THE GEORGE WASHINGTON UNIVERSITY

WASHINGTON, DC

September 16, 2015

Paul Bugg
Statistical and Science Policy Office
Office of Management and Budget
Washington, DC

Via: Paul_Bugg@omb.eop.gov and Submission@omb.eop.gov

Re: Annual Survey of Foreign Direct Investment in the U.S. (BE-15)

Dear Mr. Bugg,

I am pleased to respond to the *Federal Register* notice of August 25, 2015 concerning the Bureau of Economic Analysis's proposed renewal of its Annual Survey of Foreign Direct Investment in the U.S. (BE-15). As a research professor at the George Washington Institute of Public Policy, I focus on policies that promote U.S. economic competitiveness. I also serve as a member of the Bureau of Economic Analysis (BEA) Advisory Committee. From these perspectives, I find that the BE-15 survey is particularly important because it provides detailed data on the role of foreign direct investment in the U.S. economy and changes in that role over time.

BE-15 is used by the federal government, state governments, businesses, and researchers to ascertain the dynamics of foreign direct investment in the U.S. and guide attraction programs and investment decisions in light of that knowledge. As the level and nature of foreign direct investment in the U.S. are significant indicators and determinants of U.S. competitiveness, BE-15 data are essential for informed analysis and intelligent decisions.

In addition, appropriately structured BE-15 data can support ongoing federal efforts to describe global value chains (GVCs) and measure international trade in value-added (TiVA). Gaining the capacity to map the place of U.S.-based establishments in GVCs, by nation of ownership, and measure the contributions of foreign direct investment to U.S. TiVA is highly attractive. Such capacity will enable federal and state governments to design more effective business attraction efforts and business development strategies and multi-national firms to make U.S. investments that have a higher likelihood of success.

BEA and the U.S. International Trade Commission (USITC) are representing the United States in a series of multi-national efforts to create and implement a framework and methods for mapping GVCs and measuring TiVA. These efforts are hosted by the Organisation for Economic Cooperation and Development (OECD), the United Nations (UN) Statistical Commission, the UN Economic Commission for Europe, and Asia-Pacific Economic Cooperation (APEC). I summarize the various efforts in the appendix to this letter.

In my August 10th letter in support of BE-15, I encouraged the BEA Direct Investment Division to consult with the BEA and USITC liaisons prior to submitting the BRDIS information collection request to OMB. I was pleased to learn from BEA that:

> The plans for the BE-11 and BE-15 surveys have been developed in consultation with the BEA staff that are part of the interagency group. BEA has a formal process, the BEA Source Data Improvement and Evaluation Program (SDIEP), for gathering feedback from all areas of the Bureau on current and proposed surveys and other data collections. Under the SDIEP framework, all BEA program areas were informed about the proposals and had an opportunity to comment.

Over the next few years, the international GVC and TiVA data initiatives described in the appendix will evolve in ways that are difficult to predict. My expectation is that forward movement, whatever that will be, will have implications for the BE-15 data collection. While the current design of the BE-15 survey may be consistent with the current state of the GVC/TiVA data initiatives, that may not be the case before a renewal of OMB approval expires in 2018.

I also recognize that as federal GVC/TiVA data initiatives move forward, the OMB Office of Statistical and Science Policy may become involved in order to facilitate interagency coordination and consistency.

In any case, it may be in the interests of the federal government that the BE-15 survey be revised before the end of the next renewal period. Consequently, I suggest that as a condition of approval, OMB indicate that it expects a consultation with BEA in May of 2016, 2017, and 2018 to discuss the current trajectory of the GVC/TiVA initiatives and the implications for BEA international investment data collection, including interim survey instrument revisions.

I appreciate the opportunity to comment on the proposed BE-15 survey, hope that my suggestion is useful, and look forward to reading OMB's decision.

Sincerely,

Andrew Reamer
Research Professor

Multi-national Organization Efforts to Measure GVCs, TiVA, and Trade in Services and U.S. Points of Contact

Efforts to Measure GVCs, TiVA, and Trade in Services

- OECD-World Trade Organization (WTO):
  - Provides current TiVA estimates by nation -- this is the database that all efforts are seeking to improve
  - Is enhancing these estimates through work of an expert group creating "extended national supply-use tables" with TiVA characteristics

- Trade Statistics Branch, United Nations Statistical Division--
  - As directed in March 2015 by the UN Statistical Commission (pp. 20-22), overseeing implementation of December 2014 report of the Friends of the Chair on the Measurement of International Trade and Economic Globalization (FOC). Key tasks:
    - Draft a handbook on a system of extended international and global accounts as the measurement framework for international trade and economic globalization
    - Establish an expert group tasked with the development of the handbook on a system of extended international and global accounts—the U.S. is part of this group
    - Implement a program of work for the measurement of international trade and globalization, namely:
      - Promoting and advancing the creation of a global enterprise group register, building on and taking into account lessons learned from the ongoing EuroGroups Register project;
      - Improving the measurement of firm heterogeneity based on alternative aggregations of microdata and by further developing a classification of business functions, while cautioning against any change in the International Standard Industrial Classification;
      - Addressing asymmetries in bilateral trade and foreign direct investment while building on work already undertaken in several countries and coordinating this effort with work already being done by the Organization for Economic Cooperation and Development;
      - Mainstreaming the development of recurrent global supply-use and input-output tables as undertaken by the Organization for Economic Cooperation and Development in collaboration with other regional and international organizations, with the aim of increasing the coverage of the Organization for Economic Cooperation and Development-World Trade Organization database on trade in value-added

- Conference of European Statisticians (CES), UN Economic Commission for Europe (UNECE)
  - Commissioned the Guide to Measuring Global Production, prepared by the Task Force on Global Production in March 2015:
    - "Global production has evolved and now encompasses a broad range of business arrangements and organizational forms. Today, multinational enterprises (MNE) account for a large share of international trade between countries. National Statistical Institutes (NSI) need to keep track of the changing forms of global production and their effects on international trade relationships. It is important to identify best practices developed by countries and agree internationally on the practical guidelines needed to foster international comparability."
  - Issued a report of its June 2015 meeting that "affirmed" the Guide, encouraged its use by nations, "supported the research agenda," and "agreed that the Guide would be updated once the above further work has been completed and in light of the practical evidence collected by that time."
  - In July 2015, the UNECE Group of Experts on National Accounts held a meeting on Measuring Global Production
    - "In April 2014, the CES . . . decided to create a forum for exchanging experience on data collection and compilation methods in respect to global production arrangements. The CES asked UNECE and the Group of Experts on National Accounts to provide such a forum. The collected country examples and good practices will be used for future updates of the Guide to Measuring Global Production."

- Technical Group on Measurement of APEC Trade in Value added (TiVA) under Global Value Chains, Asia-Pacific Economic Cooperation (APEC)
  - At the APEC meeting in the Philippines, May 2015, the ministers issued a joint statement:
    - "We welcome the first meeting of the Technical Group on Measurement of APEC Trade in Value added (TiVA) under Global Value Chains and progress in completing the construction of the APEC TiVA Database by 2018. We endorse the Terms of Reference on the Operational Mechanism and work plan of the Technical Group. We urge officials and experts to collaborate with international organizations and institutions to enhance synergies in policy making, technical assistance and capacity-building."
  - Prepared "Draft Terms of Reference on the Operational Mechanism of the Technical Group on Measurement of APEC TiVA under GVCs."

U.S. Points of Contact

Various BEA staff serve as U.S. liaisons to the OECD, UN, and UNECE efforts.

The USITC is the U.S. liaison to the APEC TiVA technical committee, which is co-chaired by the U.S. and China. The U.S. co-chair is Bill Powers, Acting Chief, Economic Research (william.powers@usitc.gov 202.205.3216). Dr. Powers can provide the technical committee's terms of reference and work plan.

For the UN Statistical Division, Steven Landefeld, former BEA director, is overseeing the development of the handbook on a system of extended international and global accounts called for by the FOC report. At the July UNECE meeting, he gave an overview of forthcoming work.