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Inbound and Outbound U.S. Foreign Direct Investment, 2000-2007

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Abstract

This article examines U.S. inbound and outbound foreign direct investment (FDI) during 2000–2007. Both inbound and outbound U.S. investment showed steady increases between 2000 and 2007, with outbound FDI remaining larger than inbound FDI throughout the period. Even though substantial media attention in recent years has focused on U.S. investment links with emerging markets, particularly China, Europe remains by far the largest regional U.S. investment partner, and the United Kingdom is the largest single country U.S. investment partner. U.S. outbound investment is growing most rapidly to Russia, Austria, and India, while inbound investment from India, the United Arab Emirates, and Venezuela has recorded the fastest growth. The article examines FDI trends and compares inbound and outbound investment in the aggregate, by geographical region, and by major countries within each region. Within countries, the article identifies some of the largest U.S. company investors abroad, and foreign company investors in the United States.

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Introduction

This article identifies the major U.S. investment partners for both inbound and outbound foreign direct investment (FDI), and the most important industries and companies involved. Both U.S. direct investment abroad (USDIA, or outbound investment) and foreign direct investment in the United States (FDIUS, or inbound investment) have showed steady increases in recent years, with outbound FDI remaining larger than inbound FDI throughout the period. U.S. outbound investment to Russia and India has exhibited particularly rapid growth, along with U.S. investment in the United Arab Emirates and Egypt, although total USDIA in the latter two countries remains very small. U.S. outbound investment in holding companies has also increased rapidly since 2000, driving above average growth in Austria, Luxembourg, Singapore, and the Netherlands. India recorded the fastest growth in inbound FDI to the United States, followed by the UAE and Venezuela, and China ranked fifth. Overall investment from all of these emerging market countries was comparatively quite small, with Venezuela, the largest, holding an investment position of just over $6 billion in 2007. By contrast, Spain and South Korea also registered annual growth rates in FDIUS of over 20 percent during 2000-07, with comparatively larger investment positions. In 2007, Europe remained by far the largest regional U.S. investment partner in absolute terms. The United Kingdom was both the largest single country investor in the United States and the largest recipient of U.S. foreign direct investment.

The article surveys FDI trends and compares inbound and outbound investment from 2000 through 2007, using the most recent data available from BEA for direct investment position and capital flows.[2] We closely examine the U.S. direct investment relationship by region for both outbound and inbound investment, and briefly discuss the U.S. investment relationship with the most prominent countries within each region. Within each section, we identify some of the leading companies responsible for the trends, and where possible, discuss the reasons behind the trends.

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[2] Unless noted otherwise, FDI position and capital flows data in this article are official U.S. government data sourced from the U.S. Department of Commerce (USDOC), Bureau of Economic Analysis (BEA). Data is available for download at http://www.bea.gov/international/index.htm#iip.

The FDI data presented here primarily rely on official U.S. government data for direct investment position[3] and capital flows, published by the U.S. Department of Commerce, Bureau of Economic Analysis.[4] Direct investment position data reflect the cumulative value of parent companies' investment in their affiliates, while capital flows data reflect cross-border transfers of capital during a given time period. Data on FDI position and capital flows are a component of U.S. Balance of Payments calculations. Data for direct investment comprises capital flows for companies where U.S. equity ownership in a foreign company (for capital outflows) or foreign equity ownership in a U.S. company (for capital inflows) comprises at least 10 percent of total equity. Capital flows for equity ownership below 10 percent are classified as portfolio investment, rather than direct investment. To illustrate the trends, the article supplements the BEA data with information from private-sector databases, individual company information, and press reports.

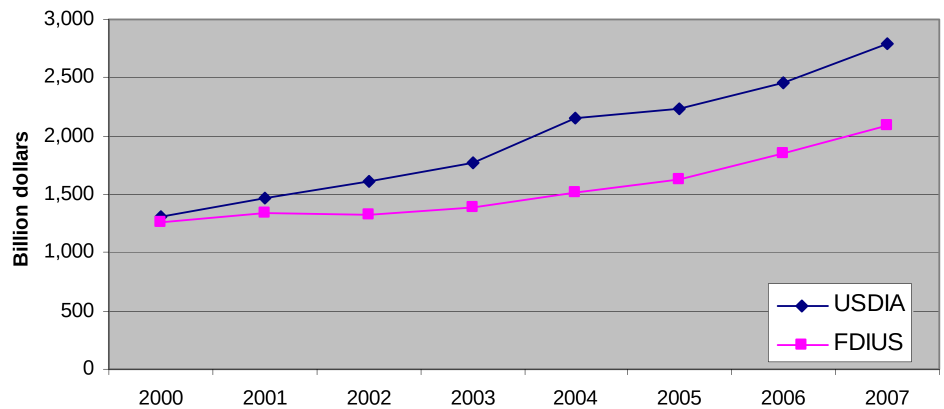
Aggregate Trends in U.S. Inbound and Outbound FDI Position and Capital Flows

The USDIA position measures the cumulative value over time of U.S. equity ownership in, plus net outstanding loans to, foreign affiliates of U.S. firms. Similarly, the FDIUS position measures the cumulative value of foreign equity ownership in, plus net outstanding loans to their U.S. affiliates (USDOC, BEA, 2008, 37). Both the USDIA and FDIUS positions have steadily increased since 2000, illustrating the continually increasing interconnections between the United States and the global economy. In every year, USDIA has exceeded FDIUS (figure 1), although the gap between the two has been wider in some years, depending on economic conditions. Preliminary data for 2007 show the total USDIA position at $2.8 trillion, compared with an FDIUS position of $2.1 trillion, continuing the sharp upward trend of recent years. For 2000-07, the compound annual growth rate (CAGR) was 11 percent for USDIA and 8 percent for FDIUS, visible in the widening difference between the two trend lines in the figure.

[3] In other contexts, investment position may be referred to as investment stock. These terms are interchangeable, but in this article we employ the terminology used by the Bureau of Economic Analysis.

[4] BEA data is available free of charge at http://www.bea.gov.

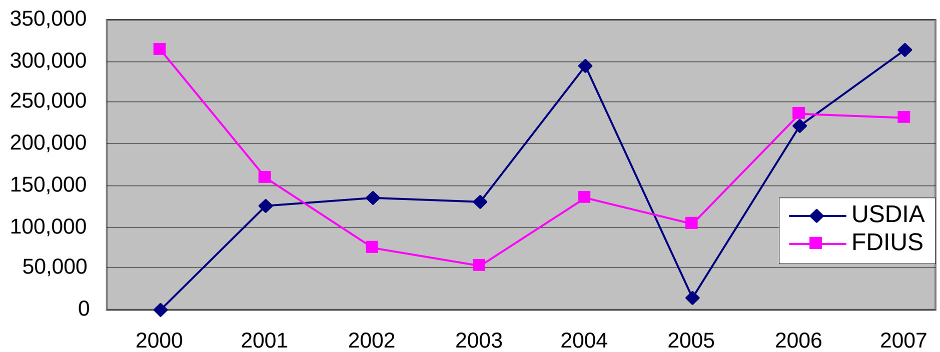
Figure 1 USDIA and FDIUS position, 2000-2007



Source: USDOC, BEA.

Figure 2 illustrates annual capital inflows and outflows, compared to the cumulative investment position shown in figure 1. Annual capital flows fluctuate to a much greater degree than investment position, depending on short term economic conditions, exchange rate movements, and particular large mergers, acquisitions, or investment decisions by individual multinational corporations. This article is more concerned with longer term trends, so the data presented here primarily reflects direct investment position, rather than annual capital flows.

Figure 2 U.S. capital inflows and outflows, 2000–2007



Source: USDOC, BEA.

The data for USDIA and FDIUS position and capital flows used throughout most of this article present calculations on a historical-cost basis, which reflects the value of equity at the time of investment. No adjustments are made for inflation, current value of invested assets, or change in market value of the companies. This represents the original cost of the assets to investors, but may not give a good indication of current value, as assets tend to increase in value over time. To provide a comparison, table 1 presents BEA estimates of the direct investment position for inbound and outbound FDI position using two additional valuation methods: current-cost and market-value. The current cost estimate reflects the estimated current values of "U.S. and foreign parents' share of their affiliates' investment in plant and equipment, land, and inventories." The market value method estimates the "value of the equity portion of direct investment, using indexes of stock market prices" (USDOC, BEA, 2006, 21). At the end of 2007, both the current cost and market value estimates were significantly higher than the estimate based on historical cost, and are likely a closer approximation of the aggregate value reflected on company balance sheets. These alternate valuation estimates are not available for the country and industry breakdowns that are the focus of this article, so the remaining data in this article reflect historical cost valuations.[5]

Whereas FDI position measures cumulative investment, annual FDI capital inflows and outflows measure the new investment that takes place during a specific calendar year. In contrast to the steady upward trend for both USDIA and FDIUS positions shown in figure 1, trends for capital flows exhibit much greater fluctuation, without any consistent relationship between U.S. capital outflows (USDIA) and inflows (FDIUS) (figure 2). This fluctuation reflects annual variation in economic conditions, and may be greatly influenced by one-time events such as particularly large cross-

TABLE 1 Alternative estimates of U.S. direct investment position, 2007 (million dollars)

	USDIA	FDIUS
Historical cost	2,791,269	2,093,049
Current cost	3,332,828	2,422,796
Market value	5,147,952	3,523,600

Source: USDOC, BEA.

[5] For a discussion of issues regarding the deflation of direct investment data, see USDOC, BEA (2002).

border mergers and acquisitions, or by market conditions in particularly countries.

Capital outflows and inflows consist of three components: new equity capital infusions, reinvested earnings, and intercompany loans. Because reinvested earnings from existing investments make up a substantial share of overall capital flows, past investments have a strong influence on the sources of new capital flows (table 2). For example, reinvested earnings as a share of total capital outflows (USDIA) averaged 63 percent from 2000-2007, but varied between 42 percent and 96 percent.[6] For this reason, even as a growing share of U.S. equity capital outflows is directed toward Asia, overall U.S. capital outflows will continue to reflect reinvested earnings and intercompany loans from established, U.S.-owned businesses in Europe. For FDIUS, reinvested earnings averaged a much smaller share of total capital inflows—11 percent during 2000–07; in several years, reinvested

TABLE 2 Components of capital inflows and outflows, 2000–07 (million dollars)

	2000	2001	2002	2003	2004	2005	2006	2007
USDIA								
Capital outflows without current-cost adjustment (inflows (–))	142,627	124,873	134,946	129,352	294,905	15,369	221,664	313,787
Equity capital	78,041	60,942	42,707	35,484	133,277	61,937	32,306	87,969
Reinvested earnings	77,018	52,307	65,756	100,478	141,589	-31,182	211,985	243,827
Intercompany debt	-12,431	11,624	26,483	-6,609	20,039	-15,386	-22,627	-18,008
FDIUS								
Capital inflows without current-cost adjustment (flows (–))	314,007	159,461	74,457	53,146	135,826	104,773	236,701	232,839
Equity capital	259,641	140,901	105,343	93,420	92,905	70,725	117,771	147,432
Reinvested earnings	-7,529	-41,410	-5,331	3,683	39,389	33,869	63,584	63,825
Intercompany debt	61,895	59,969	-22,555	-43,957	3,532	180	55,346	21,581

Source: USDOC, BEA.

Note: Data for 2005 is an anomaly. U.S. legislation permitted a one-time tax benefit for repatriating profits from overseas during 2005, encouraging unusual capital inflows that year.

[6] The decline in U.S. capital outflows in 2005 was largely due to the American Jobs Creation Act of 2004, which offered a one-time tax incentive to U.S. firms to repatriate profits from overseas operations back to the United States. For further detail on the effects of the American Jobs Creation Act, see USDOC, BEA, 2006, 24.

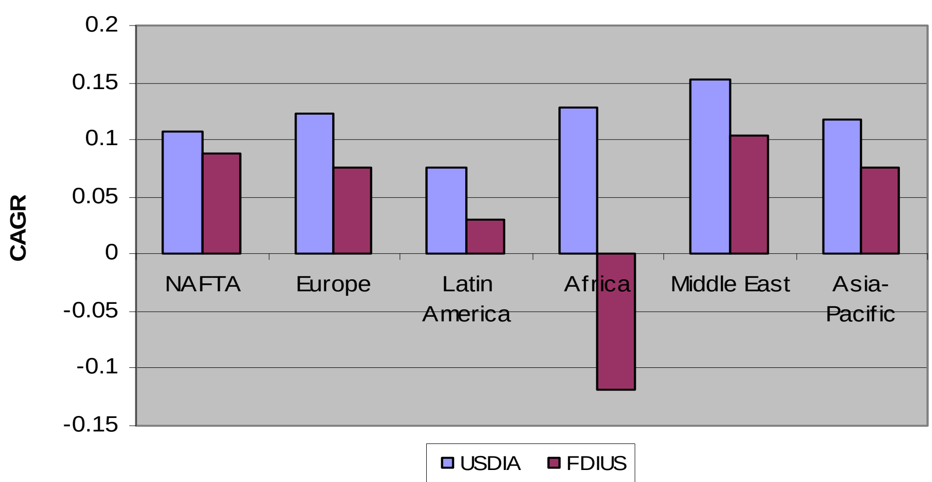
earnings were negative. The majority of the USDIA position is invested in other developed economies, with Europe accounting for 56 percent of the 2007 total. Europe accounts for an even greater share of the FDIUS position (71 percent), confirming the strong connection between the economies of the United States and Europe.

Growth Rates of Inbound and Outbound FDI

The CAGR rates of inbound and outbound investment position vary by region, and by direction of investment. Higher growth rates do not necessarily reflect the regions with the highest levels of FDI position. Between 2000 and 2007, the growth of USDIA position was fastest in the Middle East (15 percent), followed by Africa (13 percent). The growth of U.S. outbound investment in Europe (12.3 percent) was faster than the growth of U.S. investment in Asia-Pacific (11.9 percent) (figure 3).

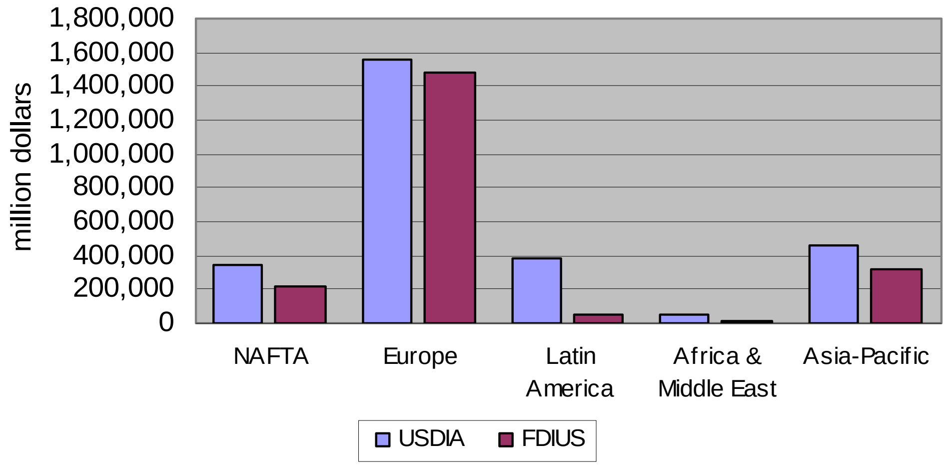
For inbound investment, the Middle East recorded the most rapid growth, followed by the NAFTA countries. Growth of investment from Europe and Asia-Pacific was essentially the same (7.6 percent and 7.5 percent, respectively). The overall decline in inbound investment from Africa

Figure 3 CAGR of USDIA and FDIUS position, by region, 2000-2007



Source: USDOC, BEA.

Figure 4 U.S. inbound and outbound FDI position, by region, 2007



Source: USDOC, BEA.

represents declines from both South Africa and other African countries in a fairly steady trend throughout the period.[7]

Focusing on growth rates tends to obscure the differences in absolute investment levels between regions, since the rate of growth is magnified when the base level of investment is small. For comparison, figure 4 shows the 2007 FDI position by region, for both inbound and outbound investment. As the figure illustrates, even though growth is higher for U.S. investment in Africa and the Middle East, overall inbound and outbound FDI remains dominated by Europe.

Table 3 lists the top 15 countries for which inbound and outbound U.S. investment showed the highest growth rates during 2000-07. U.S. outbound investment grew fastest in Russia, followed by Austria and India. Almost three-fourths of U.S. FDI in Russia is in the mining sector, which includes the petroleum industry, with another 13 percent in manufacturing industries, primarily chemicals and food. U.S. investment in Russia's mining sector includes very large investment projects by Exxon-Mobil and ConocoPhillips, among others (FDIMarkets and Zephyr databases, accessed July 1, 2009). However, there are concerns that Russia's efforts to regulate FDI, particularly in strategic sectors such as oil and gas, may

[7] Further details on particular industries and countries within Africa are not available from BEA.

TABLE 3 Fastest growing U.S. investment partners, inbound and outbound investment position, 2000–2007

USDIA position, all industries			
	2000	**2007**	**CAGR**
All countries	**1,316,247**	**2,791,269**	11.3%
Russia	1,147	12,986	41.4%
Austria	2,872	20,490	32.4%
India	2,379	13,633	28.3%
United Arab Emirates	683	3,846	28.0%
Luxembourg	27,849	113,611	22.2%
Egypt	1,998	7,513	20.8%
Singapore	24,133	82,623	19.2%
Netherlands	115,429	370,160	18.1%
Czech Republic	1,228	3,782	17.4%
Belgium	17,973	54,464	17.2%
South Korea	8,968	27,151	17.1%
U.K. Islands, Caribbean	33,451	90,803	15.3%
Israel	3,735	10,119	15.3%
Turkey	1,826	4,905	15.2%
Norway	4,379	11,650	15.0%

FDIUS position, all industries			
	2000	**2007**	**CAGR**
All countries	**1,256,867**	**2,093,049**	7.6%
India	227	2,957	67.1%
United Arab Emirates	64	862	45.0%
Venezuela	792	6,059	33.7%
Spain	5,068	27,606	27.4%
China	385	1,091	23.2%
South Korea	3,110	13,057	22.7%
New Zealand	395	1,481	20.8%
Panama	3,819	12,903	19.0%
Norway	2,665	7,952	16.9%
Australia	18,775	49,100	14.7%
Switzerland	64,719	155,696	13.4%
Italy	6,576	15,482	13.0%
Luxembourg	58,930	134,310	12.5%
U.K. Islands, Caribbean	15,191	32,807	11.6%
Hong Kong	1,493	3,209	11.6%

Source: USDOC, BEA, and calculations by the author.

moderate the growth of FDI going forward (See, e.g., Liuhto, 2008). In Austria, slightly more than half of outbound U.S. investment is destined for holding companies, and 20 percent goes to manufacturing. U.S. investment in India is more varied, as described below.[8]

Luxembourg, Singapore, the Netherlands, and the U.K. Islands in the Caribbean also exhibited very fast growth in U.S. outbound investment, primarily due to investment in holding companies. Much of this FDI is ultimately destined for investment in other operating industries in third countries (see box 1). Readers may be surprised not to see China among the fastest growth countries for outbound U.S. investment. Among all countries for which data are reported, China ranked 19th in terms of annual growth, with a CAGR of 14.2 percent, compared with 11.2 percent for overall outbound investment to all countries. It is likely that a significant share of U.S. direct investment in holding companies, which has also been growing rapidly, is ultimately destined for operating companies in China, but data do not permit tracking onward investment through holding companies. For inbound U.S. investment, the fastest growing country was India, for which 70 percent of total investment in the United States was directed to professional, scientific, and technical services, including computer systems design services. The United Arab Emirates and Venezuela ranked second and third; China ranked fifth.[9] Spain and South Korea registered the fastest growth among countries with larger existing levels of investment in the United States. The total investment positions from Spain and South Korea were $27.6 billion and $13.1 billion in 2007, respectively, compared with total investment of $3.0 billion from India and $862 million from the United Arab Emirates. The majority of Spanish investment in the United States (65 percent) was directed to depository institutions. Spanish companies have also been active in the renewable energy sector, which is classified within the Other Industries category. Leading Spanish electric power companies including Abengoa, Iberdrola, and Acciona have invested billions of dollars in wind, solar, and biofuels

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[8] The latter category includes computer systems design, engineering, legal, and accounting services. A further breakdown for U.S. investment in India is not available, however, for total U.S. FDI in this area, computer systems design accounts for 54 percent of all professional, scientific, and technical services.

[9] Industry detail for U.S. investment from the United Arab Emirates and Venezuela are not available. According to press reports, however, UAE investors made several large investments in U.S. financial institutions in 2007. Venezuela's U.S. investments are mostly likely tied to the petroleum industry, particularly the Citgo Petroleum Corp. which is wholly owned by Petroleos de Venezuela, the Venezuelan state-owned oil company (data accessed June 30, 2009 from Bureau van Dijk, Zephyr database).

power in the United States since 2000 (FDIMarkets database, accessed July 2, 2009). For South Korea, 72 percent of U.S. investment was in the wholesale trade industry. This is consistent with strong Korean exports of manufactured goods including automobiles and electronic equipment, and corresponding investment by South Korean manufacturers in U.S. distribution systems. China's growth rate of FDIUS ranked fifth, but overall FDI from China remained comparatively quite small in 2007. Like South Korea, the largest share of Chinese investment in the United States was in wholesale trade.

Europe

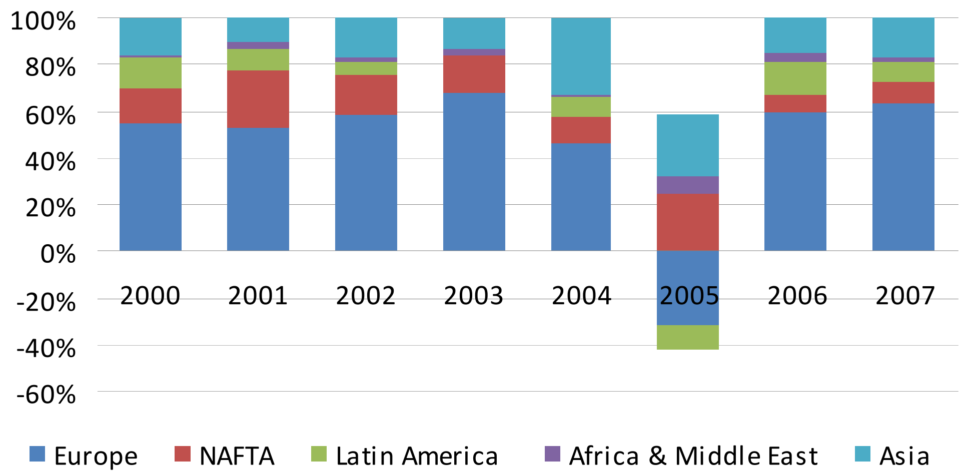
Even though Asia-Pacific has attracted an increasing share of U.S. investment in recent years, and U.S. direct investment in Asia has received extensive press coverage, 47-68 percent of new annual capital outflows since 2000 have been directed to Europe, except for the anomaly year of 2005 (figure 5). As noted, Europe accounted for the majority of both U.S. outbound investment position ($1.6 trillion) and inbound investment position ($1.5 trillion) in 2007. For U.S. companies, the United Kingdom is both the largest source and the largest destination for FDI both within Europe and globally. The Netherlands is in second place (figure 6).

In 2007, the largest European destination for USDIA position was holding companies, with 39 percent of the total (table 4). Holding companies are designed primarily for tax purposes, to channel funds to operating companies in other industries. Those operating companies are often located in a different country than the holding company (box 1). USDIA investment in European holding companies was greatest in the Netherlands ($254.5 billion), followed by Luxembourg ($83.6 billion), the United Kingdom ($80.7 billion), and Switzerland ($59.7 billion).[10] Other industries with significant USDIA positions in Europe are manufacturing, particularly of chemicals, and financial services.

Inbound investment from European countries into the United States is smaller, with manufacturing holding 38 percent of the total FDIUS position

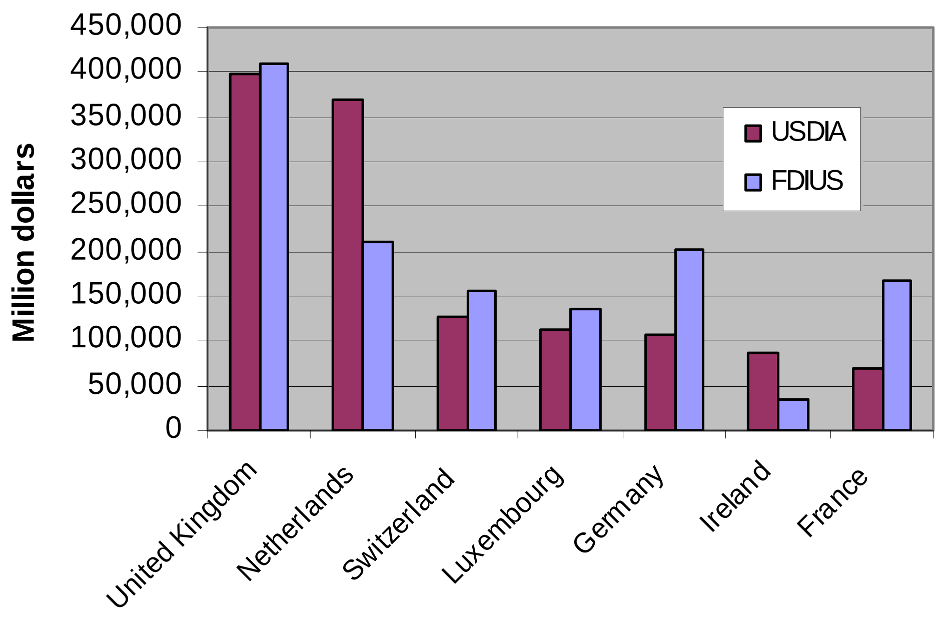
[10] Comparable data are not available for 2000, when BEA included holding companies in the Other Industries category. However, in 2000, that category was the largest industry destination for USDIA to the United Kingdom and Switzerland. Data for USDIA in Other Industries was suppressed in 2000 for Luxembourg and the Netherlands.

Figure 5 Shares of total U.S. capital outflows by region, 2000-2007



Source: USDOC, BEA.

Figure 6 Selected European countries, USDIA and FDIUS position, 2007



Source: USDOC, BEA.

in 2007, close to the 41 percent share of manufacturing in 2000. Within this sector, most European investment is directed to chemicals, which includes the pharmaceuticals industry. Data for European investment in the pharmaceuticals industry are not available, but pharmaceuticals have accounted for roughly one-half of global FDIUS in the U.S. chemicals manufacturing industry in recent years (USDOC, BEA, 2008, 117). Global pharmaceutical companies based in Europe have a strong presence in the U.S. market, including Bayer (Germany), Sanofi-Aventis (France), Novartis (Switzerland), and AstraZeneca (United Kingdom).[11] Financial services are the second largest destination for European FDIUS position. Of the European countries with the largest FDIUS positions in U.S. financial services, investors from the United Kingdom and Spain were concentrated more heavily in banks, and investors based in France, Germany, the Netherlands, and Switzerland were more heavily invested in the insurance and securities segments of the industry.

United Kingdom

As noted, the United Kingdom is the United States' largest investment partner, both for inbound and for outbound investment. British investors accounted for 14 percent of total USDIA position in 2007 and 20 percent of FDIUS position, illustrating the historically close economic relationship between the two countries. The British share of overall U.S. direct investment declined during 2000-07, however, for both inbound and outbound investment (table 5).

Inbound and outbound FDI are concentrated in different industries, as illustrated above in table 3. Financial services accounts for the largest share of USDIA in the United Kingdom (33 percent), consistent with the central role of London's financial markets in the global financial system. Table 6 shows the leading U.S.-owned financial services in the United Kingdom, as ranked by operating revenue.[12]

Manufacturing ranks second to financial services for U.S. investors in the United Kingdom, with chemicals manufacturing accounting for the largest share (figure 7). Leading U.S.-owned manufacturing companies include

[11] One database lists a total of 45 Europe-based pharmaceutical companies with affiliates operating in the United States (data accessed April 1, 2009 from Bureau van Dijk, Orbis database).

[12] However, the ownership of these firms may have changed hands since the onset of the global financial crisis in September 2008, and reported operating revenue in 2007 may not reflect 2009 market conditions.

TABLE 4 USDIA and FDIUS position, selected European countries and industries, 2007 (million dollars)

	All industries	Total mfg	Chemicals	Machinery	Computers and electronic products
USDIA					
Europe	1,551,165	257,397	69,326	19,482	26,375
Belgium	54,464	17,538	9,151	236	45
France	68,454	25,099	3,138	1,694	2,203
Germany	107,351	25,593	4,706	3,301	5,074
Ireland[a]	87,023	19,180	6,202	340	5,330
Luxembourg	113,611	7,585	([b])	-1	([b])
Netherlands	370,160	27,404	8,015	1,404	1,415
Spain	55,894	13,196	4,206	10	380
Switzerland	127,709	11,273	5,975	2,126	716
United Kingdom	398,836	70,083	16,777	6,273	5,241
European Union (27)[a]	1,376,926	239,409	62,186	15,766	25,741
FDIUS					
Europe	1,482,978	557,115	197,269	67,978	41,048
Belgium[a]	19,520	9,369	([b])	30	([c])
France	168,576	79,636	21,163	([b])	18,062
Germany	202,648	61,901	25,003	12,243	1,115
Ireland[a]	33,557	15,742	4,745	4	-1
Luxembourg	134,310	61,886	23,638	21,990	305
Netherlands[a]	209,449	94,998	44,666	([b])	2,344
Spain	27,606	3,357	256	-3	([b])
Sweden	31,857	12,878	([b])	([b])	([b])
Switzerland[a]	155,696	98,672	31,552	1,172	402
United Kingdom	410,787	92,682	31,860	2,799	14,850
European Union (27)[a]	1,301,813	455,232	165,073	65,459	40,231

Source: USDOC, BEA.

[a] Financial services data reflects finance and insurance only. Data for depository institutions was suppressed to avoid disclosing individual company information.

[b] Data suppressed to avoid disclosure of individual company information.

[c] Less than $500,000.

[d] The Bureau of Economic Analysis does not provide FDIUS data for holding companies.

Transportation equipment	Wholesale trade	Information	Financial services	Professional, scientific, and technical services	Holding companies (nonbank)
23,743	109,995	73,170	326,326	37,949	593,837
1,136	5,222	177	24,529	2,479	1,753
1,828	5,868	1,357	8,518	2,342	12,470
2,347	21,385	2,758	16,152	4,649	30,128
11	1,370	16,501	9,886	5,267	6,831
([b])	3,076	1,802	16,554	-24	83,595
-8	17,619	6,694	54,491	3,023	254,500
1,335	3,582	589	8,916	2,132	24,880
248	22,166	1,267	25,689	1,631	59,720
11,210	15,660	36,155	129,985	13,707	80,656
23,040	84,992	71,509	294,348	36,103	531,241
30,440	139,133	133,039	260,522	53,500	([d])
-1	1,881	2	1,248	-42	([d])
3,185	8,999	11,802	46,853	6,663	([d])
11,041	10,772	48,585	50,554	197	([d])
([b])	174	([b])	2,691	-36	([d])
([b])	1,296	7,048	6,884	([b])	([d])
3,075	21,444	16,815	36,766	6,742	([d])
45	132	([b])	19,008	([b])	([d])
4,214	7,442	847	10	54	([d])
([b])	7,865	12,064	29,388	474	([d])
5,959	72,240	22,264	65,141	28,616	([d])
29,061	128,228	116,492	237,221	49,538	([d])

Box 1. USDIA in holding companies

The high level of USDIA in holding companies makes it difficult to determine the final industry destination of U.S. outbound investment. Official U.S. government statistics track capital outflows from U.S. parent firms only to the first foreign affiliate recipient. When a U.S. parent firm invests in a foreign affiliate holding company, which then sends the capital onward to an operating company in another industry and/or another country, U.S. FDI data reflect only the first step of investment in the holding company, not the final industry and/or country destination of these capital outflows. However, it is possible to gain some insight into the final industry destination of FDI by comparing the USDIA position as measured by the industry of the U.S. parent to the USDIA position measured by the industry of the foreign affiliate (table A).

TABLE A USDIA position by industry of affiliate compared to industry of parent, all countries, 2007

Industry	USDIA position by industry of affiliate	USDIA position by industry of US parent	Difference
All industries	2,791,269	2,791,269	0
Holding companies	927,578	35954	891,624
Finance and insurance	531,933	444,603	87,330
Wholesale trade	183,038	100,456	82,582
Mining	147,319	82,700	64,619
Electrical equipment mfg	18,429	24,201	-5,772
Other industries	202,661	212017	-9,356
Primary and fabricated metals mfg	28,685	43,061	-14,376
Machinery mfg	37,063	55,091	-18,028
Information	111,866	146,027	-34,161
Depository institutions	91,768	127,722	-35,954
Prof, scientific, and technical services	63,791	112,605	-48,814
Food mfg	33,766	87,681	-53,915
Computer and electronic products mfg	69,912	189,013	-119,101
Transportation equipment mfg	65,053	275,035	-209,982
Chemicals mfg	117,963	405,292	-287,329
Other mfg	160,444	449,811	-289,367
Total manufacturing	531,315	1,529,185	-997,870

Source: USDOC, BEA, *Survey of Current Business*, September 2008, 85.

Cases in which the USDIA position, as measured by the industry of the parent, differs from the position as measured by the industry of the affiliate, are most likely to be situations in which FDI is directed first to a holding company, and then subsequently reinvested in an operating company. For example, a U.S. manufacturer may invest in a holding company in Bermuda, which then invests in an operating company affiliate such as a factory in India. U.S. FDI data show only the first investment in Bermuda, reported by the industry of the affiliate. When the data are compared by the industry of the parent (manufacturing) vs. the industry of the affiliate (holding companies, included in the service sector), a discrepancy appears. An examination of the data shows that for four industries (holding companies, finance, wholesale trade, and mining), the USDIA position is significantly larger when categorized by the industry of the affiliate, compared to data presented by the industry of the parent. This signifies that many U.S. parent firms have invested in foreign affiliates in an industry different from their own primary industry. By far the largest such discrepancy appears in the category of holding companies. The majority of such funds directed toward holding companies are presumably reinvested in operating companies, probably in third countries.

For 2007, the USDIA position in foreign holding companies was $36.0 billion when measured by the industry of the U.S. parent, compared with $927.6 billion when measured by industry of the affiliate. The reverse is true for manufacturing firms, implying that U.S.-based MNCs engaged primarily in manufacturing industries have invested in foreign affiliates that act as holding companies, and also in affiliates in the wholesale trade, finance, and mining industries. This is particularly true for parent firms that are manufacturers of chemicals, transportation equipment, and computers and electronic equipment. These U.S.-based manufacturing firms have invested in holding companies aimed at onward investment, and also in wholesale trade affiliates used to distribute their products in overseas markets, finance companies likely used to finance the purchase of those finished products, and mining companies, presumably as a source of raw materials for manufacturing operations. In 2007, the USDIA position in manufacturing was $531.3 billion when classified by the industry of the affiliate, but $1,529.2 billion by industry of the parent.

TABLE 5 United Kingdom share of overall U.S. investment position

	USDIA	FDIUS
2000	18%	22%
2007	14%	20%

Source: USDOC, BEA.

TABLE 6 Leading U.S.-owned financial firms in the United Kingdom, by operating revenue, 2007

Affiliate company	Employees	Operating revenue	Global ultimate owner
		Million dollars	
Blackrock Fund Managers	7	20,336.5	Bank of America
Threadneedle Investment Services	57	13,440.5	Ameriprise Financial
Goldman Sachs International	5,489	9,175.2	Goldman Sachs Group
Morgan Stanley & Co. International	363	7,617.4	Morgan Stanley
ML UK Capital Holdings	2,622	-11,323.2	Bank of America
JP Morgan Securities	([a])	4,537.9	JP Morgan Chase
Managed Pension Funds	([a])	4,088.9	State Street Corporation
Citigroup Global Markets Europe	4,385	3,309.6	Citigroup
MBNA Europe Bank	([a])	3,205.0	Bank of America
Citigroup Global Markets	4,385	3,205.0	Citigroup

Source: Bureau van Dijk, Orbis database, accessed December 30, 2008 and April 20, 2009.

Note: Operating revenue reflects latest available year, mostly 2007.

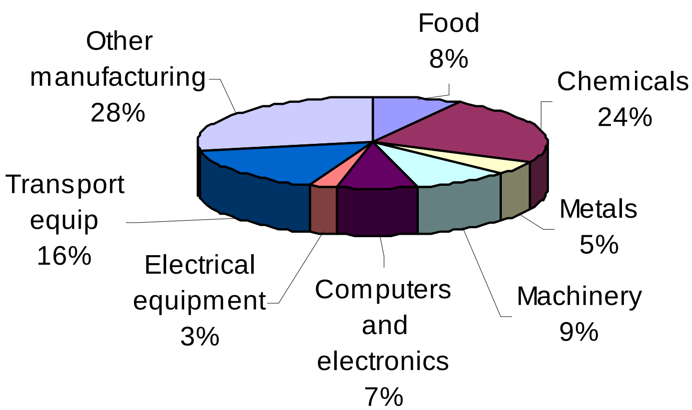
[a] Not available.

affiliates of Altria (tobacco), Chevron (petroleum products), General Motors (automobiles), IBM (computers and computer services), and Hewlett Packard (computers).[13] The U.S.-owned manufacturing company with the highest operating revenue by far ($285.0 billion in 2007) is British Petroleum (BP).[14] By comparison, SABMiller, an affiliate of Altria, reported operating revenue of $22.0 billion, followed by Chevron's British affiliate, with operating revenue of $12.8 billion.[15]

By contrast, a greater share of FDIUS from the United Kingdom is invested in the manufacturing (23 percent) and wholesale trade (18 percent)

[13] Data accessed December 30, 2008, from Bureau van Dijk, Orbis database.
[14] J.P. Morgan Chase, the U.S.-based financial firm, owned 28.5 percent of BP as of 2007 (data accessed December 30, 2009 from Bureau van Dijk, Orbis database).
[15] Data accessed December 30, 2008, from Bureau van Dijk, Orbis database.

Figure 7 USDIA position in the United Kingdom manufacturing sector, 2007



Source: USDOC, BEA.

industries, closely followed by financial services (16 percent). British-owned parents control a number of very large and well-known companies in the United States, and are active in manufacturing industries including chemicals; food, beverage and tobacco; energy; and defense. Leading British-owned manufacturers include AstraZeneca, Shell Petroleum, Chevron Phillips, and Reynolds American (table 7). UK-owned companies are also closely involved in the U.S. defense industry, including BAE Systems, which controls more than 40 separate U.S. affiliates, and Cobham, which operates more than 20 U.S. affiliates.[16]

Netherlands

Holding companies were by far the largest industry destination for U.S. investment in the Netherlands, with U.S. position valued at $245.5 billion in 2007, equal to 69 percent of all USDIA in the Netherlands. Although precise data are not available, given the nature of holding companies as financial vehicles created primarily for tax purposes and the relatively small size of the Dutch economy, it is likely that a significant share of these funds is ultimately reinvested in other countries. Smaller amounts are invested in financial services ($54.5 billion) and manufacturing ($27.4 billion).

[16] Data accessed December 30, 2008, from Bureau van Dijk, Orbis database; Cobham Web site; and BAE Systems Web site.

TABLE 7 Selected United Kingdom-owned manufacturing affiliates in the United States, 2009

Affiliate company	Employees	Operating revenue	Global ultimate owner	Primary business
		Million dollars		
Astrazeneca Limited Partnership	2,500	23,950	Astrazeneca	Pharmaceuticals
Shell Petroleum	26,888	16,300	Royal Dutch Shell	Petroleum
Reynolds American	6,800	8,845	British American Tobacco	Tobacco
Equilon Enterprises	8,600	5,206	Royal Dutch Shell	Petroleum refining
Chevron Phillips Chemical Company	400	3,429	Ineos Group Limited	Petrochemicals and plastics
BAE Systems	34,988	2,961	BAE Systems	Electrical machinery, equipment, and supplies
Tomkins Corporation	29,464	2,627	Tomkins	Electric domestic appliances
BAE Systems Survivability Systems	589	2,400	BAE Systems	Motor vehicle parts
Armor Holdings	8,150	2,361	BAE Systems	Tanks and tank components
Rexam Beverage Can Americas	3,000	2,300	Rexam	Light metal packaging
RB Holdings (USA)	1,600	2,000	Reckitt Benckiser Group	Soaps, detergents, and specialty cleaning preparations

Source: Bureau van Dijk, Orbis database, accessed February 10, 2009.

The FDIUS position from the Netherlands is dominated by manufacturing, which accounts for 45 percent of the total ($95.0 billion), of which almost one-half is directed to the chemicals industry. By far the largest Netherlands-based chemicals manufacturer in the United States is Akzo Nobel, which ranked 455 on the Fortune magazine Global 500 list in 2008. The company reported global revenues of $18.5 billion in 2007, and was ranked ninth of the top 10 global chemical companies (Fortune, 2008). A significant share of total revenues derived from the company's U.S. operations: Akzo Nobel's 32 affiliate companies in the United States reported combined operating revenue of just under $10 billion in their most recent annual reports.[17] Royal DVM, another Netherlands-based

[17] Data from most recent annual report from each affiliate, for either 2006 or 2007, as reported by Bureau van Dijk, Orbis database, accessed December 30, 2008.

chemical company, reported operating revenue of just over $1 billion from 10 U.S. affiliates.

The inbound investment position from the Netherlands in finance and insurance was valued at $36.8 billion in 2007.[18] Several of the world's largest financial services companies are based in the Netherlands, including ING Group (ranked 7th on the Fortune Global 500 List), Aegon (ranked 103rd), and Rabobank (ranked 147th), all of which have extensive operations in the United States.[19]

Germany

In contrast with the United Kingdom and the Netherlands, FDIUS from Germany is substantially larger than USDIA in Germany (see figure 6). The USDIA position in Germany was valued at $107.4 billion in 2007 (4 percent of total USDIA) compared with German direct investment in the United States of $202.6 billion (10 percent of FDIUS). The manufacturing sector represents the largest share of the German FDIUS position, with $61.9 billion (31 percent), primarily in invested chemicals (table 8). Machinery and transportation equipment are also significant destinations for German manufacturing investment. Within the service sector, finance and insurance ($34.1 billion) and banks ($16.4 billion) also represent large shares of total German investment (figure 8).

Most large German financial services companies hold affiliates in the United States. Those that report the highest operating revenues include various affiliates of insurers Hannover Reinsurance, Allianz, and Munich Reinsurance, and of Deutsche Bank.[20] German-based automakers, including Daimler and BMW, also operate finance companies in the United States. German investment in the U.S. information sector[21] was valued at $48.6 billion in 2007. As of February 2009, Deutsche Telekom was the leading German-owned company in the U.S. information sector, operating through several subsidiaries, including Suncom Wireless, Aerial Communications, and Triton[22].

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[18] Does not include depository institutions, for which data were suppressed in 2007 (Bureau van Dijk, Orbis database, accessed December 30, 2008).

[19] Data accessed February 10, 2009 from Bureau van Dijk, Orbis database; Fortune, 2008.

[20] Data accessed February 11, 2009 from Bureau van Dijk, Orbis database.

[21] The information sector is comprised of publishing; motion picture and sound recording industries; broadcasting; telecommunications; and internet, data processing, and other information services.

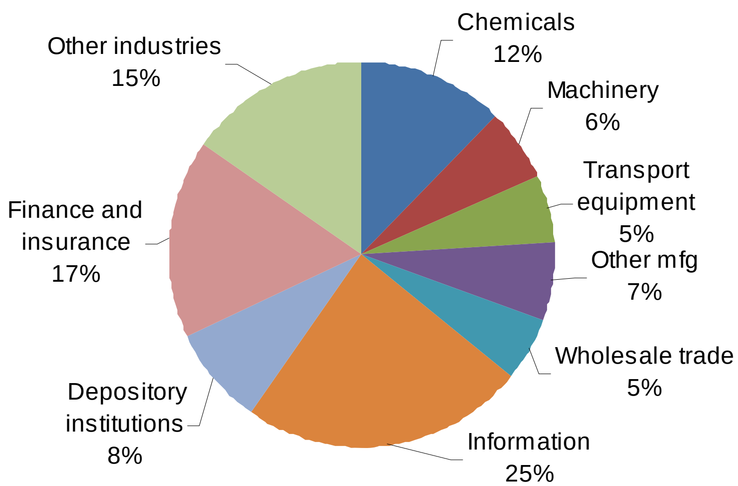
[22] Data accessed February 11, 2009 from Bureau van Dijk, Orbis database.

TABLE 8 Selected German-owned companies invested in chemicals manufacturing in the United States, 2009

Global ultimate owner	Number of U.S. subsidiaries	Combined U.S. operating revenue	Combined U.S. employment	Principal business lines
		Million dollars		
BASF	14	13,108.9	43,077	Oil and gas, plastics, agricultural products and fine chemicals
Bayer	7	8,547.5	35,402	Health care, crop science, materials science, business services, and technology services
Henkel	13	7,848.076	7,036	Laundry and home care, cosmetics and toiletries, and adhesive technologies
Linde	10	4,150.1	10,264	Industrial, medical, and therapeutic gases, and hydrogen, oxygen, and olefin processing plants
Freudenberg & Co. Kommandit-gesellschaft	3	1,381.8	6,317	Seals, nonwovens and filtration, household products, lubricants, and IT services

Sources: Bureau van Dijk, Orbis database, accessed February 11, 2009; and company Web sites.

Figure 8 German FDIUS position, 2007



Source: USDOC, BEA.

Asia Pacific

The U.S. investment relationship with the Asia-Pacific region was the second largest in 2007, accounting for 16 percent of the outbound U.S. investment position ($454.0 billion) and 15 percent of the inbound U.S. investment position ($319.8 billion). The largest share of USDIA position was in manufacturing ($102.7 billion), almost one-third of which reflected investment in manufacturers of computers and electronic products ($31.2 billion). U.S. investors also held an $18.7 billion USDIA position in the region's chemical manufacturing industry, split among several Asian countries (table 9).

Figure 9 shows the largest country destinations for USDIA in the Asian manufacturing sector. Japan is the largest country destination for USDIA in manufacturing, but its share slipped slightly from 21 percent to 19 percent from 2000–07. In contrast, China's share of USDIA in Asia-Pacific manufacturing has increased to 15 percent from 11 percent during the same period, and South Korea's share has increased to 13 percent, from 7 percent.

Holding companies closely followed manufacturing as an industry destination for USDIA, with $102.1 billion, two-thirds of which was invested in the financial centers of Singapore and Hong Kong. As noted, FDI in holding companies is generally reinvested in operating companies in other countries, so it is likely that much of this investment is ultimately destined for investment into Chinese manufacturing companies. If so, actual USDIA in China's manufacturing sector may be significantly larger than reflected in the official U.S. data.

Financial services ranked third for USDIA in the Asia-Pacific region in 2007, at $112.0 billion, of which $22.5 billion was invested in depository institutions. Japan accounts for almost one-half of USDIA in financial services in the region, but investment growth has been significantly faster in the emerging markets, particularly in China, which registered compound annual growth rates for USDIA of more than 50 percent for both banks and other financial services during 2000–2007 (table 10). Even though the domestic economies of Singapore and Hong Kong are small, both serve as regional centers for financial services beyond holding companies. As such, most U.S.-owned banks, securities firms, and many insurance companies active in global markets are likely to maintain an affiliate office in one or both of those locations. It remains to be seen, however, whether the global

TABLE 9 USDIA and FDIUS position, Asia-Pacific region, leading countries

		Manufacturing			
	All industries	Total	Chemicals	Computers and electronic products	Transportation equipment
	Million dollars				
USDIA					
Asia and Pacific	453,959	102,677	18,653	31,183	9,677
Australia	79,027	13,883	2,992	564	1,711
China	28,298	15,007	3,263	3,616	2,055
Hong Kong	47,431	3,680	565	1,360	36
India	13,633	2,918	1,014	315	157
Japan	101,607	19,273	3,975	4,686	2,251
Singapore	27,151	10,930	1,532	3,108	1,298
South Korea	82,623	13,748	1,348	8,211	1,397
FDIUS					
Asia and Pacific[a]	319,832	98,040	11,053	22,244	31,051
Australia	49,100	4,656	([b])	-40	-32
China	1,091	-79	89	-7	-173
Hong Kong[a]	3,209	1,530	(D)	734	([b])
India	2,957	136	42	(D)	57
Japan	233,148	79,951	9,589	21,165	31,205
South Korea	13,057	([b])	19	([b])	([b])
Singapore[a]	10,217	([b])	-66	31	10

Source: USDOC, BEA.

[a] Financial services data reflects finance and insurance only. Data for depository institutions was suppressed to avoid disclosing individual company information.

[b] Data suppressed to avoid disclosure of individual company information.

[c] Less than $500,000.

[d] The Bureau of Economic Analysis does not provide FDIUS data for holding companies.

financial crisis that began in September 2008 will lead to a realignment of USDIA in the Asia-Pacific financial services industry.

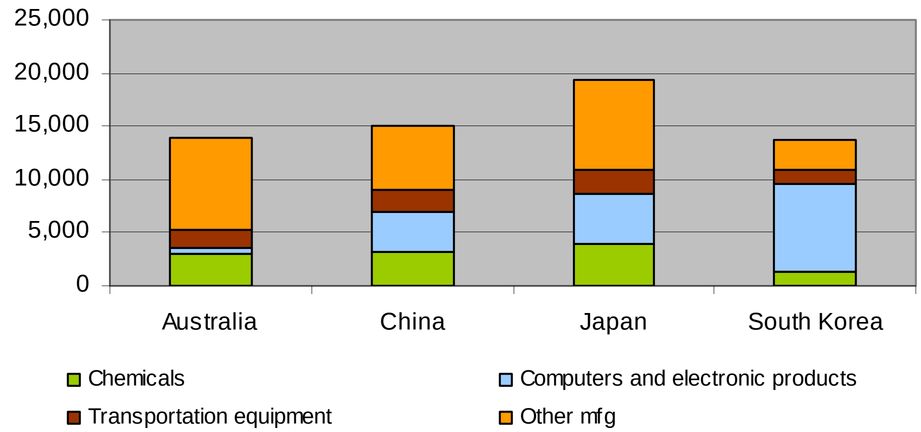
Inbound investment from the Asia-Pacific region in 2007 was concentrated in wholesale trade ($113.9 billion) and manufacturing ($98.0 billion). FDI in wholesale trade tends to reflect investment in distribution services for manufactured goods. Consistent with this, 86 percent of FDIUS in the wholesale trade industry originated in Japan, which has strong manufacturing exports to the United States.

Japan

In 2007, the FDIUS position from Japan ($233.1 billion) was more than twice the country's USDIA position ($101.6 billion). This divergence

Wholesale trade	Information	Financial services	Professional, scientific, and technical services	Holding companies
33,105	24,678	111,999	17,365	102,128
3,702	10,239	13,308	3,822	14,244
3,136	645	1,963	1,287	1,815
7,475	1,197	11,784	3,832	17,648
530	4,132	3,276	1,821	401
8,552	4,554	46,522	1,654	11,494
1,638	721	11,175	1,265	51,690
3,369	2,535	6,882	2,579	140
113,857	(D)	24,916	7,353	([d])
2,349	1,023	6,367	([b])	([d])
847	([c])	([b])	73	([d])
1,059	([b])	413	([b])	([d])
10	101	368	2,071	([d])
97,827	1,821	26,026	4,685	([d])
9,371	([b])	577	-1	([d])
94	14	351	87	([d])

Figure 9 USDIA position in manufacturing, leading Asia-Pacific countries, 2007



Source: USDOC, BEA.

TABLE 10 USDIA position in Asia-Pacific financial services, selected countries, 2000 and 2007

	2000	2007	CAGR	Share of total, 2007
	Million dollars		Percent	
Asia and Pacific	51,390	111,999	11.8	100.0
Australia	5,799	13,308	12.6	11.9
China	107	1,963	51.5	1.8
Hong Kong	9,034	11,784	3.9	10.5
India	632	3,276	26.5	2.9
Japan	23,459	46,522	10.3	41.5
Singapore	3,245	11,175	19.3	10.0
South Korea	1,955	6,882	19.7	6.1

Source: USDOC, BEA.

reflects two separate trends: strong Japanese interest and success in the U.S. market, and the historic difficulties that many U.S. firms have faced in penetrating the Japanese market. The Japanese FDIUS position is particularly strong in the manufacturing and as noted, the wholesale trade sectors. Within manufacturing, the largest industries for Japanese investment are transportation equipment, and computers and electronic products. There are at least 900 Japanese-owned wholesale trade firms in the United States, representing industries including automobiles, metals, apparel, auto parts, agricultural goods, and office equipment (table 11).

In contrast to the pattern for FDIUS, by far the largest share of the USDIA position in Japan in 2007 was invested in financial services, primarily finance and insurance services ($45.8 billion or 45 percent).[23] Many U.S.-based securities and insurance firms have substantial operations in Japan (table12). By comparison, the USDIA position in the Japanese manufacturing sector was valued at a comparatively smaller $19.3 billion. In 2007, the largest recipient manufacturing industries were computers and electronic products ($4.7 billion) and chemicals ($4.0 billion). Wholesale trade ($8.6 billion) and information services ($4.6 billion) were also significant destinations for U.S. direct investment in Japan.

[23] The remainder of the total USDIA position in financial services ($648 million) was invested in banks.

TABLE 11 Leading Japanese-owned wholesale trade companies in the United States, by operating revenue, 2009

Affiliate company	Employees	Operating revenue	Global ultimate owner	Primary business	Latest reporting year
		Million dollars			
American Honda Motor Company	26,000	7,680,900	Honda Motor Company	Automobiles	2007
Sumitomo Corp. of America	175	6,983,834	Sumitomo Corporation	Ferrous and nonferrous metals	2005
Mitsui & Co. (U.S.A.)	2,093	6,811,560	Mitsui & Company	Diversified trading company	2006
Zen-Noh Grain Corporation	([a])	5,719,822	National Federation of Agricultural Cooperative Associations	Grains and seeds	2008
CGB Enterprises	100	4,402,572	Itochu Corporation	Grains	2008
Ikon Office Solutions	25,000	4,168,344	Ricoh Company	Office equipment	2007
Itochu International	([a])	3,917,745	Itochu Corporation	Diversified trading company	2006
Mitsubishi International Corporation	([a])	3,466,693	Mitsubishi Corporation	Diversified trading company	2006
Ricoh Americas Corporation	36,400	3,234,600	Ricoh Company	Office and photographic equipment	2007
Consolidated Grain and Barge Company	15	2,849,410	Itochu Corporation	Grains and seeds	2007
Marubeni America Corporation	([a])	2,532,540	Marubeni Corporation	Diversified trading company	2006
Helena Chemical Company	1,000	2,300,000	Marubeni Corporation	Farm Supplies	2006
Marubeni Itochu Steel America Inc.	1,358	1,907,782	Itochu Corporation	Metals service centers	2006
Makita U.S.A.	140	1,819,000	Makita Corporation	Power-driven hand tools	2004
TBC Corporation	9,400	1,779,400	Sumitomo Corporation	Tires and related automotive products	2007

Source: Bureau van Dijk, Orbis database, accessed April 2, 2009.

[a] Not available.

TABLE 12 Leading U.S.-owned financial services affiliates in Japan, by annual operating revenue, 2008

Affiliate company	Annual operating revenue	Global ultimate owner	Primary business
	Million dollars		
American Life Insurance (ALICO Japan)	14,643	American International Group	Insurance carrier
Hartford Life Insurance	8,246	Hartford Financial Services Group	Insurance carrier
Mitsui Life Insurance	7,999	Manpower	Insurance carrier
Gibraltar Life Insurance	6,489	Prudential Financial	Insurance carrier
Kyoei Life Insurance	5,686	Prudential Financial	Insurance carrier
Prudential Life Insurance	4,587	Prudential Financial	Insurance carrier
AIG Edison Life Insurance	4,069	American International Group	Insurance carrier
AIG Star Life Insurance	2,661	American International Group	Insurance carrier
Goldman Sachs Japan Securities	2,563	Goldman Sachs	Securities and commodity contracts
MassMutual Life Insurance	2,271	Massachusetts Mutual Life Insurance	Insurance carrier
Nikko Cordial Securities	2,177	Citigroup	Short term business credit institutions

Source: Bureau van Dijk, Orbis database, accessed December 30, 2008.

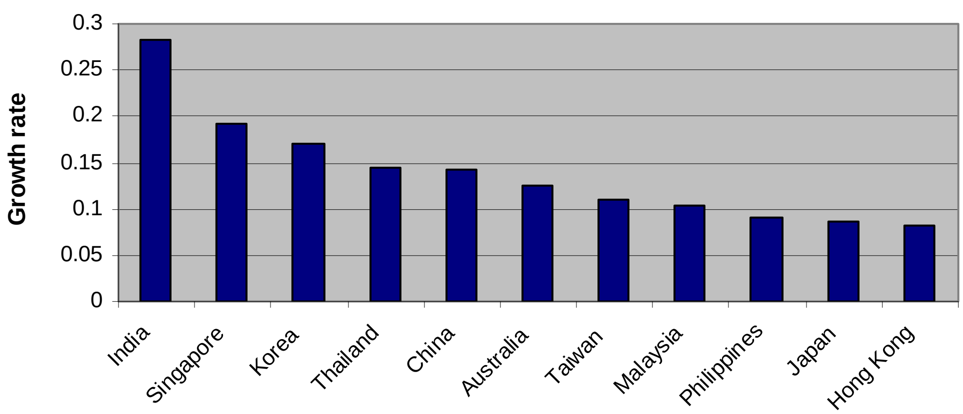
Note: Operating revenue reflects latest reported year for each company.

China

The USDIA position in China reached $28.3 billion in 2007. While this was just 1 percent of total USDIA, investment in China recorded a CAGR of 14 percent during 2000–2007, compared to 11 percent for global USDIA position during the period. Annual USDIA capital outflows of new investment into China increased rapidly, remaining under $2.0 billion during 2000–2003, but increasing to $3.9 billion in 2006 and $5.7 billion in 2007.[24] However, for all the media attention paid to U.S. investment in China, there was significantly faster growth in U.S. outbound investment to several other Asian countries, including India, Singapore, South Korea, and Thailand (figure 10).[25]

Manufacturing accounted for 53 percent ($15.0 billion) of U.S. investment in China in 2007 (figure 11). The largest manufacturing segments were computers and electronic products, chemicals, and transportation equipment. Wholesale trade accounted for 11 percent ($3.1 billion). As is well-known, U.S. corporations have invested heavily in Chinese manufacturing facilities in recent years, often taking advantage of China's relatively low labor costs and integrated distribution infrastructure, and

Figure 10 Compound annual growth rate (CAGR) of USDIA position, selected Asian countries, 2000-2007

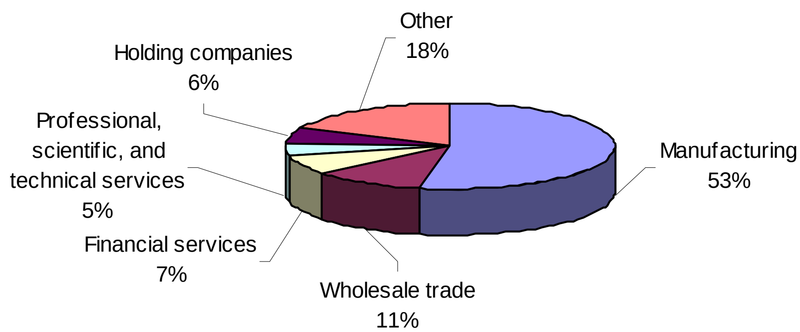


Source: USDOC, BEA.

[24] CAGR rates for capital flows are often misleading, as they ignore the annual fluctuation of capital flows, so the CAGR for capital flows is not presented here. Such fluctuation is significantly more extensive than for FDI positions.

[25] As noted above, however, much of USDIA stock in Singapore and Hong Kong is invested in holding companies. China is the likely final destination of a large share of this investment.

Figure 11 USDIA position in China, by industry, 2007



Source: USDOC, BEA.

seeking to sell their products in China's growing domestic market. As noted, investment in wholesale trade affiliates often supports manufacturing investment. Table 13 illustrates some of the largest U.S.-owned manufacturing and wholesale trade affiliates in China, particularly in the areas of computers, electrical equipment, and consumer products.

Chinese firms have also begun to invest in the United States in recent years. In 2007, China's FDIUS position was $1.1 billion, of which $847 million was classified as wholesale trade. The largest contributor to China's FDIUS in the wholesale trade area is most likely COSCO, the Chinese government-owned shipping company. COSCO had approximately 24 U.S. affiliates in 2007, which together reported over 4,000 U.S. employees, and $429.0 million in operating revenue.[26] As ranked by operating revenue, the largest Chinese-owned manufacturing company in the United States, by a significant margin, was Lenovo USA. Lenovo, a China-based personal computer company, acquired IBM's personal computer business in 2005. Lenovo reported operating revenue of $365.1 million in 2007, with 2,000 U.S. employees (Bureau van Dijk, Orbis database, accessed March 9, 2009).

[26] Data for employment and operating revenue reflect either 2006 or 2007, depending on the affiliate. Data accessed March 9, 2009 from Bureau van Dijk, Orbis database.

TABLE 13 Selected U.S.-owned, manufacturing and wholesale trade

Affiliate company	Employees	Operating revenue	Global ultimate owner	Primary business
		Million dollars		
Motorola (China) Electronic	14,441	6,536.2	Motorola	Communications equipment
Procter & Gamble (Guangzhou)	3,152	3,207.9	Procter & Gamble	Consumer products
Shanghai HP	4,863	3,205.2	Hewlett-Packard	Computers
Hangzhou Motorola Cellular Equipment	430	3,123.7	Motorola	Telecommunications equipment
RF Micro Devices (Beijing)	1,120	741.3	RF Micro Devices	Integrated circuits
Coca-Cola (China) Beverages	634	568.0	Coca-Cola	Beverages
BP Zhuhai Chemical Company	263	544.5	JP Morgan Chase	Chemicals
Qingling Motors Company	3,030	514.3	General Motors	Automobiles
Delphi Shanghai Dynamics And Propulsion Systems	1,353	456.4	Delphi Corporation	Automotive parts
Colgate-Palmolive (Guangzhou)	521	337.6	Colgate Palmolive	Consumer products
Avon Products (China)	2,190	327.0	Avon Products Inc	Cosmetics
Shanghai Shenmei Beverage Food	1,158	279.9	Coca-Cola	Beverages
Intel Products (Shanghai)	2,752	278.8	Intel Corp	Integrated circuits
Yada Electronics Co.	4,653	273.7	Emerson Electric	Electronic components
Beijing Delphi Wanyuan Engine Management System	365	273.3	Delphi	Automotive parts
MeadJohnson (Guangzhou)	435	218.3	Bristol-Myers Squibb	Milk and dairy production
Agilent Technologies (Shanghai)	233	218.0	Agilent Technologies	Instrument manufacturing

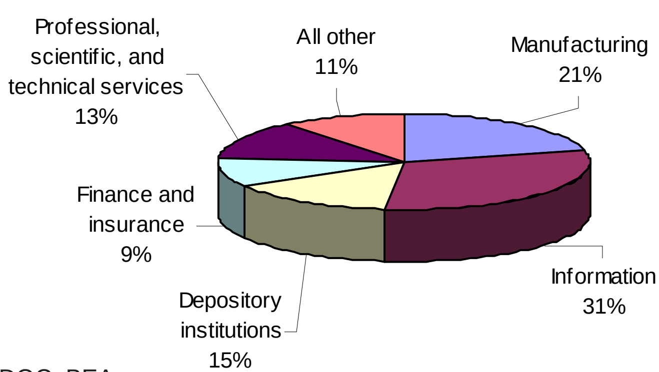
Source: Bureau van Dijk, Orbis database, accessed March 9, 2009.

India

U.S. investment in India increased significantly to $13.6 billion in 2007, up from $2.4 billion in 2000, a CAGR of 28.3 percent, compared with growth of 11 percent for the total USDIA investment position. Although India accounts for only 3 percent of total USDIA position in the Asia-Pacific region, its share is much larger in certain industries: 17 percent of total USDIA in information industries, 12 percent in machinery manufacturing, and 11 percent in professional, scientific, and technical services.

Almost one-third of USDIA in India is directed to the information industry (figure 12), primarily data processing and related services. This reflects U.S. companies' well documented outsourcing of certain technical and customer service functions to India. Prominent U.S. companies with Indian affiliates in the information industry include Oracle, Honeywell, Igate, and Citigroup. Although less well documented, 21 percent of USDIA in India is invested in the manufacturing sector. Of that amount, just over one-third is focused on chemicals, and one-fourth is invested in machinery manufacturing. Major U.S.-owned chemical companies with affiliates in India include Pfizer, Abbott, and Mylan, all global pharmaceutical firms. India is well known for its pharmaceutical research industry, and U.S. firms have actively engaged in the market (Linton and Corrado, 2007). In the machinery industry, Cummins India Ltd., an affiliate of a U.S.-based manufacturer of diesel engines, reported the largest operating revenue among all U.S.-owned affiliates in India ($688.8 million in 2007).[27]

Figure 12 USDIA position in India, by industry, 2007



Source: USDOC, BEA.

[27] Includes affiliates included in the Orbis database. Not all companies publicly report operating revenue. Data accessed June 30, 2009 from Bureau van Dijk, Orbis database.

India's FDIUS position has also registered rapid growth, from $227 million in 2002 to $3.0 billion in 2007. This was a thirteenfold increase but, as is typical for developing countries, inbound investment was much smaller than U.S. outbound investment in India. Over two-thirds of Indian FDIUS was invested in professional, scientific, and technical services. Wipro, Patni Computer Systems, and HCL own several of the largest U.S. affiliates of Indian technology companies, as measured by operating revenue; all offer computer consulting and software development services)Bureau van Dijk, Orbis database).

NAFTA

In 2007, Canada and Mexico together accounted for 13 percent of all outbound U.S. investment and 11 percent of inbound investment. The close economic relationship between the United States, Canada, and Mexico is a result of common borders, shared history, and the NAFTA agreement. The largest share of USDIA goes to manufacturing, most prominently in transportation equipment and chemicals, followed by financial services, holding companies and mining, including petroleum (table 14). For FDIUS, the largest share was represented by financial services, most of which came from Canada, followed by manufacturing.

Canada

Canada accounted for 9 percent of the total USDIA position in 2007, and 10 percent of FDIUS. More than one-third of U.S. FDI in Canada is in the manufacturing sector, with the largest shares in the chemicals and transportation equipment industries. Financial services and mining are also important destinations for U.S. investment. U.S.-owned companies operating in Canada are quite diverse (table 15).

Canadian inbound investment in the United States is concentrated in the financial services sector, which accounts for 44 percent of the total when the banking (depository institutions), finance, and insurance segments are included.[28] The largest Canada-based financial services company operating in the United States is Manulife Financial, which operates 33 U.S. affiliates reporting combined operating revenue of $46.7 billion. As of September 2008, Manulife was the world's third largest insurance company by market

[28] However, banking accounts for only 5 percent of Canada's FDIUS position in financial services.

TABLE 14 USDIA and FDIUS position with NAFTA countries, selected

	Canada	Mexico	NAFTA	NAFTA share of U.S. total
	Million dollars			Percent
USDIA				
All industries	257,058	91,663	348,721	12.5
Mining	32,700	4,463	37,163	25.2
Manufacturing total	93,516	22,802	116,318	21.9
Chemicals	13,280	5,222	18,502	15.7
Transportation equipment	20,474	4,985	25,459	39.1
Wholesale trade	18,241	2,761	21,002	11.5
Financial services[a]	48,426	15,420	63,846	14.8
Holding companies	21,798	16,157	37,955	4.1
FDIUS				
All industries	213,224	5,954	219,178	10.5
Mining	([b])	([b])	([b])	([b])
Manufacturing total	43,118	3,339	46,457	6.5
Chemicals	5,820	128	5,948	2.7
Transportation equipment	3,886		3,886	5.9
Wholesale trade	10,177	1,283	11,460	4.1
Financial services	93,240	1,180	94,420	43.4
Holding companies	([b])	([b])	([b])	([b])

Source: USDOC, BEA.

[a] Data for USDIA position in depository institutions in Mexico was suppressed by BEA to avoid disclosing information relevant to individual companies. Therefore, the estimates for the USDIA position in financial services in Mexico and in the NAFTA region are likely underestimated. In 2005 (latest available), the USDIA position in Mexico depository institutions was $17.2 billion.

[b] Not available.

capitalization, and also offers financial services besides insurance. The company operates primarily under the John Hancock brand in the United States, which Manulife acquired in 2003 (Manulife Financial, 2008; and Manulife Financial, 2009). Table 16 shows the Canadian banks active in the United States as of September 2008.

Manufacturing accounts for 20 percent of Canadian FDIUS. Chemicals, computers and electronic products, and transportation equipment are the largest manufacturing segments. Although not all companies report

TABLE 15 Selected U.S.-owned affiliates in Canada, by affiliates' operating revenue, 2009

Affiliate company	Employees	Operating revenue	Global ultimate owner	Primary business
		Million dollars		
3M Canada	2,000	26,296	3M Company	Adhesives and sealants
Imperial Oil	([a])	25,371	Exxon Mobil	Exploration, production, transportation and sale of crude oil, natural gas, and petroleum products
ADM Agri-Industries	24,000	10,340	Archer-Daniels-Midland	Edible fats and oils
Citifinancial Canada	2,460	9,390	Citigroup	Personal credit institutions
Cargill	10,000	6,629	Cargill & Macmillan Families	Grain and field beans
Newmont Mining Corp. of Canada	([a])	5,587	Newmont Mining Corporation	Exploration for and production of gold.
Abitibi-Consolidated Company of Canada	10,000	4,279	Abitibibowater	Paper mills
General Motors of Canada	22,000	4,197	General Motors	Motor vehicles and car bodies
Canadian Ultramar	3,269	3,891	Valero Energy	Fuel oil dealers
Domtar	([a])	3,578	Domtar	Pulp and paper products, and packaging and construction materials
Abitibibowater Canada	([a])	3,547	Abitibibowater	Newsprint, coated and uncoated groundwood papers, bleached kraft pulp and lumber products.
Westcoast Energy	([a])	3,114	Spectra Energy	Integrated natural gas and natural gas liquids company
Citi Financial	5,500	2,843	Citigroup	Short-term business credit
Costco Wholesale Canada	14,500	2,499	Costco Wholesale Corp	Durable goods
Home Depot of Canada	18,000	2,326	Home Depot Inc	Hardware stores
ExxonMobil Canada	1,000	2,311	Exxon Mobil	Crude petroleum and natural gas
ConocoPhillips Canada Resources Corp	1,000	2,312	ConocoPhillips	Crude petroleum and natural gas
Masonite International Inc	10,000	2,201	KKR & Company	Millwork
Union Gas	([a])	2,088	Spectra Energy	Natural gas distribution utility
Devon Canada Corporation	1,000	2,061	Devon Energy	Crude petroleum and natural gas
Best Buy Canada	17,000	2,054	Best Buy	Radio, television, and electronics retail stores

Source: Bureau van Dijk, Orbis database, accessed February 13, 2009.

[a] Not available.

TABLE 16 Canadian-owned banks in the United States, 2008 (million dollars)

Canadian parent bank	Combined assets of U.S. offices
Bank of Montreal	98,562
Bank of Nova Scotia	42,541
Canadian Imperial Bank of Commerce	20,024
La Caisse Central des Jardins du Quebec	334
National Bank of Canada	4,058
Royal Bank of Canada	68,613
Toronto-Dominion Bank	147,176
Total assets	381,308

Source: U.S. Federal Reserve Board, Structure Data for the U.S. Offices of Foreign Banking Organizations, September 30, 2008.

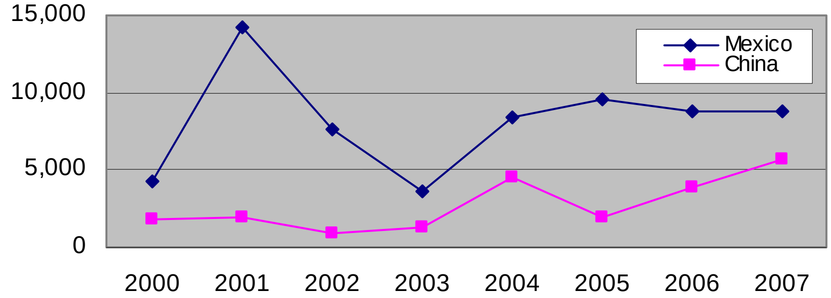
employment figures, the latest estimate for Canadian-owned manufacturing affiliates shows overall employment of more than 138,000 workers (Bureau van Dijk, Orbis database, accessed March 6, 2009). Suncor Energy USA, an affiliate of the Canadian petroleum refining company of the same name, reported operating revenue of $11.1 billion in 2005 (latest available), and employed 625 U.S. workers (Bureau van Dijk, Orbis database, accessed March 6, 2009). Onex Corporation, a diversified holding company manufacturer of electronic components, reports more than 250 U.S. affiliates, with combined operating revenue of $18.7 billion.[29] Onex has interests in a variety of manufacturing industries, including electronic parts, aircraft, and auto parts. The company also has invested in service industries including healthcare, consulting, and financial services (Onex, 2009). Magna International controls approximately 30 U.S. affiliates, mostly in the auto parts industry. Magna's U.S. affiliates reported combined operating revenue of $2.4 billion in the latest reporting year (Bureau van Dijk, Orbis database, accessed March 6, 2009).

Mexico

The USDIA position in Mexico was valued at $91.7 billion in 2007, far more than any other developing country, and increased at a CAGR of 12.8 percent during 2000–2007. Even though many observers of recent FDI trends have remarked on the rapid growth of U.S. FDI in China, it is interesting to note that U.S. capital outflows to Mexico have been consistently higher than outflows to China since 2000 (figure 13). Most U.S. investment in Mexico is concentrated in manufacturing, particularly chemicals and transportation equipment; holding companies; and financial

[29] Actual combined operating revenue for Onex affiliates in the United States is likely to be significantly larger, because many affiliates do not report operating revenue.

Figure 13 USDIA capital outflows to Mexico and China, 2000-2007



Source: USDOC, BEA.

services. However, the fastest growing industries receiving U.S. investment were in the information and mining sectors, due to several large acquisitions by U.S. firms during the period. In mining, by far the largest transaction was Southern Peru Copper Corporation's acquisition of Minera Mexico for $2.9 billion in 2005.[30] In the information sector, several U.S. acquisitions of Mexican firms contributed to the rapid USDIA growth rate (table 17).

TABLE 17 Selected U.S. acquisitions of Mexican information industry companies, 2000–2007

Acquirer	Target	Deal value	Date completed	Description
		Millions		
Onex Corporation	Grupo Cinemex SA de CV	284.7	6/19/2002	Onex (Canada) and Oaktree Capital Mgmt (US) acquired a chain of cinemas
Turner Broadcasting System Inc.	Fashion TV	235.0	10/4/2007	Acquisition of 7 Latin American television channels
American Tower Corporation	NII Holdings Inc.'s 535 communication towers in Mexico	100.0	12/31/2004	Acquisition of 535 communication towers
Time Inc.	Grupo Editorial Expansión	[a]100.0	8/16/2005	Acquisition of Mexican magazine company

Source: Bureau van Dijk, Zephyr database, accessed April 3, 2009.

[a] Estimated value.

[30] In spite of its name, Southern Peru Copper Corp. was established in the United States in 1952. The company changed its name to Southern Copper Corp. (SCC) in 2005, after the Minera acquisition. Since 1999, Grupo Mexico S.A.B. has owned a majority share of SCC (SCC, 2009; and SCC, 2009).

The FDIUS position from Mexico was $6.0 billion in 2007, significantly smaller than from Canada, but higher than for most other developing countries. The largest investment shares are in primary and fabricated metals manufacturing ($1.3 billion), wholesale trade ($1.3 billion), and depository institutions ($1.1 billion). FDIUS in metals primarily reflects a 2005 acquisition of Republic Engineered Products, a producer of special bar quality (SBQ) steel, operating U.S. plants in Ohio, New York, and Indiana.[31] There are a number of Mexico-owned wholesale trade companies in the United States. Prominent among them are several affiliates of Cemex, the Mexican cement company, and Vitro, a Mexican glass manufacturer whose U.S. affiliates are primarily involved in construction-related industries (Bureau van Dijk, Orbis database, accessed March 6, 2009). Two Mexico-owned banks, Banorte and BBVA Bancomer, account for most Mexican FDIUS in the banking industry.[32]

Latin America and the Caribbean[33]

Latin America and the Caribbean accounted for 14 percent of USDIA in 2007 ($380.3 billion), compared with 3 percent of FDIUS ($57.0 billion). The largest industries for USDIA were holding companies and financial services, with $180.8 billion and $123.9 billion, respectively.[34] The USDIA position is concentrated in the British Islands in the Caribbean and in Bermuda, which together accounted for 9 percent of the overall USDIA position. These and other Caribbean countries are significant domiciles for holding companies established by U.S.-based corporations, largely for tax purposes. The majority of the funds invested there are later reinvested in operating affiliates in third countries. Aside from its holding company operations, Bermuda has become an important destination for investment in the insurance industry. Other leading industries for USDIA position in Latin America were manufacturing ($5.7 billion) and mining ($4.7 billion).

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[31] The acquirer was Industrias CH (Industrias CH, 2009; and data accessed March 6, 2009 from Bureau van Dijk, Orbis database.

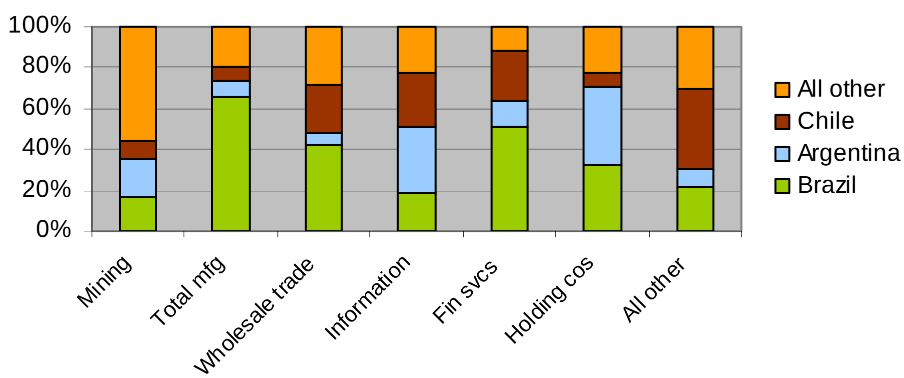
[32] BBVA Bancomer is in turn a subsidiary of BBVA, based in Spain (U.S. Federal Reserve Board, 2008).

[33] Excludes Mexico, which is included with the NAFTA region.

[34] Excludes USDIA in depository institutions (banks), which was suppressed by BEA to avoid disclosure of individual company information.

The three largest destinations for overall U.S. investment in South America were Brazil, Argentina and Chile, with Brazil attracting the largest share of USDIA in most industries (figure 14), although both Chile and Argentina are larger destinations than Brazil for U.S. investment in the information sector.[35] Peru and Colombia accounted for most U.S. investment in the region's mining sector, with $4.7 billion (20 percent) and $2.1 billion (9 percent), respectively. Other mining destinations for U.S. investment in the region include the U.K. Islands in the Caribbean ($3.0 billion), Argentina ($2.9 billion), Brazil ($2.6 billion) and Colombia ($2.1 billion).

Figure 14 USDIA position in leading South American countries, 2007



Source: USDOC, BEA.

In Peru, mining activity by U.S.-owned firms is a mix of gold, other nonferrous metals, non-metallic mining, and petroleum and natural gas activity. In Colombia, U.S. firms are active in coal mining and petroleum. The U.K. Islands, including the Cayman Islands and the British Virgin Islands, are not the center of significant mining industry activity. Instead, they host a number of firms that provide oil and gas field services, or oil exploration services that operate around the world, but are legally based in the islands, presumably for tax purposes. In Argentina, most mining investment is in the petroleum sector. Exxon Mobil's affiliate is the largest U.S. company in Argentina, by operating revenue. In Brazil, U.S. companies are involved in oil and gas production, as well as iron ore, coal, and mining of other metals (Bureau van Dijk, Orbis database, accessed January 8, 2009).

[35] The information sector includes publishing, motion picture and sound recording, broadcasting, telecommunications, and internet and data processing services.

The U.K. Islands and Panama are by far the largest sources of inbound U.S. investment from the region, with FDI positions of $32.8 billion and $12.9 billion, respectively. Venezuela exhibited the fastest growth rate for FDIUS from Latin America, with a CAGR of 34 percent from 2000–2007. There is only limited available information on the industry distribution of FDIUS from the region, as much of the data are suppressed to avoid disclosing information of individual companies. The largest industry recipients of U.S. investment from Latin America are real estate ($9.7 billion), finance and insurance ($7.4 billion), and wholesale trade ($7.4 billion).[36] Separate data regarding the industry distribution of FDIUS from the U.K. Islands, Panama, and Venezuela are not available.

Brazil

After several years of steadily increasing U.S. investment in Brazil, total USDIA was $41.6 billion in 2007. U.S. investment in Brazil is strongest in manufacturing ($22.1 billion), of which the largest share is in the chemicals industry ($5.8 billion). U.S. investors also have an investment position of $8.8 billion in Brazilian financial services firms, including banks. Recent capital flows to Brazil were most prominent in the manufacturing industry, particularly the transportation equipment segment in 2007. Table 18 shows some of the leading U.S.-owned companies in Brazil, by operating revenue, illustrating the diversity of USDIA in that country.

The Brazilian investment position in the United States is comparatively quite small, valued at less than $1.4 billion in 2007. Of this, 36 percent is invested in depository institutions, primarily Banco do Brasil and Banco Bradesco, whose U.S. assets totaled $3.7 million and $2.3 million, respectively, in September 2008 (U.S. Federal Reserve Board, 2008).

Africa and the Middle East

Africa and the Middle East accounted for the smallest shares of both outbound and inbound U.S. investment in 2007, with 1 percent each. For USDIA, the largest industry is mining, including petroleum (figure 15), which was valued in 2007 at $7.0 billion in the Middle East and $12.6 billion in Africa. U.S. investors also held $13.9 billion in the region's manufacturing sector. Of that amount, $10.7 billion was invested in the

[36] FDIUS in real estate includes Mexico, because separate data for Mexico are not available.

Affiliate company	Employees	Operating revenue	Global ultimate owner	Primary business
		Million dollars		
Cargill Agrícola	24,423	5,314.6	Cargill	Soybean oil mills
Energia Paulista Participacoes	([a])	4,941.1	AES	Energy distribution
AES Elpa	([a])	4,099.5	AES	Security brokers and dealers
Eletropaulo Metropolitana Eletricidade De Sao Paulo	([a])	4,065.9	AES	Electricity production and transmission
Brasiliana Energia	([a])	3,819.5	AES	Electricity production and transmission
Chevron Brasil	940	3,196.8	Chevron	Petroleum products
Whirlpool	([a])	3,154.7	Whirlpool	Manufacture of electronics and home appliances
Brasmotor	([a])	2,164.6	Whirlpool	Manufacture of electronics and home appliances
Banco Citibank	([a])	1,385.0	Citigroup	Commercial Bank
Alcoa Alumínio	4,277	1,272.7	Alcoa	Aluminum production
Dupont Do Brasil	1,070	1,262.5	Dupont	Manufacture of man-made, organic fibers
Seara Alimentos	20,000	1,073.0	Cargill	Meat packing plants
Futuretel and Mem Celular Participacoes	([a])	1,054.2	Citigroup	Security brokers and dealers
White Martins Gases Industriais	6,000	1,041.9	Praxair	Manufacture of industrial gases

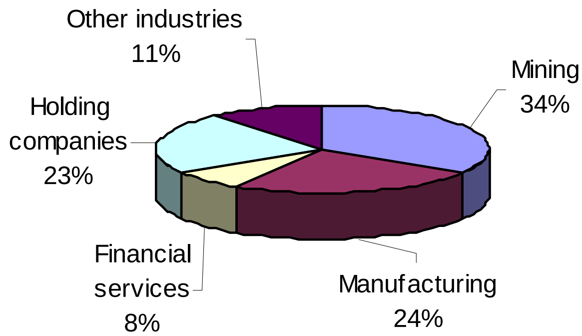
Source: Bureau van Dijk, Orbis database, accessed February 13, 2009.

[a]Not available.

Middle East, of which $6.4 billion was invested in Israel, primarily in the computer and electronics industry. However, the number of U.S. investment projects in Africa's manufacturing sector has been increasing in recent years (figure 16).[37]

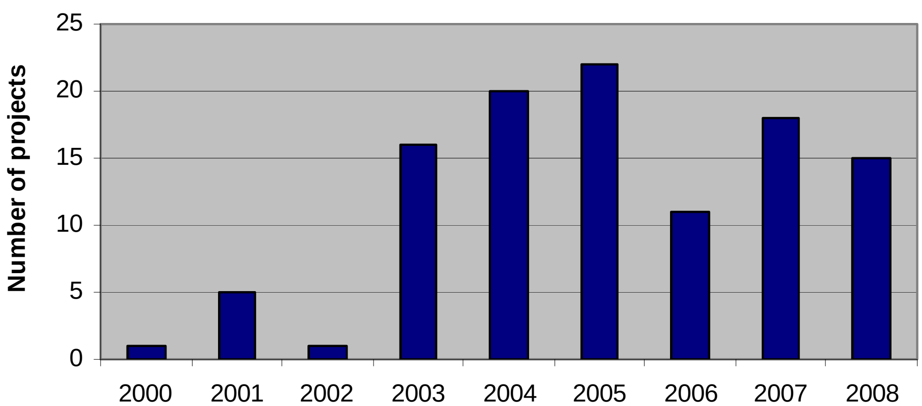
[37] Includes both acquisitions of African companies by U.S. firms and greenfield FDI projects by U.S. companies in Africa. Does not include Middle Eastern countries. Data for 2008 in-

Figure 15 Africa and Middle East, USDIA position by industry, 2007



Source: USDOC, BEA.

Figure 16 U.S. manufacturing investment in Africa, number of greenfield projects and acquisitions, 2000-2007



Source: Bureau van Dijk, Zephyr database, and FDI markets database, accessed September 4, 2008.

The total FDIUS position from Africa and the Middle East was $14.1 billion in 2007. More than one-third ($5.3 billion) originated in Israel, of which $1.9 billion was directed to the U.S. manufacturing sector. In 2006, Africa and the Middle East held an FDIUS position of $1.7 billion in depository institutions, although the data was suppressed for 2007 to avoid disclosing information about particular companies. However, in 2007, investors based in Kuwait and the United Arab Emirates each invested over $800 million in the U.S. banking industry, with data suppressed for Saudi Arabia. Private individuals, corporations, and public investors (through sovereign wealth funds) have all invested large amounts in U.S. banks and securities firms in recent years. For example, the Abu Dhabi Investment Authority invested $7.5 billion in late 2007 to acquire a 4.9 percent equity stake in Citigroup, following three separate investments in 2002 from Saudi Arabia in the same bank, totaling $1.5 billion. Including the Citigroup deal, investors from the UAE acquired equity stakes valued at more than $12.5 billion in U.S. financial services companies between 2006 and August 2008 (Bureau van Dijk, Zephyr database).

Key FDI Terms

- **Direct investment**: Investment in which a resident of one country obtains a lasting interest in, and a degree of influence over the management of a business enterprise in another country, defined as ownership of at least 10 percent of the voting securities of an incorporated foreign business enterprise or the equivalent in an unincorporated foreign business enterprise.

- **Direct investment capital flows** arise from transactions in financial claims and liabilities between U.S. parents and their foreign affiliates, or between U.S. affiliates and their foreign parents. For outward direct investment, capital flows include the funds that U.S. direct investors pay to unaffiliated foreign parties when affiliates are acquired from them and the funds that U.S. investors receive from them when their affiliates are sold. Similarly, inward direct investment capital flows include the funds that foreign investors pay to unaffiliated U.S. residents when affiliates are acquired from them and the funds that foreign investors receive from them when their affiliates are sold. Direct investment capital flows consist of equity capital investment, intercompany debt investment, and reinvested earnings. (Add the definitions for these components here?)

- **Foreign affiliate** – A foreign business enterprise in which a single U.S. investor (a U.S. parent) directly or indirectly owns at least 10 percent of the voting securities, or the equivalent.

- **U.S. affiliate** – A U.S. business enterprise in which a single foreign investor (a foreign parent) owns at least 10 percent of the voting securities, or the equivalent.

- **Direct investment position (stock)** – The value of direct investors' equity in, and net outstanding loans to, their affiliates.

- **U.S. Direct Investment Abroad (USDIA or outward direct investment)** – The ownership or control, directly or indirectly, by one foreign resident of at least 10 percent of voting securities of an incorporated foreign business enterprise or the equivalent.

- **Foreign Direct Investment in the United States (FDIUS or inward direct investment)** – The ownership or control, directly or indirectly, by one foreign resident of at least 10 percent of the voting securities of an incorporated U.S. business enterprise or the equivalent interest in an unincorporated U.S. business enterprise.

Source: USDOC, BEA, Survey of Current Business, July 2008, 27.

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