Direct Investment Positions on a Historical-Cost Basis

• Country and Industry Detail for 1995
• Changes in Geographic Composition Since 1982

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THIS ARTICLE presents the country and industry detail underlying the direct investment positions on a historical-cost basis—the only basis on which such detail is available.[1] Aggregate estimates of the investment positions on the current-cost and market-value bases are presented in the companion article "The International Investment Position of the United States in 1995" in this issue. Table 1 shows the aggregate direct investment positions on all three valuation bases.

On a historical-cost basis, the position for U.S. direct investment abroad (USDIA) grew 15 percent in 1995, and the position for foreign direct investment in the United States (FDIUS) grew 11 percent. For USDIA, the rate of increase was the largest since 1987; for FDIUS, it was the largest since 1989. The strong growth in both measures was largely attributable to a global boom in mergers and acquisitions, which resulted in a substantial number of new direct investments; some of the mergers were structured as an exchange of stock and affected the positions for USDIA and FDIUS. Favorable economic conditions, including declining interest rates and advancing equity markets worldwide and healthy corporate profits in the United States, also contributed to the strong growth by providing a source of funds for mergers and acquisitions. In addition, developments in specific industries spurred investment, particularly the trends towards consolidation in the worldwide pharmaceutical industry and towards privatization of Government-owned utilities abroad.

The increase in the USDIA position continued to be concentrated in developed, high-wage countries rather than in developing, low-wage countries; evidently, U.S. direct investors have been motivated more by a desire for access to major markets than by a search for low-cost sources of supply. As might be expected, developed countries also accounted for the major portion of the increase in the FDIUS position.

The remainder of the article consists of two sections. The first section describes the changes in 1995 in the USDIA position and the FDIUS position. The second section summarizes the changes in the positions by major area for 1982–95.

1. Estimates on a historical-cost basis largely reflect prices at the time of investment rather than prices of the current or any other period. Historical cost is the basis used for valuation in company accounting records in the United States and is the only basis on which companies can report data in the direct investment surveys conducted by the Bureau of Economic Analysis (BEA). (For consistency, the estimates of earnings and reinvested earnings used in analyzing changes in the historical-cost positions are also on this basis and are not adjusted to current cost; country and industry detail for these items, like the positions, is not available with such an adjustment.)

Country and Industry Detail for 1995

U.S. direct investment abroad

The U.S. direct investment position abroad valued at historical cost—the book value of U.S. direct investors' equity in, and net outstanding loans to, their foreign affiliates—was $711.6 billion at yearend 1995 (tables 2 and 3 and chart 1).[2] The largest positions by far remained those in

2. A foreign affiliate is a foreign business enterprise in which a single U.S. investor owns at least 10 percent of the voting securities, or the equivalent.

Table 1.—Alternative Direct Investment Position Estimates, 1994 and 1995

[Millions of dollars]

Valuation method	Position at yearend 1994 r	Changes in 1995: Total	Changes in 1995: Capital flows	Changes in 1995: Valuation adjustments	Position at yearend 1995 p
U.S. direct investment abroad:					
Historical cost	621,044	90,577	93,406	–2,828	711,621
Current cost	779,300	100,823	95,509	5,314	880,123
Market value	1,058,941	242,188	95,509	146,679	1,301,129
Foreign direct investment in the United States:					
Historical cost	502,410	57,678	60,848	–3,170	560,088
Current cost	579,826	58,693	60,236	–1,543	638,519
Market value	771,854	247,348	60,236	187,112	1,019,202

p Preliminary.
r Revised.

the United Kingdom ($119.9 billion, or 17 percent of the total) and in Canada ($81.4 billion, or 11 percent of the total).

In 1995, the position increased $90.6 billion, or 15 percent, compared with a 10-percent increase in 1994 and a 12-percent increase in 1993. The following table shows the change in position in 1995 by the type of capital flow and valuation adjustment:[3]

[Billions of dollars]

Total	90.6
Capital outflows	93.4
Equity capital	36.3
Intercompany debt	4.7
Reinvested earnings	52.4
Valuation adjustments	-2.8
Currency translation	2.4
Other	-5.3

The strong increase in the 1995 position resulted from a surge in reinvested earnings, reflecting strong affiliate profits and a high rate of reinvestment, and a near-tripling of equity capital outflows, reflecting a boom in mergers and acquisitions.

The surge in reinvested earnings reflected robust affiliate profits in many countries, boosted by the large capital flows that have expanded the earnings base in recent years and by dollar depreciation in 1995 against continental European currencies. A small decrease in distributed earnings—the portion of foreign affiliates' profits repatriated to the United States—may have reflected the strong domestic profits of U.S. parents, which reduced their need to repatriate earnings from abroad. As a result of the strong profits and the reduced distributions, the share of earnings that was reinvested rose to an unusually high level—63 percent—in 1995, from 50 percent in 1994 and an average of 36 percent in 1982–93.

Equity capital outflows primarily financed the boom in large mergers and acquisitions involving U.S. multinational corporations in 1995. Increases in profits in the United States, along with falling interest rates and rising stock prices, strengthened U.S. parents' ability to make new acquisitions and to provide funds to their existing affiliates through equity capital. Numerous mergers and acquisitions occurred in many industries, and several unusually large ones occurred in manufacturing (mainly pharmaceuticals) and in "other industries" (mainly electric utilities and, to a lesser extent, telecommunications). Pharmaceutical producers have been seeking global partners to broaden markets and to realize economies of scale in research and

3. Valuation adjustments to the historical-cost position are made to reflect differences between changes in the position, measured at book value, and capital flows, measured at transactions value.

Currency-translation adjustments to the position are made to reflect changes in the exchange rates that are used to translate affiliates' foreign-currency-denominated assets and liabilities into U.S. dollars. The precise effects of currency fluctuations on translation adjustments depend on the value and currency composition of affiliates' assets and liabilities. Depreciation of foreign currencies in relation to the dollar usually results in negative translation adjustments, because it tends to lower the dollar value of foreign-currency-denominated net assets. Similarly, appreciation of foreign currencies in relation to the dollar usually results in positive adjustments, because it tends to raise the dollar value of foreign-currency-denominated net assets.

Examples of "other" valuation adjustments include differences between the proceeds from the sale or liquidation of affiliates by U.S. parents and the book values of the affiliates that are sold or liquidated, differences between the purchase prices and the book values of affiliates that are acquired by U.S. parents, writeoffs resulting from uncompensated expropriations of affiliates, and capital gains and losses of affiliates. (For the position on a historical-cost basis, there are no valuation adjustments due to price changes, because prices are held at historical levels.)

Table 2.—U.S. Direct Investment Position Abroad and Foreign Direct Investment Position in the United States on a Historical-Cost Basis, 1982–95

Yearend	Millions of dollars		Percent change from preceding year	
	U.S. direct investment position abroad	Foreign direct investment position in the United States	U.S. direct investment position abroad	Foreign direct investment position in the United States
1982	207,752	124,677		
1983	212,150	137,061	2.1	9.9
1984	218,093	164,583	2.8	20.1
1985	238,369	184,615	9.3	12.2
1986	270,472	220,414	13.5	19.4
1987	326,253	263,394	20.6	19.5
1988	347,179	314,754	6.4	19.5
1989	381,781	368,924	10.0	17.2
1990	430,521	394,911	12.8	7.0
1991	467,844	419,108	8.7	6.1
1992	502,063	427,566	7.3	2.0
1993 r	564,283	466,666	12.4	9.1
1994 r	621,044	502,410	10.1	7.7
1995 p	711,621	560,088	14.6	11.5

p Preliminary.
r Revised.

CHART 1

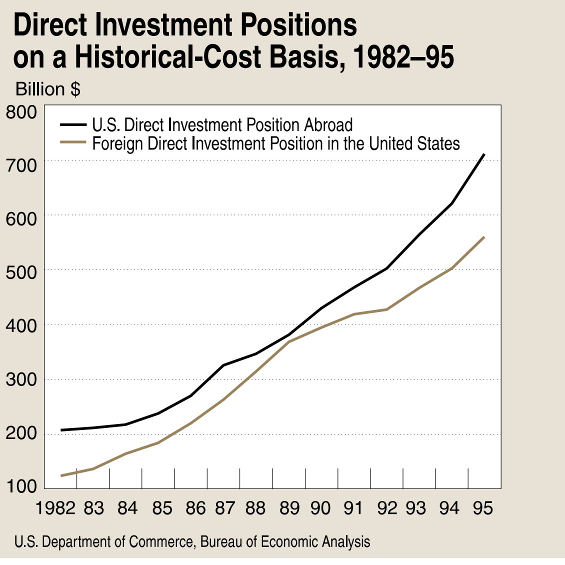


Table 3.—U.S. Direct Investment Position Abroad on a Historical-Cost Basis at Yearend

[Millions of dollars]

	1994								1995							
	All industries	Petroleum	Manufacturing	Wholesale trade	Banking	Finance (except banking), insurance, and real estate	Services	Other industries	All industries	Petroleum	Manufacturing	Wholesale trade	Banking	Finance (except banking), insurance, and real estate	Services	Other industries
All countries	**621,044**	**66,272**	**217,416**	**67,272**	**29,224**	**186,558**	**22,352**	**31,950**	**711,621**	**69,653**	**257,589**	**71,354**	**30,441**	**212,089**	**27,826**	**42,668**
Canada	**74,987**	**8,411**	**36,612**	**7,355**	**813**	**12,485**	**3,479**	**5,833**	**81,387**	**8,219**	**41,248**	**7,658**	**825**	**13,340**	**4,014**	**6,082**
Europe	**310,031**	**25,761**	**107,256**	**35,986**	**13,193**	**105,053**	**14,533**	**8,249**	**363,527**	**26,375**	**131,100**	**36,549**	**14,391**	**124,467**	**18,805**	**11,839**
Austria	1,577	192	859	231	(D)	(D)	196	–15	2,094	163	(D)	358	(D)	133	301	–11
Belgium	14,213	240	7,162	1,869	245	3,445	1,226	25	17,785	325	8,508	2,197	(D)	3,615	2,829	(D)
Denmark	1,983	(D)	300	188	(D)	324	536	60	2,251	(D)	524	228	(D)	464	(D)	20
Finland	621	(D)	219	278	(D)	(D)	22	(D)	830	(D)	332	361	(D)	5	39	(*)
France	27,860	1,109	14,222	4,891	387	4,954	1,465	832	32,645	1,161	16,555	4,407	383	6,805	2,324	1,010
Germany	39,622	2,008	21,436	4,017	2,195	7,052	1,011	1,903	43,001	2,219	23,671	3,322	2,325	8,344	955	2,165
Greece	447	(D)	124	(D)	(D)	36	(D)	(*)	437	(D)	140	82	(D)	51	(D)	(D)
Ireland	10,159	(D)	5,541	189	(D)	3,849	490	62	10,970	(D)	6,894	252	(D)	3,018	621	104
Italy	14,578	414	8,583	2,163	311	1,808	1,171	128	16,718	529	9,822	2,676	401	1,875	1,257	158
Luxembourg	6,112	24	1,348	(D)	226	4,318	(D)	(D)	7,661	33	(D)	0	224	5,699	(D)	(D)
Netherlands	25,127	1,509	9,042	3,361	149	8,463	1,333	1,270	37,421	1,950	10,451	4,453	139	17,976	1,040	1,411
Norway	4,282	3,132	543	206	100	176	18	107	4,904	3,516	591	265	126	230	73	104
Portugal	1,465	(D)	447	358	(D)	128	191	(D)	1,712	(D)	512	382	(D)	133	281	2
Spain	8,316	145	4,873	778	1,347	659	336	179	9,689	167	5,806	875	1,541	729	421	148
Sweden	2,675	48	1,278	444	(D)	779	91	(D)	12,226	(D)	10,377	423	(D)	852	488	–10
Switzerland	34,351	801	2,682	11,240	1,970	16,273	1,272	112	36,342	1,038	3,843	9,308	2,255	18,303	1,440	154
Turkey	1,079	(D)	635	39	110	0	(D)	3	1,167	(D)	714	43	109	–1	(D)	3
United Kingdom	111,255	14,715	26,742	5,301	4,927	51,968	4,844	2,757	119,938	14,035	27,865	6,630	5,192	55,206	5,764	5,245
Other	4,307	553	1,220	215	744	692	82	802	5,735	455	1,720	286	877	1,029	107	1,260
Latin America and Other Western Hemisphere	**112,226**	**6,330**	**31,223**	**6,403**	**7,293**	**51,995**	**853**	**8,129**	**122,765**	**6,731**	**35,681**	**7,967**	**5,997**	**55,982**	**1,296**	**9,111**
South America	37,841	4,229	19,320	1,845	2,712	5,081	266	4,388	46,970	4,521	24,978	2,831	3,162	5,314	479	5,686
Argentina	5,945	815	2,571	603	626	801	83	445	7,962	933	3,576	1,057	839	801	107	648
Brazil	18,798	832	13,534	372	1,398	2,286	75	301	23,590	827	17,651	746	1,490	2,412	162	302
Chile	4,384	(D)	385	253	363	1,541	(D)	1,568	5,510	(D)	570	324	434	1,679	(D)	2,146
Colombia	3,282	1,293	956	181	(D)	(D)	–2	(D)	3,414	1,294	1,118	137	(D)	309	18	(D)
Ecuador	736	556	129	40	(D)	0	0	(D)	830	646	127	48	(D)	(*)	0	(D)
Peru	819	(D)	52	50	(D)	54	9	559	1,213	101	65	60	(D)	1	(D)	952
Venezuela	2,991	225	1,587	279	(D)	95	(D)	761	3,372	(D)	1,747	398	(D)	82	28	806
Other	886	238	106	68	156	(D)	11	(D)	1,078	243	125	61	195	29	(D)	(D)
Central America	30,408	1,113	10,787	1,839	–25	13,975	398	2,321	31,408	1,228	9,636	2,060	83	16,032	546	1,822
Costa Rica	566	(D)	315	(D)	0	(*)	6	3	790	(D)	246	(D)	0	(*)	(D)	9
Guatemala	134	37	87	–7	2	8	(*)	6	155	53	93	(D)	3	9	(*)	(D)
Honduras	186	(D)	173	(D)	5	24	0	–39	236	(D)	223	15	(D)	24	0	–51
Mexico	15,714	(D)	10,001	1,017	(D)	2,124	262	2,230	14,037	133	8,856	842	15	2,008	412	1,772
Panama	13,538	791	168	537	(D)	11,814	124	(D)	15,908	871	197	650	(D)	13,987	122	(D)
Other	269	157	42	5	(D)	4	6	(D)	282	180	22	(D)	(D)	4	(D)	57
Other Western Hemisphere	43,978	987	1,117	2,718	4,606	32,939	189	1,421	44,387	982	1,067	3,076	2,752	34,636	272	1,603
Bahamas	2,736	56	25	129	1,857	756	–113	25	1,566	45	(D)	139	470	879	–97	(D)
Barbados	551	139	2	253	(D)	(D)	(D)	0	792	171	2	339	(D)	(D)	135	0
Bermuda	27,561	–136	5	1,091	0	26,268	152	181	27,807	(D)	5	1,247	0	26,214	228	(D)
Dominican Republic	1,191	(D)	207	3	(D)	3	(D)	(D)	1,274	(D)	242	(*)	(D)	3	(D)	(D)
Jamaica	1,259	(D)	171	(D)	(D)	5	23	17	1,400	(D)	173	(D)	(D)	5	(D)	12
Netherlands Antilles	1,823	(D)	(D)	9	(D)	1,846	(D)	(D)	2,473	(D)	(D)	(D)	(D)	2,421	(D)	(D)
Trinidad and Tobago	771	454	(D)	0	(D)	13	1	(D)	813	506	(D)	0	(D)	13	2	(D)
United Kingdom Islands, Caribbean	7,327	96	421	(D)	2,632	3,564	51	(D)	7,615	114	258	(D)	2,224	4,599	47	(D)
Other	759	311	50	4	(D)	(D)	(*)	(D)	648	258	86	4	–9	(D)	2	(D)
Africa	**5,530**	**2,813**	**1,218**	**211**	**224**	**634**	**82**	**347**	**6,516**	**3,128**	**1,398**	**275**	**239**	**737**	**196**	**543**
Egypt	1,412	1,072	85	76	135	(D)	34	(D)	1,409	1,069	109	86	135	(D)	(D)	3
Nigeria	322	(D)	79	(D)	(D)	(D)	(D)	0	595	(D)	58	(*)	(D)	(D)	0	0
South Africa	1,013	(D)	555	94	0	(D)	6	39	1,269	(D)	672	123	(D)	(D)	(D)	142
Other	2,783	1,233	499	(D)	(D)	610	(D)	(D)	3,244	1,298	559	66	70	665	187	397
Middle East	**6,794**	**2,617**	**1,858**	**201**	**483**	**1,153**	**261**	**222**	**7,982**	**2,737**	**2,087**	**281**	**548**	**1,222**	**392**	**715**
Israel	1,357	(D)	932	(*)	0	(D)	160	46	1,574	(D)	1,107	8	0	(D)	183	60
Saudi Arabia	2,655	159	911	(D)	(D)	(D)	110	85	3,371	156	978	(D)	(D)	(D)	136	(D)
United Arab Emirates	531	(D)	16	149	(D)	–31	–13	39	675	(D)	5	180	(D)	–43	42	86
Other	2,250	2,124	–1	(D)	32	(D)	3	52	2,362	2,235	–3	(D)	5	25	32	(D)
Asia and Pacific	**108,075**	**19,140**	**39,248**	**17,117**	**7,218**	**15,238**	**3,144**	**6,969**	**125,968**	**21,417**	**46,074**	**18,624**	**8,440**	**16,341**	**3,123**	**11,949**
Australia	19,900	2,864	7,663	2,150	1,716	2,082	1,054	2,371	24,713	2,643	8,466	2,250	1,949	2,435	1,055	5,914
China	1,656	679	712	162	(D)	(D)	(D)	35	1,997	794	899	95	(D)	(D)	(D)	135
Hong Kong	13,018	553	1,982	4,005	1,106	4,145	688	538	13,780	600	1,980	4,953	1,323	3,772	565	587
India	783	(D)	283	37	442	(D)	23	0	836	(D)	327	22	467	(D)	27	(*)
Indonesia	4,885	4,172	209	23	111	(D)	(D)	310	7,050	5,132	204	64	(D)	36	(D)	1,404
Japan	36,677	6,121	15,223	7,400	393	6,244	433	862	39,198	6,346	16,664	7,561	451	6,736	686	753
Korea, Republic of	4,081	508	1,339	412	1,425	315	35	47	5,322	(D)	1,548	613	1,819	407	49	(D)
Malaysia	2,343	375	1,563	135	57	151	13	49	3,653	570	2,685	137	41	150	–1	71
New Zealand	3,622	282	1,219	94	(D)	198	(D)	1,648	4,530	345	2,018	100	(D)	219	(D)	1,695
Philippines	2,324	(D)	1,125	188	284	(D)	45	85	2,648	(D)	1,254	200	259	(D)	(D)	235
Singapore	10,310	2,003	4,135	1,599	493	1,356	520	204	12,570	2,420	5,272	1,802	557	1,820	432	268
Taiwan	3,878	(D)	2,369	590	442	153	162	(D)	4,391	(D)	2,914	430	488	176	157	(D)
Thailand	3,741	1,185	1,380	296	365	63	59	394	4,596	1,375	1,768	369	476	70	43	495
Other	857	178	48	25	244	(D)	–2	(D)	685	216	75	28	267	(D)	–3	(D)
International	**3,401**	**1,200**	....	....	....	....	....	**2,201**	**3,476**	**1,046**	....	....	....	....	....	**2,430**
Addenda:																
Eastern Europe	3,159	523	1,091	82	196	(D)	29	(D)	4,490	414	1,577	156	260	806	54	1,224
OPEC [1]	12,605	6,171	2,802	486	640	1,052	143	1,311	16,537	7,597	2,992	695	799	1,179	280	2,996

* Less than $500,000 (±).

D Suppressed to avoid disclosure of data of individual companies.

1. OPEC is the Organization of Petroleum Exporting Countries. Its members are Algeria, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.

development and in sales and distribution; this development is partly in response to pressures from governments, insurance companies, and health maintenance organizations to control costs and limit price increases. U.S. electric utilities, responding to opportunities created by recent privatizations, acquired several energy providers in Australia and the United Kingdom. Similarly, U.S. telecommunications companies, seeking to penetrate new markets, took advantage of privatizations and entered into joint ventures and consortiums, or made acquisitions, in several countries.

Capital outflows for U.S. direct investment abroad were a record $93.4 billion in 1995, up $40.3 billion from 1994. Over one-half, or $52.4 billion, of the 1995 outflows were accounted for by reinvested earnings, which were up $20.3 billion from 1994. The remainder of the 1995 outflows was mainly accounted for by net equity capital outflows of $36.3 billion, nearly triple the 1994 total. Equity capital outflows increased strongly, reflecting numerous very large acquisitions of affiliates, particularly in Europe; decreases in equity capital inflows (inflows resulting from sales of affiliates or liquidations) were virtually unchanged from 1994. Intercompany debt outflows were $4.7 billion, down from $8.3 billion; the dropoff was concentrated in finance and manufacturing.

Changes by country.—The $90.6 billion increase in the U.S. direct investment position abroad was spread among all major geographic areas. The largest increase by far was in Europe.

The following table shows major changes in the positions in 1995 by area and country:

[Billions of dollars]

All countries	90.6
Europe	53.5
of which:	
Netherlands	12.3
Sweden	9.6
United Kingdom	8.7
France	4.8
Belgium	3.6
Germany	3.4
Asia and Pacific	17.9
of which:	
Australia	4.8
Japan	2.5
Singapore	2.3
Indonesia	2.2
Latin America and Other Western Hemisphere	10.5
of which:	
Brazil	4.8
Panama	2.4
Argentina	2.0
Chile	1.1
Mexico	-1.7
Canada	6.4

The position in Europe increased 17 percent and accounted for well over one-half of the overall increase in the position worldwide. The increase resulted from capital outflows of $52.8 billion and currency-translation adjustments of $6.3 billion; the latter reflected widespread appreciation of continental European currencies against the U.S. dollar. Within Europe, the largest increase in the position was in the Netherlands; increases were also large in Sweden, the United Kingdom, France, Belgium, and Germany.

In the Netherlands, most of the increase was in finance; it mainly reflected the reinvested earnings of holding companies (generated largely by equity investments in operating affiliates located in other countries) and a large valuation adjustment that resulted from corporate reorganization. Increased loans (intercompany debt) to affiliates and positive currency-translation adjustments also boosted the position.

In Sweden, the increase was mainly in manufacturing and reflected the ongoing consolidation in the pharmaceutical industry.

In the United Kingdom, the increase resulted from several acquisitions or additions to direct investment holdings in manufacturing (mainly chemicals and industrial machinery), finance, and "other industries." Also contributing to the increase in position were reinvested earnings of manufacturing, finance, and wholesale trade affiliates.

In France, about two-thirds of the increase reflected several acquisitions in services. As in the United Kingdom, the increase in position was boosted by reinvested earnings of manufacturing, finance, and wholesale trade affiliates. Positive currency-translation adjustments also contributed. In Belgium, the increase reflected intercompany loans, reinvested earnings of manufacturing affiliates—particularly in chemicals—and currency-translation adjustments. In Germany, over one-half of the increase resulted from currency-translation adjustments; the remainder was in reinvested earnings and in equity capital outflows, which reflected capital contributions to existing affiliates and acquisitions of new affiliates.

In Asia and Pacific, over one-half of the increase in the position resulted from reinvested earnings; most of the remainder resulted from equity capital outflows. Within Asia and Pacific, the largest increase in the position was in Australia; increases were also large in Japan and Singapore. In Australia, the increase mainly reflected the previously mentioned acquisition of several privatized electric utilities; U.S. utilities were attracted by opportunities for growth in a relatively less regulated utilities market. In Japan, the increase was mostly accounted for by reinvested earnings of manufacturing, insurance, and wholesale trade affiliates. In Singapore, most of the increase resulted from reinvested earnings of manufacturing, wholesale trade, and finance affiliates whose U.S. parents are in the computer industry.

In Latin America and Other Western Hemisphere, the largest increases in position were in Brazil, Panama, Argentina, and Chile. In Brazil, the increase was concentrated in manufacturing and was roughly split between intercompany debt and reinvested earnings. In Panama, the increase reflected reinvested earnings of holding companies and capital gains of insurance affiliates. In Argentina, the increase reflected acquisitions in manufacturing and in "other industries," loans to wholesale trade affiliates, and reinvested earnings in several industries. In Chile, much of the increase resulted from reinvested earnings, especially those of mining affiliates.

A decrease in the position in Mexico was more than accounted for by large negative currency translation adjustments resulting from the sharp depreciation of the peso against the U.S. dollar. The decrease was partly offset by outflows of equity capital to existing affiliates in many industries and reinvested earnings of affiliates in manufacturing and "other industries."

An increase in the position in Canada was the largest in any country outside of Europe. It primarily reflected strong earnings by affiliates, over 80 percent of which were reinvested; also contributing to the increase were acquisitions and numerous small equity capital contributions in several industries. These increases were partly offset by equity decreases in petroleum and a few other industries.

Foreign direct investment in the United States

The foreign direct investment position in the United States valued at historical cost—the book value of foreign direct investors' equity in, and net outstanding loans to, their U.S. affiliates—was $560.1 billion at the end of 1995 (tables 2 and 4 and chart 1). The United Kingdom's position remained the largest ($132.3 billion, or 24 percent of the total). Japan's position was the second largest ($108.6 billion, or 19 percent), and the Netherlands' position was the third largest ($67.7 billion, or 12 percent).

In 1995, the position increased $57.7 billion, or 11 percent, following an 8-percent increase in 1994 and a 9-percent increase in 1993. The following table shows the change in position in 1995 by type of capital flow and valuation adjustment:

[Billions of dollars]

Total	57.7
Capital inflows	60.8
Equity capital	39.5
Intercompany debt	7.4
Reinvested earnings	13.9
Valuation adjustments	-3.2
Currency translation	(*)
Other	-3.1

* Less than $50 million (±).

The strong increase in the position in 1995, as well as the increase in 1994, reflected a number of factors. Continued economic expansion in a number of major investor countries, such as the United Kingdom, may have increased the ability of parent companies in those countries to make new acquisitions and to contribute additional capital to their existing U.S. affiliates, while reducing their need to draw funds from those affiliates. The continued strength of the U.S. economy enhanced the profit potential of new acquisitions, and the depreciation of the dollar against several European currencies and the Japanese yen reduced the cost of acquisitions in foreign-currency terms.

Industry-specific factors also contributed to the increase in position. One such factor that was important in both 1994 and 1995 was the worldwide consolidation of the health-care industry, which led to foreign acquisitions of U.S. pharmaceutical and biotechnology companies. As discussed elsewhere in this issue, these factors had an even more pronounced effect on foreign investors' total outlays to acquire or establish U.S. businesses: In 1995, these outlays, including those financed by capital inflows from foreign parents, rose 19 percent, following a 74-percent increase in 1994.[4]

4. See "Foreign Direct Investment in the United States: New Investment in 1995 and Affiliate Operations in 1994" in this issue. Preliminary data from BEA's survey of new foreign direct investments, summarized in that article, indicate that total outlays to acquire or establish U.S. businesses were $54.4 billion in 1995, up from $45.6 billion in 1994. Unlike the changes in the foreign direct investment position presented here, these figures cover only transactions involving acquisitions and establishments of new U.S. affiliates and include financing other than that from the foreign parent, such as local borrowing by existing U.S. affiliates. In contrast, changes in the position reflect transactions of both new and existing U.S. affiliates—but only transactions with the foreign parent or other members of the foreign parent group—and valuation adjustments.

Notwithstanding these differences, the two types of data are related. Any outlays to acquire or establish U.S. businesses that are funded by foreign parents (or other members of the foreign parent group) are part of capital inflows, a component of the change in the position. Data from the new investments survey indicate that in 1995, foreign parent groups funded $31.5 billion, Capital inflows for foreign direct investment in the United States were $60.8 billion in 1995—their highest level in 6 years. In 1994, capital inflows were $49.9 billion. Nearly two-thirds, or $39.5 billion, of the 1995 total was accounted for by equity capital inflows, which were $5.0 billion higher than in 1994. The higher level of equity capital inflows reflected continued growth in acquisitions of U.S. businesses by foreigners. Reinvested earnings were positive for the second consecutive year after having been negative for the previous 5 years. Reinvested earnings increased $9.2 billion, to $13.9 billion, reflecting increases both in earnings and in the share of earnings that was reinvested. Earnings increased $10.0 billion, following a $13.6 billion increase in 1994. The increases in earnings reflected both the strength of the U.S. economy and the entry of new U.S. affiliates into the direct investment universe; they may also have reflected the diminishing impact of the restructurings that followed the wave of acquisitions in the late 1980's. (Restructurings tend to depress reported earnings in the years immediately following the acquisitions.) The share of affiliate earnings that was reinvested increased to 59 percent from 34 percent in 1994.

or 58 percent, of outlays to acquire or establish new U.S. affiliates, compared with $27.0 billion, or 59 percent, in 1994.

Table 4.—Foreign Direct Investment Position in the United States on a Historical-Cost Basis at Yearend

[Millions of dollars]

	1994									1995								
	All industries	Petroleum	Manufacturing	Trade	Banking	Finance, except banking	Insurance	Real estate	Other industries	All industries	Petroleum	Manufacturing	Trade	Banking	Finance, except banking	Insurance	Real estate	Other industries
All countries	**502,410**	**33,103**	**185,293**	**80,700**	**35,624**	**38,762**	**40,401**	**28,452**	**60,076**	**560,088**	**35,636**	**210,312**	**85,086**	**41,843**	**47,941**	**47,283**	**26,518**	**65,469**
Canada	**42,133**	**2,842**	**17,183**	**3,684**	**1,951**	**3,586**	**4,181**	**2,916**	**5,790**	**46,005**	**2,949**	**19,416**	**4,066**	**2,281**	**3,930**	**5,283**	**2,299**	**5,781**
Europe	**309,415**	**24,974**	**135,921**	**33,874**	**18,438**	**15,488**	**31,786**	**12,275**	**36,658**	**360,762**	**26,831**	**157,667**	**35,755**	**21,073**	**29,644**	**36,753**	**11,534**	**41,506**
Austria	853	0	210	162	(D)	(D)	(D)	1	15	1,635	0	241	(D)	(D)	(D)	(D)	1	13
Belgium	3,882	1,170	2,252	1,027	–342	(D)	(D)	60	100	3,637	(D)	2,193	1,137	–377	(D)	(D)	57	195
Denmark	1,913	5	898	(D)	257	(D)	0	0	526	3,043	5	1,076	1,653	246	(D)	0	0	543
Finland	1,787	(D)	1,031	497	(D)	(D)	(D)	11	6	2,498	(D)	967	(D)	(D)	4	(D)	(*)	4
France	34,139	46	20,292	1,721	1,953	1,870	2,150	72	6,036	38,240	(D)	21,121	1,587	2,497	3,845	2,977	70	(D)
Germany	40,297	79	20,840	8,723	2,790	1,376	4,087	1,217	1,184	47,907	–65	24,475	8,933	2,234	(D)	5,520	1,264	(D)
Ireland	4,354	(D)	559	(D)	(D)	1,464	(D)	(D)	(D)	7,146	343	1,090	(D)	1,577	2,780	(D)	142	408
Italy	2,387	(D)	712	509	1,034	(D)	(D)	77	–197	2,258	(D)	713	803	972	–298	(D)	(D)	–404
Liechtenstein	128	–7	39	47	2	–38	0	102	–17	53	–7	25	52	3	(D)	0	92	(D)
Luxembourg	2,457	(D)	1,812	(D)	–5	137	0	205	75	4,636	(D)	2,496	(D)	–5	208	(D)	221	70
Netherlands	68,212	12,019	19,258	7,893	4,012	2,933	8,290	5,487	8,319	67,654	12,962	21,481	6,560	4,475	2,401	8,073	4,946	6,756
Norway	1,469	40	565	(D)	28	–3	(D)	(D)	534	1,931	171	927	(D)	31	–3	(D)	(D)	441
Spain	1,777	–1	165	174	1,776	(D)	202	(D)	(D)	2,568	(*)	260	167	1,973	–112	218	27	36
Sweden	8,891	(D)	5,714	1,439	102	(D)	879	443	(D)	11,740	(D)	9,227	1,631	(D)	–33	(D)	353	146
Switzerland	25,342	391	13,034	1,543	1,374	2,736	4,178	90	1,997	33,070	483	14,384	1,439	964	8,279	5,285	84	2,152
United Kingdom	111,058	10,398	48,427	8,606	3,606	6,655	11,479	4,341	17,547	132,273	10,998	56,897	7,815	5,967	9,276	13,165	4,252	23,903
Other	470	(D)	111	148	173	(D)	0	12	1	474	(D)	93	(D)	187	–3	0	9	4
Latin America and Other Western Hemisphere	**25,042**	**1,171**	**6,582**	**3,381**	**2,996**	**3,865**	**3,327**	**1,588**	**2,132**	**22,716**	**1,770**	**5,401**	**3,231**	**3,596**	**1,006**	**4,057**	**1,109**	**2,545**
South and Central America	6,966	–667	1,064	–135	2,498	788	(D)	121	(D)	7,278	–419	654	–325	3,006	577	(D)	78	(D)
Brazil	712	(D)	–120	–17	828	4	(D)	7	(D)	864	(D)	–149	41	957	2	(D)	7	(D)
Mexico	2,342	(D)	1,095	16	189	437	(*)	48	(D)	1,952	–9	971	–153	326	(D)	–1	44	(D)
Panama	3,751	–15	140	–28	(D)	290	(D)	22	(D)	4,061	(D)	–40	–31	(D)	290	(D)	–12	(D)
Venezuela	–277	–572	–6	–10	201	54	0	19	36	–213	–514	–11	–16	269	(D)	–1	17	(D)
Other	439	(D)	–46	–97	(D)	2	3	25	–7	614	(D)	–117	–165	(D)	7	5	22	–4
Other Western Hemisphere	18,075	1,838	5,518	3,516	499	3,077	(D)	1,466	(D)	15,438	2,189	4,747	3,556	590	429	(D)	1,032	(D)
Bahamas	1,071	(D)	67	(D)	0	566	0	90	97	–2,159	(D)	90	(D)	(D)	(D)	0	(D)	(D)
Bermuda	2,060	25	619	457	(D)	(D)	396	147	341	1,859	13	483	493	(D)	(D)	673	226	481
Netherlands Antilles	8,349	1,689	4,126	1,483	192	360	(D)	334	(D)	7,159	2,061	2,982	1,465	171	(D)	(D)	–257	(D)
United Kingdom Islands, Caribbean	6,365	(D)	680	(D)	285	2,119	9	969	1,043	8,515	32	1,167	1,405	405	3,189	10	1,057	1,250
Other	231	–9	26	(D)	(D)	(D)	(D)	–73	21	63	(D)	25	(D)	(*)	–17	(D)	(D)	(D)
Africa	**925**	(D)	**346**	**–22**	(D)	(D)	**0**	**56**	**228**	**936**	(D)	**341**	(D)	(D)	(D)	**0**	**47**	**199**
South Africa	–20	0	–4	(D)	–3	0	0	(*)	(D)	–21	(*)	–2	(D)	–3	0	0	(*)	(D)
Other	945	(D)	350	(D)	(D)	(D)	0	56	(D)	956	(D)	342	–21	(D)	(D)	0	47	(D)
Middle East	**5,565**	(D)	**727**	**851**	(D)	(D)	**26**	**1,055**	**64**	**5,053**	(D)	**839**	(D)	(D)	(D)	**25**	**855**	**62**
Israel	2,188	0	320	(D)	629	414	0	–3	(D)	2,168	0	408	(D)	511	422	0	–4	(D)
Kuwait	1,581	(D)	397	(D)	(D)	(D)	(D)	1,101	(D)	1,420	(*)	(D)	(*)	(D)	(D)	(D)	918	(D)
Lebanon	–42	0	(D)	(D)	0	0	0	–51	0	–49	0	(D)	(D)	0	0	0	–58	0
Saudi Arabia	1,668	(D)	(D)	13	(D)	–1	(D)	16	(D)	1,353	(D)	(D)	(D)	(D)	–1	(D)	9	(D)
United Arab Emirates	74	–1	–1	4	(D)	0	0	1	(D)	75	–4	–2	1	(D)	(D)	0	(*)	(D)
Other	97	(D)	0	–5	117	5	0	–9	(D)	86	(*)	0	(D)	105	–1	0	–10	(D)
Asia and Pacific	**119,331**	**2,491**	**24,534**	**38,930**	**11,387**	**15,141**	**1,081**	**10,562**	**15,203**	**124,615**	**2,797**	**26,649**	**41,197**	**14,149**	**12,608**	**1,166**	**10,673**	**15,375**
Australia	7,928	(D)	3,037	170	70	–284	233	(D)	1,431	7,788	3,280	3,150	225	102	–638	230	282	1,156
Hong Kong	1,614	8	224	726	298	173	–3	224	–37	1,387	2	238	593	321	54	–3	215	–33
Japan	104,529	97	20,073	36,389	9,995	14,357	777	9,553	13,287	108,582	29	21,194	38,694	12,516	12,290	863	9,241	13,755
Korea, Republic of	1,279	–528	–99	(D)	174	(D)	(D)	16	167	1,914	(D)	405	(D)	224	(D)	(D)	16	140
Malaysia	465	(D)	244	51	(D)	–2	0	3	(D)	429	(D)	266	5	(D)	–1	0	2	(D)
New Zealand	159	–1	117	18	(D)	–25	31	10	(D)	121	0	94	17	(D)	–25	42	4	(D)
Philippines	86	0	4	(D)	60	0	(D)	–3	(*)	83	0	3	(D)	62	0	(D)	–3	(*)
Singapore	1,139	(D)	355	252	87	43	(*)	373	(D)	1,338	(D)	152	169	101	16	(*)	(D)	(D)
Taiwan	1,451	–2	437	437	320	(D)	0	55	(D)	2,117	–1	951	514	369	(D)	6	53	(D)
Other	680	–5	142	135	355	(D)	(D)	(D)	13	855	–7	195	166	431	–1	1	(D)	(D)
Addendum:																		
OPEC [1]	3,214	1,018	390	(D)	439	(D)	26	1,147	125	2,808	730	406	(D)	543	(D)	24	957	100

* Less than $500,000 (±).

D Suppressed to avoid disclosure of data of individual companies.

1. OPEC is the Organization of Petroleum Exporting Countries. Its members are Algeria, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.

The increase reflected U.S. affiliates' tendency to maintain relatively stable earnings distributions despite fluctuations in earnings. Intercompany debt inflows were $7.4 billion, down from $10.7 billion. The decrease resulted from a shift to outflows in U.S. affiliates' receivables.

Changes by country.—The $57.7 billion increase in the foreign direct investment position in the United States in 1995 was concentrated among parents located in Europe. Outside Europe, the largest increases were by parents in Japan and Canada. The largest decrease in position was by parents in Other Western Hemisphere.

The following table shows the major changes in the positions in 1995 by area and country:

[Billions of dollars]

All countries	57.7
Europe	51.3
of which:	
United Kingdom	21.2
Switzerland	7.7
Germany	7.6
France	4.1
Sweden	2.8
Ireland	2.8
Japan	4.1
Canada	3.9
Other Western Hemisphere	-2.6

Nearly 90 percent of the overall increase in the position in 1995 was accounted for by European investors, whose position rose 17 percent—a faster pace than that for any other major area. Within Europe, parents in the United Kingdom had by far the largest dollar increase, followed by parents in Switzerland, Germany, France, Sweden, and Ireland.

Almost one-half of the increase in the position of British parents was in intercompany debt and resulted from parents extending loans to their U.S. affiliates. By industry, the largest increases in position were in manufacturing—particularly food—nonferrous mining, finance, and banking. In most of these industries, the increases resulted from lending by parents. In banking, however, the increase resulted from equity capital inflows and largely reflected acquisitions.

The largest increases in the position of Swiss parents were in finance, manufacturing—particularly chemicals—and insurance. The increase in finance was more than accounted for by parents extending loans to their affiliates. The increases in chemicals and in insurance resulted from equity capital inflows. In chemicals, they reflected acquisitions; in insurance, they reflected capital contributions to existing affiliates.

Almost all of the increase in the position of German parents was in the form of capital contributions to existing affiliates. The largest increases in position were in manufacturing—particularly chemicals—and in finance. In chemicals, the increase reflected capital contributions. In finance, the increase resulted from parents extending loans to their affiliates.

Nearly one-half of the increase in the position of French parents was in finance and was due mostly to parents extending loans to their U.S. affiliates. The position was also boosted by positive valuation adjustments in insurance that were made to reflect affiliates' gains on their investment portfolios in 1995.

The increase in the position of Japanese parents was more than accounted for by equity capital inflows, which were the largest of any country. Most of these inflows were capital contributions to existing affiliates. These inflows were partly offset by outflows in intercompany debt and by negative reinvested earnings in services and real estate, two industries that continued to show losses. By industry, the largest increases in the position were in banking and wholesale trade. In banking, two-thirds of the increase was accounted for by reinvested earnings. In wholesale trade, the increase was more than accounted for by equity capital contributions.

More than one-half of the increase in the position of Canadian parents was in manufacturing, particularly food. Much of the remainder was in insurance. Reinvested earnings accounted for a large part of the increase in each of these industries. The increase in insurance also reflected equity capital contributions to existing affiliates.

Almost all of the increase in the position of Swedish parents was in chemicals and reflected the ongoing consolidation in the pharmaceuticals industry. Most of the increase in the position of Irish parents reflected loans to affiliates, primarily in finance.

The decrease in the position of parents in Other Western Hemisphere was the net result of large, partly offsetting debt flows between U.S. affiliates in finance and parents located in the Caribbean.

Changes in Geographic Composition Since 1982

This section summarizes changes in the geographic composition of the direct investment positions for 1982-95.[5] For USDIA, the shares of

5. Both positions are shown on a historical-cost basis and are expressed in dollars and, thus, reflect changes in price levels and exchange rates over

the position accounted for by direct investments in Europe, Asia and Pacific, and Latin America and Other Western Hemisphere increased, while the shares accounted for by Canada, Africa, the Middle East, and "International" decreased.[6] For FDIUS, the shares of position accounted for by direct investments from Asia and Pacific increased, while the shares accounted for by investors in most other areas declined.

USDIA position: Shares of host countries

The U.S. direct investment position abroad on a historical-cost basis grew from $207.8 billion at yearend 1982 to $711.6 billion at yearend 1995 (table 5). The average annual growth rate during this period was 10 percent; year-to-year growth rates varied widely, ranging from 2 percent in 1983 to 21 percent in 1987. During this period, the geographic distribution of USDIA shifted away from Canada towards Europe and, to a lesser extent, Asia and Pacific and Latin America.

time, as well as changes in the real value of investment stocks. Nonetheless, major shifts in the shares of the position by broadly defined areas probably reflect real changes.

6. Affiliates in "International" are those that have operations in more than one country and are engaged in petroleum shipping, other water transportation, or operating oil- and gas-drilling equipment.

The share of the USDIA position accounted for by investments in Canada declined sharply, although investments there increased significantly in dollar terms. This decline was the most notable change in the geographic composition of the position. In 1982, Canada's share of the position, at 21 percent, was second only to that of Europe. After peaking at 22 percent in 1984, Canada's share declined nearly every year thereafter and by 1995 had dropped to 11 percent (chart 2). This decline largely reflected a decrease in the position in petroleum as a result of the sale of a number of large and medium-sized affiliates. Some of the sales may have been prompted by price controls and high production taxes that were imposed on natural resource industries. The decrease in share may also have reflected a slowdown of U.S. investment in response to regulations and investment requirements imposed by the Canadian Government. In addition, direct investment in Canada was affected by the 1989 U.S.-Canada Free Trade Agreement, which lifted many of those regulations and requirements over a period of 10 years, and by the subsequent North American Free Trade Agreement, but their net effect is difficult to assess; invest-

Table 5.—U.S. Direct Investment Position Abroad on a Historical-Cost Basis, by Major Area, 1982–95

Year	All areas	Canada	Europe	Latin America and Other Western Hemisphere	Africa	Middle East	Asia and Pacific	International
	Millions of dollars							
1982	207,752	43,511	92,449	28,161	6,487	3,550	28,282	5,314
1983	212,150	44,779	94,400	25,631	6,230	4,470	30,916	5,724
1984	218,093	47,498	94,388	26,549	6,076	4,979	33,405	5,198
1985	238,369	47,934	108,664	30,417	6,130	4,554	35,294	5,378
1986	270,472	52,006	125,613	39,318	5,748	4,876	38,472	4,440
1987	326,253	59,145	156,003	50,147	6,032	4,225	46,925	3,776
1988	347,179	63,900	163,138	55,411	5,474	3,923	52,206	3,127
1989	381,781	63,948	189,467	62,145	3,936	3,518	55,805	2,962
1990	430,521	69,508	214,739	71,413	3,650	3,959	64,718	2,535
1991	467,844	70,711	235,163	77,677	4,427	4,963	72,219	2,684
1992	502,063	68,690	248,744	91,307	4,469	5,759	79,962	3,131
1993	564,283	69,922	285,735	100,482	5,469	6,571	92,671	3,433
1994	621,044	74,987	310,031	112,266	5,530	6,794	108,075	3,401
1995	711,621	81,387	363,527	122,765	6,516	7,982	125,968	3,476
Average annual growth rate (percent)	9.9	4.9	11.1	12.0	(*)	6.4	12.2	–3.2
	Percent of total position							
1982	100.0	20.9	44.5	13.6	3.1	1.7	13.6	2.6
1983	100.0	21.1	44.5	12.1	2.9	2.1	14.6	2.7
1984	100.0	21.8	43.3	12.2	2.8	2.3	15.3	2.4
1985	100.0	20.1	45.6	12.8	2.6	1.9	14.8	2.3
1986	100.0	19.2	46.4	14.5	2.1	1.8	14.2	1.6
1987	100.0	18.1	47.8	15.4	1.8	1.3	14.4	1.2
1988	100.0	18.4	47.0	16.0	1.6	1.1	15.0	.9
1989	100.0	16.7	49.6	16.3	1.0	.9	14.6	.8
1990	100.0	16.1	49.9	16.6	.8	.9	15.0	.6
1991	100.0	15.1	50.3	16.6	.9	1.1	15.4	.6
1992	100.0	13.7	49.5	18.2	.9	1.1	15.9	.6
1993	100.0	12.4	50.6	17.8	1.0	1.2	16.4	.6
1994	100.0	12.1	49.9	18.1	.9	1.1	17.4	.5
1995	100.0	11.4	51.1	17.3	.9	1.1	17.7	.5

* Less than 0.05 percent.

ments that had been made mainly to avoid tariffs may no longer have been necessary, but new investments may have been made in response to a more open investment climate and to increased opportunities for exporting back to the United States.

The share of the position accounted for by European affiliates was greater than that accounted for by affiliates in any other area throughout 1982–95. Europe accounted for 44 percent of the position in 1982 and 51 percent in 1995. U.S. investors have been attracted to Europe because of its large, increasingly integrated market. In addition, the absence of internal tariffs within the European Union countries promoted trade within the Union. Within Europe, affiliates in the United Kingdom had the largest share in both 1982 and 1995 and had the fastest growth, partly reflecting the growth in investments in finance affiliates following the deregulation of securities markets in late 1986. (In 1989, the United Kingdom surpassed Canada as the individual country with the largest position.) Among other countries with large positions, shares increased in the Netherlands and France and decreased in Germany and Switzerland.

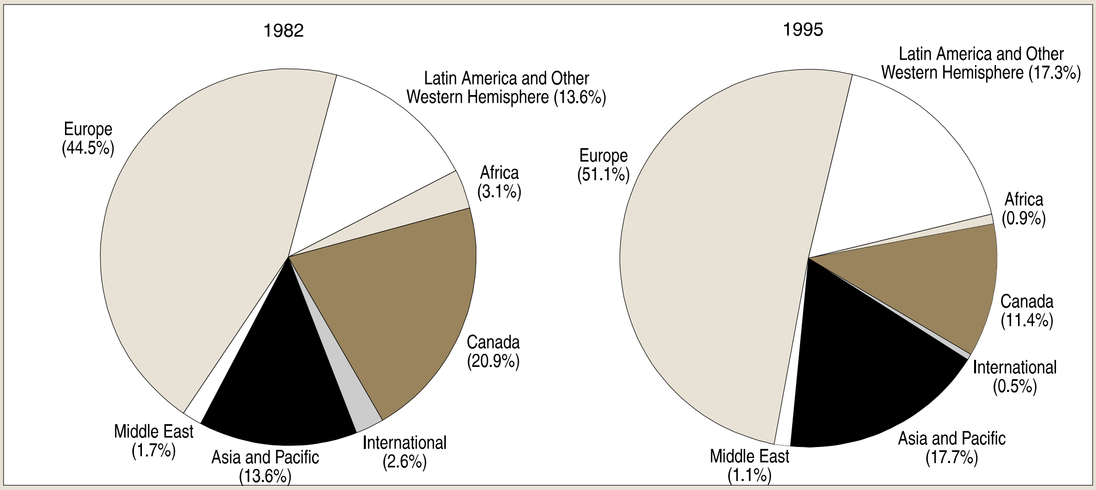
In Latin America and Other Western Hemisphere, the share of the position increased from 14 percent in 1982 to 17 percent in 1995. The increase was mainly attributable to the gradual elimination of the negative position in the Netherlands Antilles.[7] In recent years, several South American nations and Mexico have attracted increasing amounts of foreign investment by privatizing Government-owned industries, liberalizing trade policies, and otherwise improving their investment climates. These changes resulted in increases in the position in many of these countries. However, the growth in the position in Latin America and Other Western Hemisphere in 1982–95 was generally slower than the worldwide average. U.S. investors may have been discouraged by a variety of factors that limited economic growth or adversely affected the investment climate, such as the mid-1980's debt crisis, rapid inflation, nominally high interest rates, volatile exchange rates, and restrictive investment policies.

Shares of the position in Africa and in the Middle East—at 3 percent and 2 percent, respectively in 1982—fell to 1 percent by the late 1980's and held steady thereafter. In Africa, the decline stemmed largely from U.S. disinvestment

7. In the late 1970's and early 1980's, the Netherlands Antilles was used extensively as a financial conduit by U.S. companies to borrow funds in European capital markets and relend them to their U.S. parents. These transactions yielded a large negative direct investment position, representing intercompany debt owed by the parents to the affiliates. U.S. parents borrowed indirectly through these affiliates rather than directly from Euromarkets, because the associated interest payments were exempt from U.S. withholding taxes under a U.S.-Netherlands Antilles tax treaty. In the third quarter of 1984, the U.S. withholding tax on interest paid to foreigners was eliminated, thus removing the principal incentive to borrowing through Netherlands Antillean affiliates. Relatively little new borrowing from these affiliates has occurred subsequently, and repayment of previous borrowings has gradually eliminated the negative position.

CHART 2

U.S. Direct Investment Position Abroad on a Historical-Cost Basis, Shares by Major Area, 1982 and 1995



in South Africa in the mid-1980's in response to that country's social policies and the elimination of U.S. tax credits for taxes paid there; stagnant economic growth in Sub-Saharan countries also contributed to the decline. In the Middle East, the decline reflected decreasing participation by petroleum affiliates in production and refining, which resulted to some extent from increased host-country involvement in those activities and from an ensuing emphasis on exploration and production by U.S. companies in other areas, such as the North Sea and the Pacific Rim.

In Asia and Pacific, the share in the position grew from 14 percent in 1982 to 18 percent in 1995 and has increased each year since 1990. U.S. investors have been attracted by the rapidly growing economies of the newly industrialized countries, especially Hong Kong, Singapore, Taiwan, and Korea. Nevertheless, Japan has by far the largest share within the region, at 6 percent; its share has doubled since 1982. Much of the growth reflected depreciation of the dollar against the yen, evidenced by large positive translation adjustments to the position, and reinvested earnings of existing affiliates.

In "International," the share declined steadily from 3 percent in 1982 to 0.5 percent in 1995. The decline reflected overcapacity and slackening demand for petroleum tankers, partly because of expanded production from new and existing oilfields that are closer to consuming areas. In addition, some U.S. parents, facing stricter environmental requirements and potentially enormous legal liability, chose to reduce the risks assumed in operating such tankers by increasing their use of chartered tankers.

FDIUS position: Shares of investor countries

The foreign direct investment position in the United States on a historical-cost basis grew from $124.7 billion at yearend 1982 to $560.1 billion at yearend 1995 (table 6). The average annual growth rate during this period was 12 percent, and the yearly growth rate ranged from 2 percent in 1992 to 20 percent in 1984. Of the $435.4 billion overall increase, 64 percent was accounted for by European parents and 26 percent by parents in Asia and Pacific.

The most notable change in the geographic composition of the position was the increase in Asia and Pacific's share from 9 percent in 1982 to 22 percent in 1995 (chart 3). Japan accounted for almost all of the increase, as investors acquired a large number of U.S. businesses during the late 1980's. During that period, Japan's large trade surplus and high savings rates generated a large volume of funds for investment, and Japan's low cost of capital and strong domestic currency

Table 6.—Foreign Direct Investment Position in the United States on a Historical-Cost Basis, by Major Area, 1982–95

Year	All areas	Canada	Europe	Latin America and Other Western Hemiphere	Africa	Middle East	Asia and Pacific
	Millions of dollars						
1982	124,677	11,708	83,193	14,229	105	4,401	11,041
1983	137,061	11,434	92,936	15,035	95	4,446	13,115
1984	164,583	15,286	108,211	16,201	194	5,336	19,355
1985	184,615	17,131	121,413	16,826	461	4,954	23,830
1986	220,414	20,318	144,181	16,763	250	4,870	34,032
1987	263,394	24,684	181,006	10,103	521	4,973	42,108
1988	314,754	26,566	208,942	11,243	441	6,570	60,992
1989	368,924	30,370	239,190	16,218	505	7,588	75,053
1990	394,911	29,544	247,320	20,168	505	4,425	92,948
1991	419,108	36,834	256,053	14,546	937	4,864	105,873
1992	427,566	37,843	255,570	17,473	896	4,797	110,987
1993	466,666	40,487	287,940	19,716	1,003	5,220	112,299
1994	502,410	42,133	309,415	25,042	925	5,565	119,331
1995	560,088	46,005	360,762	22,716	936	5,053	124,615
Average annual growth rate (percent)	12.3	11.1	11.9	3.7	18.3	1.1	20.5
	Percent of total position						
1982	100.0	9.4	66.7	11.4	0.1	3.5	8.9
1983	100.0	8.3	67.8	11.0	.1	3.2	9.6
1984	100.0	9.3	65.7	9.8	.1	3.2	11.8
1985	100.0	9.3	65.8	9.1	.2	2.7	12.9
1986	100.0	9.2	65.4	7.6	.1	2.2	15.4
1987	100.0	9.4	68.7	3.8	.2	1.9	16.0
1988	100.0	8.4	66.4	3.6	.1	2.1	19.4
1989	100.0	8.2	64.8	4.4	.1	2.1	20.3
1990	100.0	7.5	62.6	5.1	.1	1.1	23.5
1991	100.0	8.8	61.1	3.5	.2	1.2	25.3
1992	100.0	8.9	59.8	4.1	.2	1.1	26.0
1993	100.0	8.7	61.7	4.2	.2	1.1	24.1
1994	100.0	8.4	61.6	5.0	.2	1.1	23.8
1995	100.0	8.2	64.4	4.1	.2	.9	22.2

provided incentives to make foreign direct investments. The positions of other Asian countries, though considerably smaller than that of Japan, also grew rapidly during the period, reflecting the strength of the newly industrialized economies in the area and the emergence of businesses capable of operating on a global scale.

Europe accounted for roughly two-thirds of the position throughout 1982–95. The share peaked at 69 percent in 1987 but drifted downward thereafter, to 64 percent in 1995. Europe's predominant share of the overall position partly reflects cultural similarities and the large number of mature companies in these countries with the ability and resources to take advantage of investment opportunities beyond their national and regional borders. Throughout the period, the United Kingdom, the Netherlands, and Germany had the largest shares; among these three countries, the positions of the United Kingdom and Germany grew at a faster pace than that of the Netherlands.

Canada's share of the total position fell slightly, from 9 percent in 1982 to 8 percent in 1995, despite substantial growth in Canada's position in dollar terms. Canada continued to be a significant investor in the United States, reflecting its proximity and the high degree of economic integration between the two economies.

Latin America and Other Western Hemisphere's share of the total position fell from 11 percent in 1982 to 4 percent in 1995. The sharp decrease was largely accounted for by a number of countries—notably Panama, the Bahamas, and the Netherlands Antilles—in which, for tax, regulatory, or other purposes, multinational companies headquartered in other countries hold U.S. investments. This form of investment has not kept pace with the overall growth in FDIUS.

The Middle East's share of the total position fell from 4 percent in 1982 to 1 percent in 1995. The decrease reflected economic stagnation in many countries, which resulted from the decline of crude oil prices during the 1980's. More recently, funds available for foreign investment were reduced by the need to rebuild the infrastructure destroyed by the Persian Gulf War. Changes among Middle East countries were large and partly offsetting.

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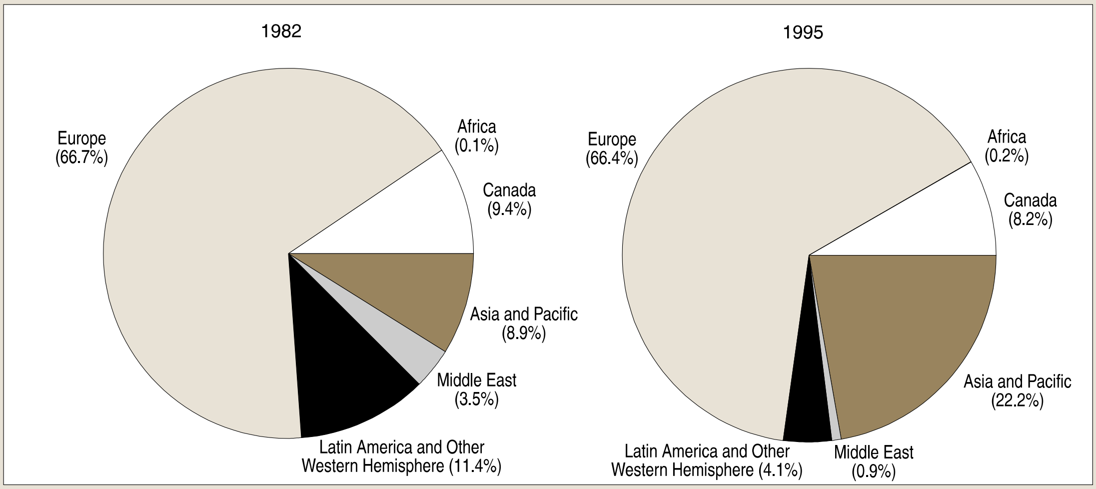
CHART 3

Foreign Direct Investment Position in the United States on a Historical-Cost Basis, Shares by Major Area, 1982 and 1995



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