



## Foreign Direct Investment in the United States

The Bureau of Economic Analysis (BEA) produces comprehensive statistics on foreign direct investment in the United States that are essential to the compilation of the U.S. economic accounts and for the analysis of multinational companies (MNCs). The statistics, which are widely recognized to be the world's most comprehensive and accurate, are obtained from mandatory surveys.

Foreign direct investment in the United States is defined as the ownership by a foreign investor of 10 percent or more of a U.S. business. The direct investor is known as a *foreign parent*, and the foreign-owned U.S. business is known as a *U.S. affiliate*.

BEA publishes two broad sets of statistics on foreign direct investment in the United States: (1) International transactions and direct investment position statistics and (2) financial and operating statistics on U.S. affiliates of foreign companies. Both sets are derived from data collected on surveys of U.S. affiliates conducted by BEA and are available in considerable detail by industry and by country.

### International transactions and direct investment position statistics

International transactions statistics cover the U.S. affiliates' transactions with their foreign parents, so these statistics focus on the foreign parents' share, or interest, in their U.S. affiliates rather than on the affiliates' overall size or level of operations. These statistics are essential to the compilation of the U.S. international transactions accounts, the international investment position (IIP), and the national income and product accounts. The major items include capital flows, which measure the funds that foreign parents provide to their U.S.

affiliates, and income, which measures the return on those funds. All of these items are flows and provide measurement for a particular time frame, such as for a quarter or for a year.

Direct investment position statistics are stocks and are cumulative; they measure the total outstanding level of foreign direct investment in the United States at yearend. Direct investment is recorded in the IIP at current cost and supplemental information is provided both at historical cost and at market value. For the historical-cost statistics, tables are published by country and by industry.

### Financial and operating statistics

Financial and operating statistics provide a picture of the overall activities of U.S. affiliates and contain a wide variety of indicators of their financial structure and operations. The statistics cover the entire operations of the U.S. affiliate, irrespective of the percentage of foreign ownership. These statistics cover items that are needed in analyzing the characteristics, performance, and economic impact of MNCs, such as sales, value added, employment and compensation of employees, capital expenditures, exports and imports, and research and development expenditures. Separate tabulations are available for affiliates that are majority-owned by their foreign parent because the concept of majority control is often important in the analysis of MNCs.

Statistics on U.S. affiliates are published by country and by industry. More detailed tables by industry and state on affiliate operations at the establishment level are available for selected years as a result of a special project that linked BEA's enterprise data for U.S. affiliates with the establishment data for all U.S. companies from the Census Bureau.

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## Uses of the statistics

The statistics on foreign direct investment in the United States and the operations of U.S. affiliates can be used to measure the scale of foreign-controlled business activity in the United States and its impact on the U.S. economy. For example, the statistics can be used to measure:

- The current dollar value of, and returns on, foreign direct investment in the United States
- The shares of U.S. gross domestic product, employment, exports and imports of goods, and research and development accounted for by U.S. affiliates of foreign companies

Researchers have used the statistics to analyze:

- The effects of tax policies on foreign direct investment in the United States
- Differences between foreign- and domestically owned firms in terms of domestic content, profitability, and productivity
- Differences between foreign- and domestically owned establishments in terms of such characteristics as wage rates, plant size, capital intensity, and productivity
- The extent of foreign direct investment by individual state and industry, expressed both in absolute terms (such as numbers of employees) and as percentages of the values for all U.S. establishments

## For more information

For more information, see the following articles that are published regularly in the SURVEY OF CURRENT BUSINESS, the monthly journal of BEA:

- “Direct Investment: Detail for Historical-Cost Position and Related Capital and Income Flows,” in the September issue of the SURVEY
- “Direct Investment Positions: Country and Industry Detail,” in the July issue of the SURVEY
- “U.S. Affiliates of Foreign Companies: Operations,” usually in the August issue of the SURVEY (In 2009, this article will appear in the November issue)

The SURVEY articles referenced above are available on the BEA Web site at [www.bea.gov](http://www.bea.gov).

Time series on the operations of U.S. affiliates can be viewed and downloaded as a comma separated value (.csv) file or spreadsheet (.xls format) through our [interactive tables](#).

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