

# **Report on the State of Available Data for the Study of International Trade and Foreign Direct Investment**

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**April 23, 2010**

## **Executive Summary**

High quality data are crucial to understanding the profound and growing effects of increased globalization on American firms and workers. This report reviews the current state of data on globalization collected by the U.S. government, and makes suggestions for improvement.

We ask some key questions about the data:

- *Accuracy*: do the data correctly capture what they are meant to measure, or are they plagued by measurement errors?
- *Detail*: are the data sufficiently disaggregated to allow important distinctions to be made across industries, years, and partner countries?
- *Conceptual soundness*: does the way the data are collected make sense from the standpoint of informing research and policy?

With these questions in mind, the report discusses the following categories of data.

### *Imports and exports of goods: values*

These data are generally of very high quality: they are highly detailed, and cover almost all trade transactions.

### *Imports and exports of goods: prices*

These data suffer from mainly from insufficient detail: existing data are highly aggregated across products and trading partners, which impedes accurate measurement of both inflation and the real quantity of exports and imports. Increased funding for data collection is needed, as well as research to resolve some conceptual problems about how best to construct price indices.

*Imports and exports of services: values*

Data on trade in services are highly aggregated, which makes detailed study of (for example) offshoring of white-collar services very difficult.

*Imports and exports of services: prices*

These data are almost non-existent. Part of the problem is that measurement of service prices is conceptually very challenging, but the main problem is severe budget cuts at the BLS in 2007.

*Foreign direct investment*

The BEA foreign direct investment data are known for their high quality, which has led to research insights that have been invaluable for understanding this key component of globalization. But recent years have seen budget cuts which have led to a slow decline in the quality of the data, with future cutbacks planned.

*Trade in intellectual property*

The growing importance of trade in intellectual property is a key competitive advantage for U.S. firms, yet data are fragmentary and of low quality. Part of the problem is that the very intangibility of such trade makes it hard to measure, but these inherent difficulties are made worse by budget pressures.

**Conclusions**

The United States is falling behind in the crucial government function of collecting detailed, accurate, and conceptually sound data on globalization. Modest funding increases, along with collaboration by academic researchers, would go a long way toward improving the situation. Better data on globalization is in the national interest and should be made a priority.