs and conducts; these data cover U.S. parent companies, their foreign affiliates, and U.S. affiliates of foreign companies.

3. This note provides a brief history of BEA’s data on MNC’s. It concludes by describing some of the advantages that are associated with a single U.S. Government agency being responsible for compiling both types of data on MNC’s. Major U.S. Government providers of data on international trade or finance, including those that provide source data that BEA uses in compiling the official U.S. BOP and IIP accounts, are identified in an appendix.

BEA’s Data on Multinational Companies (MNC’s): A Brief History

4. For the United States, data on trade date back to colonial times, and they have been published in the balance of payments accounts since 1923. The United States is also recognized for its early collection of data on the operations of direct investment enterprises. Some might be surprised to learn that the United States collected some data on the operations of direct investment enterprises for years as early as 1950. A census of U.S. direct investment abroad (outward investment) for that year marked the first appearance on a U.S. Government survey of questions on the financing and operations of foreign affiliates of U.S. companies [U.S. Department of Commerce, 1953].

5. As noted, BEA is responsible for collecting and publishing comprehensive data on the activities or operations of MNC’s. The 1950 outward direct investment census introduced a few questions on the overall financing and operations of foreign affiliates (including total assets, fixed assets, and selected information on the financing of affiliates). However, the operations data tended to be viewed as supplements to the balance of payments data and were used mainly to analyze the balance-of-payments effects of direct investment, such as the extent to which
production abroad by foreign affiliates substituted for, or was complementary to, U.S. exports. Until about the mid-1970’s, much greater emphasis was placed on the outward investment data, which at the time was far larger than foreign direct investment in the United States (inward investment).

6. With the continued growth in outward investment and with the acceleration in the growth of inward investment in the 1970’s and 1980’s, interest in the non-BOP aspects of direct investment – such as its effects on employment, technology, and domestic production – increased correspondingly, and equal emphasis came to be placed on collecting data on investments in both directions. In response, BEA expanded its data on the overall operations of U.S. parent companies and their foreign affiliates and instituted new surveys to collect similar data on the operations of the U.S. affiliates of foreign companies. The authority to collect these data regularly on a mandatory basis was secured with the enactment of the International Investment Survey Act of 1976.1

7. As concern over the rapid growth in inward investment increased during the late 1980’s, the U.S. Congress and the general public demanded more information to assess the impact of inward investment in particular industries and States. This concern led to ground-breaking efforts in the early 1990’s to link BEA’s enterprise-level data on direct investment to establishment-level data from the Census Bureau and Bureau of Labor Statistics, to obtain those agencies’ more detailed data by industry and State for the foreign-owned U.S. companies that report to BEA.2 This project represented one of a number of improvements that have been made simply by better utilizing existing data, without imposing additional reporting burden on the business community.

8. BEA now collects data annually on the operations of U.S. parent companies, foreign affiliates, and U.S. affiliates of foreign parent companies. Data items collected include: Abbreviated income statements and balance sheets; employment and employee compensation; a disaggregation of sales data into components (including sales of goods, sales of services, sales to U.S. persons, or sales to foreign persons); composition of external financing; capital expenditures; value added components; reconciliation of changes in property, plant, and equipment; research and development expenditures; taxes; trade in goods; and numerous data items pertaining to BOP positions and flows.


10. Thus, from modest beginnings in the late 1920’s (for BOP data) and in the 1950’s (for financial and operating data), BEA’s data have expanded into what many regard as the world’s most fully developed system of data collection on MNC’s, covering a wide variety of indicators of the financing and operations of U.S. parent companies, their foreign affiliates, and U.S. affiliates of foreign companies.

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1 This act was subsequently broadened to cover trade in services and at that time was redesignated as the International Investment and Trade in Services Survey Act.

2 These projects were authorized by a law known as the Foreign Direct Investment and International Financial Data Improvements Act of 1990. Additional data sharing possibilities were recently provided by the enactment of the Confidential Information Protection and Statistical Efficiency Act of 2002.
Advantages from collecting BOP data and MNC activities data in the same agency

11. The International Monetary Fund, Eurostat, the OECD, and other national and international organizations have made important strides in recent years in establishing frameworks to promote data quality. When a single agency is responsible for compiling the BOP and IIP accounts, as well as for designing and conducting surveys of MNC’s, some components or dimensions of high data quality may be promoted, especially those pertaining to data consistency and analytical usefulness.

12. **Data quality and consistency:** Because BEA designs and conducts its own surveys of direct investment BOP transactions, and of MNC operations, it is able to assure consistency between related variables. For example, a responding company will be classified in the same industry, whether reporting on a BOP direct investment survey or on an operations survey. Also, BOP position data are routinely cross-checked against fuller balance sheet data reported on the MNC operations survey. In addition, detailed income statement data from the operations surveys are used to ensure that data that are reported on the BOP surveys are aligned with BOP concepts. For example, operations data are used in ensuring that operating income included in the BOP accounts excludes capital gains and losses from asset writeoffs or goodwill impairment. These are just three examples among hundreds of different data checks and cross checks that BEA utilizes to promote data quality and consistency.

13. Also, BEA collects data on MNC operations as one of its principal activities, rather than as a small component of a data collection covering all U.S. businesses. As a consequence, it focuses its attention on MNC’s, and assures that this data set is of the highest possible quality.

14. **Analytical usefulness:** In designing its surveys, BEA consults with its major data users to assure that the collected data are useful. It also consults with survey respondents, to assure that respondent burden is minimized.

15. A significant advantage to data users or respondents is that BEA can propose new questions to its own surveys, clarify survey instructions, and implement other improvements relatively quickly on its own initiative, and does not need to negotiate with, or reimburse, an outside organization to implement such improvements.3

16. For example, due to high user demand for more timely information on MNC’s, BEA recently announced the accelerated release of several key variables for MNC’s, including employment, sales, and capital expenditures for all foreign affiliates combined, for U.S. parent companies, and for U.S. affiliates, covering 2002. These data had previously been scheduled for release in the summer and fall of this year, but their release date was accelerated to April 16 in deference to user requests for more current information about international outsourcing and MNC employment changes. Furthermore, BEA is now designing the 2004 benchmark survey of U.S. direct investment abroad. Serious consideration is being given to expanding the coverage of data

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3 Of course, an expansion of survey coverage does impose respondent burden and carries some costs, and these must be fully borne by BEA and survey respondents. Furthermore, BEA cannot unilaterally expand survey coverage, but instead follows a formal forms clearance process that allows for a period of public comment on any proposed changes in data collection.
items of current interest, perhaps including information on additional labor market variables such as the use of “leased” employees. These are just two very current examples of steps BEA is taking to assure that its MNC statistics are timely and relevant.

17. Also, BEA devotes considerable effort in adding value and function to the data over and above that available from the straightforward tabulations of collected items. For example, BEA collected identification information on its enterprise-level surveys of U.S. affiliates to enable a link to establishment-level data collected by the Census Bureau covering all U.S. businesses. From these links, it has been possible to examine whether foreign-owned U.S. establishments differ from U.S.-owned establishments in regard to their size, productivity, intensity of research and development activities, and other key variables.4

18. Challenges: There are of course other dimensions of data quality besides consistency and analytical usefulness. For example, methodological soundness, serviceability, and accessibility are sometimes cited as additional dimensions. There are no clear disadvantages – and there may be some additional advantages – associated with a single agency having responsibility for compiling both types of MNC data discussed above.

19. However, BEA does face some challenges. Compiling the international economic accounts and the direct investment financial and operating statistics are important and difficult responsibilities. And there is little doubt that data users will continue to express increasing and evolving needs for BEA’s statistics on MNC’s. BEA is a relatively small agency by U.S. Government standards, consisting of about 500 employees, of which about 135 are in the international economic accounts program area. Given its relatively small size and broad mandate, BEA must attract talented individuals to design its complex business surveys, write the sophisticated computer programs to process the surveys, edit the surveys in timely fashion, estimate data for nonrespondents, tabulate and suppress the data, and analyze the data in regular and original articles.

20. BEA has recently been recognized by the Office of Management and Budget as one of the most effective U.S. Government agencies, and by the Office of Personnel Management as an “employer of choice”. BEA continues to attract talented staff. Thus, I am confident and hopeful that I will be able to describe improvements in BEA’s data sets on MNC’s at a future OECD meeting.

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4 For additional examples of results from BEA’s analyses of multinational companies, see J. Steven Landefeld and Ralph Kozlow, “Globalization and Multinational Companies: What Are the Questions, and How Well Are We Doing in Answering Them?” For a fuller discussion of ways that BEA has added value to reported data, see Obie G. Whichard, “Measuring Globalization: The Experience of the United States of America”. Both papers are on the BEA Web site, www.bea.gov, under “Papers and Working Papers”.

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