Foreign Direct Investment in the United States

Final Results From the 1997 Benchmark Survey

U.S. Department of Commerce
Donald L. Evans, Secretary

Economics and Statistics Administration
Kathleen B. Cooper, Under Secretary
for Economic Affairs

Bureau of Economic Analysis
J. Steven Landefeld, Director
Rosemary D. Marcuss, Deputy Director

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Preface

This volume presents the results of the 1997 Benchmark Survey of Foreign Direct Investment in the United States that was conducted by the U.S. Bureau of Economic Analysis (BEA). Benchmark surveys are BEA's most comprehensive surveys—in terms of both the number of companies covered and the amount of information gathered. The 1997 survey covered the foreign direct investment universe, which consists of all U.S. business enterprises owned 10 percent or more, directly or indirectly, by a foreign person. The last benchmark survey covered 1992.

The survey collected detailed data on the financial structure and operations of U.S. affiliates of foreign companies in 1997. The data include balance sheets, income statements, sales of goods and services, external financial position, employment and compensation of employees, U.S. trade in goods, research and development expenditures, and U.S. land owned or leased. The survey also collected data on transactions and positions between U.S. affiliates and their foreign parent companies that are the source data of the official estimates of direct investment that enter the U.S. national income and product accounts and the U.S. international position and international transactions (or balance of payments) accounts. The data from the survey are disaggregated in a number of ways, including by industry of U.S. affiliate, by country and industry of ultimate beneficial owner or foreign parent, and, for selected data, by State.

In the 1997 benchmark survey, a new industry classification system that is based on the North American Industry Classification System (NAICS) was used to classify the data of the affiliates; in previous surveys, the data were classified by industry using a system based on the Standard Industrial Classification. The NAICS better reflects new and emerging industries, industries involved in the production of advanced technologies, and the growth and diversification of service industries.

The data from the benchmark survey will be used as the primary basis for expanding to universe levels the data for nonbenchmark years that are collected in BEA's quarterly and annual cutoff sample surveys, which cover all U.S. affiliates above a size-exemption level. The quarterly surveys collect sample data on balance of payments transactions between U.S. affiliates and their foreign parents, and the annual surveys collect sample data on the financial structure and operations of U.S. affiliates. For both types of data, estimates for nonsample affiliates usually are derived by extrapolating forward their data from the benchmark survey on the basis of the year-to-year movements in the data reported by affiliates in the sample.

Many of the items for which data were collected in the 1997 benchmark survey are also collected annually, but other items are collected only in benchmark survey years. These items include research and development expenditures broken down by source of funding, the number of employees covered by collective bargaining agreements, and U.S. exports and imports of goods by product and by country of destination and origin.

Acknowledgments

The Bureau of Economic Analysis thanks the staffs of the U.S. companies that responded to the 1997 benchmark survey for their efforts in completing and filing reports and for their cooperation with BEA during the processing and review of the data.

Gerald A. Pollack, former Associate Director for International Economics, and Ralph Kozlow, the current Associate Director, provided general guidance for the survey project. R. David Belli, Chief of the International Investment Division (IID), and Obie G. Whichard, Assistant Chief of IID, directed the design of the benchmark survey report forms, the conduct of the survey, and the analysis and publication of the results.

The Direct Investment in the United States Branch (DIUSB) under the direction of James L. Bomkamp, former Chief of DIUSB, and David H. Galler, the current Chief, was primarily responsible for conducting the survey. Joseph F. Cherry III, Chief of the Annual and Benchmark Surveys Section of DIUSB, supervised the editing and processing of the reports.

The following staff processed and edited the survey: Juris E. Abolins, Chester C. Braham, Emily D. Curry, Hien X. Dang, Constance T. Deve, Nicole Donnegan, Chris Goins, David N. Hale, Earl F. Holmes, Lonnie Hunter, Carol L. Lefkowitz, Stephanie A. Lewis, Edna A. Ludden, Betty K. Maddy, Isabel L. McConnell, Demetria A. McCormick, Gregory L. McCormick, Sidney A. Moskowitz, Christine L. Perrone, Ronald L. Ross, William R. Shupe, Clarence D. Smith, Marie P. Smith, John R. Starnes, Diann L. Vann, Kimyetta Whitehead, and Dorrett E. Williams.

Juris E. Abolins coordinated the final review of the results by DIUSB to ensure consistency and accuracy. Lonnie Hunter and Betty K. Maddy of DIUSB and Dale P. Shannon and William J. Zeile of the Research Branch assisted in the review.

Deanna D. Ibarra, former Chief of the Information Technology Branch, supervised the computer programming for data estimation and tabulation. Karen E. Poffel programmed the integrated control file of foreign direct investment in the United States. Arnold Gilbert and Diane I. Young designed the programs used to derive the estimates for unreported data, to generate the tables, and to prevent the disclosure of company-specific data. Neeta B. Kapoor assisted in generating the tables.

Stephen P. Holiday, Douglas J. Klear, and Brenda J. Bolden of the Computer Systems and Services Division (CSSD) under the direction of Alan C. Lorish, Jr., Chief of CSSD, performed the computer programming and data conversion and processing activities.

William J. Zeile of the Research Branch prepared the methodology and other text and coordinated the design of the tables for this publication. General guidance for writing the text was provided by Ned G. Howenstine, Chief of the Research Branch, and Gregory G. Fouch, Chief of the Quarterly Surveys Section of DIUSB.

M. Gretchen Gibson of the Current Business Analysis Division coordinated the production of this publication, and she typeset the text. Kristina L. Maze typeset the tables and provided editorial assistance. Delores J. Barber typeset the tables in the text and provided technical assistance.

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SIC Standard Industrial Classification
UBO Ultimate beneficial owner

These tables present data that are disaggregated by State:

Methodology

THE 1997 Benchmark Survey of Foreign Direct Investment in the United States was conducted by the Bureau of Economic Analysis (BEA) to obtain complete and accurate data on foreign direct investment in the United States in 1997. Reporting in the survey was mandatory under the International Investment and Trade in Services Survey Act.[1]

This publication presents the final results of the benchmark survey in 170 tables that contain nearly all the data collected. Two related types of data for U.S. affiliates of foreign companies are presented: (1) Financial and operating data, and (2) direct investment position and balance of payments data. The financial and operating data provide a variety of indicators of the overall operations of U.S. affiliates, including balance sheets and income statements; gross product; sales of goods and services; external financial position; taxes; property, plant, and equipment; employment and compensation of employees; U.S. trade in goods; research and development activities; and U.S. land owned and leased.

The direct investment position and balance of payments data cover transactions and positions between U.S. affiliates and their foreign parent groups. These data are the source of the official estimates of direct investment that enter the U.S. national income and product accounts and the U.S. international investment position and international transactions (or balance of payments) accounts. Balance of payments data include data on direct investment capital and income flows between U.S. affiliates and their foreign parent groups and on receipts and payments of royalties, license fees, and charges for other services between U.S. affiliates and their foreign parent groups.

Data are presented for three groups of U.S. affiliates of foreign companies: (1) All affiliates, (2) nonbank affiliates, and (3) bank affiliates.[2] Most of the tables cover nonbank affiliates; bank affiliates, which report extensive data to other U.S. Government agencies, were required to report only a limited amount of data in the benchmark survey. Most of the tables for each group cover all the U.S. affiliates in the group irrespective of the degree of foreign ownership. For nonbank affiliates, however, tables covering only majority-owned affiliates also are provided for selected data items.

A variety of table formats are used: Some tables present data for several related items, each of which is disaggregated by industry, country, or State; other tables present data for a single item disaggregated by industry cross-classified by country, by country cross-classified by industry, or by State cross-classified by country.

The data in this publication revise and supersede the preliminary estimates that appeared in *Foreign Direct Investment in the United States: Preliminary Results from the 1997 Benchmark Survey* and, in more summary form, in the article "Foreign Direct Investment in the United States: Preliminary Results from the 1997 Benchmark Survey" in the August 1999 issue of the SURVEY OF CURRENT BUSINESS.[3]

The financial and operating data for nonbank affiliates presented in this publication are comparable with BEA's universe estimates for previous benchmark years—the most recent being 1992.[4] Estimates for nonbenchmark years from BEA's annual surveys provide similar information, but are less detailed.

1. Public Law 472, 94th Cong., 90 Stat. 2059, 22 U.S.C. 3101–3108, as amended.

2. In this publication, the term "bank affiliates" is used to describe all the affiliates that are classified under the BEA international surveys industry category "depository credit intermediation," which includes bank holding companies, credit unions, and savings institutions as well as commercial banks.

3. For most key data items, the revisions to the totals for nonbank affiliates ranged from –4 percent to +4 percent.

4. See *Foreign Direct Investment in the United States: 1992 Benchmark Survey, Final Results*, *Foreign Direct Investment in the United States: 1987 Benchmark Survey, Final Results*, and *Foreign Direct Investment in the United States, 1980.* (Summary data from the 1980 benchmark survey were subsequently republished, with minor corrections, in *Foreign Direct Investment in the United States: Operations of U.S. Affiliates, 1977–80.)*

Table 1 presents selected financial and operating data for nonbank affiliates from the 1997 benchmark survey and from the previous benchmark and annual surveys. For information about how to obtain the earlier benchmark data and annual survey estimates, see the section "Availability of the Data."

Table 1.—Selected Financial and Operating Data of Nonbank U.S. Affiliates of Foreign Companies, 1977–97

	Billions of dollars							Billions of dollars	
	Total assets	Gross property, plant, and equipment	Sales	Net income	Gross product	Compensation of employees	Thousands of employees	U.S. exports of goods shipped by affiliates	U.S. imports of goods shipped to affiliates
1977	143.5	66.8	194.0	4.0	35.2	18.8	1,218.7	24.9	43.9
1978	181.2	80.7	241.5	4.8	42.9	24.2	1,429.9	32.2	56.6
1979	228.6	101.2	327.9	7.3	55.4	31.7	1,753.2	44.3	63.0
1980	291.3	127.8	412.4	8.8	70.9	40.0	2,033.9	52.2	75.8
1981	407.0	188.0	510.2	11.2	98.8	54.8	2,416.6	64.1	82.3
1982	476.4	225.2	518.1	3.8	103.5	61.5	2,448.1	60.2	84.3
1983	531.7	244.0	536.6	5.6	111.5	66.8	2,546.5	53.9	81.5
1984	602.5	269.5	593.6	9.6	128.8	73.2	2,714.3	58.2	100.5
1985	741.1	295.2	633.0	5.4	134.9	79.9	2,862.2	56.4	113.3
1986	838.0	320.2	672.0	2.5	142.1	86.5	2,937.9	49.6	125.7
1987	943.7	353.3	744.6	7.8	157.9	96.0	3,224.3	48.1	143.5
1988	1,200.8	418.1	886.4	12.0	190.4	119.6	3,844.2	69.5	155.5
1989	1,431.3	489.5	1,056.6	9.3	223.4	144.2	4,511.5	86.3	171.8
1990	1,550.2	578.4	1,175.9	–4.5	239.3	163.6	4,734.5	92.3	182.9
1991	1,752.6	640.1	1,185.9	–11.0	257.6	176.0	4,871.9	96.9	178.7
1992	1,825.2	660.8	1,232.0	–21.3	266.3	182.1	4,715.4	103.9	184.5
1993	2,065.8	705.7	1,329.4	–4.4	285.7	193.0	4,765.6	106.6	200.6
1994	2,206.7	754.4	1,443.5	8.1	313.0	200.6	4,840.5	120.7	232.4
1995	2,388.7	769.5	1,544.6	15.5	322.6	206.4	4,941.8	135.2	250.8
1996	2,681.7	825.7	1,667.6	24.4	358.1	220.6	5,105.0	140.9	268.7
1997	3,071.5	877.6	1,726.3	40.9	389.4	233.5	5,201.9	141.3	264.9
	Percent change from preceding year								
1978	26.3	20.8	24.5	22.1	21.9	29.0	17.3	29.4	28.9
1979	26.1	25.4	35.7	50.8	29.1	30.8	22.6	37.8	11.4
1980	27.5	26.3	25.8	20.0	27.9	26.4	16.0	17.7	20.2
1981	39.7	47.0	23.7	28.3	39.4	36.8	18.8	22.7	8.5
1982	17.1	19.8	1.5	–65.9	4.7	12.2	1.3	–6.0	2.5
1983	11.6	8.3	3.6	45.8	7.7	8.7	4.0	–10.6	–3.4
1984	13.3	10.4	10.6	72.0	15.5	9.5	6.6	8.0	23.4
1985	23.0	9.5	6.6	–43.8	4.7	9.3	5.4	–3.1	12.8
1986	13.1	8.5	6.2	–54.5	5.4	8.2	2.6	–12.1	10.9
1987	12.6	10.3	10.8	218.1	11.1	11.0	9.7	–3.0	14.2
1988	27.3	18.3	19.0	54.1	20.6	24.6	19.2	44.6	8.4
1989	19.2	17.1	19.2	–22.9	17.4	20.5	17.4	24.1	10.5
1990	8.3	18.2	11.3	n.m.	7.1	13.5	4.9	6.9	6.5
1991	13.1	10.7	.9	n.m.	7.7	7.6	2.9	5.0	–2.3
1992	4.1	3.2	3.9	n.m.	3.4	3.5	–3.2	7.2	3.2
1993	13.2	6.8	7.9	n.m.	7.3	6.0	1.1	2.6	8.7
1994	6.8	6.9	8.6	n.m.	9.5	3.9	1.6	13.2	15.8
1995	8.2	2.0	7.0	90.5	3.1	2.9	2.1	12.0	7.9
1996	12.3	7.3	8.0	57.4	11.0	6.9	3.3	4.2	7.1
1997	14.5	6.3	3.5	67.9	8.8	5.8	1.9	.3	–1.4

n.m. Not meaningful.

To aid in comparisons among the estimates for the various years, see the section "The Numbering Scheme for the Financial and Operating Data Tables for Nonbank Affiliates in 1977–97." This section provides cross-references between the table numbers used in this publication and those used in the earlier publications. The table-numbering scheme of this publication also will be used in publications for 1998 forward.

Certain tables in this publication—most notably, most of the tables for majority-owned affiliates—do not have counterparts in the earlier publications. Other tables have counterparts in the earlier benchmark survey publications but not in the annual survey publications, because they cover items that are not collected in the annual surveys. For example, the benchmark surveys collect direct investment position and balance of payments data in addition to the financial and operating data collected in the annual surveys for nonbenchmark years. In addition, some items in the financial and operating data for U.S. affiliates—such as the number of employees covered by collective bargaining agreements and U.S. exports and imports of goods by product and by country of destination or origin—are collected only in benchmark surveys.

In a few instances, an item collected in the benchmark survey was combined with one or more other items in the annual surveys. Thus, two items that are shown in a table in this publication may be shown as only one item in the corresponding table in the annual survey publications.

The data in this publication are based on data collected at the enterprise—or company—level. Data presented on the establishment—or plant—level are also available for selected years as a result of a project to link BEA's enterprise data on foreign direct investment in the United States with more detailed Census Bureau establishment data for all U.S. companies.[5]

Coverage

The benchmark survey covered every U.S. business enterprise that was a U.S. affiliate of a foreign person. A U.S. affiliate is a U.S. business enterprise in which a

5. Publications that present the establishment data are available for 1987–92 (see the section on data availability). The 1987 and 1992 publications cover establishments in both manufacturing and nonmanufacturing industries; the 1988–91 publications cover establishments in manufacturing industries only. A forthcoming publication will present establishment data for both manufacturing and nonmanufacturing industries in 1997.

foreign person owns or controls, directly or indirectly, at least 10 percent of the voting securities if the enterprise is incorporated or an equivalent interest if the enterprise is unincorporated.

The financial and operating data cover every U.S. business enterprise that was a U.S. affiliate at the end of its 1997 fiscal year. In addition, the direct investment position and balance of payments data cover U.S. businesses that were U.S. affiliates some time during their 1997 fiscal year but that were not affiliates at the end of the year, because the foreign parents' interest in them had been liquidated or sold. The U.S. affiliates that were liquidated or sold during the year are covered so that the coverage of the direct investment position and balance of payments data in this publication is consistent with that of the U.S. international investment position and international transactions accounts.[6] Because these former affiliates were not required to report in the benchmark survey, estimates for them were based on information from other BEA surveys.

As a result of this difference in coverage, some balance of payments data items may not be fully comparable with their counterparts in the financial and operating data. For example, the total for net income shown in the financial and operating data excludes the net income of these former affiliates, but the foreign parents' share of this income is included in the balance of payments measure of income on foreign direct investment in the United States.

U.S. affiliates with total assets, sales, or net income (or loss) greater than $3 million were required to complete a benchmark survey report for 1997. Affiliates that did not meet these criteria were exempt from reporting, but they had to file an exemption form with information on their total assets, sales, and net income. In the benchmark surveys for 1980, 1987, and 1992, the exemption level for reporting was $1 million. The exemption level for 1997 was raised to $3 million in order to reduce the reporting burden of small enterprises.

For the 1997 benchmark survey, exemption claims were filed by 5,906 affiliates, compared with 10,090 affiliates that were required to report. In terms of value, however, the data for exempt affiliates were minuscule: Together, they accounted for less than 0.2 percent of the total assets, sales, and net income of all affiliates (table 2).[7]

Table 2.—Total Assets, Sales, and Net Income of U.S. Affiliates by Their Reporting Requirement in the Benchmark Survey

	Millions of dollars			Percent		
	Total assets	Sales	Net income	Total assets	Sales	Net income
All affiliates	4,405,019	1,850,446	44,839	100.0	100.0	100.0
Required to report	4,401,547	1,848,667	44,926	99.9	99.9	100.2
Exempt from reporting	3,473	1,779	–87	.1	.1	–.2

In contrast to BEA's past benchmark survey and annual publications, the data presented in this publication include estimates for exempt affiliates as well as data for U.S. affiliates that were required to complete a benchmark survey report. Because the data for exempt affiliates are minuscule, this change has virtually no effect on comparability with the published data for earlier years.

Concepts and Definitions

This section discusses the basic concepts and definitions used in the 1997 benchmark survey.

Direct investment

Direct investment implies that a person in one country has a lasting interest in, and a degree of influence over the management of, a business enterprise in another country. For the United States, in accordance with international guidelines, ownership or control of 10 percent or more of an enterprise's voting securities, or the equivalent, is considered evidence of such a lasting interest or degree of influence over management.[8] Thus, foreign direct investment in the United States is ownership or control, direct or indirect, by one foreign person of 10 percent or more of the voting securities of an incorporated U.S. business enterprise or an equivalent interest in an unincorporated U.S. business enterprise. Only foreign investment in the United States that

6. Because these affiliates were sold or liquidated during 1997, they are excluded from the investment position at yearend 1997. However, some tables present data on the position at yearend 1996, when these affiliates were still included in the foreign direct investment universe and, hence, in the estimates.

7. Because of limited resources, BEA cannot verify that exemption forms were filed by all affiliates that were below the threshold for submitting benchmark survey reports. However, because of their small size, the effect of any noncompliance by exempt affiliates on the benchmark survey data in terms of value is likely to be negligible.

8. See International Monetary Fund (IMF), *Balance of Payments Manual*, 5th ed. (Washington, DC: IMF, 1993); and Organisation for Economic Co-operation and Development (OECD), *OECD Benchmark Definition of Foreign Direct Investment*, 3rd ed. (Paris: OECD, 1996).

is direct investment was covered by the 1997 benchmark survey.

Direct investment in a U.S. business enterprise can result from direct or indirect ownership by a foreign person. In direct ownership, the foreign person itself holds the ownership interest in the U.S. business enterprise. In indirect ownership, one or more tiers of ownership exist between the U.S. business enterprise and the foreign person. For example, a U.S. business enterprise may be directly owned by another U.S. business enterprise that is, in turn, owned by the foreign person. A foreign person's percentage of indirect voting ownership in a given U.S. business enterprise is equal to the direct-voting-ownership percentage of the foreign person in the first U.S. business enterprise in the ownership chain, times the first enterprise's direct-voting-ownership percentage in the second U.S. business enterprise in the chain, times the corresponding percentages for all intervening enterprises in the chain, times the last intervening enterprise's direct-voting-ownership percentage in the given U.S. business enterprise. If more than one ownership chain exists, the percentages of direct and indirect ownership in all chains are summed to determine the foreign person's ownership percentage.

Direct investment refers to ownership by a single person, not to the combined ownership by all the persons in a country. A "person" is broadly defined to include any individual, branch, partnership, associated group, association, estate, trust, corporation, or other organization (whether or not organized under the laws of any State) and any government (including a foreign government, the U.S. Government, a State or local government, or any corporation, financial institution, or other entity or instrumentality thereof, including a government-sponsored agency).

An associated group is treated in this definition as a single person. An associated group consists of two or more persons who exercise their voting privileges in a concerted manner—by the appearance of their actions, by agreement, or by an understanding—in order to influence the management of a business enterprise. The following are deemed associated groups: (1) Members of the same family, (2) a business enterprise and one or more of its officers or directors, (3) members of a syndicate or joint venture, and (4) a corporation and its domestic subsidiaries. Thus, direct investment is considered to exist as long as the combined ownership interest of all members of the group is at least 10 percent, even if no one member owns 10 percent or more. The definition assumes, in effect, that the members' influence over management is comparable to that of a single person with the same ownership interest.

Investment by a foreign person of less than 10 percent in a U.S. business enterprise is not considered direct investment, even if another foreign person—of the same country or of another country—has an interest of at least 10 percent in the enterprise. Thus, if one foreign person owns 11 percent and another owns 9 percent, the 11-percent interest is included, but the 9-percent interest is excluded. However, if two or more foreign persons each hold an interest of at least 10 percent, each such interest is included.

Determination of residency

For purposes of the benchmark survey (and BEA's other direct investment surveys), the "United States" means the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, and all U.S. territories and possessions. U.S. offshore oil and gas sites are also considered to be in the United States.

"Foreign" means that which is situated outside the United States or which belongs to, or is characteristic of, a country other than the United States.

The country of residence, rather than the country of citizenship, of a person is used to determine whether a direct investor or the business enterprise owned by a direct investor is U.S. or foreign. A U.S. person is any person who resides in, or is subject to the jurisdiction of, the United States, and a foreign person is any person who resides outside the United States or who is subject to the jurisdiction of a country other than the United States.

A person is considered a resident of, or subject to the jurisdiction of, the country in which the person is located if the person resides or expects to reside in it for 1 year or more. Under this rule, individuals who reside or expect to reside outside their country of citizenship for less than 1 year are considered residents of their country of citizenship, whereas individuals who reside or expect to reside outside their country of citizenship for 1 year or more are considered residents of the country in which they are residing.

There are two exceptions to this rule. First, individuals (and their immediate families) who either own or are employed by a business enterprise in their country of citizenship and who are residing outside of that country for 1 year or more in order to conduct business for the enterprise are considered residents of their country of citizenship if they intend to return within a reasonable period of time. Second, individuals who reside outside their country of citizenship because they are government employees (such as diplomats, consular officials, members of the armed forces, and their immediate families) are considered residents of their country of citizenship regardless of their length of stay elsewhere.

The U.S. affiliate

A U.S. affiliate is a U.S. business enterprise in which there is foreign direct investment. The affiliate is called a *U.S.* affiliate to denote that it is located in the United States.

A business enterprise is any organization, association, branch, venture, or the ownership of real estate that exists for profit-making purposes or to otherwise secure economic advantage. Therefore, by definition, a business enterprise excludes the ownership of real estate exclusively for personal use; a residence that is leased to others by an owner who intends to reoccupy it is considered real estate held for personal use and not a business enterprise.

A business enterprise, and therefore an affiliate, may be either incorporated or unincorporated. Unincorporated affiliates primarily take the form of branches and partnerships. They may also include directly held commercial property.

A U.S. affiliate that is a branch consists of operations or activities in the United States that a foreign person conducts in its own name rather than through an entity separately incorporated in the United States. By definition, a branch is wholly owned.

In general, the U.S. operations or activities of a foreign person are considered to be a U.S. affiliate if they are legally or functionally separable from the foreign operations or activities of the foreign person. In most cases, it is clear whether the U.S. operations or activities constitute a U.S. affiliate. If an operation or activity is incorporated in the United States—as most are—it is *always* considered a U.S. affiliate. The situation is not always so clear with unincorporated U.S. operations or activities. Most are legally or functionally separable from those of the foreign person and thus are considered U.S. affiliates, but some are not clearly separable, and the determination of whether they constitute U.S. affiliates is made on a case-by-case basis, depending on the weight of evidence.

The following characteristics would indicate that the unincorporated operation or activity probably is a U.S. affiliate:

1. It pays U.S. income taxes.
2. It has a substantial physical presence in the United States, as evidenced by plant and equipment or employees that are permanently located in the United States.
3. It has separate financial records that allow the preparation of financial statements, including a balance sheet and income statement. (A mere record of disbursements to, or receipts from, the U.S. operation or activity would not constitute a "financial statement" for this purpose.)
4. It takes title to the goods it sells and receives revenues from the sale, or it receives funds from customers for its own account for services it performs.

The following characteristics would indicate that the unincorporated operation or activity probably is *not* a U.S. affiliate:

1. It pays no U.S. income taxes.
2. It has limited physical assets or few employees permanently located in the United States.
3. It has no separate financial records that allow the preparation of financial statements.
4. It conducts business in the United States only for the foreign person's account, not for its own account.
5. It engages only in sales promotion or public relations activities.
6. Its expenses are paid by the foreign person.

Consistent with these guidelines, the U.S. stations, ticket offices, and terminal or port facilities of a foreign airline or ship operator that provide services only to the airline's or ship operator's operations are not considered U.S. affiliates, because most of the revenues, such as passenger fares and freight charges, collected by these facilities are generated by the travel and transportation services rendered by the airline or ship operator of which they are a part, not by the activities of these facilities. However, if the facilities provide services to unaffiliated persons, they are considered U.S. affiliates.

Each U.S. affiliate was required to report on a fully consolidated domestic (U.S.) basis. The full consolidation includes all other U.S. affiliates of the foreign parent in which the affiliate directly or indirectly owned more than 50 percent of the outstanding voting interests. The consolidation excludes all other U.S. business enterprises and all foreign business enterprises owned by the U.S. affiliate.

There were three exceptions to this general consolidation rule. First, a given U.S. affiliate may have been excluded from full consolidation because of the lack of effective control. Second, a U.S. affiliate in which a direct ownership interest was held by one foreign person and an indirect ownership interest was held by another foreign person was not permitted to be consolidated in the report of another U.S. affiliate; this rule ensured that data on transactions and positions of both owners could be obtained from the affiliate. Third, a bank U.S. affiliate that directly or indirectly owned an interest of more than 50 percent in one or more U.S. affiliates in nonbanking industries was not permitted to file a single consolidated report; instead, any affiliates in banking were consolidated with it in a report for bank affiliates, and all their U.S. affiliates in nonbanking industries were consolidated in a report for nonbank affiliates.

The foreign owners

The existence of direct investment in a U.S. affiliate is determined solely on the basis of the voting shares (or the equivalent) held by its *foreign parent.* To more completely describe the foreign ownership of a U.S. affiliate, however, reference must be made to two additional entities—the *foreign parent group* and the *ultimate beneficial owner* (UBO). All three concepts are necessary to identify fully the owners of U.S. affiliates. The foreign parent of a U.S. affiliate must be identified to establish that foreign direct investment does in fact exist. The UBO of each U.S. affiliate is identified to determine the person that ultimately owns or controls and, therefore, ultimately derives the benefits from owning or controlling the U.S. affiliate.[9] Members of the foreign parent group are identified to distinguish foreign persons that are affiliated with a U.S. affiliate from those that are not.

The affiliate's transactions with all these persons are included in the investment income, services, and financial accounts of the U.S. international transactions accounts, and the direct investment positions in the affiliate that are held by all members of the foreign parent group, not just by its foreign parent, are included in the foreign direct investment position in the United States.[10]

9. UBO's that are individuals were not required to be identified by name; however, their countries of location were required.

10. Another type of transaction—trade in goods between affiliates and members of their foreign parent groups—is also included in the U.S. international transactions accounts, but it is not shown separately. Separate data on such trade, however, were obtained in the benchmark survey as part of the U.S.-affiliate financial and operating data; see the section "Financial and Operating Data."

A given U.S. affiliate may have more than one ownership chain above it, if it is owned at least 10 percent by more than one foreign person. In such cases, the affiliate may have more than one foreign parent, UBO, and foreign parent group.

A *foreign parent* is the first person outside the United States in a U.S. affiliate's ownership chain that has a direct investment interest in the affiliate. By this definition, the foreign parent consists *only* of the first person outside the United States in the affiliate's ownership chain; all other affiliated foreign persons are excluded.

The *ultimate beneficial owner* (UBO) of a U.S. affiliate is that person, proceeding up the affiliate's ownership chain beginning with and including the foreign parent, that is not owned more than 50 percent by another person. The UBO excludes other affiliated persons. If the foreign parent is not owned more than 50 percent by another person, the foreign parent and the UBO are the same. Unlike the foreign parent, the UBO may be either a U.S. person or a foreign person (though most are foreign).

Both the foreign parent and the UBO are "persons." Thus, they may be business enterprises; religious, charitable, or other nonprofit organizations; individuals; governments; estates or trusts; associated groups; and so forth. In the case of a foreign estate, the estate, not its beneficiary, is considered the foreign parent or UBO. For the investments of a foreign trust, either the creator or the beneficiary of the trust may be considered the foreign parent or UBO, depending on the circumstances. The creator is considered the foreign parent or UBO if the creator is a corporation or other organization that designates its own shareholders or members as beneficiaries or if there is a reversionary interest—that is, the interest in the trust may later be returned to the creator. In all other cases, the beneficiary of the trust is considered the foreign parent or UBO.

A *foreign parent group* consists of (1) the foreign parent, (2) any foreign person, proceeding up the foreign parent's ownership chain, that owns more than 50 percent of the person below it, up to and including the UBO, and (3) any foreign person, proceeding down the ownership chain(s) of each of these members, that is owned more than 50 percent by the person above it.

Accounting Principles

In most cases, data in the 1997 benchmark survey were required to be reported as they would have been for stockholders' reports rather than for tax or other purposes. Thus, U.S. generally accepted accounting principles (GAAP) were followed unless otherwise indicated by the survey instructions. The survey instructions departed from GAAP in cases where the departure would result in data that were conceptually or analytically more useful or appropriate for direct investment purposes. One major departure from GAAP was the use of unique consolidation rules (see the preceding discussion of consolidated reporting for "The U.S. affiliate" in the section "Concepts and Definitions").

Fiscal Year Reporting

Data for U.S. affiliates were required to be filed on a fiscal year basis. An affiliate's 1997 fiscal year was defined to be the affiliate's financial reporting year that ended in calendar year 1997.

The fiscal year data from the benchmark survey that are presented in this publication are not identical to the calendar year estimates of transactions between U.S. affiliates and their foreign parents that appear in the U.S. international transactions accounts or to the calendar yearend estimates of the foreign direct investment position in the United States. The benchmark survey data must be adjusted to a calendar year basis before they are entered into the foreign direct investment position and the international transactions accounts.

The extent of the noncomparability between the benchmark survey data presented here and the direct investment estimates presented in the foreign direct investment position and the international transactions accounts depends on the number and size of the U.S. affiliates whose fiscal years do not correspond to the calendar year. Selected data for affiliates classified by the affiliates' fiscal year ending date are shown in table 3. As indicated in the addendum to the table, affiliates whose fiscal year exactly corresponded to the calendar year 1997 accounted for most of the foreign direct investment position and direct investment income for all affiliates.

Table 3.—Selected Data of U.S. Affiliates by Fiscal Year Ending Date

	Total	Fiscal year ending date				
		January 1 to March 31	April 1 to June 30	July 1 to September 30	October 1 to December 31	Addendum: December 31
All affiliates:						
Total assets (millions of dollars)	4,405,019	649,559	108,822	153,079	3,493,559	3,307,742
Sales (millions of dollars)	1,850,446	313,756	76,143	112,112	1,348,435	1,270,049
Net income (millions of dollars)	44,839	3,141	–259	1,973	39,985	39,217
Compensation of employees (millions of dollars)	240,578	30,772	10,368	16,840	182,599	170,472
Thousands of employees	5,310.6	775.8	248.4	476.0	3,810.4	3,377.7
Exports of goods (millions of dollars)	.....	.....	.....	.....	.....	.....
Imports of goods (millions of dollars)	.....	.....	.....	.....	.....	.....
Foreign direct investment position in the United States (millions of dollars)	676,498	75,368	34,282	42,255	524,593	504,924
Direct investment income (millions of dollars)	38,466	2,940	42	3,405	32,079	31,254
Nonbank affiliates:						
Total assets (millions of dollars)	3,071,483	319,102	101,543	117,381	2,533,458	2,425,847
Sales (millions of dollars)	1,726,344	269,309	75,658	108,874	1,272,503	1,200,641
Net income (millions of dollars)	40,924	2,688	–280	1,675	36,841	36,234
Compensation of employees (millions of dollars)	233,482	30,186	10,330	16,424	176,543	164,673
Thousands of employees	5,201.9	769.5	247.8	466.4	3,718.2	3,287.5
Exports of goods (millions of dollars)	141,305	26,220	5,185	8,921	100,980	98,280
Imports of goods (millions of dollars)	264,924	66,918	4,859	21,328	171,820	167,735
Foreign direct investment position in the United States (millions of dollars)	636,933	74,254	34,032	38,889	489,758	470,444
Direct investment income (millions of dollars)	34,917	2,124	22	3,122	29,650	28,951
Bank affiliates:						
Total assets (millions of dollars)	1,333,536	330,457	7,279	35,698	960,102	881,895
Sales (millions of dollars)	124,102	44,447	484	3,238	75,933	69,407
Net income (millions of dollars)	3,916	453	21	298	3,143	2,984
Compensation of employees (millions of dollars)	7,095	586	38	416	6,056	5,799
Thousands of employees	108.6	6.3	.6	9.6	92.2	90.2
Exports of goods (millions of dollars)	.....	.....	.....	.....	.....	.....
Imports of goods (millions of dollars)	.....	.....	.....	.....	.....	.....
Foreign direct investment position in the United States (millions of dollars)	39,565	1,114	250	3,366	34,835	34,480
Direct investment income (millions of dollars)	3,549	817	20	283	2,429	2,303

Note.—See the "Notes to the Tables" on page 3.

Unlike the direct investment position and balance of payments data, financial and operating data in all BEA surveys are consistently collected and published on a fiscal year basis.

Confidentiality

Under the International Investment and Trade in Services Survey Act, the direct investment data collected by BEA from individual respondents are confidential; thus, they cannot be published in such a manner "that the person to whom the information relates can be specifically identified." For this publication, each cell in a table was tested to determine whether the data it contained should be suppressed (not be shown) for confidentiality reasons. A "(D)" in a cell indicates that the data were suppressed to avoid the disclosure of information on an individual company. For employment data, a letter representing a size range is entered in lieu of a "(D)."

The act further specifies that the data must be used for statistical and analytical purposes only; the use of an individual company's data for tax, investigative, or regulatory purposes is prohibited. Access to the data is limited to officials and employees (including consultants and contractors and their employees) of government agencies designated by the President to perform functions under the act. In addition, as amended by the Foreign Direct Investment and International Financial Data Improvements Act of 1990, the act grants access to certain other government agencies for limited statistical purposes. For example, access is granted to the Bureau of the Census for the purpose of linking BEA's enterprise-, or company-, level data for foreign direct investment to the Census Bureau's establishment-, or plant-, level data for all U.S. companies to obtain more detailed data by industry and by State for the foreign-owned enterprises that report to BEA.

Private individuals may obtain access to the data only in the capacity of experts, consultants, or contractors whose services are procured by BEA, usually on a temporary or intermittent basis, for purposes of carrying out projects under the Survey Act—for example, to perform research on foreign direct investment. These people are subject to the same confidentiality requirements as regular employees of BEA or other government agencies performing functions under the act.

Classification of Data

Both the financial and operating data and the direct investment position and balance of payments data from the benchmark survey can be classified by industry of affiliate, by country and industry of UBO, and by country and industry of foreign parent. In addition, the direct investment position and balance of payments data can be classified by country of each member of the foreign parent group.

Industry classification

The 1997 benchmark survey marks the introduction of a new International Survey Industry (ISI) classification system for classifying data on U.S. affiliates by industry. The new ISI classification system is based on the 1997 North American Industry Classification System (NAICS), the new industry classification system of the United States, Canada, and Mexico.[11] In the United States, the 1997 NAICS supplants the 1987 Standard Industrial Classification (SIC), which was the basis for the old ISI classification system.[12] Among other improvements, NAICS better reflects new and emerging industries, industries involved in the production of advanced technologies, and service industries.

Many of the NAICS industries correspond directly to SIC industries; similarly, many of the NAICS-based ISI industries correspond directly to SIC-based ISI industries. However, many of these industries have been rearranged among the higher level groups in which they appear. In addition, the NAICS includes several new, higher level groups. At the highest level of aggregation, the 20 industry groups—termed "sectors"—in the NAICS replace the 10 industry divisions in the SIC. Several of the NAICS (and NAICS-based ISI) sectors do not correspond directly to these SIC (and SIC-based ISI) industry divisions. For example, the new "information" sector consists of industry groups from several SIC industry divisions.[13]

11. Office of Management and Budget, *North American Industry Classification System: United States, 1997* (Lanham, MD: Bernan Press, 1998). Information on NAICS can be accessed on the Internet at <www.census.gov/epcd/www/naics.html>.

12. See Office of Management of Budget, *Standard Industrial Classification Manual, 1987* (Washington, DC: U.S. Government Printing Office, 1987).

13. Specifically, the information sector includes the following industries: Publishing, which is included in the SIC manufacturing industry division; "motion picture and sound recording industries" and "information and data processing services," which are included in the SIC services division; and broadcasting and communications, which are included in the SIC transportation, communication, and public utilities division.

For additional information on the differences between the NAICS and the SIC classifications (and therefore between the new NAICS-based and old SIC-based ISI classifications), see "NAICS: United States, 1997"and "Bridge Between NAICS and SIC"on the Census Bureau's Web site at <www.census.gov/epcd/www/econ97.html>.

In the new NAICS-based ISI classification system, there are 197 industries, compared with 137 industries in the old SIC-based ISI system. For the most part, the new ISI classifications are equivalent to NAICS four-digit industries; at its most detailed level, NAICS classifies industries at a six-digit level. The ISI classification system is less detailed than either NAICS or the SIC because it is designed for classifying enterprises rather than establishments (or plants). Because many direct investment enterprises are active in several industries, it is not meaningful to classify all their data in a single industry if that industry is defined too narrowly. A list and a description of the NAICS-based ISI codes (and their relationship to NAICS) are presented in the *Guide to Industry and Foreign Trade Classifications for International Surveys* (see appendix B).[14]

Each U.S. affiliate was classified by industry on the basis of its sales (or of its total income, for holding companies) in a three-step procedure. First, a given U.S. affiliate was classified in the sector that accounted for the largest percentage of its sales.[15] Second, within the sector, the U.S. affiliate was classified in the three-digit subsector in which its sales were largest; a three-digit subsector consists of all four-digit industries that have the same first three digits in their four-digit ISI code. Third, within its three-digit subsector, the U.S. affiliate was classified in the four-digit industry in which its sales were largest. This procedure ensured that the U.S. affiliate was not assigned to a four-digit industry outside either its sector or its three-digit subsector.[16].

Table A–1 presents selected financial and operating data for U.S. affiliates classified by industry of affiliate; each four-digit industry is shown separately and is grouped by the sector and subsector to which it belongs. (Table A–1 is presented both for all affiliates and for nonbank affiliates.) Primarily because of confidentiality requirements, many of these four-digit industries are not shown in the other tables in this publication. However, each industry that is included, but not identified, in an industry group shown in the other tables may be ascertained by referring to table A–1.

In contrast to publications on U.S.-affiliate operations for earlier years, the various petroleum-related industries are no longer grouped in the industry group "petroleum." Instead, these industries are spread among the NAICS-based ISI sectors; for example, oil and gas extraction is now included in mining, petroleum refining is in manufacturing, and gasoline stations are in retail trade. For earlier years, petroleum is shown as a separate major industry group because petroleum-related activities accounted for a major portion of all direct investment activity; however, the relative importance of these activities has declined significantly in recent years, reducing the need for a separate group. Accordingly, the industry presentation of the data for U.S. affiliates has been changed to bring it into conformity with that used for most other data on the U.S. economy.

To help assess the impact of the changes both in industry classification and in the treatment of petroleum-related industries, table groups K and L in part II of this publication present selected data classified by industry using SIC-based industries, the basis used for the benchmark survey and annual publications covering 1992–96.

Each U.S. affiliate was classified in a single industry—the primary industry of the affiliate. As a result, any affiliate activities that take place in secondary industries are classified as activities in the primary industry. Because the benchmark survey data were collected on an enterprise basis, the reports for many affiliates reflect substantial activities in secondary industries. Information on the distribution of activities within each firm was obtained in the benchmark sur-

14. The *Guide* is also available on BEA's Web site at <www.bea.doc.gov/bea/surveys/be799.pdf>.

15. The sectors used were agriculture, forestry, fishing, and hunting; mining; utilities; construction; manufacturing; wholesale trade; retail trade; transportation and warehousing; information; finance and insurance; real estate and rental and leasing; professional, scientific, and technical services; management of companies and enterprises; administrative and support, waste management, and remediation services; educational services; health care and social assistance; arts, entertainment, and recreation; accommodations and food services; and other services.

16. The following example illustrates the three-stage classification procedure. Suppose an affiliate's sales were distributed as follows:

Industry code	Percentage of total sales		
3341	5	30	55
3342	10		
3344	15		
3353	25		
4216	45		

where industry codes 3341, 3342, 3344, and 3353 are in the manufacturing sector and code 4216 is in the wholesale trade sector. Because 55 percent of the affiliate's sales were in manufacturing and only 45 percent were in wholesale trade, the affiliate's sector is manufacturing. Because the largest share of its sales within manufacturing is in the three-digit subsector 334 (computers and electronic products, which includes industry codes 3341, 3342, and 3344), the affiliate's three-digit subsector is 334. Finally, because its sales within subsector 334 were largest in industry 3344, the affiliate's four-digit industry is 3344 (semiconductors and other electronic components). Thus, the affiliate was assigned to industry 3344, even though its sales in that industry were smaller than its sales in either industry 4216 or industry 3353.

vey for two key items—sales and employment. Each U.S. affiliate above a minimum size threshold was required to distribute its sales and its employment among the four-digit industries in which it had sales.[17]

The data classified by industry of sales confirm that many affiliates had activities in more than one industry. In particular, the largest affiliates tended to report substantial sales in a number of secondary industries, including industries outside of the sector in which the affiliate was classified. Table 4 illustrates the degree to which sales by large affiliates classified in manufacturing are diversified across industries; it indicates that the 100 largest manufacturing affiliates (which together account for 58 percent of the total sales of all affiliates classified in manufacturing) on average had sales in 5 industries, and that 35 percent of these affiliates' sales were accounted for by four-digit industries other than the one in which the affiliate was classified.[18] The table also shows that 2 of the 5 industries in which the average affiliate had sales are outside manufacturing; on average, sales outside manufacturing accounted for 14 percent of the affiliates' total sales.

In addition, table 4 shows that industry diversification tends to increase with affiliate size. For example, in an examination of the 20 largest affiliates, the average number of industries in which affiliates had sales increases to 7 industries, and the average share of sales accounted for by industries other than the industry in which the affiliate was classified increases to 46 percent. Similar patterns of industry diversification are displayed by large affiliates classified in industries outside manufacturing, particularly by affiliates in wholesale trade.

As table 4 implies, the distribution of data by industry of affiliate differs from the distribution that would result if each of the affiliates' activities were classified by industry. In table A–8 of part II, nonbank U.S. affiliates' sales and employment by industry of sales are compared with their sales and employment by industry of affiliate. (Data by industry of sales cross-classified by industry of affiliate are shown in table E–7 for sales and table G–10 for employment.)

The distribution of affiliate data by industry of sales roughly approximates the distribution that would result if the data were reported and classified by industry of establishment because an affiliate that has an establishment in an industry usually also has sales in that industry. However, if two establishments of an affiliate are in different industries and if one of the establishments provides all of its output to the other one, the affiliate will not have sales in the industry of the first establishment.[19] Thus, the data by industry of sales approximate data by industry of establishment, but data by industry of establishment provide more precise and

17. Specifically, large U.S. affiliates (those with total assets, sales, or net income greater than $100 million) had to specify their sales and employment in the 10 industries in which their sales were largest; medium-sized affiliates (those with assets, sales or net income greater than $30 million but not greater than $100 million) had to specify their sales and employment in the 4 industries in which their sales were largest. Affiliate sales and employment in all other industries are shown in the "unspecified" row in tables A–8, E–7, E–8, G–10, and G–11.

18. For 32 of these 100 affiliates, the industry in which the affiliate is classified accounts for less than half of the affiliate's total sales.

19. For example, if an affiliate operates both a metal mine and a metal manufacturing plant and if the entire output of the mine is used by the manufacturing plant, all of the affiliate's sales will be in metal manufacturing, and none will be in metal mining. When the mining employees are distributed by industry of sales, they are classified in manufacturing. In contrast, when they are distributed by industry of establishment, they are classified in mining.

Table 4.—Industry Distribution of Sales by Large Affiliates Classified in Manufacturing

Sales rank	Number of four-digit industries in which affiliate has sales [1]			Percentage of affiliate sales accounted for by:					Addendum: Percentage of affiliate sales accounted for by four-digit industries other than those in which the affiliate is classified [2]
					Manufacturing industries				
	All industries	Manufacturing industries	Other industries	All industries [2]	Total	Four-digit industry in which the affiliate is classified	Other	Non-manufacturing industries [2]	
100 largest affiliates	5.4	3.7	1.7	100.0	85.7	64.7	21.0	14.3	35.3
1–20	6.6	4.5	2.2	100.0	80.0	54.0	26.0	20.0	46.0
21–40	6.2	4.3	1.9	100.0	85.3	61.2	24.1	14.7	38.8
41–60	4.2	2.9	1.3	100.0	90.3	73.0	17.3	9.7	27.0
61–80	5.0	3.4	1.7	100.0	86.0	66.5	19.6	14.0	33.5
81–100	4.9	3.3	1.6	100.0	86.9	68.8	18.1	13.1	31.2
Addendum:									
All large manufacturing affiliates with sales [3]	2.5	1.9	.6	100.0	92.0	82.0	10.0	8.0	18.0

1. On the benchmark survey form, large affiliates (those with assets, sales, or net income greater than $100 million) were requried to specify their sales in the 10 industries in which their sales were largest. To the extent that some affiliates had sales in more than 10 industries, there may be a slight downward bias in the average number of industries shown for a given group.

2. For affiliates that had sales in more than 10 industries, includes sales in industries that were not identified on the benchmark survey form.

3. Consists of the 861 large affiliates classified in manufacturing that had positive sales.

more detailed information of the activities of the affiliates. In addition, establishment data can be related directly to measures of economic activity by all establishments in the United States. Partly for these reasons, BEA plans to publish establishment data for U.S. affiliates for 1997 as part of a project that links the enterprise data from the benchmark survey to the establishment data from the Census Bureau's 1997 economic census.[20]

The foreign parent and UBO of each affiliate were also classified by industry; however, because a breakdown was not obtained for each industry in which the parent or UBO had sales, the categories used were much less detailed than those used for affiliates. In the benchmark survey, an affiliate had to assign its parent and UBO to 1 of 31 broad NAICS-based categories. These categories are shown in table 5, which presents selected data for affiliates classified by industry of foreign parent. Selected data for nonbank affiliates classified by industry of UBO are presented in table A–6 in part II. (Data by industry of affiliate cross-classified by industry of UBO are shown in tables B–7, E–5, F–4, and G–5.)

The industry classification of an affiliate's foreign parent may differ from that of its UBO. The foreign parent consists *only* of the first foreign person in the affiliate's ownership chain, and its industry of classification reflects only the activities of that first foreign person. In contrast, the UBO's industry reflects its fully consolidated worldwide activities, including the activities of both U.S. and foreign entities in the ownership chain below it.

A distribution of sales by industry was not obtained for UBO's or foreign parents. For affiliates that had more than one UBO or foreign parent, each UBO or foreign parent was classified. In the tables that show data disaggregated by industry of UBO or foreign parent, all data for these affiliates are shown in the industry of the UBO or foreign parent with the largest ownership share.

Country classification

In the benchmark survey, the UBO and the foreign parent of a U.S. affiliate were each classified by country. For affiliates that had more than one UBO or foreign parent, each UBO or foreign parent was classified; for most of the tables in this publication, the data for a given affiliate were then classified by the country of the UBO or the foreign parent that had the largest ownership share in the affiliate.

For most affiliates, the country of the UBO is the country of the foreign parent: Of the 10,090 U.S. affiliates that were required to complete a report, the coun-

Table 5.—Selected Financial and Operating Data of U.S. Affiliates, by Industry of Foreign Parent

	Millions of dollars				
	Total assets	Gross property, plant, and equipment	Sales	Compensation of employees	Thousands of employees
All industries	4,405,019	886,077	1,850,446	240,578	5,310.6
Government and government-related entities	7,217	5,870	3,265	283	5.2
Government and government-owned enterprises	6,655	5,496	(D)	283	5.2
Pension funds—government run	562	374	(D)	1	(*)
Individuals, estates, and trusts	37,542	21,894	32,040	5,212	226.0
Pension funds—privately run	3,374	2,663	1,072	41	.7
Estates, trusts, and nonprofit organizations	11,267	7,476	17,030	2,753	108.2
Individuals	22,901	11,755	13,938	2,418	117.1
Manufacturing	577,989	276,176	650,364	88,404	1,747.4
Food	20,542	11,349	30,785	4,059	94.7
Beverages and tobacco	19,830	3,389	8,487	1,102	18.6
Petroleum	12,129	11,299	12,920	1,040	18.2
Chemicals	123,724	53,951	96,498	17,025	263.2
Pharmaceuticals and medicines	38,069	9,029	24,821	4,939	78.7
Other	85,656	44,922	71,677	12,087	184.5
Nonmetallic mineral products	15,540	11,977	13,162	2,478	50.8
Primary and fabricated metals	49,411	30,950	53,463	7,994	162.2
Machinery	28,868	8,239	31,742	4,878	110.4
Computer and electronic products	63,551	21,929	83,602	12,224	217.0
Electrical equipment, appliances and components	54,319	21,787	83,266	9,915	191.2
Transportation equipment	109,290	57,472	146,928	11,091	222.4
Motor vehicles and parts	98,988	54,734	137,464	9,384	181.2
Other	10,302	2,738	9,464	1,707	41.1
Other manufacturing	80,786	43,833	89,511	16,599	398.7
Wholesale and retail trade	111,989	37,254	227,039	15,280	585.2
Information	22,727	9,902	14,815	4,224	90.5
Depository institutions and bank holding companies	1,902,400	14,988	175,088	13,694	152.6
Finance (except depository institutions) and insurance	681,557	31,157	108,395	13,099	188.3
Real estate	63,637	53,632	10,596	1,303	30.5
Professional, scientific, and technical services	6,688	1,559	5,129	2,205	33.6
Other industries	993,272	433,645	623,714	96,873	2,251.2
Agriculture, forestry, fishing and hunting	4,394	2,494	5,732	423	10.7
Mining	49,251	39,408	39,798	3,940	62.8
Utilities	58,573	50,875	40,270	6,614	138.1
Construction	14,767	8,160	19,005	3,231	64.4
Transportation and warehousing	31,895	23,731	36,151	5,588	97.0
Holding companies	810,368	298,514	464,730	70,210	1,638.0
Other services	24,023	10,462	18,028	6,867	240.2

Note.—See the "Notes to the Tables" on page 3.

20. Establishment data from the link project were published previously for 1987–92 (see the section on data availability).

try of the UBO and that of its foreign parent are the same for 8,598 affiliates. Together, these affiliates account for more than 85 percent of the total assets, sales, and employment of all affiliates.

Table 6.—Number of Affiliates by Country of UBO and Whether or Not the Country of Foreign Parent is the Same as the Country of UBO [1]

Country of UBO	Total	Affiliates whose country of foreign parent is: Country of UBO	Another country
All countries	10,090	....	....
Canada	979	961	18
Europe	4,281	....	....
Austria	52	41	11
Belgium	106	83	23
Denmark	66	61	5
Finland	49	39	10
France	549	490	59
Germany	1,035	983	52
Ireland	43	34	9
Italy	234	160	74
Liechtenstein	33	28	5
Luxembourg	60	40	20
Netherlands	318	283	35
Norway	71	63	8
Spain	69	60	9
Sweden	138	123	15
Switzerland	419	321	98
United Kingdom	961	781	180
Other	78	....	....
Latin America and Other Western Hemisphere	693	....	....
South and Central America	433	....	....
Brazil	67	36	31
Mexico	179	127	52
Panama	54	50	4
Venezuela	52	24	28
Other	81	....	....
Other Western Hemisphere	260	....	....
Bahamas	28	25	3
Bermuda	65	36	29
Netherlands Antilles	53	46	7
United Kingdom Islands, Caribbean	105	91	14
Other	9	....	....
Africa	42	....	....
South Africa	19	2	17
Other	23	....	....
Middle East	342	....	....
Israel	81	67	14
Kuwait	52	19	33
Lebanon	19	1	18
Saudi Arabia	123	18	105
United Arab Emirates	25	5	20
Other	42	....	....
Asia and Pacific	3,649	....	....
Australia	140	125	15
China	33	32	1
Hong Kong	220	99	121
Indonesia	36	22	14
Japan	2,718	2,675	43
Korea, Republic of	127	124	3
Malaysia	30	14	16
New Zealand	15	12	3
Philippines	25	17	8
Singapore	75	65	10
Taiwan	173	143	30
Other	57	....	....
United States	104	0	104

1. Covers affiliates that were required to report in the benchmark survey; affiliates that filed exemption claims are excluded.

Table 6 shows the number of affiliates that were required to report in the benchmark survey by country of UBO. For a given UBO country, the table shows the number of affiliates for which the affiliate's country of foreign parent is identical to, or differs from, its country of UBO. For most of the countries shown, the country of foreign parent is same as the country of UBO for the vast majority of affiliates. However, for some UBO countries—most notably, Hong Kong, Venezuela, and several countries in the Middle East—the country of foreign parent of most affiliates differs from that of their UBO. For most of these countries, tabular totals shown when data are distributed by country of UBO are substantially higher than those shown when data are distributed by country of foreign parent. For other countries—most notably, the Netherlands, Panama, and a few Caribbean countries—totals shown when data are distributed by country of foreign parent are substantially higher than those shown when distributed by country of UBO. A comparison of selected data-item totals by country of UBO and by country of foreign parent is shown for nonbank affiliates in table A–7 in part II.

Most of the data in the tables that are disaggregated by country in this publication are classified by country of UBO. Classification by country of UBO usually is used for financial and operating data because the country that ultimately owns or controls a U.S. affiliate and that therefore derives benefits from owning or controlling the affiliate generally is considered most important for analyzing these data. Except for the data in table 7, all balance of payments and direct investment position data in this publication are also classified by country of UBO, so that both types of data presented will be classified on the same basis. In contrast, the data in the U.S. international transactions accounts and in the foreign direct investment position in the United States are usually classified by the country of each member of the foreign parent group with which there are transactions or positions.

Table A–2 presents selected financial and operating data by country of UBO; by geographic area, it shows each country in which a UBO was located in 1997. (Table A–2 is presented for all affiliates, for nonbank affiliates, and for bank affiliates.) Table 7 shows data for all affiliates on the

Table 7.—Foreign Direct Investment Position in the United States and Direct Investment Income by Country of UBO, of Foreign Parent, and of Each Member of the Foreign Parent Group

[Millions of dollars]

	By country of UBO		By country of foreign parent		By country of each member of the foreign parent group	
	Position	Income	Position	Income	Position	Income
All countries	676,498	38,466	676,498	38,466	676,498	38,466
Canada	78,283	4,235	80,991	4,206	65,863	3,114
Europe	401,492	27,620	409,702	28,387	422,351	29,360
Austria	(D)	(D)	1,693	106	1,814	114
Belgium	(D)	(D)	4,046	311	6,283	357
Denmark	(D)	(D)	2,734	103	2,610	100
Finland	(D)	213	3,599	188	3,349	188
France	50,839	2,301	49,006	2,328	50,008	2,347
Germany	79,776	4,066	75,624	3,540	70,722	3,253
Ireland	(D)	(D)	3,818	252	10,250	431
Italy	6,917	334	3,509	183	3,855	190
Liechtenstein	276	–4	314	–27	346	–27
Luxembourg	1,160	–98	4,014	249	5,285	321
Netherlands	(D)	3,644	82,853	6,177	86,607	6,592
Norway	(D)	117	3,085	140	3,255	141
Spain	2,496	91	2,535	96	2,513	93
Sweden	13,277	1,085	12,968	1,001	12,400	966
Switzerland	(D)	2,849	36,944	2,699	34,701	2,544
United Kingdom	137,943	12,443	121,187	10,895	126,616	11,606
Other	784	10	1,774	146	1,739	145
Andorra	(*)	(*)	0	0	0	0
Armenia	(*)	(*)	(*)	(*)	(*)	(*)
Belarus	(*)	(*)	(*)	(*)	(*)	(*)
Bulgaria	0	(*)	0	(*)	(*)	(*)
Croatia	1	(*)	1	(*)	1	(*)
Cyprus	(D)	–3	11	–3	11	–3
Czech Republic	7	1	(*)	(*)	–1	(*)
Gibraltar	(D)	2	(D)	135	(D)	135
Greece	262	5	375	10	367	10
Hungary	(D)	1	(D)	1	(D)	1
Iceland	(D)	(*)	(D)	(*)	(D)	(*)
Malta	1	1	25	(*)	25	(*)
Montenegro	(*)	(*)	(*)	(*)	(*)	(*)
Poland	47	–2	47	–2	39	–2
Portugal	–37	4	–41	3	–60	3
Romania	(*)	(*)	(*)	(*)	(*)	(*)
Russia	85	2	79	1	84	1
Serbia	0	0	1	(*)	1	(*)
Slovenia	34	–2	27	–3	27	–3
Turkey	52	2	49	3	46	2
Turkmenistan	0	0	0	0	–1	0
Ukraine	1	(*)	1	(*)	1	(*)
Uzbekistan	2	1	0	0	0	0
Latin America and Other Western Hemisphere	19,920	1,275	31,070	1,128	31,736	1,145
South and Central America	(D)	491	11,436	830	10,558	807
Brazil	2,413	184	1,102	64	827	52
Mexico	4,740	166	3,766	153	3,687	148
Panama	(D)	–162	5,430	550	5,172	550
Venezuela	2,509	(D)	321	25	344	25
Other	1,224	(D)	817	39	528	33
Argentina	675	56	(D)	(D)	428	38
Belize	(*)	(*)	0	0	0	0
Bolivia	1	2	1	2	1	2
Chile	92	2	87	2	24	1
Colombia	107	6	46	1	15	2
Costa Rica	(D)	3	0	0	–5	(*)
Ecuador	178	(D)	28	2	28	2
El Salvador	41	2	3	(*)	3	(*)
Guatemala	6	(*)	1	(*)	–7	(*)
Honduras	(D)	3	0	0	(*)	0
Nicaragua	(D)	3	0	0	–9	0
Paraguay	4	(*)	(*)	(*)	(*)	(*)
Peru	38	2	31	(D)	12	4
Uruguay	17	(*)	(D)	–16	37	–16
Other Western Hemisphere	(D)	784	19,634	298	21,178	337
Bahamas	540	–7	1,426	24	1,563	31
Bermuda	(D)	373	4,169	127	4,585	142
Netherlands Antilles	2,287	(D)	5,733	405	5,817	407
United Kingdom Islands, Caribbean	(D)	(D)	7,850	–295	8,603	–275
Other	37	–6	456	37	609	33
Anguilla	1	0	1	0	1	0
Antigua and Barbuda	1	(*)	15	1	15	1
Aruba	(*)	(*)	(*)	(*)	(*)	(*)
Barbados	3	–3	426	39	586	34
Dominican Republic	3	–1	3	–1	1	–1
Haiti	0	0	0	0	–2	0
Jamaica	(D)	1	(*)	(*)	–3	(*)
St. Vincent and the Grenadines	1	–1	(D)	–1	(D)	–1
Trinidad and Tobago	3	(*)	(*)	(*)	(*)	(*)
United Kindgom Islands, Atlantic	(D)	–2	(D)	(*)	(D)	(*)
Africa	(D)	127	1,016	–349	1,668	–348
South Africa	1,034	143	(D)	2	7	2
Other	(D)	–16	(D)	–351	1,661	–351
Algeria	(D)	(D)	0	0	(*)	(*)
Angola	0	0	0	0	–2	0
Congo (Kinshasa)	(*)	(*)	2	(*)	2	(*)
Egypt	45	–5	40	–5	40	–5
Ethiopia	(D)	(D)	0	0	0	0
Guinea	0	0	0	0	(*)	(*)
Kenya	1	(*)	1	(*)	1	(*)
Liberia	110	–40	900	–352	1,602	–351
Libya	4	(*)	4	(*)	4	(*)
Mauritius	0	0	0	0	–4	0
Morocco	19	9	15	(*)	15	(*)
Nigeria	(D)	6	(D)	6	8	6
Rwanda	0	0	0	0	–1	0
Senegal	(*)	(*)	(*)	(*)	(*)	(*)
Tunisia	0	0	0	0	–4	(*)
Zimbabwe	0	0	2	(*)	2	(*)
Middle East	(D)	641	5,983	642	5,985	642
Israel	2,409	172	2,012	141	2,047	141
Kuwait	(D)	335	(D)	335	(D)	335
Lebanon	398	20	5	(*)	5	(*)
Saudi Arabia	2,660	180	(D)	(D)	(D)	(D)
United Arab Emirates	1,124	–4	81	–1	73	–1
Other	312	–62	–78	(D)	–79	(D)
Bahrain	143	–69	(D)	(D)	(D)	(D)
Iran	27	(*)	(D)	(*)	(D)	(*)
Jordan	63	2	13	2	13	2
Oman	7	1	7	1	6	(*)
Qatar	23	3	(D)	3	(D)	3
Syria	49	(*)	2	(*)	2	(*)
Yemen	(*)	(*)	0	0	0	0
Asia and Pacific	158,861	4,188	147,736	4,452	148,895	4,554
Australia	(D)	(D)	13,810	–783	13,205	–730
China	(D)	(D)	265	42	258	38
Hong Kong	2,587	32	1,595	44	1,849	46
Indonesia	378	24	255	(D)	249	(D)
Japan	128,923	6,152	125,427	6,107	125,916	6,086
Korea, Republic of	470	–1,062	433	–1,060	262	–1,060
Malaysia	(D)	10	458	2	459	–2
New Zealand	280	–54	144	–28	191	–27
Philippines	182	(D)	78	(D)	97	(D)
Singapore	2,610	–98	1,950	–23	2,876	54
Taiwan	5,014	–216	2,908	105	3,013	104
Other	853	(D)	413	4	521	4
Afghanistan	(D)	(*)	(D)	(*)	(D)	(*)
Bangladesh	3	(*)	3	(*)	3	(*)
Brunei	(D)	(D)	(D)	–3	(D)	–3
Cambodia	0	0	0	0	–2	(*)
French Islands, Pacific	1	(*)	1	(*)	1	(*)
India	153	10	98	14	94	14
Pakistan	71	11	49	10	48	10
Papua New Guinea	1	(*)	1	(*)	1	(*)
Sri Lanka	(*)	(*)	(*)	(*)	–2	(*)
Thailand	186	–49	196	–19	312	–19
United Kingdom Islands, Pacific	(*)	(*)	(D)	1	(D)	1
Vanuatu	(D)	(*)	(D)	(*)	(D)	(*)
United States	6,247	379	....	....	....	....
Addenda:						
European Union (15)	362,065	24,657	367,919	25,443	382,617	26,571
OPEC	10,278	764	4,689	594	4,648	594

OPEC Organization of Petroleum Exporting Countries.
UBO Ultimate beneficial owner.

NOTE.—See the "Notes to the Tables" on page 3.

direct investment position and on direct investment income by each country in which a UBO was located. Primarily because of confidentiality requirements, many countries could not be shown in the other tables in this publication. However, each country included, but not identified, in a geographic group shown in the other tables may be ascertained by referring to table A–2 or table 7.

Three tables—tables 7 and 8 in and table A–7 in part II—show data by country of foreign parent. Table 7 shows the direct investment position and direct investment income by country of foreign parent and by country of each member of the foreign parent group, in addition to by country of UBO. Table 8 shows selected financial and operating data for all affiliates, classified by country of foreign parent. As mentioned above, table A–7 compares a few key data items classified by country of UBO and by country of foreign parent for nonbank affiliates.

Table 8.—Selected Financial and Operating Data of U.S. Affiliates by Country of Foreign Parent

	Millions of dollars					
	Total assets	Gross property, plant, and equipment	Sales	Net income	Compensation of employees	Thousands of employees
All countries	4,405,019	886,077	1,850,446	44,839	240,578	5,310.6
Canada	419,985	88,359	155,854	3,519	23,970	643.3
Europe	2,565,937	497,863	1,032,691	33,214	156,739	3,325.2
Austria	13,811	(D)	4,707	89	393	9.1
Belgium	24,883	11,739	22,550	530	2,501	112.1
Denmark	(D)	2,715	(D)	(D)	1,342	30.4
Finland	(D)	2,663	(D)	(D)	1,300	25.7
France	467,243	73,254	137,353	2,792	20,884	382.1
Germany	419,470	84,145	193,608	4,192	30,524	652.0
Ireland	(D)	(D)	(D)	(D)	(D)	K
Italy	43,620	3,146	9,380	291	1,026	27.7
Liechtenstein	909	346	636	–10	152	1.6
Luxembourg	13,195	5,493	16,709	337	2,935	65.9
Netherlands	510,884	120,612	220,457	8,297	28,132	615.3
Norway	(D)	(D)	(D)	(D)	1,046	29.4
Spain	36,550	1,280	3,772	66	(D)	I
Sweden	55,807	10,170	33,355	1,043	4,682	101.4
Switzerland	432,684	33,758	117,253	3,422	21,405	343.9
United Kingdom	476,495	136,043	231,686	11,561	38,565	885.0
Other	9,361	408	2,330	16	187	4.2
Latin America and Other Western Hemisphere	280,977	65,588	79,810	6,333	12,289	354.6
South and Central America	193,042	25,514	31,625	5,437	3,747	72.7
Brazil	6,918	903	(D)	(D)	(D)	H
Mexico	(D)	1,579	6,659	1,347	756	20.7
Panama	(D)	(D)	(D)	(D)	(D)	K
Venezuela	3,625	(D)	1,067	221	174	3.4
Other	5,188	127	820	43	68	1.8
Other Western Hemisphere	87,935	40,074	48,185	897	8,542	281.8
Bahamas	3,262	1,749	1,678	1	271	11.3
Bermuda	(D)	6,266	(D)	(D)	2,204	94.4
Netherlands Antilles	16,229	(D)	12,645	628	2,228	65.0
United Kingdom Islands, Caribbean	50,435	(D)	22,890	–44	3,775	107.7
Other	(D)	526	(D)	(D)	64	3.5
Africa	(D)	5,238	(D)	(D)	310	6.9
South Africa	(D)	8	28	2	2	.1
Other	5,990	5,231	(D)	(D)	308	6.8
Middle East	(D)	10,829	(D)	(D)	945	20.5
Israel	(D)	600	2,427	131	374	8.3
Kuwait	(D)	5,184	(D)	(D)	71	3.2
Lebanon	8	7	(*)	(*)	0	0
Saudi Arabia	7,557	(D)	(D)	(D)	(D)	H
United Arab Emirates	203	(D)	(D)	(D)	6	.2
Other	2,723	282	(D)	(D)	(D)	H
Asia and Pacific	1,101,331	218,200	562,322	897	46,325	960.1
Australia	62,046	16,371	25,227	–1,344	3,346	70.7
China	(D)	(D)	(D)	(D)	122	2.1
Hong Kong	8,156	1,405	2,157	13	225	7.4
Indonesia	5,090	389	1,089	44	196	7.0
Japan	955,349	186,279	494,934	3,451	39,799	815.1
Korea, Republic of	33,554	5,737	23,305	–1,156	1,040	20.1
Malaysia	(D)	592	(D)	(D)	287	7.4
New Zealand	637	143	1,421	–59	182	2.6
Philippines	788	(D)	116	10	26	.8
Singapore	6,841	3,173	2,456	–239	382	8.1
Taiwan	17,438	3,157	7,388	81	587	15.4
Other	4,526	326	845	–5	134	3.5
Addenda:						
European Union (15)	2,118,211	460,236	899,753	29,857	133,996	2,947.0
OPEC	23,497	12,701	15,899	1,361	776	18.0

OPEC Organization of Petroleum Exporting Countries.

NOTES.—See the "Notes to the Tables" on page 3.

Size ranges are given in employment cells that are suppressed. The size ranges are A–1 to 499; F–500 to 999; G–1,000 to 2,499; H–2,500 to 4,999; I–5,000 to 9,999; J–10,000 to 24,999; K–25,000 to 49,999; L–50,000 to 99,999; M–100,000 or more.

Estimation and General Validity of the Data

Nonbank affiliates with total assets, sales, or net income greater than $3 million were required to report in the benchmark survey. Depending on their size, they had to report on either a long form, a short form, or an abbreviated short form.[21] In order to present financial and operating data in the same detail for all nonbank affiliates, BEA estimated the items that appeared only on the long form for the affiliates that reported on the short form or the abbreviated short form. Estimates were also made for some affiliates that failed to report in the benchmark survey but for which BEA had a basis for estimation, usually from data reported in other BEA surveys. In addition, estimates were made for affiliates that were exempt from reporting in the benchmark survey.[22]

The long form (BE–12(LF)) was filed by nonbank affiliates with total assets, sales, or net income (or loss) greater than $100 million and collected the most detailed data. The short form (BE–12(SF)) was filed by nonbank affiliates with total assets, sales and net income (or loss) of $100 million or less. The full short form—which was

21. Bank affiliates reported on a separate form. For nonbank affiliates, the abbreviated short form consists of items 1 through 20 in part I of the short form. All the forms used in the benchmark survey are reprinted in appendix A.

22. As noted in the section on "Coverage," estimates for exempt affiliates were not made in previous benchmark and annual surveys; however, because the data for exempt affiliates are minuscule, this change has virtually no effect on comparability with the published data for earlier years.

filed by nonbank affiliates with total assets, sales, or net income (or loss) greater than $30 million—collected most balance of payments data items but only selected financial and operating data items. The abbreviated short form—which was filed by nonbank affiliates with total assets, sales, and net income (or loss) of $30 million or less—collected key financial and operating data items only. For a given short-form affiliate, long-form items were generally estimated on the basis of relationships among data items for a comparable panel of long-form affiliates.

A total of 2,380 nonbank affiliates filed long forms (table 9). Although these affiliates accounted for only 25 percent of all nonbank affiliates that were required to report, in terms of value, they accounted for 90 percent or more of the nonbank universe for most key data items.

A total of 1,712 nonbank affiliates filed short forms, and 5,119 affiliates filed abbreviated short forms. Together, these affiliates accounted for about 70 percent of all nonbank affiliates that were required to report; however, in terms of value, they accounted for less than 10 percent of the nonbank universe for most key data items. A large number of these affiliates were in real estate, and their shares of the universe in this industry in terms of value were disproportionately high. In real estate, affiliates that filed either the short form or the abbreviated short form accounted for 25 percent of total assets, 27 percent of sales, and 19 percent of employment.

Special estimates were made for 441 nonbank affiliates that did not file a benchmark survey report even though they met the criteria for filing (these affiliates accounted for about 5 percent of all nonbank affiliates that were required to report). For these affiliates, BEA had a report in another direct investment survey that could serve as a basis for the estimation. These affiliates, most of which were small, accounted for less than 3 percent of the nonbank universe for most key data items.

The data reported by U.S. affiliates had to pass a substantial number of computerized edit checks. Where possible, the data for an affiliate were reviewed for their consistency with related data for the affiliate from other parts of the report form, with data provided in related report forms, with comparable data reported by other affiliates, and with comparable data from outside sources. As a result of this edit and review process, a number of changes to the reported data were made, usually after consulting with the reporting affiliate. In some cases, usually involving small affiliates, estimates based on industry averages or other information were substituted for missing or erroneously reported data.

For some items—such as those pertaining to trade by product and country of origin or destination and employment by industry of sales or by State—affiliates had difficulty in supplying the required information because the data were not easily accessible or were unavailable from their standard accounting records. In these cases, affiliates often made estimates, the quality of which is difficult to assess.

Number of U.S. Affiliates

Several tables in this publication present the number (by industry, country, or State) of affiliates that were required to report in the benchmark survey. Because the exemption level for filing reports was higher than in previous benchmark surveys, the number is not comparable with that shown in previous benchmark and annual publications.[23]

The number of affiliates shown in the tables of this publication exclude affiliates that were exempt from

Table 9.—Selected Data for U.S. Affiliates That Filed Reports and for Affiliates for Which Reports Were Estimated

	Number of affiliates	Millions of dollars					Thousands of employees
		Total assets	Gross property, plant, and equipment	Sales	Net income	Compensation of employees	
Affiliates that were required to file a report	10,090	4,401,547	883,861	1,848,667	44,926	239,488	5,302
Bank affiliates	438	1,333,536	8,509	124,102	3,916	7,095	109
Nonbank affiliates	9,652	3,068,011	875,353	1,724,565	41,010	232,393	5,194
Nonbank affiliates that actually filed reports	9,211	3,016,493	862,282	1,698,220	40,967	227,618	5,065
Affiliates that filed long forms	2,380	2,902,723	799,182	1,600,746	40,976	210,764	4,630
Affiliates that filed full short forms	1,712	71,662	41,601	64,635	203	10,841	280
Affiliates that filed abbreviated short forms	5,119	42,108	21,499	32,840	–212	6,014	155
Nonbank affiliates that failed to file reports and for which reports were estimated	441	51,517	13,071	26,345	43	4,775	128
Affiliates that were exempt from reporting [1]	5,906	3,473	2,216	1,779	–87	311	8
Addendum:							
Nonbank affiliates that filed long forms as a percentage of all nonbank affiliates that were required to report	24.7	94.6	91.3	92.8	99.9	90.7	89.2

1. For exempt affiliates, data were estimated for all items except total assets, sales, and net income (which were reported on the exemption form).

reporting, even though estimates for exempt affiliates are now included in the data for other items. For the benchmark survey, exemption claims were filed by 5,906 affiliates; however, the total number of affiliates that were below the threshold for submitting benchmark survey reports may be considerably higher than the number of exemption claims that were actually filed. In terms of value, the effect of any omission of exempt affiliates on the benchmark survey data is negligible, as exempt affiliates account for only a tiny percentage of the data for all affiliates (table 2). However, the number of exempt affiliates that were not counted could be substantial.

The published data on the number of affiliates that were required to report may also be subject to some imprecision, because some affiliates that were required to file a report did not do so. Because of limited resources, BEA's efforts to ensure compliance with reporting requirements focused mainly on large affiliates. As a result, some small affiliates that were not aware of the reporting requirements and that were not on BEA's mailing list may not have filed reports. Although the omission of these affiliates from the benchmark survey results probably has not significantly affected the aggregate value of the various data items collected, it could have caused an unknown, but possibly significant, understatement of the number of affiliates.

Even an exact count of U.S. affiliates would be difficult to interpret because each report covers a fully consolidated U.S. business enterprise, which may consist of several companies. The number of fully consolidated enterprises varies according to the degree of consolidation used and the differences in the organizational structure of the company. Tables A–1 and A–2 in this publication show the number of companies consolidated in the affiliates' reports in addition to the number of affiliates that were required to report. Because the report for one affiliate may cover many companies, the number of companies consolidated is substantially higher than the number of affiliates—34,900 companies, compared with 10,090 affiliates. For nonbank affiliates, the comparable figures are 34,082 companies and 9,652 affiliates.

23. As stated in the section on "Coverage," affiliates with total assets, sales, and net income (or loss) of $3 million or less were exempt from reporting in the 1997 benchmark survey. In the previous benchmark surveys, the exemption level for reporting was $1 million. Under a $3 million exemption level, 2,811 of the 12,672 affiliates that were required to report in the 1992 benchmark survey would have been exempt from reporting.

This publication includes the number of nonbank affiliates by State in the following three categories: Affiliates with either property, plant, and equipment or employment (table A–9); affiliates with property, plant, and equipment (tables D–18 and D–19); and affiliates with employment (table G–18). In these tables, the number for a given State may differ because some affiliates have both employment and property, plant, and equipment in the State, some have only employment, and some have only property, plant, and equipment.

An affiliate is counted even if it only has a few employees in the State and even if the value of its property, plant, and equipment is small. For example, sales offices often account for a substantial portion of the total number of affiliates in a State. These offices often have fewer than 10 employees and only a nominal amount of property, plant, and equipment. The significance of such small operations in a particular State can be ascertained from tables D–18 and G–18, which show the number of affiliates with property, plant, and equipment and the number with employment, each disaggregated by size.

Financial and Operating Data

Financial and operating data focus on the overall operations of U.S. affiliates. Among the items covered by these data are the following: Balance sheets and income statements; gross product; sales of goods and services; external financial position; taxes; property, plant, and equipment; employment and compensation of employees; U.S. trade in goods; research and development activities; and U.S. land owned and leased by affiliates. Only a few of these items were obtained for bank affiliates; consequently, most of the tables that present financial and operating data cover nonbank U.S. affiliates only. Financial and operating data for bank affiliates are shown in tables 3 and 9, in table A–1 in part I, and in all the tables in part III.

The financial and operating data for U.S. affiliates are not adjusted for the ownership share of the foreign direct investors. Thus, for example, the employment data include all the employees of each affiliate, including affiliates in which the foreign investor's ownership share is less than 100 percent. To help address issues for which control is relevant, this publication includes selected tables—those in groups J and L—that cover only those nonbank U.S. affiliates that are majority-owned by foreign direct investors.

Most of the concepts and definitions used in reporting the financial and operating data can be found on the survey forms or in the *Instruction Booklet* to the forms in appendix A. The following discussion focuses on the concepts, definitions, and statistical issues that require further explanation or that are not covered in either the forms or the *Instruction Booklet.*

Balance sheets and income statements

U.S. affiliates' balance sheets and income statements are required to be filed according to U.S. generally accepted accounting principles (GAAP), and any major changes in GAAP will affect the affiliate data.

For most affiliates, the income statement includes all types of income, both ordinary and extraordinary. However, for some affiliates, such as those in insurance, GAAP requires certain unrealized gains and losses to be carried directly to owners' equity in the balance sheet rather than to be recorded on the income statement.

Under GAAP, depreciation and depletion charges are used to distribute the cost of an asset over that asset's estimated useful life. For example, affiliates engaged in extracting natural resources report net income after the deduction of book depletion—that is, those expenses representing the periodic chargeoff of the actual cost of natural resources. Tax or percentage depletion is not deducted.

Gross product

Gross product is an economic accounting measure of the production of goods and services. A U.S. affiliate's gross product measures the value added by the affiliate and, thus, its contribution to U.S. gross domestic product (GDP).

For a U.S. affiliate, as for any firm, gross product can be measured as its gross output (sales or receipts and other operating income, plus inventory change) less its intermediate inputs (purchased goods and services). Alternatively, it can be measured as the sum of the costs incurred (except for intermediate inputs) and the profits earned in production. The costs fall into four major categories: Compensation of employees, net interest paid, indirect business taxes, and the capital consumption allowance.[24] The estimates presented in this publication were calculated as the sum of costs and profits.

Affiliate gross product is generally preferred to sales or other measures used to assess the economic impact of affiliates on the entire U.S. economy and on individual industries. Gross product permits a more focused analysis of the impact of affiliates because it measures only the affiliates' own value added, whereas sales do not distinguish between the affiliates' own value added and the value embodied in inputs purchased from other companies. In addition, gross product estimates measure the value added to the economy by affiliates during a specific period. In contrast, some of the sales in a given period may represent production from earlier periods.

Sales of goods and services

For nonbank affiliates, the 1997 benchmark survey collected affiliates' sales (or gross operating revenues) disaggregated into goods, services, and investment income. Services were further disaggregated into sales to U.S. persons, sales to members of the foreign parent group, sales to foreign affiliates, and sales to other foreigners.

For purposes of distributing sales into goods, services, and investment income, sales of goods are defined as sales that are characteristic of establishments in any of the following six NAICS sectors: "Agriculture, forestry, fishing and hunting" (except support activities for agriculture and forestry); mining (except support activities); construction; manufacturing; wholesale trade; and retail trade (an affiliate need not be classified in one of these sectors to have sales of goods). Sales of services are defined as sales that are characteristic of establishments in the 14 other NAICS sectors and the support activities for agriculture and forestry and for mining (an affiliate need not be classified in

24. In the U.S. national income and product accounts (NIPA's), two measures of depreciation, or capital consumption, are used—the capital consumption allowance and the consumption of fixed capital. The capital consumption allowance (CCA) consists of depreciation charges, which are based largely on tax returns, and allowances for accidental damage to fixed capital. Consumption of fixed capital consists of CCA plus an adjustment to place depreciation on an economic basis that uses economic service lives, depreciation that follows a geometric pattern, and replacement-cost valuation.

For U.S. affiliates, the only measure of capital consumption available from BEA's survey data is the book value of depreciation, reported on a basis consistent with GAAP. Because this measure does not provide for replacement-cost valuation, it is termed the "capital consumption allowance" in this publication (see table F–1).

The basis used to measure depreciation has no effect on the value of total gross product; any differences between the measures of depreciation, which is a cost of production, have equal and offsetting effects on the profit-type-return component.

one of these sectors to have sales of services).[25] In previous benchmark and annual surveys, sales of goods and services were defined as the sales that were characteristic of establishments in specified groups of SIC-based industries.[26]

Information on investment income was collected primarily to ensure that, if investment income was included in total sales (or gross operating revenues), it would not be included in sales of services. In finance and insurance, affiliates include investment income in sales because it is generated by a primary activity of the affiliate. In other industries, most affiliates consider investment income an incidental revenue source and include it in the income statement in an "other income" category rather than in sales.

Employment and compensation of employees

In the benchmark survey, affiliates were requested to report employment as the number of full-time and part-time employees on the payroll at the end of fiscal year 1997. However, a count taken during the year was accepted if it was a reasonable proxy for the end-of-year number. In addition, if employment at the end of the year was unusually high or low because of temporary factors, such as seasonal variations or a strike, a number reflecting normal operations was requested.

Employment is classified both by industry of affiliate and by industry of sales. The classification by industry of sales is based on information supplied by each affiliate on employment in the four-digit industries in which it had sales.

Data on employment, compensation of employees, and wages and salaries covering affiliates' total U.S. operations were collected. For nonbank affiliates, data on their total employment and on their manufacturing employment were also collected by State. Manufacturing employees in a given State consist of the employees on the payroll of manufacturing plants in the State. These data are shown in table G–13.

For manufacturing, three measures of employment are available from the benchmark survey. The employment totals under each of the three measures differ. *Employment by manufacturing affiliates* (tables G–1, G–3 to G–5, G–7, and G–10) consists of the employment by affiliates *classified in manufacturing*. It includes all the employees of affiliates whose primary industry is manufacturing, even though the affiliates may have activities, and thus employees, in other industries; it excludes the manufacturing employees of affiliates not classified in manufacturing. *Nonbank affiliates' manufacturing employment* (table G–13) consists of the employees on the payrolls of manufacturing plants of nonbank affiliates. It includes employees of manufacturing plants of nonbank affiliates that are not classified in manufacturing, and it excludes employees of nonmanufacturing plants of affiliates that are classified in manufacturing. *Manufacturing employment when employees are disaggregated by industry of sales* (tables G–10 to G–12) consists of the employment of affiliates in each four-digit manufacturing industry in which they had sales. Unlike nonbank affiliates' manufacturing employment, it may include some nonmanufacturing employees.[27]

The manufacturing employment data in table G–13 give a better indication of the number of manufacturing employees in a State than the data in table G–7, which shows affiliate employment in each State classified by industry of affiliate. The manufacturing employees shown in table G–13 are those actually engaged in manufacturing in the State regardless of the industry classification of the affiliate. In contrast, in table G–7, all the employees of a U.S. affiliate in the State are shown in the single industry in which, based on its total U.S. operations, the affiliate is classified, even if some of the employees are in other industries.

Although the data on employment and compensation of employees from the benchmark survey can be used to compute rates of compensation per employee and wages and salaries per employee, these rates may not accurately reflect the compensation rates normally paid by affiliates (and, thus, are not shown in this publication). The computed rates may be distorted by the inclusion of part-time employees, because part-time

25. The 14 NAICS sectors are Utilities; transportation and warehousing; information; finance and insurance; real estate and rental and leasing; professional, scientific, and technical services; management of companies and enterprises; administrative and support and waste management and remediation services; educational services; health care and social assistance; arts, entertainment, and recreation; accommodation and food services; other services (except public administration); and public administration.

26. For the most part, the distinction between sales of goods and sales of services under the NAICS-based classifications introduced in the 1997 benchmark survey is similar to that under the SIC-based classifications used in previous surveys. However, some sales under the NAICS-based classifications–particularly, sales characteristic of newspaper, periodical, book, and record publishers and of restaurants—are treated as sales of services, but under the SIC-based classifications, these sales are treated as sales of goods. In addition, some sales under the NAICS-based classifications—particularly, sales characteristic of land subdividers, of firms that reproduce software and video, and of dental laboratories—are treated as sales of goods, but under the SIC-based classifications, they are treated as sales of services. The net effect of these differences in classification is that sales of services is slightly higher, and sales of goods slightly lower, on the new basis than on the old basis.

27. See the discussion of affiliate sales and employment classified by industry of sales in the section "Industry classification."

employees are counted the same as full-time employees, or by data that cover only part of the year—for example, data for an affiliate that was newly established during the year.[28]

Property, plant, and equipment

In the benchmark survey, U.S. affiliates were required to disaggregate the gross book value of their property, plant, and equipment (PPE) by use, both for their total U.S. operations and for their operations in each State. A breakdown was obtained for two broad categories—commercial property and PPE used for all other purposes. Commercial property consists of the gross book value of all commercial buildings and associated land owned by the affiliate. Commercial buildings include apartment buildings, office buildings, hotels, motels, and buildings used for wholesale, retail, and services trades (such as shopping centers, recreational facilities, department stores, bank buildings, restaurants, public garages, and automobile service stations). PPE used for all other purposes includes PPE used for agriculture, mining, manufacturing, or other industrial purposes; it also includes equipment used in commercial buildings.

U.S. trade in goods

The concepts and definitions underlying the data collected in the benchmark survey on U.S. trade in goods of U.S. affiliates are nearly identical to those used for the data on total U.S. trade in goods compiled by the Census Bureau. The trade data are particularly difficult for affiliates to report, but BEA's review of the reported data indicates that most of the data conform well to Census Bureau concepts and definitions. However, because of certain reporting problems, the affiliate trade data are not completely comparable with the Census Bureau trade data. In the benchmark survey, data on U.S. trade in goods had to be reported on a "shipped" basis—that is, on the basis of when, where, and to (or by) whom the goods were shipped—in order for them to be comparable with official U.S. trade data. However, most affiliates keep their books on a "charged" basis—that is, on the basis of when, where, and to (or by) whom the goods were charged. The two bases are usually the same, but they can differ substantially. For example, if a U.S. affiliate buys goods from country A and sells them to country B and if the goods are shipped directly from country A to country B, the affiliate's books would show a purchase from country A and a sale to country B. Because the goods never entered or left the United States, on a shipped basis, they would not be recorded as either U.S. imports or U.S. exports. However, if the affiliate's trade data were reported on a charged basis, the purchase would appear as a U.S. import and the sale would appear as a U.S. export.

On the basis of its review, BEA believes most affiliates reported on a shipped, rather than on a charged, basis. However, some affiliates had difficulty obtaining data on a shipped basis, which usually requires using shipping department invoices rather than accounting records. If BEA determined that the data were reported on a charged basis and that these data were likely to differ materially from data reported on a shipped basis, it required revised reports to be filed. However, some cases of erroneous reporting were probably not identified.

In addition, the data on trade by U.S. affiliates that are collected by BEA are on a fiscal year basis, whereas the data on total U.S. trade in goods that are collected by the Census Bureau are on a calendar year basis. In the 1997 benchmark survey, affiliates whose fiscal year exactly corresponded to the calendar year 1997 accounted for less than three-fourths of the total exports and imports of goods reported for all nonbank affiliates (table 3).

Additional differences between the BEA trade data and the Census Bureau trade data may have resulted simply because the data come from different sources: The BEA data are based on company records, whereas the Census Bureau data are compiled from export and import documents filed by shippers with the U.S. Customs Service on individual transactions. The timing, valuation, origin or destination, shipper, and product involved in a given transaction may be recorded differently on company records than on customs export and import documents.

In the 1997 benchmark survey, as in previous benchmark surveys, exports shipped by affiliates were disaggregated by country of destination, and imports shipped to affiliates were disaggregated by country of origin. To minimize the reporting burden on U.S. affiliates, breakdowns of trade in goods by country of destination or origin are collected only in benchmark-survey years.

Affiliate exports and imports are also disaggregated

28. Employee compensation rates are better measured by hourly wage rates, which do not suffer from these shortcomings. Data on hourly wage rates for foreign-owned manufacturing establishments for 1988–92 are available from the BEA-Census Bureau data link project (see the section on data availability).

by product only in benchmark-survey years. In the 1997 benchmark survey, exports and imports were broken down by 10 broad product categories that are based on the Standard International Trade Classification (see tables H–9 to H–21 in part II). Some of these product categories differ from the categories used in the benchmark surveys for 1980, 1987, and 1992. For example, the 1997 benchmark survey includes three product categories—industrial machinery and equipment; office machines and automatic data processing machines; and telecommunications, sound equipment, and other electrical machinery and parts—that in the previous benchmark surveys were aggregated in the category "machinery, electrical and nonelectrical, except transportation equipment." In contrast, some of the other categories used in the 1997 benchmark survey are more aggregated than those used in the previous benchmark surveys.

In the 1997 benchmark survey, as in the 1980 and 1992 benchmark surveys, imports shipped to affiliates were disaggregated by intended use into three categories: Capital equipment, goods for resale without further manufacture, and goods for further manufacture. However, in the 1987 benchmark survey, capital equipment and goods for further manufacture were grouped in "other." Data on goods for further manufacture have been collected in the annual surveys since the 1993 survey.

Research and development

The 1997 benchmark survey collected data on two technology-related items—research and development (R&D) expenditures and the number of employees engaged in R&D-related activities.

As in the 1992 benchmark survey, the 1997 benchmark survey data on R&D expenditures were collected on two bases: R&D *funded by* the affiliate (whether the R&D was performed internally or by others) and R&D *performed by* the affiliate (whether the R&D was for its own use or for use by others). The first basis views R&D from the perspective of the costs of production and can be used as an indicator of affiliates' use of technology; this basis is consistent with guidelines of the Financial Accounting Standards Board for accounting for the costs of R&D. The second basis can be used to gauge the technological capabilities of affiliates, and it is the primary basis on which National Science Foundation surveys collect information on R&D from U.S. businesses.

R&D funded by affiliates is the only basis on which data on affiliate R&D expenditures were collected in BEA's previous annual surveys. Beginning with the 1998 annual survey, the basis shifted to R&D performed by affiliates.

Data on the number of employees associated with R&D activities have been collected in the annual surveys since the 1993 survey. They were previously collected only in the benchmark surveys for 1980 and 1992.

Direct Investment Position and Balance of Payments Data

Direct investment position and direct investment balance of payments data measure the U.S. affiliate's transactions and positions with its foreign parent and other members of its foreign parent group. In contrast, affiliate financial and operating data provide measures of the U.S. affiliate's overall operations, including its transactions and positions with persons other than members of its foreign parent group. For example, the direct investment position in an affiliate is equal to its foreign parent group's equity in, and net outstanding loans to, its U.S. affiliate; a U.S. affiliate's total assets, in contrast, are equal to the sum of (1) the total owners' equity in the affiliate held both by members of the foreign parent group and by all other persons and (2) the total liabilities owed by the affiliate both to members of the foreign parent group and to all other persons.[29]

In the benchmark survey, data for the position and balance of payments items were obtained in parts III and IV of the long form and in part III of the short form (see appendix A). For foreign direct investment in the United States, the following major items appear in the U.S. international transactions (balance of payments) accounts:

- Direct investment financial flows,
- Direct investment income,
- Direct investment royalties and license fees, and
- Other direct investment services.

Two adjustments are made to the balance of payments data before they are entered into the U.S. international accounts. First, two of these items—income and financial flows—are adjusted to reflect current-pe-

29. To illustrate, suppose that an affiliate is owned 80 percent by its foreign parent and that the affiliate has total owners' equity of $50 million and total liabilities of $100 million, of which $20 million is owed to the parent. In this case, the affiliate's total assets would be $150 million (total owners' equity of $50 million plus total liabilities of $100 million), and the parents' position in the affiliate would be $60 million (80 percent of the $50 million of owners' equity plus the $20 million of intercompany debt).

riod prices.[30] Second, the data from the benchmark survey are adjusted from a fiscal year basis to a calendar year basis. As discussed in the section on fiscal year reporting, the direct investment position and balance of payments data collected in the 1997 benchmark survey are on a fiscal year basis. Thus, before the data are incorporated into the U.S. balance of payments accounts and the annual series on the position, which are on a calendar year basis, they must be adjusted from a fiscal year basis to a calendar year basis. The adjusted data for 1997 will be extrapolated forward to derive universe estimates for calendar years after 1997 on the basis of sample data collected in BEA's quarterly surveys for those years.

Foreign direct investment position in the United States

The foreign direct investment position in the United States at historical cost is equal to the net book value of the foreign parent groups' equity in, and net outstanding loans to, their U.S. affiliates. The position may be viewed as the foreign parent groups' contributions to the total assets of their U.S. affiliates or as financing provided in the form of equity or debt by foreign parent groups to U.S. affiliates.

The direct investment position data presented in this publication are valued at historical cost and are not adjusted to current value. Thus, they largely reflect prices at the time of investment rather than prices of the current period. Because historical cost is the basis used for valuation in company accounting records in the United States, it is the only basis on which companies can report data in BEA's direct investment surveys. It is also the only basis on which detailed estimates of the position are available by country, by industry, and by account. However, BEA does provide aggregate estimates of the position valued in current-period prices.[31]

30. The adjustments are made only at the global level; the data required to make them for countries and industries are not available.

The adjustments are accomplished in three steps. First, a capital consumption adjustment is made to convert depreciation charges from a historical-cost basis to a current- (or replacement-) cost basis. Second, earnings are raised by the amount of charges for the depletion of natural resources, because these charges are not treated as production costs in the NIPA's. Third, expenses for mineral exploration and development are reallocated across periods to ensure that they are written off over their economic lives rather than all at once.

31. Position estimates measured at current cost and at market value for foreign direct investment in the United States (and for U.S. direct investment abroad) are published each July in an article on the U.S. international investment position in the Survey of Current Business. For a discussion of concepts and estimating procedures, see J. Steven Landefeld and Ann M. Lawson, "Valuation of the U.S. Net International Investment Position," Survey 71 (May 1991): 40–49.

Direct investment equity positions in U.S. affiliates are, by definition, held only by foreign parents. Foreign parents may also have direct debt positions with U.S. affiliates. For other members of the foreign parent groups, only direct debt positions are included in the direct investment position.

Foreign parents' equity in incorporated affiliates can be broken down into foreign parents' holdings of capital stock in, and other capital contributions to, their U.S. affiliates and foreign parents' equity in the retained earnings of their U.S. affiliates. Capital stock consists of all the stock of the affiliates—both common and preferred and voting and nonvoting. Other capital contributions by foreign parents, also referred to as the "foreign parents' equity in additional paid-in capital," consist of the invested and contributed capital that is not included in capital stock, such as cash contributions, the amount paid for stock in excess of its par or stated value, and the capitalization of intercompany accounts (conversions of debt to equity) that do not result in the issuance of capital stock. Foreign parents' equity in retained earnings is the foreign parents' shares of the cumulative undistributed earnings of their incorporated U.S. affiliates.

Although some unincorporated affiliates could not disaggregate owners' equity by type, the data on foreign parents' equity in affiliates by type cover both incorporated and unincorporated affiliates. For unincorporated affiliates for which no breakdown of owners' equity by type was available, parents' total equity was included in "other" equity. The foreign parents' share in total owners' equity (not broken down by type) is shown for incorporated affiliates and for unincorporated affiliates in addenda to the tables.

Foreign parent groups' net outstanding loans to their U.S. affiliates, also referred to as "U.S. affiliates' net intercompany debt payables," consist of trade accounts and trade notes payable, other current liabilities, and long-term debt owed by the affiliates to their foreign parents or other members of their foreign parent groups, net of similar items due to the affiliates from their foreign parents or other members of their foreign parent groups.

Intercompany debt includes the value of capital leases and of operating leases of more than 1 year between U.S. affiliates and their foreign parent groups. The value of the property leased to a U.S. affiliate by its foreign parent group is included in affiliates' payables, and the value of the property leased by a U.S. affiliate to the foreign parent group is included in affiliates' receivables. Under a capital lease, it is assumed that the title to the leased property will be transferred to the lessee at the termination of the lease, similar to an installment sale. Operating leases have a term that is significantly shorter than the expected useful life of the tangible property being leased, and the leased property is usually returned to the lessor at the termination of the lease. For capital leases, the value of the leased property is calculated according to GAAP; under GAAP, the lessee records either the present value of the future lease payments or the fair market value, whichever is lower, and the lessor records the sum of all future lease receipts. For operating leases of more than 1 year, which are carried only on the balance sheet of the lessor, the value recorded is the original cost of the leased property less the accumulated depreciation.

For U.S. affiliates that are depository institutions, the direct investment position is defined to include only their foreign parent groups' permanent equity and debt investment in them; similarly, the direct investment flows that enter the U.S. international transactions accounts for these affiliates include only transactions related to such permanent investment. All other transactions and positions—mainly claims and liabilities arising from the parents' and affiliates' normal banking business—are excluded from the direct investment accounts and included with other banking claims and liabilities in the portfolio investment accounts.

For nonbank U.S. affiliates that are primarily engaged in financial intermediation, the direct investment position and associated direct investment capital flows exclude intercompany debt transactions.[32] This treatment, which was introduced in the U.S. international transactions accounts for 1994, is similar to the treatment of nonpermanent debt investment for affiliates that are depository institutions.[33]

A foreign parent and its U.S. affiliate may have a two-way relationship—each may have debt and equity investment in the other. Thus, a foreign parent may have investment in a U.S. affiliate that, in turn, has investment in the parent as a result of the affiliate's lending funds to, or acquiring voting securities or other equity interest in, the parent. In addition, the other members of the foreign parent group may have debt investment in a U.S. affiliate, and a U.S. affiliate may have debt or equity investment in the other members of the foreign parent group. In the intercompany debt portion of the position, affiliates' receivables from their foreign parent groups (reverse debt investment) are netted against affiliates' payables to their foreign parent groups.[34] Equity investment by U.S. affiliates in members of their foreign parent groups is included in the U.S. portfolio investment position abroad if the affiliate's ownership is less than 10 percent or in the U.S. direct investment position abroad if the affiliate's ownership is 10 percent or more.

The direct investment position at the end of the year is equal to the position at the end of the previous year plus the change in the position during the year (table 10).

Table 10.—The Foreign Direct Investment Position in the United States on a Historical-Cost Basis Change From Yearend 1996 to Yearend 1997

[Millions of dollars]

Position at yearend 1996	567,957
Change in position	108,541
Capital inflows	111,721
Equity capital	66,049
Increases	77,795
Decreases	11,746
Reinvested earnings	11,351
Intercompany debt	34,322
Increases in U.S. affiliates' payables	46,464
Increases in U.S. affiliates' receivables	12,142
Valuation adjustments	–3,181
Position at yearend 1997	676,498

The change during the year is the sum of direct investment capital flows (defined below) and valuation adjustments. Valuation adjustments are broadly defined to include all changes in the position other than capital flows. They primarily reflect differences between the transactions values, which are used to record direct investment capital flows, and the book values on U.S. af-

32. For this purpose, a nonbank affiliate that is primarily engaged in financial intermediation is defined to be a financial affiliate whose UBO is either (1) a foreign depository institution or (2) a finance or insurance company. (Ideally, this definition should not include affiliates of UBO's that are insurance companies. However, the industry of UBO for both foreign finance and insurance companies is reported under a single industry code, so it is not possible to exclude these affiliates.)

33. See the section on "reclassification of intercompany debt and associated interest transactions with financial intermediaries" in Christopher L. Bach, "U.S. International Transactions: Revised Estimates for 1986–97," Survey 78 (July 1998): 52–53.

34. In the extremely rare case in which a U.S. affiliate and its foreign parent own 10 percent or more of each other, a U.S. affiliate's debt investment in the foreign parent group is not netted against the group's debt investment in it. In order to avoid double-counting, the foreign parent group's debt investment in the affiliate is included in the foreign direct investment position in the United States, and the affiliate's debt investment in the foreign parent group is included in the U.S. direct investment position abroad.

filiates' books, which are used to record the position and, hence, changes in the position. For example, valuation adjustments include differences between the sale value and the book value of affiliates that are sold by foreign parents and differences between the purchase price and the book value of affiliates that are acquired by foreign parents.[35] They also include currency-translation adjustments—that is, the gains and losses that arise because of changes in the exchange rates used in translating affiliates' foreign-currency-denominated assets and liabilities into U.S. dollars—and other capital gains and losses, such as revaluations of assets that result from mergers and acquisitions.

Direct investment capital inflows

Direct investment capital inflows (which are recorded in the financial account of the U.S. international transactions accounts) consist of equity capital inflows, reinvested earnings, and intercompany debt inflows. This section first defines these components and then discusses the coverage, measurement, and presentation of direct investment capital inflows.

Equity capital inflows. Equity capital inflows are net increases in foreign parents' equity in their U.S. affiliates; equity capital outflows (decreases in equity) are netted against equity capital inflows (increases in equity) to derive the net inflow. Equity capital inflows exclude changes in equity that result from the reinvestment of earnings, which are recorded as a separate component of direct investment capital inflows.

Equity capital inflows to U.S. affiliates result from foreign parents' establishment of new U.S. affiliates, from their initial acquisition of 10-percent-or-more ownership interests in existing U.S. business enterprises, from their acquisition of additional ownership interests in existing U.S. affiliates, and from their capital contributions to U.S. affiliates.

Equity capital outflows result from liquidations of U.S. affiliates, from partial or total sales of ownership interests in U.S. affiliates, and from the return of capital contributions. Equity capital outflows also include liquidating dividends, which are a return of capital to foreign parents.

Equity capital inflows are recorded at transactions values. In most cases, transactions values may be obtained from the books of the U.S. affiliates. However, in some cases, such as when a foreign parent purchases or sells capital stock in the affiliate from or to an unaffiliated third party, the transactions value may be obtained only from the parent's books. In addition, transactions values on foreign parents' books reflect the actual cost of ownership interests in affiliates that are acquired or sold by foreign parents, including any premium or discount; such values may differ from the book values recorded on the affiliates' books.

Reinvested earnings. Reinvested earnings of U.S. affiliates are earnings less distributed earnings. Earnings are foreign parents' shares in the net income of their U.S. affiliates after provision for U.S. income taxes; earnings are from the books of the U.S. affiliate. A foreign parent's share in earnings is based on its directly held equity interest in the U.S. affiliate. The earnings and reinvested earnings estimates in this publication are not adjusted to reflect current-period prices, because the source data needed to adjust the estimates by detailed country and industry are not available.

Earnings are entered into direct investment income because they are income to the foreign parent, whether they are reinvested in the affiliate or remitted to the parent.[36] However, because reinvested earnings are not actually transferred to the foreign parent but increase the parent's investment in its affiliate, an entry that is equal to that made in the direct investment income account but that has the opposite sign is made in the direct investment capital account.

For incorporated U.S. affiliates, distributed earnings are dividends on common and preferred stock held by foreign parents. Distributions can be paid out of current or past earnings. Dividends exclude stock and liquidating dividends. Stock dividends are excluded because they are a capitalization of retained earnings—a substitution of one type of equity (capital stock) for another (retained earnings); they reduce the amount of retained earnings available for distribution but leave total owners' equity unchanged. Thus, stock dividends do not give rise to entries in the balance of payments accounts.[37] Liquidating dividends are excluded because they are a return of capital rather than a remittance of earnings (liquidating dividends are included as outflows in the direct investment equity capital account). For unincorporated affiliates, distributed earnings are

35. For the current-price estimates of the foreign direct investment position entered in the U.S. international investment position, the corresponding adjustments would reflect differences between the transactions values and the estimated current values of the affiliates.

36. See the next section, "Direct investment income."

37. "Stock dividends" are used here to refer to essentially the same concept that is discussed in the IMF *Manual* (see footnote 8) under the heading of "bonus shares." BEA has retained its terminology because it conforms to what U.S. firms understand by the term "stock dividends."

earnings distributed to foreign parents out of current or past earnings.

Distributed earnings, like total earnings, are based on the books of the U.S. affiliate. Because they are on an accrual basis, they are reported as of the date that they are either paid to foreign parents or entered into intercompany accounts with the foreign parents. Distributed earnings are included whether they are paid in cash, through debt creation, or in kind.

Intercompany debt inflows. Intercompany debt inflows consist of the increase in U.S. affiliates' net intercompany debt payables to their foreign parent groups during the year. The increase for a given period is derived by subtracting the net outstanding intercompany debt balance (that is, affiliate payables less affiliate receivables) at the end of the previous period from the net outstanding balance at the end of the current period.

When a member of a foreign parent group lends funds to a U.S. affiliate, the balance of the affiliate's payables (amounts owed) to the foreign parent group increases; subsequently, when the affiliate repays the principal owed to a member of the foreign parent group, the balance of the affiliate's payables to the group is reduced. Similarly, when a member of the foreign parent group borrows funds from a U.S. affiliate, the balance of the affiliate's receivables (amounts due) from the group increases; subsequently, when the member of the group repays the principal owed to the affiliate, the balance of the affiliate's receivables from the group is reduced.

Increases in affiliates' payables to, or reductions in affiliates' receivables from, their foreign parent groups give rise to inflows on intercompany debt accounts. Increases in affiliates' receivables from, or reductions in affiliates' payables to, their foreign parent groups give rise to outflows.

Not all intercompany debt transactions reflect actual flows of funds. For example, when distributed earnings, interest, or royalties and license fees from a U.S. affiliate accrue to a foreign parent group, the full amount is included as an income payment or royalty and license fee payment (an outflow) on foreign direct investment in the United States. If part of that amount is not actually transferred to the foreign parent group, the amount not transferred is entered into intercompany accounts as an increase in the U.S. affiliate's payables to its foreign parent group (an inflow).

The net change in intercompany debt includes changes in the value of capital leases and operating leases of more than 1 year between foreign parent groups and their U.S. affiliates. When property is leased by a U.S. affiliate from its foreign parent group, the value of the leased property is recorded as an intercompany debt inflow because it increases the affiliate's payables. The subsequent payment of principal on a capital lease or the component of rent on an operating lease that reflects depreciation is a return of capital and is recorded as an intercompany debt outflow because it reduces the affiliate's payables. Similarly, when property is leased by a U.S. affiliate to its foreign parent group, the value of the leased property is recorded as an intercompany debt outflow because it increases the affiliate's receivables. The subsequent payment of principal on a capital lease or the component of rent on an operating lease that reflects depreciation is a return of capital and is recorded as an intercompany debt inflow because it reduces the affiliate's receivables.

Coverage, measurement, and presentation. Most intercompany debt and equity capital flows result from transactions between foreign parent groups and their U.S. affiliates. However, some of these flows may result from transactions between foreign parents and unaffiliated U.S. persons; for example, a direct investment equity capital flow results from a transaction between a foreign parent and an unaffiliated U.S. person when the parent purchases an affiliate's capital stock from the unaffiliated person.

In general, direct investment capital inflows exclude transactions among members of a foreign parent group or between the members of the group and other foreigners, because foreign-to-foreign transactions are not international transactions of the United States.[38] Thus, if a foreign parent purchases additional capital stock in a U.S. affiliate from another foreign person, the foreign parent's ownership interest in the U.S. affiliate will increase, but no equity capital inflow is recorded, because the transaction occurs entirely outside the United States. In addition, there is no net increase in foreign claims on the United States; instead, the foreign parent's claims have merely been substituted for the claims of the other foreign person.[39]

38. An exception to this general rule is a transaction in which one member of a U.S. affiliate's foreign parent group sells a bond or other debt instrument issued by the affiliate to a second member of the group. If the two members are located in different countries, this transaction would result in offsetting direct investment capital flows—an outflow to the first country and an inflow from the second country.

39. If this exchange involves more than one country, offsetting valuation adjustments are made to the direct investment position, reducing the position of the seller's country and increasing the position of the purchaser's country.

However, if the foreign parent's original interest represented only a portfolio (less-than-10-percent) investment interest and if the combined interests qualify as a direct investment as a result of the purchase of an additional interest, a direct investment capital inflow equal to the value of the additional interest is recorded. In addition, a valuation adjustment is made to the direct investment position to bring into the position the original interest. If a foreign parent's interest in an affiliate falls below 10 percent, a direct investment capital outflow is recorded and a valuation adjustment is made to extinguish the remaining direct investment interest.

Equity capital and intercompany debt inflows can be disaggregated into several subaccounts. Equity capital inflows, which are recorded as a net amount, can be disaggregated to show increases and decreases in equity. Intercompany debt inflows are disaggregated to show both the flows resulting from changes in U.S. affiliates' payables and the flows resulting from changes in U.S. affiliates' receivables. Certain transactions may affect two or more of these subaccounts simultaneously and by exactly offsetting amounts. Such transactions are "grossed up"; that is, the inflows and the offsetting outflows are recorded in the affected subaccounts rather than being netted to zero and not recorded in any subaccount. However, because such gross flows are offsetting, they have no effect on net capital inflows. For example, the capitalization of intercompany debt, which gives rise to an intercompany debt outflow and an offsetting equity capital inflow, results in gross, but not net, flows.

Direct investment income

Direct investment income is the return on the foreign direct investment position in the United States; that is, it is the foreign parents' return on their debt and equity investment in their U.S. affiliates plus the return of other members of the foreign parent groups on their debt investment in U.S. affiliates. Direct investment income consists of earnings (that is, the foreign parents' share in the net income of their U.S. affiliates) plus interest on intercompany accounts of U.S. affiliates with their foreign parent groups (interest is defined as the interest paid by U.S. affiliates to their foreign parent groups net of the interest received by U.S. affiliates from their foreign parent groups). Earnings are the foreign parents' return on their equity investment, and interest is the foreign parents' return on their debt investment in U.S. affiliates. Table 11 shows direct investment income and the relationships among its components for all U.S. affiliates from the 1997 benchmark survey.

Table 11.—Direct Investment Income and Its Components
[Millions of dollars]

Income	38,466
Earnings	30,679
Distributed earnings	19,328
Reinvested earnings	11,351
Interest	7,787
U.S. affiliates' payments	9,450
U.S. affiliates' receipts	1,663

Direct investment income is reported as accrued. Direct investment income and earnings exclude currency-translation adjustments and other capital gains and losses, whether or not such gains and losses are included in net income for income statement purposes. This treatment is intended to make income and earnings correspond more closely to the current operating performance of affiliates as recommended by international guidelines for the compilation of balance of payments accounts.

Direct investment income is measured before deduction (that is gross) of all withholding taxes.[40] This treatment views taxes as being levied upon the recipient of the distributed earnings or interest and thus as being paid across borders, even though, as an administrative convenience, the taxes actually were paid by the firm whose disbursements gave rise to them. Thus, U.S. withholding taxes on distributed earnings and on interest received by the foreign parent are recorded as if they were paid by the foreign parent, not by the U.S. affiliate. Similarly, foreign withholding taxes on interest payments by the foreign parent are recorded as if they were paid by the U.S. affiliate, not by the foreign parent. Counterentries for these taxes are made in the U.S. international transactions accounts under unilateral current transfers.

BEA collects data on withholding taxes on distributed earnings on its quarterly surveys of foreign direct investment in the United States, but withholding taxes on interest, royalties and license fees, and other private services are collected only in benchmark surveys. Withholding taxes on these items must be estimated for nonbenchmark years; the estimates are prepared and are shown in the U.S. international transactions

40. Withholding taxes are taxes withheld at the source on income or other funds that are distributed or remitted.

accounts on a global basis, but not allocated by country or industry.

Interest is recorded on a net basis as interest paid or credited to foreign parents and other members of the foreign parent groups on debt owed to them by U.S. affiliates less interest received from, or credited by, foreign parents and other members of the foreign parent groups on debt owed by them to U.S. affiliates.[41] Interest receipts are netted against interest payments because in the intercompany debt component of the direct investment position, debt owed by foreign parent groups to U.S. affiliates is netted against debt owed by U.S. affiliates to foreign parent groups. Like other components of direct investment income, interest is reported as accrued. It includes interest paid through debt creation or in kind as well as interest paid in cash.

Interest includes net interest payments on capital leases between U.S. affiliates and their foreign parent groups because the outstanding capitalized value of such leases is included in the intercompany debt component of the direct investment position.[42]

Direct investment royalties and license fees

Direct investment royalties and license fees consist of payments of fees by U.S. affiliates to, and receipts of fees by U.S. affiliates from, their foreign parents and other members of the foreign parent groups for the use or sale of intangible property or rights, such as patents, industrial processes, trademarks, copyrights, franchises, designs, know-how, formulas, techniques, manufacturing rights, and other intangible assets or proprietary rights.

In the U.S. international transactions accounts, U.S. affiliates' receipts of royalties and license fees are recorded as U.S. exports of services, and U.S. affiliates' payments are recorded as U.S. imports of services. Both receipts and payments are measured before the deduction, or gross, of (foreign or U.S.) withholding taxes.

Payments and receipts of royalties and license fees are based on the books of U.S. affiliates and are reported as accrued. When funds are not actually transferred, offsetting entries are made in the intercompany debt account.

Other direct investment services

Transactions in other direct investment services consist of payments by U.S. affiliates to, and receipts by U.S. affiliates from, their foreign parents or other members of their foreign parent groups of service charges, of charges for the use of tangible property, and of film and television tape rentals. Payments and receipts are reported as accrued and are based on the books of U.S. affiliates.

In the U.S. international transactions accounts, U.S. affiliates' receipts are recorded as U.S. exports of services, and U.S. affiliates' payments are recorded as U.S. imports of services. Both receipts and payments are measured before the deduction, or gross, of (foreign or U.S.) withholding taxes.

Service charges. Service charges consist of fees for services—such as management, professional, or technical services—rendered between U.S. affiliates and their foreign parents or other members of their foreign parent groups. The service charges may represent sales of services or reimbursements. Sales of services are receipts for services rendered that are included in sales or gross operating revenues in the income statement of the seller. Normally, receipts are included in sales if the performance of the service is a primary activity of the enterprise. (For example, if a U.S. management-consulting firm provides management-consulting services to its foreign parent or foreign parent group, the resulting revenues are included in its sales.)

Reimbursements are receipts for services rendered that are normally included in "other income" rather than in sales in the income statement of the provider of the service. Typically, the performance of the service is not a primary activity of the enterprise; however, the service may facilitate or support the conduct of the enterprise's primary activities. (For example, if a foreign manufacturer provides management services to its U.S. manufacturing affiliate, the associated charges normally would be recorded in its income statement under "other income" and would be reported to BEA as a reimbursement.)

41. For U.S. affiliates that are depository institutions (commercial banks, savings and loan institutions, and credit unions), interest includes only payments on permanently invested debt capital in the affiliate. For nonbank affiliates that are primarily engaged in financial intermediation, all interest on intercompany debt is excluded from direct investment income payments. The treatment of interest for these two types of affiliates parallels the treatment of their debt transactions with their foreign parent groups, as described in the section "Foreign direct investment position in the United States."

42. Although the value of operating leases of more than 1 year is also included in the intercompany debt position, payments of net rent (which covers interest, administrative expenses, and profit) on such leases are recorded as charges for the use of tangible property (part of the "other direct investment services" account) rather than as interest.

Reimbursements may be allocated expenses or direct charges for the services rendered. Allocated expenses are overhead expenses that are apportioned among the various divisions or parts of an enterprise. An example would be R&D assessments on the U.S. affiliate by its foreign parent for R&D the parent performs and shares with its affiliate.

For the first time in the 1997 benchmark survey, data on service charges by type of service between U.S. affiliates and their foreign parent groups were collected; the six types of services are insurance services, financial services, transportation services, computer and information services, communication services, and "other services."[43] In table P–3 of section II, communication services are included in "other services" (see the footnotes to table P–3 for the definitions used on the 1997 benchmark survey for each category of intercompany service charges).[44]

The data on intercompany service charges by type of service indicate that 89 percent of U.S. affiliates' payments and 84 percent of U.S. affiliates' receipts were for "other services" (table P–3 in part II). These high percentages may result because survey respondents do not have the necessary information in their standard accounting records to provide a breakdown of their allocated expenses or of other services transactions with their foreign parent groups by type of service. The share for "other services" may also be large because "other services" includes many services (such as advertising, management, research and development, and accounting services) that are not covered by the other four categories.[45]

43. These categories were chosen on the basis of the detail recommended in the International Monetary Fund's *Balance of Payments Manual*.

44. The data for communication services are minuscule; they exclude all settlements payments related to basic telecommunications services (including payments that flow through affiliated channels) because these payments represent the distribution of revenues collected from unaffiliated customers.

45. After the 1997 benchmark survey, BEA's quarterly survey of foreign direct investment in the United States was amended to collect, once each year, detail on service charges by type of service. Beginning with the quarterly surveys for 2001, two categories—management and consulting services and research, development, and testing services—were added, and the category for communication services was dropped.

Charges for the use of tangible property. Charges for the use of tangible property include total lease payments under operating leases of 1 year or less and net rent on operating leases of more than 1 year. From the lessors' viewpoint, total lease payments for operating leases consist of two components: (1) Net rent, which covers interest, administrative expenses, and profit, and (2) depreciation, which is a return of capital.

For operating leases of more than 1 year, net rent is included in "other direct investment services," and depreciation is included as an intercompany debt flow in the direct investment capital account. For operating leases of 1 year or less, total lease payments—both net rent and depreciation—are included in "other direct investment services." Because the value of property leased to or from foreigners for 1 year or less is excluded from U.S. exports and imports of goods in the U.S. international transactions accounts, no export to or import from the foreign parent groups by U.S. affiliates is recorded in the trade in goods account; thus, there is no subsequent return of capital to or from the foreign parent groups in the form of depreciation to be recorded in the direct investment capital account. Such depreciation is instead considered part of rentals—a payment for services rendered by, rather than a return of capital to, the foreign parent groups.

Film and television tape rentals. Film and television tape rentals are rentals that U.S. affiliates pay to, or receive from, foreign parents or other members of the foreign parent groups for the sale or use of film and television tapes. Except for mass-produced films and tapes, such as prerecorded video cassettes (which are recorded in U.S. trade in goods), such film and television tapes are treated as if they were being rented rather than sold, and payments for the tapes are considered payments for services rather than payments for goods. This treatment is used because the value of the tapes is derived mostly from the services, such as entertainment and education, that they provide, not from the value of the media on which they are recorded. Thus, the cost of the film and television tapes is excluded from the U.S. trade-in-goods account and is included in "other direct investment services."

The Numbering Scheme for the Financial and Operating Data Tables for Nonbank Affiliates in 1977–97

The data for 1987, 1992, and 1997 are derived from benchmark surveys of foreign direct investment in the United States. The estimates for the other years are derived from annual surveys that are less detailed than the benchmark surveys.

The estimates for affiliates by industry for 1997 are based on industry classifications that are derived from the 1997 North American Industry Classification System. The estimates for the other years are based on industry classifications that are derived from the Standard Industrial Classification (SIC) system. Selected data for 1997 are also presented on an SIC basis (tables K and L).

The data for the benchmark-survey years also include data for bank affiliates and on the direct investment position and international transactions (tables M, N, O, P, and Q in this publication).

Group A. Selected Data

1997	1992	1993–96	1987	1988–91	1977–86
A–1	A–1	A–1	A–1	A–1	5
A–2	A–2	A–2	A–2	A–2	8
A–6	A–6	A–6	n.a.	n.a.	n.a.
A–7—A–9	A–7—A–9	A–7—A–9	A–6—A–8	A–6—A–8	n.a.

Group B. Balance Sheet

1997	1992	1993–96	1987	1988–91	1977–86
B–1—B–4	B–1—B–4	B–1—B–4	B–1—B–4	B–1—B–4	B–1—B–4
B–5	B–5	B–5	B–5	B–5	B–7
B–6	B–6	B–6	B–6	B–6	n.a.
B–7—B–8	B–7—B–8	n.a.	B–7—B–8	n.a.	n.a.
B–9	B–9	n.a.	B–10	n.a.	n.a.

Group C. Composition of External Financial Position

1997	1992	1993–96	1987	1988–91	1977–86
C–1	C–1	C–1	C–1	C–1	C–1
C–2—C–7	C–2—C–7	n.a.	C–2—C–7	n.a.	n.a.
C–8	C–8	n.a.	C–9	n.a.	n.a.

Group D. Gross Property, Plant, and Equipment

1997	1992	1993–96	1987	1988–91	1977–86
D–1—D–2	D–1—D–2	D–1—D–2	D–1—D–2	D–1—D–2	D–1—D–2
D–3	D–3	D–3	D–3	D–3	D–4
D–4—D–5	D–4—D–5	n.a.	D–5—D–6	n.a.	n.a.
D–6—D–7	D–6—D–7	D–6—D–7	D–8—D–9	D–8—D–9	D–7—D–8
D–8	D–8	n.a.	D–7	n.a.	n.a.
D–9—D–11	D–9—D–11	D–9—D–11	D–10—D–12	D–10—D–12	n.a.
D–12—D–13	D–12—D–13	D–12—D–13	D–13—D–14	D–13—D–14	D–13—D–14
D–14	D–14	n.a.	D–15	n.a.	n.a.
D–15	D–17	n.a.	D–19	n.a.	n.a.
D–16—D–17	D–18—D–19	D–18—D–19	D–20—D–21	D–20—D–21	n.a.
D–18	D–20	D–20	D–22	D–22	D–23
D–19	D–21	D–21	D–24	D–24	n.a.
D–20—D–21	D–22—D–23	D–22—D–23	D–25—D–26	D–25—D–26	D–29—D–30
D–22—D–25	D–24—D–27	D–24—D–27	D–27—D–30	D–27—D–30	n.a.

n.a. Not available.

Group E. Income Statement

1997	1992	1993–96	1987	1988–91	1977–86
E–1—E–2	E–1—E–2	E–1—E–2	E–1—E–2	E–1—E–2	E–1—E–2
E–3	E–3	E–3	E–3	E–3	E–5
E–4	E–4	E–4	E–4	E–4	n.a.
E–5—E–6	E–5—E–6	n.a.	E–5—E–6	n.a.	n.a.
E–7—E–8	E–7—E–8	E–7—E–8	E–7—E–8	E–7—E–8	n.a.
E–9	E–9	n.a.	E–9	n.a.	n.a.
E–10	E–10	E–10	E–10	E–10	E–9
E–11	E–11	E–11	E–11	E–11	E–10
E–12—E–15	E–12—E–15	E–12—E–15	E–12—E–15	E–12—E–15	n.a.

Group F. Gross Product

1997	1992	1993–96	1987	1988–91	1977–86
F–1—F–3	F–1—F–3	F–1—F–3	n.a.	n.a.	n.a.
F–4	F–4	n.a.	n.a.	n.a.	n.a.
F–5—F–6	F–5—F–6	F–5—F–6	n.a.	n.a.	n.a.

G. Employment and Compensation of Employees

1997	1992	1993–96	1987	1988–91	1977–86
G–1—G–2	G–1—G–2	G–1—G–2	F–1—F–2	F–1—F–2	F–1—F–2
G–3	G–3	G–3	F–3	F–3	F–4
G–4	G–4	G–4	F–4	F–4	n.a.
G–5	G–5	n.a.	F–5	n.a.	n.a.
G–6	G–6	G–6	F–6	n.a.	n.a.
G–7—D–8	G–7—D–8	G–7—D–8	F–7—F–8	F–7—F–8	F–7—F–8
G–9	G–9	n.a.	F–9	n.a.	n.a.
G–10—G–11	G–10—G–11	G–10—G–11	F–10—F–11	F–10—F–11	n.a.
G–12	G–12	n.a.	F–12	n.a.	n.a.
G–13	G–13	G–13	F–13	F–14	n.a.
G–14	G–14	n.a.	F–15	n.a.	n.a.
G–15	G–15	G–15	n.a.	n.a.	n.a.
G–16—G–17	G–16—G–17	G–16—G–17	F–16—F–17	F–16—F–17	F–13—F–14
G–18	G–18	G–18	F–19	F–19	F–10

Group H. U.S. Trade in Goods

1997	1992	1993–96	1987	1988–91	1977–86
H–1—H–2	H–1—H–2	H–1—H–2	G–1—G–2	G–1—G–2	G–3—G–4
H–3	H–3	H–3	G–3	G–3	G–6
H–4	H–4	H–4	G–4	n.a.	n.a.
H–5	H–5	n.a.	G–5	n.a.	n.a.
H–6	H–6	H–6	G–6	G–6	G–9
H–7	H–7	H–7	G–7	n.a.	n.a.
H–8—H–36	H–8—H–36	n.a.	G–8—G–36	n.a.	n.a.
H–37	H–37	H–37	n.a.	n.a.	n.a.

n.a. Not available.

I. Interest, Dividends, Taxes Other Than Income Taxes, and Research and Development

1997	1992	1993–96	1987	1988–91	1977–86
I–1	I–1	I–1	H–1	H–1	H–3
I–2	I–2	I–2	H–2	H–2	H–6
I–3	I–3	n.a.	H–3	n.a.	n.a.
I–4—I–5	I–4—I–5	n.a.	n.a.	n.a.	n.a.
I–6	n.a.	n.a.	n.a.	n.a.	n.a.

J. Selected Data for Majority-Owned Affiliates

1997	1992	1993–96	1987	1988–91	1977–86
J–1—J–3	J–1—J–3	J–1—J–3	n.a.	n.a.	n.a.
J–4	n.a.	n.a.	n.a.	n.a.	n.a.
J–5	J–4	n.a.	n.a.	n.a.	n.a.
J–6—J–7	n.a.	n.a.	n.a.	n.a.	n.a.
J–8	J–5	J–5	n.a.	n.a.	n.a.
J–9—J–11	n.a.	n.a.	n.a.	n.a.	n.a.
J–12	n.a.	n.a.	n.a.	n.a.	n.a.
J–13	n.a.	n.a.	n.a.	n.a.	n.a.

n.a. Not available.

Availability of the Data

The data on the operations of U.S. affiliates of foreign companies are available both at the enterprise (company) level and at the establishment (plant) level. The enterprise-level data for 1977–98 are derived from the benchmark and annual surveys of foreign direct investment in the United States (FDIUS) that are conducted by the Bureau of Economic Analysis (BEA). The more detailed establishment-level data for 1987–92 are a result of a project that linked BEA's enterprise data on FDIUS with the establishment data for all U.S. companies from the Bureau of the Census.

These data are available in publications and on diskettes and BEA's Web site. The publications are available from BEA, the National Technical Information Service (NTIS), or the U.S. Government Printing Office (GPO). The diskettes are available from BEA. The data on the diskettes are also available as compressed files that can be downloaded for free from BEA's Web site. Go to <www.bea.doc.gov>, and click on Catalog of Products.

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1991	BEA	IPN–0063	$6.00	IDN–0057
1993	BEA	IPN–0202	$8.50	IDN–0059
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1998 (Preliminary)	GPO	003–010–00286–5	$12.00	IDN–0269
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1990	BEA	IPN–0071	$14.00	IPN–0075
1991	BEA	IPN–0190	$14.00	IPN–0076
1992	GPO	003–010–00265–4	$32.00	IPN–0077

*Each diskette is $20. The information is in ASCII format on a 3 1/2-inch high-density diskette.
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**** The price was not available at press time. For the availability of the diskettette, go to BEA's Web site.