

# Introduction

This report presents revised estimates that cover the financial structure and operations of nonbank U.S. affiliates of foreign direct investors in 2005. A U.S. affiliate is a business enterprise in which there is foreign direct investment—that is, in which a single foreign person owns or controls, directly or indirectly, 10 percent or more of the voting securities or an equivalent interest.<sup>1</sup>

The estimates in this publication cover the universe of nonbank U.S. affiliates of foreign companies. They were derived by combining data reported at the enterprise, or company, level by a sample of U.S. affiliates reporting in BEA's Annual Survey of Foreign Direct Investment in the United States with BEA estimates for affiliates not in the sample.

Affiliates that filed survey reports consisted of (1) affiliates that had total assets, sales, or net income (or loss) greater than \$125 million in 2005 plus (2) a sample of smaller affiliates that had total assets, sales, or net income (or loss) greater than \$30 million in 2005. Majority-owned affiliates with total assets, sales, or net income (or loss) greater than \$125 million were required to report on a detailed long form. To minimize the burden on survey respondents, a short form, containing less detail, was provided for filing by smaller majority-owned affiliates in the sample; for these affiliates, BEA estimated the items that appear only on the long form, so that the results are presented in the same detail for all majority-owned nonbank affiliates. The short form was also filed by all minority-owned nonbank affiliates that had total assets, sales, or net income (or loss) greater than \$125 million and by a sample of smaller minority-owned nonbank affiliates that had total assets, sales, or net income (or loss) greater than \$30 million. Estimates of items that appear only on the long form are not prepared for minority-owned affiliates; therefore, the results for all nonbank affiliates (majority-owned plus minority-owned affiliates) cover only the items that are on the short form.

Non-sample affiliates that had total assets, sales, or net income (or loss) greater than \$30 million filed an abbreviated form with a few basic data items that, together with prior reports, were used as the basis for

estimating data for other data items included on the long or short forms. U.S. affiliates with total assets, sales, and net income less than or equal to \$30 million (positive or negative) were exempt from reporting. BEA estimated the data for these exempt affiliates and for affiliates that did not file a survey report even though they met the criteria for filing. Estimates for exempt or nonreporting affiliates that existed before 2005 were derived by extrapolating forward their data from earlier years on the basis of the year-to-year movement in the data reported by other affiliates. Estimates for new affiliates were based on data they reported in BEA's survey of U.S. businesses newly acquired or established by foreign direct investors.

The concepts and definitions underlying the 2005 estimates are the same as those used for the 2002 benchmark survey. They are described in *Foreign Direct Investment in the United States: Final Results From the 2002 Benchmark Survey*, published in October 2006.<sup>2</sup>

Following a change introduced in the 2002 benchmark survey, the estimates from the 2005 survey, along with the estimates for 2003–2004, provide more detailed information on the operations of majority-owned nonbank U.S. affiliates (that is, nonbank affiliates that are owned more than 50 percent by foreign direct investors) than on the operations of all nonbank U.S. affiliates; for survey years before 2002, more information was provided for all nonbank affiliates. This change reflects a shift in emphasis in the U.S.–affiliate financial and operating data to companies that are unambiguously under foreign control.

Consistent with the data from the 2002 benchmark survey, and with the estimates for 2003–2004, the 2005 estimates by industry are based on industry classifications derived from the 2002 revision to the North American Industry Classification System (NAICS). For most industries, the classifications under this new system are identical to those in the NAICS-based industry classification system used in the benchmark and annual surveys for 1997–2001.<sup>3</sup>

The 2005 estimates, together with the estimates for 2003–2004, update the universe data for nonbank affil-

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1. The financial and operating data of U.S. affiliates cover the entire operations of the U.S. affiliate, irrespective of the percentage of foreign ownership.

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2. The methodology section of the 2002 benchmark survey publication is available on BEA's Web site at <[www.bea.gov/bea/mp\\_international.htm](http://www.bea.gov/bea/mp_international.htm)>.

3. In the surveys of U.S. affiliate operations before 1997, the industry classification system was based on the Standard Industrial Classification.

iates from the 2002 benchmark survey. However, the 2003–2005 estimates of a few items that are shown separately in the benchmark data are combined with other items, and the 2003–2005 estimates of some items are unavailable because data for these items were only collected in the benchmark survey, not in the annual survey.

For similar items, the 2002 benchmark survey data and the 2003–2005 estimates are comparable to the universe estimates for 1977–2001. In contrast to the estimates for the earlier years, however, estimates for 2002–2005 for items collected on the long form but not on the short form are available only for majority-owned affiliates; these data items include certain detail from balance sheets and income statements, sales of services, intrafirm trade in goods, and a number of items used to compute affiliate value added (such as depreciation, depletion, and taxes on production and imports).

Table 1 identifies the tables in the reports for 2003–2005 and in the 2002 benchmark survey report that have counterparts in the benchmark survey report for 1997 or the annual reports for 1998–2001. It also provides cross-references between the table numbers

used in the reports. Because of the shift in emphasis to data on majority-owned affiliates, many of the tables in the reports for 2002–2005 do not have exact counterparts in earlier reports, which mainly presented data for all nonbank affiliates. However, most of the tables for majority-owned nonbank affiliates in the reports for 2002–2005 are comparable to tables for all nonbank affiliates in earlier reports. Table 2 provides cross-references between the tables on majority-owned nonbank affiliates in the reports for 2002–2005 reports and the corresponding tables on all nonbank affiliates in the reports for 1997–2001.

The estimates for all years are available on BEA's Web site; for further information, see the "International Investment Division Product Guide," on BEA's Web site, at <[www.bea.gov/bea/ai/iidguide.htm](http://www.bea.gov/bea/ai/iidguide.htm)>.

Questions concerning the estimates presented in this report can be directed to Thomas Anderson (analysis) at 202–606–9879 (or [Thomas.Anderson@bea.gov](mailto:Thomas.Anderson@bea.gov)) or Charles Gravitz (data) at 202–606–9874 (or [Charles.Gravitz@bea.gov](mailto:Charles.Gravitz@bea.gov)) or write to International Investment Division, BE–50, Bureau of Economic Analysis, U.S. Department of Commerce, Washington, D.C. 20230.

**Table 1. Comparison of Tables for Nonbank Affiliates in the Reports for 2003–2005  
With Those in the 2002 and 1997 Benchmark Survey Reports and in the Reports for 1998–2001**

Table in 2002 benchmark survey report	Comparable table in 2003–2005 reports	Comparable table in 1997 benchmark survey report	Comparable table in 1998–2001 reports
<b>Part II. All Nonbank Affiliates</b>			
<b>Group A. Selected Data</b>			
II.A 1 II.A 2—II.A 3 II.A 4—II.A 5 II.A 7 II.A 10	II.A 1 II.A 2—II.A 3 II.A 4—II.A 5 II.A 7 II.A 10	J-1 A-1—A-2 n.a. A-7 A-9	J-1 A-1—A-2 n.a. A-7 A-9
<b>Group B. Balance Sheet</b>			
II.B 5	II.B 5	B-5	B-5
<b>Group C. Composition of External Financial Position</b>			
II.C 1	II.C 1	C-1	C-1
<b>Group D. Gross Property, Plant, and Equipment</b>			
II.D 3 II.D 11	II.D 3 II.D 11	D-3 D-11	D-3 D-11
<b>Group E. Income Statement</b>			
II.E 3	II.E 3	E-3	E-3
<b>Group G. Employment and Compensation of Employees</b>			
II.G 3 II.G 19	II.G 3 II.G 19	G-3 G-8 (Part), G-13 (Part)	G-3 G-8 (Part), G-13 (Part)
<b>Part III. Majority-Owned Nonbank Affiliates<sup>1</sup></b>			
<b>Group A. Selected Data</b>			
III.A 1 III.A 2—III.A 3 III.A 8	III.A 1 III.A 2—III.A 3 III.A 8	J-1 J-2—J-3 J-4	J-1 J-2—J-3 J-4
<b>Group B. Balance Sheet</b>			
III.B 5	III.B 5	J-5	J-5
<b>Group E. Income Statement</b>			
III.E 3	III.E 3	J-6	J-6
<b>Group F. Value Added</b>			
III.F 2	III.F 2	J-7	J-7
<b>Group G. Employment and Compensation of Employees</b>			
III.G 3 III.G 8 (Part), III.G 13 (Part)	III.G 3 III.G 8 (Part), III.G 13 (Part)	J-8 J-9	J-8 J-9
<b>Group H. U.S. Trade in Goods</b>			
III.H 1—III.H 2 III.H 22	III.H 1—III.H 2 n.a.	J-10—J-11 J-12	J-10—J-11 n.a.
<b>Group I. Interest, Dividends, Taxes Other Than Income Taxes, and Research and Development Expenditures</b>			
III.I 6	III.I 6	J-13	J-13

1. Tables in Part III that have counterparts in reports for earlier years.  
n.a. Not available

**Table 2. Comparison of Tables for Majority-Owned Nonbank Affiliates in the Reports for 2003–2005  
and in the 2002 Benchmark Survey Report With Those for All Nonbank Affiliates  
in the 1997 Benchmark Survey Report and in the Reports for 1998–2001**

Table for majority-owned nonbank affiliates in 2002 benchmark survey report	Comparable table in 2003–2005 reports	Comparable table for all nonbank affiliates in 1997 benchmark survey report	Comparable table for all nonbank affiliates in 1998–2001 reports
<b>Group A. Selected Data</b>			
III.A 1 III.A 2—III.A 3 III.A 4—III.A 5 III.A 6—III.A 8 III.A 10	III.A 1 III.A 2—III.A 3 III.A 4—III.A 5 III.A 6—III.A 8 III.A 10	n.a. A-1—A-2 n.a. A-6—A-8 A-9	n.a. A-1—A-2 n.a. A-6—A-8 A-9
<b>Group B. Balance Sheet</b>			
III.B 1—III.B 6 III.B 7—III.B 9	III.B 1—III.B 6 n.a.	B-1—B-6 B-7—B-9	B-1—B-6 n.a.
<b>Group C. Composition of External Financial Position</b>			
III.C 1 III.C 2—III.C 8	III.C 1 n.a.	C-1 C-2—C-8	C-1 n.a.
<b>Group D. Gross Property, Plant, and Equipment</b>			
III.D 1—III.D 3 III.D 4—III.D 5 III.D 6—III.D 7 III.D 8 III.D 9—III.D 13 III.D 14—III.D 15 III.D 16 III.D 17—III.D 23 III.D 24—III.D 25	III.D 1—III.D 3 n.a. III.D 6—III.D 7 n.a. III.D 9—III.D 13 n.a. n.a. III.D 17—III.D 23 n.a.	D-1—D-3 D-4—D-5 D-6—D-7 D-8 D-9—D-13 D-14—D-15 D-16 D-17—D-23 D-24—D-25	D-1—D-3 n.a. D-6—D-7 n.a. D-9—D-13 n.a. D-16 D-17—D-23 D-24—D-25
<b>Group E. Income Statement</b>			
III.E 1—III.E 4 III.E 5—III.E 6 III.E 7—III.E 8 III.E 9 III.E 10—III.E 15	III.E 1—III.E 4 n.a. III.E 7—III.E 8 n.a. III.E 10—III.E 15	E-1—E-4 E-5—E-6 E-7—E-8 E-9 E-10—E-15	E-1—E-4 n.a. E-7—E-8 n.a. E-10—E-15
<b>Group F. Value Added</b>			
III.F 1—III.F 3 III.F 4 III.F 5—III.F 6	III.F 1—III.F 3 n.a. III.F 5—III.F 6	F-1—F-3 F-4 F-5—F-6	F-1—F-3 n.a. F-5—F-6
<b>Group G. Employment and Compensation of Employees</b>			
III.G 1—III.G 4 III.G 5 III.G 6—III.G 8 III.G 9 III.G 10—III.G 11 III.G 12 III.G 13 III.G 14 III.G 15—III.G 18	III.G 1—III.G 4 n.a. III.G 6—III.G 8 n.a. III.G 10—III.G 11 n.a. III.G 13 n.a. III.G 15—III.G 18	G-1—G-4 G-5 G-6—G-8 G-9 G-10—G-11 G-12 G-13 G-14 G-15—G-18	G-1—G-4 n.a. G-6—G-8 n.a. G-10—G-11 n.a. G-13 n.a. G-15—G-18
<b>Group H. U.S. Trade in Goods</b>			
III.H 1—III.H 4 III.H 5 III.H 6—III.H 7 III.H 8—III.H 36 III.H 37	III.H 1—III.H 4 n.a. III.H 6—III.H 7 n.a. III.H 37	H-1—H-4 H-5 H-6—H-7 H-8—H-36 H-37	H-1—H-4 n.a. H-6—H-7 n.a. H-37
<b>Group I. Interest, Dividends, Taxes Other Than Income Taxes, and Research and Development Expenditures</b>			
III.I 1—III.I 2 III.I 3—III.I 5 III.I 6	III.I 1—III.I 2 n.a. III.I 6	I-1—I-2 I-3—I-5 I-6	I-1—I-2 n.a. I-6

n.a. Not available