Using the NAS net sales measure, the 1991 United States trade deficit of U.S. $28 billion (as reported in the balance of payments) becomes a sales surplus of $164 billion (see Table 1).

The contribution the NAS proposal makes is to allow a better understanding of the foreign market share of domestically owned foreign-based affiliates and to provide a more comprehensive measure of trade. The activities of multinational enterprises are not entirely captured by standard balance of payments data, at least not from an ownership perspective.

Another positive aspect of the NAS approach is its drawing out the relationship between international trade and direct investment. The foreign affiliate sales of domestically based companies can indirectly induce foreign sales from the parent company, i.e., foreign direct investment leading to exports. Some companies might use their foreign affiliates primarily as marketing posts from which they develop export business.

One drawback, however, is that, if foreign affiliates are in fact marketing posts, the NAS approach would overstate their importance by attributing export sales to them. If a large cross-border sale from a company's domestic base -- a legitimate export in the traditional sense -- is followed by smaller service-type sales by foreign affiliates, then the affiliates facilitate trade and provide post-sale services but do not necessarily generate trade.[3]

Since repatriated profits already show up in the current account, there is an argument to the effect that the expansion of international trade statistics to include the sales of foreign affiliates somehow double counts the affiliates' activities. This argument ignores the basic framework of the national accounts. The output and

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foreign affiliates of U.S. companies from the result of step one to obtain net sales to foreigners by foreign affiliates of U.S. companies.

Net U.S. sales to U.S.-based affiliates of foreign companies is calculated as follows:

Subtract sales by U.S. affiliates of foreign companies to other U.S. affiliates and to other countries from their total sales. Subtract the step one result from U.S. affiliates' purchases of goods and non-factor services in the U.S. to obtain net U.S. sales to U.S. affiliates of foreign companies.

[3] Of course, the opposite argument could be made. The large cross-border export might not have taken place without the post-sale support available from foreign affiliates.