

# Overview of Policy Uses of a System of Extended International Accounts and Business Statistics

Lead Authors: UNSD and IMF

# Encouraging Trade, Data, Growth, and Competitiveness Through More Relevant and Accurate Data

- Better target public policy and inform public perceptions
  - Drilling down beneath gross/counterparty trade and investment flows provides a more accurate, and relevant picture of the underlying pattern of economic activity across countries.
  - A fuller picture of the critical dependencies and benefits that arise from global production and trade provides an improved basis for public understanding of the dynamics of global trade and investment and for public policy.

# Trade, Investment and Development Policy

- Examples where value-added data would help
  - EU trade sanctions against footwear made in Asia when as much as 80% of the value-added from Asian-made footwear estimated to originate in EU.
  - Taxes and tariffs and other development policies designed to discourage offshoring of manufacturing and encourage domestic manufacturing

# Tax Policy

- Large value-added benefits to parent-company countries and domestic non-traded goods sectors (services) ignored in static tax analysis.
  - Changes in tax law that ignored these benefits might not only reduce (rather than raise) net domestic tax receipts, but lower domestic production and employment.
- Integrated financial accounts and formulary accounting would also improve ability to “look through” transactions and identify true geography of economic benefits.
  - Over 40% of U.S. Foreign Direct Investment through tax havens

# Financial, Regulatory, and Macro Policy

- Lessons of Financial Crisis (EU underestimate of U.S. subprime exposure)
- Lessons of the Great Recession (Macro-prudential policy)
- Setting long-term targets for inflation, sustainable growth, and productivity: Addressing globalization measurement biases

# Other Policies and Uses that Would Benefit from Extended International Accounts

- Environmental and Energy Policies
- Critical Materials, Food Safety, and National Security
- Business and Financial decisions
- Analysis of the impact of offshoring on labor markets, welfare, incomes, and production