

**U.S. Direct Investment Abroad:
Operations of U.S. Parent Companies and Their Foreign
Affiliates**

Revised 2005 Estimates

This publication presents revised estimates that cover the financial structure and operations of nonbank U.S. multinational companies (MNCs) and their nonbank foreign affiliates for the fiscal year 2005.

These estimates cover the universe of nonbank U.S. parent companies and their nonbank foreign affiliates. They are derived by combining the sample data that were reported in the Annual Surveys of U.S. Direct Investment Abroad, 2005 that was conducted by the Bureau of Economic Analysis (BEA) with BEA's estimates of data for affiliates not in the sample. The estimates for nonsample parents and affiliates that existed before 2005 were derived by extrapolating forward their data from BEA's 2004 benchmark survey of U.S. direct investment abroad.

The concepts and definitions that underlie these estimates are the same as those used for BEA's 1999 and 2004 benchmark surveys. They are described in *U.S. Direct Investment Abroad: 2004 Final Benchmark Data*.

The revised estimates for 2005 are comparable with the estimates for 1977 and for 1982-2004. For the availability of these estimates, see the International Investment Division Product Guide on BEA's Web site at www.bea.gov/bea/ai/iidguide.htm.

The scheme that is used for the titles of the tables for the 2004-05 estimates is similar to that used for the 1999-2003 estimates. To aid in making comparisons between these estimates, see the guide below that provides cross references for the titles for the 2004-05 estimates and those for the 1999-2003 estimates.

For additional information about the revised 2005 estimates, call Ray Mataloni of the Research Branch of the International Investment Division at 202-606-9867 or send e-mail to raymond.mataloni@bea.gov.

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General Notes to Tables

- o The estimates are on a fiscal year (FY) basis; an affiliate's fiscal year is defined as the financial reporting year that ended in that calendar year. Unless otherwise specified, all balances are as of the close of FY 2005.
- o Detail may not add to totals because of rounding.
- o An asterisk "*" indicates a value between -\$500,000 and +\$500,000, or fewer than 50 employees, as appropriate.
- o A "(D)" indicates that the data in the cell have been suppressed to avoid disclosure of data of individual companies.
- o A "U.S. parent company" is the person, resident in the United States, that owns or controls 10 percent or more of the voting securities of an incorporated foreign business enterprise or an equivalent interest in an unincorporated foreign business enterprise. "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), or any government entity. If incorporated, the U.S. parent is the fully consolidated U.S. enterprise consisting of (1) the U.S. corporation whose voting securities are not owned more than 50 percent by another U.S. corporation, and (2) proceeding down each ownership chain from that U.S. corporation, any U.S. corporation (including Foreign Sales Corporations located within the United States) whose voting securities are more than 50 percent owned by the U.S. corporation above it. A U.S. parent comprises the domestic (U.S.) operations of a U.S. multinational company.
- o A "foreign affiliate" is a foreign business enterprise in which there is U.S. direct investment, that is, in which a U.S. person owns or controls 10 percent of the voting securities or the equivalent. Foreign affiliates comprise the foreign operations of a U.S. multinational company over which the U.S. parent is presumed to have a degree of managerial influence.

- o A "majority-owned nonbank affiliate" (MOFA) is a foreign affiliate in which the combined direct and indirect ownership interest of all U.S. parents exceeds 50 percent.
- o The tables cover only nonbank parents and affiliates. Nonbank parents (affiliates) exclude parents (affiliates) classified as depository institutions, which consist of commercial banks, savings institutions, and credit unions.
- o The designation "by country" in a table title indicates that data are disaggregated by country of foreign affiliate.
- o Unless otherwise specified, the designation "by industry" in a table title indicates that the data are disaggregated by industry of foreign affiliate.
- o Not all tables show each country in a group, such as "Other Europe," or each industry in a group, such as "Other industries." For these countries, see table II.A 1 or III.A 1. For the industries, see table II.A 2 or III.A 2; see also BEA's *Guide to Industry and Foreign Trade Classifications for International Surveys*.
- o The European Union (25) comprises Austria, Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.
- o OPEC is the Organization of Petroleum Exporting Countries. Its members are Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.
- o All footnotes follow the last table.

Footnotes to Tables

Tables II.A1 and II.A2:

1. The number of affiliates shown in this table exclude affiliates that were exempt from reporting in the benchmark survey, even though estimates for exempt affiliates are now included in the data for other items.

Table II.M1:

1. Includes capitalized expenditures for land, timber, mineral and like rights owned, structures, machinery, equipment, special tools, and other depreciable property; construction in progress; and capitalized and expensed tangible and intangible exploration and development costs (but not the costs of other types of intangible assets) and land held for resale.
2. Measures expenditures for research and development conducted by the parents, whether for themselves or for others under contract. Excludes expenditures for research and development conducted by others for parents under contract.

Table II.Q1:

1. Sales of goods are defined as sales generated by activities characteristic of the following group of industries: Agriculture and forestry, except support activities; mining, except support activities; construction; manufacturing; and wholesale and retail trade.
2. Sales of services are defined as sales generated by activities characteristic of the following group of industries: Information; finance and insurance; real estate and rental and leasing; professional, technical, and scientific services; support activities for agriculture and forestry; support activities for mining; utilities; transportation and warehousing; management of companies and enterprises; administrative and support services; waste management and remediation services; health care and social assistance; accommodation and food services; and miscellaneous services.
3. Consists of investment income that is included in

sales (or gross operating revenues) in the income statement. In finance and insurance, companies generally include investment income in sales because it is generated by a primary activity of the company. In other industries, most companies consider investment income to be an incidental revenue source; this income is included in the income statement in a separate "other income" category, but it is not included in sales or in this column.

Table II.Q2:

1. For industry classification, each U.S. parent was required to disaggregate its sales by four-digit International Surveys Industry code; the U.S. parent was then classified in the industry in which its sales were largest. When sales are disaggregated by industry of U.S. parent, total sales of a given U.S. parent are shown in the single industry in which the parent was classified; when disaggregated by industry of sales, they are distributed among all the industries in which the U.S. parent reported sales-- i.e., sales associated with each industry of sales are shown in that industry regardless of the U.S. parent's industry of classification.

Table II.R1:

1. Profit-type return is an economic accounting measure of profits from current production. Unlike net income, it is gross of U.S. income taxes, excluding capital gains and losses and income from equity investments, and reflects certain other adjustments needed to convert profits from a financial accounting basis to an economic accounting basis.
2. Equals monetary interest payments plus imputed interest paid minus monetary interest receipts minus imputed interest received. Imputed interest paid and received, which are measures of the value of services provided by life insurance carriers and financial intermediaries without explicit charge, are estimated.
3. Equals taxes other than income and payroll taxes plus production royalty payments to governments.

4. Consists of gains (losses), net of income tax effects, resulting from (1) the sale, disposition, or revaluation of assets; (2) the remeasurement of U.S. parents' foreign-currency-denominated assets and liabilities due to changes in foreign exchange rates during the period; (3) transaction gains (losses) taken to income in accordance with Financial Accounting Standards Board Statement No. 52; and (4) all other realized and unrealized gains (losses), that under generally accepted U.S. accounting principles are to be included in income.

Tables II.T1 and II.T2:

1. Covers only U.S. parents in which there is direct investment by a foreign person--that is, U.S. parents that are owned 10 percent or more by a single foreign person. The foreign parent is the foreign person that holds a direct investment interest in the U.S. parent. The foreign parent group consists of (1) the foreign parent of a U.S. parent, (2) any foreign person, proceeding up the foreign parent's ownership chain, that owns more than 50 percent of the person below it, 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.
2. Does not equal the total in column 4, which is derived from data reported on affiliates' forms, because of differences in timing and valuation and the inclusion of data for affiliates covered on U.S. parents' forms but exempt from being reported on majority-owned foreign affiliates' forms.

Tables III.A1 and III.A2:

1. The number of affiliates shown in this table exclude affiliates that were exempt from reporting in the benchmark survey, even though estimates for exempt affiliates are now included in the data for other items.

Tables III.B1-2, III.B3-4, and III.B11-12:

1. Comparable to the sum of columns 3, 4, and 8 of table III.B1 in the 1999 benchmark survey publication.
2. Comparable to column 16 of table III.B1 in the 1999 benchmark survey publication.

Tables III.D6, III.D7, and III.D8:

1. Includes the net book value of "transfers in" of property, plant, and equipment. For a given affiliate, "transfers in" are from its U.S. parent or from other foreign affiliates of its U.S. parent.

Tables III.E1, III.E2, and III.E8:

1. Consists of gains (losses), net of income tax effects, resulting from (1) the sale, disposition, or revaluation of assets; (2) the remeasurement of the foreign affiliates' assets and liabilities denominated in foreign currencies other than the affiliate's functional currency, to reflect changes in exchange rates during the period; (3) transaction gains (losses) taken to income in accordance with Financial Accounting Standards Board Statement No. 52; and (4) all other realized and unrealized gains (losses), that under generally accepted U.S. accounting principles are to be included in income.

Table III.F1:

1. Includes sales to the U.S. parent and its foreign affiliates; equals the sum of columns 5 and 8.
2. Sales charged by an affiliate to persons in the country where the affiliate is located.
3. Sales charged by an affiliate to persons in foreign countries other than the country where the affiliate is located.
4. See footnote 1 to table II.Q1.
5. See footnote 2 to table II.Q1.
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Tables III.F2 and III.F3:

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Tables III.F15 and III.F16:

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2. See footnote 1 to table III.F1.

3. See footnote 2 to table III.F1.

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1. See footnote 2 to table II.Q1.

Table III.F22:

1. For industry classification, each foreign affiliate was required to disaggregate its sales by four-digit International Surveys Industry code; the affiliate was then classified in the industry in which its sales were largest. When sales are disaggregated by industry of affiliate, total sales of a given affiliate are shown in the single industry in which the affiliate was classified; when disaggregated by industry of sales, they are distributed among all the industries in which the affiliate reported sales--i.e., sales associated with each industry of sales are shown in that industry regardless of the affiliate's industry of classification.

Tables III.G1, III.G2, and III.G5:

1. Profit-type return is an economic accounting measure of profits from current production. Unlike net income, it is gross of foreign income taxes, excluding capital gains and losses and income from equity investments, and reflects certain other adjustments needed to convert profits from a financial accounting basis to an economic accounting basis.
2. Equals monetary interest payments plus imputed interest paid minus monetary interest receipts minus imputed interest received. Imputed interest paid and received, which are measures of the value of services provided by life insurance carriers and financial intermediaries without explicit charge, are estimated.
3. Equals taxes other than income and payroll taxes plus production royalty payments to governments less subsidies received.

Tables III.G7, III.G8, and III.G9:

1. See footnote 1 to table III.G1.

Tables III.H1 and III.H2

1. These broad occupational classes are based on the Occupational Employment Statistics series of the U.S. Bureau of Labor Statistics at www.bls.gov/oes/home.htm.

Tables III.J3 and III.J12:

1. Measures expenditures for research and development conducted by the affiliates, whether for themselves or for others under contract. Excludes expenditures for research and development conducted by others for affiliates under contract.