

U.S. Business Enterprises Acquired or Established by Foreign Direct Investors in 1993

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IN 1993, after declining for 4 years, outlays by foreign investors for acquiring and establishing U.S. business enterprises increased sharply. The outlays, which consist of those made directly and those made through existing U.S. affiliates, increased 71 percent, to \$26.2 billion from \$15.3 billion in 1992 (table 1).¹

Outlays financed with funds from foreign parents, rather than from U.S. or other foreign sources, increased \$4.0 billion, contributing to the sharp overall increase in net capital inflows for foreign direct investment in the United States recorded in the U.S. balance of payments accounts.² The rate of increase in outlays was roughly in line with that in overall merger and acquisition activity in the United States.³ However, despite the increase, outlays remained well below the levels of 1987–90, when they ranged from \$40 billion to over \$70 billion.

1. These data are from BEA's annual survey of new foreign direct investments in the United States, which covers (1) existing U.S. business enterprises in which foreign investors acquired, directly or through their U.S. affiliates, at least a 10-percent voting interest, and (2) new U.S. business enterprises established by foreign investors or their U.S. affiliates. Acquisitions of additional equity or voting interests in existing U.S. affiliates are not covered.

The data are limited to U.S. business enterprises that had total assets of over \$1 million or that owned at least 200 acres of U.S. land in the year they were acquired or established. U.S. enterprises that did not meet these criteria were required to file partial reports, primarily for identification purposes, but the data from these reports are not included in the accompanying tables. For 1993, total assets of the U.S. enterprises that filed partial reports were only \$102.3 million, or about 0.1 percent of the total assets of \$97.1 billion of the U.S. enterprises that met the criteria for filing a complete report.

2. In addition to outlays from foreign parents to acquire or establish U.S. affiliates, net capital inflows for foreign direct investment in the United States reflect (and in 1993 were largely accounted for by) foreign parents' financing of their existing U.S. affiliates.

3. A Securities Data Company news release dated December 31, 1993, indicates that the "total deal value" of all U.S. companies targeted for merger and acquisition increased 80 percent in 1993.

By industry, increases in outlays were particularly large in manufacturing, services, and retail trade. Outlays decreased in real estate and "other industries."

By country of ultimate beneficial owner (UBO), increases in outlays were largest by UBO's in the United Kingdom and Canada; the United Kingdom alone accounted for over 60 percent of the total increase.⁴ Outlays for Japan declined for the third year in a row.

The 71-percent increase in outlays in 1993 followed a 40-percent decrease in 1992. The turnaround was partly attributable to a number of factors that increased foreign investors' ability and incentive to invest in the United States. First, the economic expansion in the United States that began in early 1991 continued through 1993. Second, business conditions remained poor in many foreign countries, but they improved significantly in the United Kingdom and Canada, traditionally two of the largest investor countries; as a result, the earnings of companies in these countries (and therefore the funds available to them for investing in the United States) increased. Third, borrowing conditions in the United States improved in 1993, as evidenced by

4. The transactions discussed in this article are classified by country of UBO. The UBO is the first person in the ownership chain of the acquired or established U.S. business, beginning with the foreign parent, that is not owned more than 50 percent by another person. The foreign parent is the first foreign person in the ownership chain. The country of UBO is often the same as that of the foreign parent, but it may be a different foreign country or the United States. "Person" is broadly defined to include any individual, corporation, branch, partnership, associated group, association, estate, trust, or other organization and any government (including any corporation, institution, or other entity or instrumentality of a government).

Table 1.—Investment Outlays, Investments, and Investors, 1987–93

	Outlays (millions of dollars)							Number						
	1987	1988	1989	1990	1991	1992 ^r	1993 ^p	1987	1988	1989	1990	1991	1992 ^r	1993 ^p
Investments, total	40,310	72,692	71,163	65,932	25,538	15,333	26,182	978	1,424	1,580	1,617	1,091	941	1,009
Acquisitions	33,933	64,855	59,708	55,315	17,806	10,616	23,055	543	869	837	839	561	463	553
Establishments	6,377	7,837	11,455	10,617	7,732	4,718	3,126	435	555	743	778	530	478	456
Investors, total	40,310	72,692	71,163	65,932	25,538	15,333	26,182	1,051	1,542	1,742	1,768	1,220	1,019	1,171
Foreign direct investors	11,773	18,569	22,538	14,026	8,885	4,058	6,596	480	566	727	670	438	350	379
U.S. affiliates	28,536	54,123	48,625	51,906	16,653	11,275	19,586	571	976	1,015	1,098	782	669	792

^r Revised.
^p Preliminary.

the decline in long-term U.S. interest rates and the increase in new foreign bond issues to record levels here. In addition, foreign multinational companies' desire to expand geographically and to gain additional markets in industries that complement their core businesses led to a number of acquisitions of U.S. companies. Some of these companies were acquired when U.S. conglomerates divested themselves of companies that were unrelated to their core businesses.

As in past years, acquisitions of existing companies, rather than establishments of new companies, accounted for most of total outlays (88 percent) in 1993. Large investments did not dominate outlays to the extent that they have in some years, but they played a more prominent role in 1993 than in 1992. In 1993, 49 investments of \$100 million or more accounted for 73 percent of outlays; among these were two investments of \$1 billion or more. In contrast, in 1992, there were no investments of \$1 billion or more and only 28 investments of \$100 million or more (tables 2.1 and 2.2). The 28 investments accounted for 42 percent of outlays.

U.S. affiliates that were newly acquired or established in 1993, nearly all of which were nonbank affiliates, employed 313,000 persons. By comparison, all nonbank U.S. affiliates employed 4.8 million persons in 1991, the latest year for which such data are available; total nonbank af-

iliate employment, in turn, accounted for 5.2 percent of total employment by all nonbank U.S. businesses in 1991.⁵

Newly acquired or established affiliates had total assets of \$97.1 billion in 1993, of which \$86.2 billion was held by nonbank affiliates. By comparison, total assets of all nonbank U.S. affiliates at yearend 1991 were \$1,744 billion. In manufacturing, the only industry for which comparable all-U.S.-business data on assets are available, total assets of newly established or acquired affiliates were \$15.8 billion in 1993; by comparison, total assets of all manufacturing affiliates were \$516.7 billion in 1991, or 19.2 percent of total U.S. manufacturing assets.

The estimates for 1993 are preliminary and will be revised next year. Estimated outlays for 1992 have been revised from \$13.5 billion to \$15.3 billion (tables 1 and 2.1). The largest revisions in outlays were in services (up \$0.5 billion), banking (up \$0.5 billion), primary and fabricated metals (up \$0.4 billion), and machinery (up \$0.3 billion).⁶

The remainder of this article consists of two parts. The first part discusses investment transactions by industry, by country, and by source of funding; the second part presents selected data on the operations of the U.S. businesses acquired or established. In the discussion, information from outside sources, mainly press reports, has been used to assist in the analysis and interpretation of the survey results.

Table 2.1.—Number of Investments by Size of Outlays, 1987–93

	1987	1988	1989	1990	1991	1992 ^r	1993 ^p
Total	978	1,424	1,580	1,617	1,091	941	1,009
\$2 billion or more	1	5	4	5	1	0	1
\$1 billion–\$1.9 billion ...	5	7	6	6	1	0	1
\$100 million–\$99 million	70	98	110	74	45	28	47
\$10 million–\$9 million	291	429	483	499	273	252	281
Less than \$10 million ..	611	885	977	1,033	771	661	679

^r Revised.

^p Preliminary.

Table 2.2.—Percent Change from Preceding Year in Investment Outlays and Number of Investments, 1988–93

	1988	1989	1990	1991	1992 ^r	1993 ^p
Investment outlays	80	-2	-7	-61	-40	71
Number of investments	46	11	2	-33	-14	7
Addenda:						
Percent of total outlays accounted for by:						
Investments of \$1 billion or more	40	36	40	12	0	19
Investments of \$100 million or more	78	74	73	59	42	73

^r Revised.

^p Preliminary.

Investment Transactions

In 1993, outlays resulting from acquisitions of existing U.S. businesses were \$23.1 billion, and those resulting from the establishment of new U.S. businesses were \$3.1 billion (table 3). Most of the outlays were made by existing U.S. affiliates (\$19.6 billion) rather than by the foreign direct investors themselves (\$6.6 billion); however, some

5. The estimates for 1991 of nonbank affiliates' employment and of manufacturing affiliates' assets, as well as their shares in the comparable all-U.S.-business totals, are from "U.S. Affiliates of Foreign Companies: Operations in 1991," SURVEY OF CURRENT BUSINESS 73 (May 1993): 89–112. Preliminary estimates for 1992, which will be based on the 1992 benchmark survey of foreign direct investment in the United States, are scheduled for publication in the SURVEY this summer.

6. The revision in banking largely reflected a change in industry definition: In previous estimates, "banking" was primarily composed of commercial banks; most other depository institutions, such as savings institutions and credit unions, were included in "finance (except banking)." Beginning with the estimates for 1992 published in this article, "banking" covers all depository institutions. Thus, savings institutions and credit unions have been reclassified from "finance (except banking)" to "banking." About \$0.4 billion in outlays from finance (except banking) were reclassified to banking. Without the reclassification, estimates of outlays in banking for 1992 would have been revised up \$0.1 billion instead of \$0.5 billion, and those of outlays in finance (except banking) would have been revised up \$0.2 billion rather than revised down \$0.2 billion.

Table 3.—Investment Outlays by Type of Investment and Investor, by Industry of U.S. Business Enterprise, 1992–93

[Millions of dollars]

	1992 ^a					1993 ^a				
	Total	By type of investment		By type of investor		Total	By type of investment		By type of investor	
		Acquisitions	Establishments	Foreign direct investors	U.S. affiliates		Acquisitions	Establishments	Foreign direct investors	U.S. affiliates
All industries	15,333	10,616	4,718	4,058	11,275	26,182	23,055	3,126	6,596	19,586
Petroleum	463	433	30	9	454	774	708	65	31	743
Petroleum and coal products manufacturing	(*)	(*)	0	(*)	0	(D)	(D)	(D)	7	(D)
Other	463	432	30	8	454	(D)	(D)	(D)	24	(D)
Manufacturing	6,014	4,582	1,432	2,022	3,992	12,418	11,955	463	949	11,469
Food and kindred products	404	265	139	(D)	(D)	1,387	1,380	7	4	1,383
Beverages	13	3	10	(D)	(D)	650	650	0	4	646
Other	391	263	128	28	363	738	731	7	(*)	738
Chemicals and allied products	1,644	1,494	150	(D)	(D)	5,729	5,729	0	77	5,651
Industrial chemicals and synthetics	492	414	78	(*)	492	(D)	(D)	0	(D)	(D)
Drugs	(D)	186	(D)	0	(D)	874	874	0	62	812
Soap, cleaners, and toilet goods	(D)	(D)	0	(D)	(D)	(D)	(D)	0	0	(D)
Other	472	(D)	(D)	5	467	(D)	(D)	0	(D)	(D)
Primary and fabricated metals	1,187	793	393	646	540	1,388	1,165	223	89	1,299
Primary metal industries	840	494	347	592	249	597	(D)	(D)	(D)	(D)
Ferrous	691	344	347	592	99	(D)	(D)	(D)	0	(D)
Nonferrous	150	150	0	150	0	(D)	(D)	(D)	0	(D)
Fabricated metal products	346	300	46	54	292	791	(D)	(D)	(D)	(D)
Machinery	1,002	760	242	373	629	1,952	1,944	8	488	1,464
Machinery, except electrical	577	355	223	175	402	779	773	7	443	337
Office and computing machines	38	34	5	37	1	455	451	4	397	58
Other	539	321	218	138	401	324	321	3	46	278
Electric and electronic equipment	425	406	19	198	227	1,173	1,171	2	45	1,128
Audio, video, and communications equipment	69	58	10	(*)	68	(D)	(D)	2	3	(D)
Electronic components and accessories	167	162	6	68	99	(D)	(D)	0	43	(D)
Other	189	186	3	129	59	(D)	(D)	0	(*)	(D)
Other manufacturing	1,778	1,269	508	563	1,214	1,962	1,737	225	290	1,672
Textile products and apparel	78	76	2	37	41	406	398	8	3	404
Lumber, wood, furniture, and fixtures	(D)	(D)	2	0	(D)	(D)	(D)	0	0	(D)
Paper and allied products	(D)	(D)	(D)	0	(D)	(D)	(D)	(D)	0	(D)
Printing and publishing	(D)	(D)	2	1	(D)	256	254	2	7	250
Newspapers	3	3	0	(*)	3	(D)	(D)	0	7	(D)
Other	(D)	(D)	2	1	(D)	(D)	(D)	2	7	(D)
Rubber products	(*)	0	(*)	(*)	0	(*)	(*)	0	(*)	0
Miscellaneous plastics products	302	233	69	52	250	206	206	(*)	1	206
Stone, clay, and glass products	(D)	58	(D)	(D)	52	229	227	2	178	51
Transportation equipment	158	136	22	(D)	(D)	(D)	(D)	(D)	6	(D)
Motor vehicles and equipment	21	1	20	(D)	(D)	3	(D)	(D)	3	(D)
Other transportation equipment	137	135	2	(D)	(D)	(D)	(D)	3	3	(D)
Instruments and related products	314	291	23	120	195	262	260	2	78	184
Other	101	88	13	15	86	88	85	2	17	71
Wholesale trade	698	532	166	243	456	758	667	90	460	298
Motor vehicles and equipment	27	15	12	27	0	(D)	28	(D)	(D)	32
Professional and commercial equipment and supplies	24	12	12	7	17	3	0	3	(*)	3
Metals and minerals, except petroleum	17	9	8	4	13	0	0	0	0	0
Electrical goods	102	86	16	29	73	117	112	5	80	37
Machinery, equipment, and supplies	76	36	40	27	49	(D)	(D)	(D)	(D)	43
Other durable goods	48	45	4	4	44	82	(D)	(D)	59	24
Groceries and related products	100	70	30	31	69	40	40	0	0	40
Farm-product raw materials	1	0	1	1	0	0	0	0	0	0
Other nondurable goods	303	259	44	113	190	429	423	6	310	119
Retail trade	256	245	11	42	214	1,560	1,511	49	170	1,390
General merchandise stores	(D)	0	(D)	4	(D)	0	0	0	0	0
Food stores	44	42	3	14	30	(D)	(D)	0	(D)	(D)
Apparel and accessory stores	(D)	(D)	0	2	(D)	1	0	1	1	0
Other	183	(D)	(D)	21	162	(D)	(D)	48	(D)	(D)
Banking¹	529	529	0	24	505	1,071	1,046	25	36	1,036
Finance, except banking¹	797	258	539	287	510	1,166	709	457	692	473
Insurance	291	120	171	18	273	921	559	361	361	560
Real estate	2,161	400	1,762	761	1,401	1,610	410	1,200	629	981
Services	2,023	1,683	340	389	1,634	3,934	3,790	144	2,577	1,357
Hotels and other lodging places	606	381	225	229	377	424	385	40	268	157
Business services	437	384	53	37	400	(D)	(D)	(D)	(D)	329
Computer and data processing services	137	130	7	31	106	255	252	3	75	179
Other business services	300	254	46	5	295	(D)	(D)	(D)	(D)	149
Motion pictures, including television tape and film	(D)	7	7	3	(D)	(D)	(D)	(D)	(D)	0
Engineering, architectural, and surveying services	24	24	0	19	5	(D)	19	(D)	0	(D)
Accounting, research, management, and related services	(D)	(D)	6	6	(D)	134	121	12	(D)	(D)
Health services	134	132	2	0	134	113	109	5	57	56
Other services	207	159	48	96	111	828	767	61	54	774
Other industries	2,101	1,834	267	266	1,835	1,971	1,700	271	692	1,279
Agriculture, forestry, and fishing	58	6	52	44	14	(D)	0	(D)	6	(D)
Mining	934	898	35	5	929	(D)	(D)	32	9	(D)
Coal	(D)	7	0	0	(D)	(D)	(D)	0	0	(D)
Other	(D)	(D)	28	5	(D)	62	30	32	9	53
Construction	(D)	0	0	0	(D)	98	98	(*)	15	84
Transportation	(D)	(D)	14	0	(D)	(D)	(D)	(D)	2	(D)
Communication and public utilities	874	709	165	195	679	560	361	199	(D)	(D)

^a Revised.^b Preliminary.^c Suppressed to avoid disclosure of data of individual companies.

* Less than \$500,000.

1. Beginning with 1992, savings institutions and credit unions have been reclassified from "finance, except banking" to "banking." See footnote 6 in text for further explanation.

of the outlays made by existing U.S. affiliates were financed with funds provided by foreign parents or other members of the foreign parent groups.⁷ (Transactions by source of funding are discussed in more detail later in the article.)

By industry

By industry of the U.S. businesses acquired or established, outlays in manufacturing, at \$12.4 billion, were the largest (table 4). Within manufacturing, outlays were largest in chemicals and allied products, machinery, and "other manufacturing."

In chemicals, outlays were \$5.7 billion. Four investments dominated the transactions. First, a U.S. affiliate of a British company acquired an industrial-chemicals producer. Second, a U.S. affiliate of a German company acquired a drug

manufacturer. Third, a U.S. affiliate of a British company acquired the chemical-products business of a U.S. drug manufacturer that, like several other large U.S. drug companies, was divesting itself of operations outside its core health-care business. Fourth, a U.S. affiliate of a Swiss company acquired a toiletry manufacturer. In two other sizable transactions, a U.S. affiliate of a British company established a joint venture with a chemical company, and a U.S. affiliate of a French company acquired a drug manufacturer.

In machinery, outlays were \$2.0 billion. Two transactions were particularly large. One was the acquisition of an electrical-products business of a U.S. company by a U.S. affiliate of a German company; the U.S. company's divestiture of the unit reflected its strategy of concentrating more on its core telecommunications operations. In the other transaction, an Israeli company acquired a computer and office equipment company.

7. Foreign parent groups consist of the foreign parents and their foreign (non-U.S.) affiliates.

Table 4.—Investment Outlays by Industry of U.S. Business Enterprise and by Country of Ultimate Beneficial Owner, 1987–93

[Millions of dollars]

	1987	1988	1989	1990	1991	1992 ^r	1993 ^p
Total	40,310	72,692	71,163	65,932	25,538	15,333	26,182
By industry:							
Petroleum	1,107	4,740	1,189	1,141	702	463	774
Manufacturing	19,751	36,136	35,958	23,898	11,461	6,014	12,418
Food and kindred products	4,177	3,287	6,515	997	1,247	404	1,387
Chemicals and allied products	4,041	2,918	11,584	7,518	2,897	1,644	5,729
Primary and fabricated metals	1,091	3,394	3,545	2,447	797	1,187	1,388
Machinery	2,834	7,737	4,346	3,795	4,929	1,002	1,952
Other manufacturing	7,608	18,800	9,969	9,141	1,591	1,778	1,962
Wholesale trade	1,271	2,454	2,634	1,676	623	698	758
Retail trade	1,212	8,022	1,861	1,250	1,605	256	1,560
Banking ¹	924	1,800	349	897	482	529	1,071
Finance, except banking ¹	1,604	972	4,186	2,121	2,199	797	1,166
Insurance	165	5,855	1,901	2,093	2,102	291	921
Real estate	4,765	3,518	6,438	7,771	3,823	2,161	1,610
Services	7,630	5,597	10,058	19,369	2,256	2,023	3,934
Other industries	1,881	3,597	6,587	5,716	284	2,101	1,971
By country²:							
Canada	1,276	11,360	4,403	3,430	3,454	1,351	3,999
Europe	25,517	37,173	40,724	36,011	13,994	8,344	17,127
France	2,044	4,199	3,469	10,217	4,976	406	1,078
Germany ³	4,664	2,090	2,435	2,363	1,922	1,964	3,140
Netherlands	391	2,214	3,629	2,247	1,661	1,331	1,528
United Kingdom	15,142	22,559	23,047	13,096	2,169	2,255	9,031
Other Europe	3,276	6,111	8,144	8,088	3,266	2,388	2,350
Latin America and Other Western Hemisphere	1,483	(^D)	1,084	796	375	1,438	779
South and Central America	355	(^D)	650	399	108	1,152	545
Other Western Hemisphere	1,128	187	434	397	267	286	234
Africa	(^D)	296	(^D)	(^D)	(^D)	(^D)	(^D)
Middle East	925	1,613	243	472	1,006	238	1,369
Asia and Pacific	10,928	21,819	24,530	23,170	6,560	3,716	2,744
Australia	2,691	4,556	4,574	1,412	251	164	125
Japan	7,006	16,188	17,410	19,933	5,357	2,921	1,848
Other Asia and Pacific	1,231	1,075	2,546	1,825	952	631	771
United States ⁴	(^D)	(^D)	(^D)	(^D)	(^D)	(^D)	(^D)
Addenda:							
European Communities (12) ⁵	22,895	33,737	33,869	30,741	12,007	6,862	15,999
OPEC ⁶	1,077	1,919	430	387	1,119	458	561

^r Revised.

^p Preliminary.

^D Suppressed to avoid disclosure of data of individual companies.

1. Prior to 1992, "banking" excludes, and "finance, except banking" includes savings institutions and credit unions. Beginning with 1992, savings institutions and credit unions have been reclassified from "finance, except banking" to "banking." See footnote 6 in text for further explanation.

2. Where more than one investor participated in a given investment, each investor and each investor's outlays are classified by country of each ultimate beneficial owner.

3. Prior to 1990, this line includes data only for the Federal Republic of Germany. Beginning

in 1990, this line also includes the former German Democratic Republic (GDR). This change has no effect on the data because, prior to 1991, there were no U.S. affiliates of the former GDR.

4. See footnote 4 in text for explanation.

5. European Communities (12) comprises Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, and the United Kingdom.

6. OPEC, the Organization of Petroleum Exporting Countries, comprises Algeria, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela. Before January 1, 1993, Ecuador was also a member of OPEC; its data are included in this line through 1992.

In "other manufacturing," outlays were \$2.0 billion. The largest transaction was the acquisition of a paper-products company by a U.S. affiliate of a British company.

In the remaining manufacturing industries, outlays were \$1.4 billion in both primary and fabricated metals and food and kindred products. In metals, a U.S. affiliate of a Canadian company acquired a heating equipment manufacturer, and a U.S. affiliate of a British company acquired a hardware-products manufacturer.

In food, five transactions dominated. A U.S. affiliate of a British company acquired a beverages company, and a U.S. affiliate of a Netherlands company acquired two dairy-products companies. Two U.S. affiliates of a British company each acquired a company: One acquired a beverages company, and the other acquired a producer of grain mill products.

Outside manufacturing, outlays were largest, at \$3.9 billion, in services. Among the largest investments, a Canadian company acquired a minority interest in a company in the motion picture and television industry, a U.S. affiliate of a Japanese company acquired an educational services company, and a U.S. affiliate of a German company acquired a computer services company. Another large transaction was an Asian investor's acquisition of a hotel.

Outlays ranged from \$1.0 to \$2.0 billion in "other industries," real estate, retail trade, finance (except banking), and banking. In the largest transactions in "other industries," a U.S. affiliate of a British company acquired two mining companies, a British company acquired a minority interest in an air transportation company, and a U.S. affiliate of a British company acquired a gas company. In real estate, the largest transactions were by Japanese and Netherlands investors. In the largest transactions in retail trade, a U.S. affiliate of a Middle Eastern company acquired a retailer, and a U.S. affiliate of a Venezuelan company acquired a food store chain. In finance (except banking), the largest transaction was a Netherlands company's acquisition of a franchising company. In banking, three acquisitions dominated—one by a U.S. affiliate of a British bank and the other two by a U.S. affiliate of a Spanish bank.

By country

In 1993, ultimate beneficial owners (UBO's) in European countries accounted for \$17.1 billion, or 65 percent, of total outlays, and UBO's in Canada accounted for \$4.0 billion, or 15 percent.

Within Europe, most outlays were accounted for by British, German, and Netherlands UBO's. Outlays of Japanese UBO's, at \$1.8 billion, were the lowest since 1985. UBO's in 15 countries had at least one investment of \$100 million or more. (Most of the transactions covered in this section were mentioned in the preceding section on outlays by industry.)

Outlays of British UBO's in 1993 were \$9.0 billion—four times outlays in 1992 (tables 5.1 and 5.2). The increase probably partly reflected the economic recovery in the United Kingdom. The largest transaction by British UBO's was the acquisition of the industrial-chemicals company. In addition, all four of the largest transactions in "other industries" were by British UBO's; of these, the largest transaction was the acquisition of one of the two mining companies. Other sizable British acquisitions were in food and kindred products, banking, and "other manufacturing."

Outlays of German UBO's were \$3.1 billion, up from \$2.0 billion. The largest transaction was the acquisition of the electrical-products business. Other sizable German acquisitions were in chemicals, finance (except banking), "other manufacturing," and services.

Outlays of Netherlands UBO's were \$1.5 billion, up from \$1.3 billion. Most of the 1993 outlays reflected the purchases of the franchising company and the two dairy-products companies.

Outlays of Canadian UBO's were \$4.0 billion, up from \$1.4 billion. The largest investment was the acquisition of a minority stake in the company in the motion picture and television industry. In addition, Canadian UBO's accounted for the three largest acquisitions in primary and fabricated metals.

Outlays of Japanese UBO's were \$1.8 billion, down from \$2.9 billion. The 38-percent reduction in outlays followed even sharper reductions in 1992 and 1991 (45 percent and 73 percent, respectively) and left outlays of Japanese UBO's at only a fraction of their 1990 peak of \$19.9 billion. Among Japanese UBO transactions in 1993, the largest was the acquisition of the educational services company. Other sizable Japanese acquisitions were in finance (except banking), wholesale trade, and real estate.

The declines in the outlays of Japanese UBO's stemmed from several factors in Japan and in the United States. In Japan, the ability of investors to finance new investments was constrained by the continuing economic recession, a sluggish stock market, reduced corporate profits, and the continued reluctance among banks to finance new

Table 5.1.—Investment Outlays, Country of Ultimate Beneficial Owner by Industry of U.S. Business Enterprise, 1992

[Millions of dollars]

	All industries	Petroleum	Manufacturing						Wholesale trade	Retail trade	Banking ¹	Finance, except banking ¹	Insurance	Real estate	Services	Other industries
			Total	Food and kindred products	Chemicals and allied products	Primary and fabricated metals	Machinery	Other manufacturing								
All countries	15,333	463	6,014	404	1,644	1,187	1,002	1,778	698	256	529	797	291	2,161	2,023	2,101
Canada	1,351	99	502	32	49	30	(P)	(P)	87	41	5	(P)	(P)	256	168	(P)
Europe	8,344	115	3,577	337	1,411	421	665	743	183	160	(P)	311	244	873	1,052	(P)
Austria	6	0	0	0	0	0	0	0	0	0	0	2	0	4	0	0
Belgium	(P)	0	0	0	0	0	0	0	0	0	0	0	0	(P)	0	(P)
Denmark	3	0	2	0	0	0	0	2	0	0	0	0	0	0	1	(*)
Finland	9	0	0	0	0	0	0	0	9	0	0	0	0	0	0	0
France	406	0	333	0	1	(P)	5	(P)	(P)	0	1	0	(P)	0	(P)	11
Germany	1,964	(*)	1,223	0	781	35	370	37	(P)	4	0	87	0	318	13	(P)
Ireland	17	0	1	0	0	0	0	1	0	0	0	0	0	12	4	0
Italy	228	0	(P)	4	(*)	0	0	(P)	2	0	0	0	0	0	(P)	0
Liechtenstein	(P)	0	0	0	0	0	0	0	0	0	0	0	0	0	3	(P)
Luxembourg	5	0	0	0	0	0	0	0	0	0	0	0	0	5	0	0
Netherlands	1,331	0	456	(P)	(P)	3	(P)	(P)	(P)	(P)	(P)	2	(P)	186	76	(P)
Norway	(P)	0	4	0	4	0	0	0	0	0	0	0	0	(P)	0	0
Spain	(P)	0	0	0	0	0	0	0	0	0	(*)	0	0	0	(P)	(P)
Sweden	152	0	(P)	0	1	(P)	(P)	57	(P)	0	0	5	0	2	(P)	0
Switzerland	1,259	0	148	(P)	0	3	30	(P)	6	(P)	0	(P)	0	108	(P)	(P)
United Kingdom	2,255	115	1,150	(P)	(P)	129	210	(P)	31	83	(P)	(P)	(P)	210	211	(P)
Other	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0
Latin America and Other Western Hemisphere	1,438	(*)	425	(P)	(P)	0	0	(P)	(P)	6	(P)	(P)	(P)	162	209	(P)
South and Central America	1,152	(*)	(P)	(P)	(P)	0	0	(P)	3	6	(P)	4	0	108	119	(P)
Brazil	25	0	0	0	0	0	0	0	0	3	0	0	0	13	(P)	(P)
Mexico	979	0	(P)	0	0	0	0	0	2	0	5	4	0	(P)	109	(P)
Panama	73	0	(P)	0	0	0	0	0	0	0	0	0	0	(P)	0	0
Venezuela	(P)	(*)	(P)	0	(P)	0	0	0	0	0	0	0	0	0	0	0
Other	(P)	0	(P)	(P)	0	0	0	0	1	3	(P)	0	0	3	(P)	0
Other Western Hemisphere	286	0	(P)	(*)	0	0	0	(P)	(P)	0	0	(P)	(P)	54	91	21
Bahamas	29	0	0	0	0	0	0	0	0	0	0	0	0	6	(P)	(P)
Bermuda	58	0	0	0	0	0	0	0	0	0	0	0	(P)	1	(P)	(*)
Netherlands Antilles	(P)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
United Kingdom Islands, Caribbean	151	0	(P)	0	0	0	0	(P)	(P)	0	0	(P)	0	47	(P)	(*)
Other	(P)	0	(*)	(*)	0	0	0	0	0	0	0	0	0	0	0	(P)
Africa	(P)	(P)	(P)	0	(P)	0	0	0	(P)	0	0	0	0	1	0	(*)
South Africa	16	0	(P)	0	0	0	0	0	(P)	0	0	0	0	0	0	0
Other	(P)	(P)	0	0	0	0	0	0	0	0	0	0	0	1	0	(*)
Middle East	238	0	80	(P)	0	0	0	(P)	0	0	0	(P)	0	136	(P)	0
Israel	(P)	0	(P)	(P)	0	0	0	(P)	0	0	0	0	0	0	(*)	0
Kuwait	83	0	1	0	0	0	0	1	0	0	0	15	0	67	0	0
Lebanon	(P)	0	0	0	0	0	0	0	0	0	0	0	0	(P)	0	0
Saudi Arabia	85	0	(P)	0	0	0	0	(P)	0	0	0	(P)	0	48	(P)	0
United Arab Emirates	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	(P)	0	0	0	0	0	0	0	0	0	0	0	0	(P)	0	0
Asia and Pacific	3,716	(P)	1,422	(P)	123	736	(P)	249	332	48	(P)	418	(P)	734	584	80
Australia	164	0	157	0	0	(P)	(P)	(P)	2	0	0	0	0	(*)	3	2
Hong Kong	338	0	5	0	0	0	5	0	(P)	0	0	(P)	0	107	199	0
Japan	2,921	(P)	1,235	(P)	(P)	(P)	230	(P)	165	45	(P)	406	(P)	577	358	53
Korea, Republic of	20	0	0	0	0	0	0	0	8	3	0	0	0	(P)	0	(P)
Malaysia	(P)	0	(P)	0	0	0	(P)	0	0	0	0	0	0	0	0	0
New Zealand	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Philippines	(P)	0	0	0	0	0	0	0	0	0	0	0	0	(P)	0	0
Singapore	120	0	7	0	0	0	7	0	(P)	0	(P)	0	0	(P)	0	(P)
Taiwan	102	0	(P)	0	(P)	0	1	0	(P)	0	0	0	0	(P)	(P)	0
Other	45	3	(*)	0	0	0	0	(*)	7	0	(P)	0	1	3	(P)	0
United States ²	(P)	0	(P)	(P)	0	0	0	0	(P)	0	0	0	0	0	(P)	0
Addenda:																
European Communities (12) ³	6,862	115	3,301	327	1,406	387	600	582	157	132	(P)	152	244	735	409	(P)
OPEC ⁴	458	(P)	89	(P)	(P)	0	0	(P)	2	3	(P)	18	0	118	4	0

^P Suppressed to avoid disclosure of data of individual companies.

* Less than \$500,000.

1. See footnote 1, table 3.

2. See footnote 4 in text for explanation.

3. See footnote 5, table 4.

4. See footnote 6, table 4.

NOTE.—Data for 1992 are revised. Where more than one investor participated in a given investment, each investor and each investor's outlays are classified by the country of each individual ultimate beneficial owner.

Table 5.2.—Investment Outlays, Country of Ultimate Beneficial Owner by Industry of U.S. Business Enterprise, 1993

[Millions of dollars]

	All industries	Petroleum	Manufacturing						Wholesale trade	Retail trade	Banking ¹	Finance, except banking ¹	Insurance	Real estate	Services	Other industries
			Total	Food and kindred products	Chemicals and allied products	Primary and fabricated metals	Machinery	Other manufacturing								
All countries	26,182	774	12,418	1,387	5,729	1,388	1,952	1,962	758	1,560	1,071	1,166	921	1,610	3,934	1,971
Canada	3,999	3	1,349	(P)	(P)	999	(P)	306	(P)	2	0	5	0	175	(P)	(P)
Europe	17,127	(P)	10,130	1,355	5,638	365	1,457	1,314	268	740	(P)	786	918	950	(P)	1,548
Austria	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Belgium	(P)	0	0	0	0	0	0	0	0	0	0	1	0	0	(P)	0
Denmark	(P)	0	0	0	0	0	0	0	0	0	0	0	0	0	(P)	0
Finland	82	0	71	0	0	0	(P)	(P)	0	0	0	0	0	0	(P)	(P)
France	1,078	4	369	3	(P)	(P)	104	(P)	18	(P)	0	38	(P)	4	6	30
Germany	3,140	(P)	2,146	0	(P)	(P)	(P)	219	(P)	168	0	(P)	0	188	(P)	108
Ireland	(P)	0	(P)	0	0	0	0	(P)	(P)	0	0	0	0	0	0	0
Italy	168	0	62	(P)	0	(P)	(P)	(P)	3	0	0	(P)	0	(P)	0	9
Liechtenstein	3	0	0	0	0	0	0	0	0	0	0	0	0	3	0	0
Luxembourg	(P)	0	0	0	0	0	0	(P)	3	0	0	0	0	5	0	0
Netherlands	1,528	0	(P)	(P)	5	(P)	0	(P)	(P)	(P)	0	(P)	(P)	284	(P)	(P)
Norway	(P)	0	0	0	0	0	0	(P)	0	0	0	0	0	0	(P)	0
Spain	(P)	0	2	0	0	0	2	0	0	0	(P)	0	0	(P)	0	(P)
Sweden	130	0	(P)	0	0	0	(P)	0	0	0	0	3	0	(P)	3	0
Switzerland	872	0	(P)	(P)	(P)	0	(P)	8	(P)	0	0	2	(P)	18	0	13
United Kingdom	9,031	(P)	6,205	755	(P)	246	62	(P)	118	304	(P)	(P)	5	(P)	234	1,362
Other	(P)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(P)
Latin America and Other Western Hemisphere	779	(P)	(P)	23	0	(P)	(P)	(P)	125	(P)	0	(P)	2	45	48	(P)
South and Central America	545	(P)	(P)	(P)	0	(P)	(*)	(P)	6	(P)	0	(P)	2	36	(P)	(P)
Brazil	27	0	0	0	0	0	0	0	0	0	0	0	0	(P)	0	0
Mexico	67	0	5	(P)	0	0	(*)	(P)	6	0	0	(P)	2	(P)	2	0
Panama	(P)	0	0	0	0	0	0	0	0	0	0	0	0	(P)	0	0
Venezuela	440	(P)	(P)	0	0	(P)	0	0	0	(P)	0	0	0	0	0	(P)
Other	(P)	0	0	0	0	0	0	0	0	0	0	0	0	(P)	0	0
Other Western Hemisphere	234	4	39	(P)	0	0	(P)	(P)	119	(P)	0	0	0	9	(P)	(P)
Bahamas	(P)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bermuda	68	(P)	0	(P)	0	0	0	0	(P)	0	0	0	0	0	(*)	0
Netherlands Antilles	54	0	(P)	0	0	0	(P)	0	2	0	0	0	0	0	(P)	(P)
United Kingdom Islands, Caribbean	39	0	(P)	0	0	0	2	0	0	(P)	0	0	0	9	0	0
Other	(P)	0	(P)	0	0	0	0	(P)	0	0	0	0	0	0	(P)	0
Africa	(P)	(P)	0	0	0	0	0	0	(P)	0	0	0	0	3	0	(P)
South Africa	(P)	0	0	0	0	0	0	0	0	0	0	0	0	(*)	0	(P)
Other	(P)	0	0	0	0	0	0	0	0	0	0	0	0	3	0	0
Middle East	1,369	(P)	379	0	0	0	(P)	(P)	0	(P)	0	0	0	53	9	(P)
Israel	(P)	0	379	0	0	0	(P)	(P)	0	0	0	0	0	0	9	0
Kuwait	7	0	0	0	0	0	0	0	0	0	0	0	0	7	0	0
Lebanon	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Saudi Arabia	70	0	0	0	0	0	0	0	0	0	0	0	0	(P)	0	(P)
United Arab Emirates	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	(P)	(P)	0	0	0	0	0	0	0	(P)	0	0	0	(P)	0	0
Asia and Pacific	2,744	19	492	(P)	50	(P)	94	325	290	(P)	(P)	318	0	385	1,098	93
Australia	125	0	(P)	0	0	0	0	0	0	0	0	0	0	1	(P)	0
Hong Kong	251	0	0	0	0	0	0	0	(P)	0	0	2	0	108	(P)	0
Japan	1,848	(P)	281	(P)	40	(P)	66	163	(P)	(P)	3	316	0	271	682	72
Korea, Republic of	39	0	7	(P)	0	(P)	0	0	(P)	0	0	0	0	0	(P)	0
Malaysia	46	(P)	(P)	0	0	0	(P)	0	(P)	0	0	0	0	0	(P)	0
New Zealand	(*)	0	0	0	0	0	0	0	0	0	0	0	0	0	(*)	(*)
Philippines	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Singapore	114	0	96	0	0	(P)	(P)	(P)	(P)	0	0	0	0	0	4	(P)
Taiwan	26	0	(P)	0	(P)	0	7	(*)	0	0	(P)	0	0	0	0	0
Other	295	0	(P)	0	0	(P)	0	(P)	0	0	0	0	0	5	(P)	(P)
United States ²	(P)	0	(P)	0	(P)	0	0	0	3	2	0	(P)	0	0	(P)	(P)
Addenda:																
European Communities (12) ³	15,999	(P)	9,684	1,264	5,401	365	1,394	1,261	225	740	1,058	781	(P)	830	533	1,521
OPEC ⁴	561	98	(P)	0	0	(P)	0	(P)	0	(P)	0	0	0	50	(P)	(P)

P Suppressed to avoid disclosure of data of individual companies.

* Less than \$500,000.

1. See footnote 1, table 3.

2. See footnote 4 in text for explanation.

3. See footnote 5, table 4.

4. See footnote 6, table 4.

NOTE.—Data for 1993 are preliminary. Where more than one investor participated in a given investment, each investor and each investor's outlays are classified by the country of each individual ultimate beneficial owner.

investments. In the United States, disappointing results from earlier investments by Japanese UBO's may have made Japanese investors more cautious. In particular, investment in the real estate industry—the industry in which Japanese UBO's have been the largest foreign investors—has been dampened by reduced property values, depressed rental rates for commercial office space, and high office vacancy rates. Japanese UBO's accounted for less than one-fifth of total outlays in real estate in 1993, down from nearly one-third in 1991–92 and from over one-half in 1988–90.

By source of funding

Of the \$26.2 billion in total outlays in 1993, \$11.8 billion, or 45 percent, was provided by foreign parent groups. Although the level of funds provided by foreign parent groups was up substantially from the 1992 level of \$7.8 billion, these funds accounted for a smaller share of total outlays in 1993 than in 1992 (table 6). These funds were used to finance investments made both directly by foreign parents and indirectly through

U.S. affiliates. The increase in funds from foreign parent groups contributed to the sharp overall increase in net capital inflows for foreign direct investment in the United States (FDIUS) in 1993.⁸

The remaining \$14.4 billion, or 55 percent, of 1993 outlays was funded by U.S. affiliates from sources other than their foreign parent groups. For example, the U.S. affiliates may have borrowed funds from unaffiliated U.S. or foreign persons, or they may have generated the funds internally. In 1992, these other funding sources financed 49 percent of outlays.

By industry, the percentage of financing by foreign parent groups was significantly above the all-industries average in insurance, finance (except banking), and wholesale trade. It was significantly below the average in banking, retail trade, petroleum, and real estate.

8. In 1993, capital inflows for FDIUS were \$31.5 billion, up from \$2.4 billion in 1992. The preliminary estimates of capital inflows for FDIUS in 1993 were published in table 5 of "U.S. International Transactions, Fourth Quarter and Year 1993," SURVEY 74 (March 1994): 74. Revised estimates will appear in the June 1994 SURVEY.

Table 6.—Source of Funding of Investment Outlays, by Industry of U.S. Business Enterprise and by Country of Ultimate Beneficial Owner, 1992–93

	1992 ^r				1993 ^p			
	Millions of dollars			Funds from foreign parent groups as a percent of total	Millions of dollars			Funds from foreign parent groups as a percent of total
	Total outlays	Funds from foreign parent groups	Other		Total outlays	Funds from foreign parent groups	Other	
Total	15,333	7,808	7,525	51	26,182	11,818	14,364	45
By industry:								
Petroleum	463	(^D)	(^D)	(^D)	774	274	500	35
Manufacturing	6,014	3,669	2,345	61	12,418	6,016	6,402	48
Wholesale trade	698	439	259	63	758	408	350	54
Retail trade	256	155	101	61	1,560	377	1,183	24
Banking ¹	529	(^D)	(^D)	(^D)	1,071	131	940	12
Finance, except banking ¹	797	269	528	34	1,166	626	540	54
Insurance	291	64	227	22	921	781	140	85
Real estate	2,161	1,283	878	59	1,610	607	1,003	38
Services	2,023	1,132	891	56	3,934	1,666	2,268	42
Other industries	2,101	473	1,628	23	1,971	932	1,039	47
By country²:								
Canada	1,351	613	738	45	3,999	1,685	2,314	42
Europe	8,344	4,310	4,034	52	17,127	7,674	9,453	45
France	406	299	107	74	1,078	656	422	61
Germany	1,964	909	1,055	46	3,140	1,438	1,702	46
United Kingdom	2,255	1,309	946	58	9,031	3,488	5,543	39
Other	3,719	1,793	1,926	48	3,878	2,092	1,786	54
Latin America and Other Western Hemisphere	1,438	735	703	51	779	321	458	41
Africa	(^D)	(^D)	(^D)	(^D)	(^D)	(^D)	(^D)	(^D)
Middle East	238	183	55	77	1,369	751	618	55
Asia and Pacific	3,716	1,947	1,769	52	2,744	1,308	1,436	48
Japan	2,921	1,557	1,364	53	1,848	813	1,035	44
Other	795	390	405	49	896	495	401	55
United States ³	(^D)	(^D)	(^D)	(^D)	(^D)	(^D)	(^D)	(^D)
Addenda:								
European Communities (12) ⁴	6,862	3,363	3,499	49	15,999	6,749	9,250	42
OPEC ⁵	458	200	258	44	561	135	426	24

^r Revised.

^p Preliminary.

^D Suppressed to avoid disclosure of data of individual companies.

1. See footnote 1, table 3.

2. See footnote 2, table 4.

3. See footnote 4, table 4.

4. See footnote 5, table 4.

5. See footnote 6, table 4.

By area, the percentage of financing by foreign parent groups was above the all-countries average for UBO's in the Middle East, was about in line with the average for UBO's in Europe, and was below the average for UBO's in "Latin America and Other Western Hemisphere" and Canada. Within Europe, the share of French investment financed by foreign parent groups was significantly above average, whereas the share of British investment financed by foreign parent groups was significantly below average.

Selected Operating Data

The total assets of U.S. businesses acquired or established by foreign direct investors were \$97.1 billion in 1993, up from \$35.7 billion in 1992 (tables 8.1 and 8.2). The assets of the businesses acquired in 1993, at \$88.7 billion, were substantially larger than those of the businesses established, at \$8.4 billion.

Most of the total assets of U.S. businesses acquired or established were accounted for by assets in manufacturing and services. Within manufacturing, assets in chemicals and machinery were largest. In services, assets in the motion picture and television industry were largest.

U.S. businesses acquired in 1993 employed 306,000 workers. Manufacturing accounted for the largest share of these employees (28 percent); services and "other industries" also accounted for large shares (26 percent and 22 percent, respectively). Newly established businesses employed 7,000 workers.

Table 7.—Rates of Return on Sales of Newly Acquired U.S. Businesses, 1987–93¹

Year of acquisition	Number of affiliates	Percent of affiliates with return on sales in the indicated range ²					
		–20.0 percent or less	–10.0 percent to –19.9 percent	0.0 percent to –9.9 percent	Over 0.0 percent to 9.9 percent	10.0 percent to 19.9 percent	20.0 percent or more
1987	504	8	4	25	50	8	5
1988	828	9	4	19	49	11	7
1989	782	12	4	22	42	10	10
1990	799	13	7	21	40	10	9
1991	529	11	6	23	42	10	8
1992 ^p ..	438	11	7	24	38	9	10
1993 ^p ..	377	14	6	22	41	11	6

^r Revised.

^p Preliminary.

1. The figures in this table exclude investments in real estate, in which the return to investors is often realized in a form other than current net income (for example, capital gains).

2. Rates of return are for the year prior to the year of acquisition.

Foreign investors obtained 287,000 acres of U.S. land as a result of acquisitions in 1993. Affiliates in "other industries," mainly mining, accounted for most of the acreage obtained. Foreign investors obtained 40,000 acres by establishing new businesses, including purchases of real estate.

Net income.—As in 1991–92, U.S. businesses acquired by foreign investors in 1993 had losses in the year before they were acquired.⁹ However, the rates of profitability—measured as net income per dollar of sales—varied considerably among these businesses. Throughout 1987–93, roughly 60 percent of acquired businesses were profitable, and a substantial portion—for example, 17 percent in 1993 and 19 percent in

9. This discussion is limited to the net income of newly acquired businesses because the net income figures for newly established businesses are not actual operating results but rather are projections for the first full year of operations. The projections may not be realized, and even if they are, they may reflect start-up costs and less-than-full production.

Data Availability

Only summary data are published in this article. A set of supplementary tables containing detail on the number of investments and investors for 1987–92 and on investment outlays and selected operating data for the newly acquired or established businesses for 1987–93 will be available in July for \$18.00 from the Public Information Office, Order Desk, BE-53, Bureau of Economic Analysis, U.S. Department of Commerce, Washington, DC 20230. Visa or MasterCard orders may be placed by telephone at (202) 606-9827. When ordering, refer to the "BE-13 Supplementary Tables for the May 1994 SURVEY Article," Accession No. 50-94-20-105, and make checks payable to the Bureau of Economic Analysis. Comparable tables for 1980–86, Accession No. 50-89-20-106, are also available for \$18.00.

In addition to the data on new foreign direct investments presented here, BEA also publishes estimates of quarterly balance of payments flows and the annual di-

rect investment position for new and existing investments combined. Summary estimates of quarterly balance of payments flows appear in the "U.S. International Transactions" article in the March, June, September, and December issues of the SURVEY. Summary position estimates appear in the June SURVEY. More detailed annual estimates of both the flows and the position usually appear in the August issue. (In 1993, the additional detail was published in July.)


Estimates covering the operations of U.S. affiliates of foreign companies are also available from BEA. The most recent estimates appeared in the May 1993 issue of the SURVEY in "U.S. Affiliates of Foreign Companies: Operations in 1991"; preliminary estimates for 1992, which will be based upon the 1992 benchmark survey of foreign direct investment in the United States, are scheduled for publication in the SURVEY this summer.

1992—had returns on sales of 10 percent or more (table 7).¹⁰ Although some large companies had sizable losses, the profitable companies tended to be among the larger affiliates that were acquired: In both 1993 and 1992, these companies accounted for a somewhat larger share of the assets of all acquired affiliates (65 percent and 62 percent, respectively) than they did of the number of acquired affiliates.

Of the roughly 40 percent of the acquired businesses that had zero or negative returns on sales, somewhat more than one-half had rates between zero and -10 percent in both years, and somewhat fewer than one-half had rates below -10

10. These figures exclude investments in real estate, in which the return to investors is often realized in a form other than current net income (for example, capital gains).

percent. Some foreign investors may have acquired unprofitable businesses in order to gain access to the large U.S. market, to obtain advanced technologies or scarce raw materials, or to realize scale economies or technological efficiencies in other parts of their worldwide operations.¹¹ Other investors may have hoped to raise the profitability of the acquired businesses above their pre-acquisition levels.¹²

Tables 8.1 and 8.2 follow. 

11. For a discussion of these and other possible reasons for low rates of return on FDIUS, see "Rates of Return on Direct Investment," SURVEY 72 (August 1992): 79-86.

12. It has been argued that ownership changes are most likely to occur when a business and its management are poorly matched; if so, a new management may eventually succeed in earning a higher return. For a summary of this argument, in a slightly different context, see Robert H. McGuckin and Sang V. Nguyen, "On Productivity and Plant Ownership Change: New Evidence from the LRD," Bureau of the Census, Center for Economic Studies Discussion Paper CES 93-15.

Table 8.1.—Total Assets, Sales, Net Income, Employment, and Acres of Land Owned by U.S. Business Enterprises Acquired or Established, by Industry of U.S. Business Enterprise, 1992

[Millions of dollars unless otherwise indicated]

	Total assets of all U.S. business enterprises acquired or established	U.S. business enterprises acquired					U.S. business enterprises established				
		Total assets	Sales ¹	Net income	Number of employees	Number of acres of land owned	Total assets	Sales ¹	Net income	Number of employees	Number of acres of land owned
All industries	35,652	24,728	21,498	-316	120,601	131,030	10,923	4,914	114	20,882	93,391
Petroleum	1,040	1,001	(P)	80	1,184	215	38	7	-5	(P)	0
Petroleum and coal products manufacturing	(P)	(P)	(P)	(*)	(P)	(P)	0	0	0	0	0
Other	(P)	(P)	(P)	80	(P)	(P)	38	7	-5	(P)	0
Manufacturing	8,201	5,894	7,509	-254	55,450	5,817	2,306	2,586	69	12,967	1,810
Food and kindred products	666	300	477	17	3,131	364	366	474	14	1,085	128
Beverages	26	6	2	(*)	(P)	(P)	20	(P)	-1	(P)	(P)
Other	639	294	475	17	(P)	(P)	346	(P)	15	(P)	(P)
Chemicals and allied products	1,896	1,793	1,820	53	7,573	1,391	104	(P)	1	98	(P)
Industrial chemicals and synthetics	501	(P)	417	-2	(P)	(P)	(P)	1	(P)	(P)	(P)
Drugs	(P)	(P)	(P)	-11	1,004	0	(P)	(P)	(P)	(P)	(P)
Soap, cleaners, and toilet goods	(P)	(P)	(P)	(P)	(P)	(P)	0	0	0	0	0
Other	731	714	951	(P)	4,151	949	17	3	-4	(P)	0
Primary and fabricated metals	1,581	1,134	1,615	-40	9,624	2,367	447	(P)	-8	536	(P)
Primary metal industries	1,042	650	890	-44	5,229	2,046	392	(P)	(P)	304	(P)
Ferrous	(P)	(P)	(P)	(P)	(P)	(P)	392	(P)	(P)	304	(P)
Nonferrous	(P)	(P)	(P)	(P)	(P)	(P)	0	0	0	0	0
Fabricated metal products	539	485	725	4	4,395	321	55	24	(P)	232	(P)
Machinery	1,408	787	916	-23	7,921	879	621	879	29	4,146	295
Machinery, except electrical	976	422	441	-12	3,468	(P)	554	823	28	(P)	256
Office and computing machines	57	52	77	-24	588	(P)	6	7	(*)	(P)	(P)
Other	919	371	364	12	2,880	130	548	815	28	(P)	(P)
Electric and electronic equipment	432	365	475	-11	4,453	(P)	67	56	2	(P)	39
Audio, video, and communications equipment	54	(P)	64	-4	421	0	(P)	3	(P)	(P)	0
Electronic components and accessories	178	(P)	217	-9	2,097	(P)	(P)	(P)	1	(P)	(P)
Other	201	200	194	2	1,935	(P)	1	(P)	2	(P)	(P)
Other manufacturing	2,650	1,880	2,681	-261	27,201	816	769	1,059	33	7,102	99
Textile products and apparel	588	586	(P)	(P)	(P)	291	2	(P)	(P)	(P)	0
Lumber, wood, furniture, and fixtures	(P)	(P)	(P)	(P)	(P)	(P)	(P)	(P)	(P)	(P)	0
Paper and allied products	(P)	(P)	(P)	(P)	(P)	(P)	(P)	0	0	0	0
Printing and publishing	339	336	238	1	1,894	(P)	2	(P)	-1	0	0
Newspapers	4	4	2	1	(P)	(P)	0	0	0	0	0
Other	334	332	237	1	(P)	(P)	2	(P)	-1	0	0
Rubber products	2	0	0	0	0	0	1	(P)	(P)	(P)	0
Miscellaneous plastics products	299	223	227	13	2,015	104	76	(P)	-7	(P)	(P)
Stone, clay, and glass products	(P)	84	82	-6	(P)	(P)	(P)	(P)	(P)	(P)	0
Transportation equipment	170	152	295	-13	3,124	(P)	19	37	3	158	28
Motor vehicles and equipment	22	5	2	(*)	(P)	0	17	37	3	(P)	(P)
Other transportation equipment	148	146	293	-13	(P)	0	2	(P)	0	(P)	(P)
Instruments and related products	228	(P)	206	-13	2,021	(P)	(P)	(P)	(P)	(P)	0
Other	93	(P)	146	8	1,425	29	(P)	(P)	1	(P)	(P)
Wholesale trade	1,712	962	1,816	22	6,139	223	749	1,321	46	1,556	20
Motor vehicles and equipment	48	(P)	(P)	2	(P)	0	(P)	(P)	-5	(P)	(P)
Professional and commercial equipment and supplies	(P)	12	(P)	-3	(P)	(P)	(P)	(P)	-8	(P)	0
Metals and minerals, except petroleum	(P)	(P)	87	(*)	98	(P)	19	(P)	(P)	30	(P)
Electrical goods	793	(P)	968	9	3,838	(P)	(P)	(P)	(P)	(P)	0
Machinery, equipment, and supplies	176	(P)	80	2	640	(P)	(P)	(P)	(P)	96	(P)
Other durable goods	96	90	319	-1	148	0	6	14	(P)	(P)	(P)
Groceries and related products	102	(P)	88	5	(P)	0	(P)	(P)	-7	(P)	0
Farm-product raw materials	(P)	0	0	0	0	0	(P)	(P)	(P)	(P)	0
Other nondurable goods	252	199	238	8	1,126	36	53	108	-1	119	0
Retail trade	1,003	964	2,629	-254	28,197	114	38	(P)	1	(P)	0
General merchandise stores	(P)	0	0	0	0	0	(P)	(P)	(P)	0	0
Food stores	182	(P)	(P)	(P)	(P)	(P)	(P)	(P)	1	0	0
Apparel and accessory stores	(P)	(P)	0	0	0	0	0	0	0	0	0
Other	793	787	1,549	(P)	17,851	(P)	5	(P)	(P)	(P)	0
Banking ²	7,450	7,450	(P)	69	2,999	(P)	0	0	0	0	0
Finance, except banking ²	3,725	885	145	8	517	(P)	2,840	(P)	6	118	(P)
Insurance	2,839	(P)	196	5	782	0	(P)	133	6	(P)	(P)
Real estate	2,610	(P)	77	-64	370	(P)	(P)	221	15	326	21,629
Services	2,242	1,795	1,214	-43	12,860	894	448	263	-3	3,922	707
Hotels and other lodging places	858	611	109	-9	2,576	87	247	119	1	2,219	(P)
Business services	657	570	575	-34	6,124	234	86	91	5	1,165	11
Computer and data processing services	119	101	194	-20	1,890	0	18	(P)	1	(P)	(P)
Other business services	538	470	381	-13	4,234	234	68	(P)	4	(P)	(P)
Motion pictures, including television tape and film	(P)	(P)	(P)	3	(P)	(P)	(P)	15	-1	(P)	0
Engineering, architectural, and surveying services	16	16	47	-1	365	0	0	0	0	0	0
Accounting, research, management, and related services	(P)	(P)	47	-6	(P)	0	10	9	1	140	(P)
Health services	104	(P)	160	3	1,723	(P)	(P)	15	(P)	(P)	(P)
Other services	277	196	182	2	1,251	560	81	13	-8	285	(P)
Other industries	4,831	(P)	4,306	116	12,103	(P)	(P)	142	-21	599	69,216
Agriculture, forestry, and fishing	65	(P)	1	-1	(P)	(P)	(P)	2	(P)	(P)	55,240
Mining	2,244	2,207	1,000	114	3,388	(P)	37	(P)	(P)	0	(P)
Coal	(P)	(P)	(P)	(P)	(P)	(P)	(P)	(P)	(P)	0	(P)
Other	(P)	(P)	(P)	(P)	(P)	(P)	(P)	(P)	(P)	0	(P)
Construction	(P)	(P)	(P)	(P)	(P)	(P)	0	0	0	0	0
Transportation	(P)	(P)	(P)	(P)	(P)	0	36	(P)	(P)	(P)	(P)
Communication and public utilities	1,543	1,278	(P)	-32	1,837	(P)	266	(P)	(P)	18	(P)

(P) Suppressed to avoid disclosure of data of individual companies.

* Less than \$500,000 (±).

1. Sales, or gross operating revenue, excluding sales taxes.

2. See footnote 1, table 3.

NOTE.—Data for 1992 are revised. For acquired businesses, data are for, or as of the end of, the fiscal year preceding the year of acquisition; for newly established businesses, data are projections for, or as of the end of, the first full year of operation.

Table 8.2.—Total Assets, Sales, Net Income, Employment, and Acres of Land Owned by U.S. Business Enterprises Acquired or Established, by Industry of U.S. Business Enterprise, 1993
 [Millions of dollars unless otherwise indicated]

	Total assets of all U.S. business enterprises acquired or established	U.S. business enterprises acquired					U.S. business enterprises established				
		Total assets	Sales ¹	Net income	Number of employees	Number of acres of land owned	Total assets	Sales ¹	Net income	Number of employees	Number of acres of land owned
All industries	97,051	88,701	51,635	-1,910	305,950	286,530	8,350	4,121	21	7,164	40,199
Petroleum	1,965	(P)	(P)	(P)	(P)	950	(P)	(P)	(P)	(P)	(P)
Petroleum and coal products manufacturing	(P)	(P)	(P)	(P)	(P)	(P)	(P)	(P)	(P)	(P)	(P)
Other	(P)	(P)	(P)	(P)	(P)	(P)	5	1	-3	(P)	(P)
Manufacturing	15,771	15,192	14,219	-26	86,817	(P)	580	481	25	2,480	638
Food and kindred products	1,244	(P)	1,406	-8	6,919	(P)	(P)	(P)	(P)	(P)	0
Beverages	723	(P)	371	23	1,389	(P)	0	0	0	0	0
Other	521	(P)	1,035	-31	5,530	230	(P)	(P)	(P)	(P)	0
Chemicals and allied products	7,109	7,109	3,043	(P)	15,687	10,154	0	0	0	0	0
Industrial chemicals and synthetics	(P)	(P)	(P)	(P)	(P)	(P)	0	0	0	0	0
Drugs	246	246	139	-1	1,176	35	0	0	0	0	0
Soap, cleaners, and toilet goods	(P)	(P)	(P)	3	(P)	(P)	0	0	0	0	0
Other	1,020	1,020	592	-5	2,803	3,113	0	0	0	0	0
Primary and fabricated metals	1,359	1,133	1,088	(P)	7,415	1,907	226	26	4	(P)	174
Primary metal industries	597	(P)	144	4	737	(P)	(P)	(P)	4	0	(P)
Ferrous	(P)	(P)	(P)	(P)	(P)	(P)	(P)	(P)	4	0	(P)
Nonferrous	(P)	(P)	(P)	4	(P)	(P)	0	0	0	0	0
Fabricated metal products	762	(P)	944	(P)	6,678	(P)	(P)	(P)	(P)	(P)	(P)
Machinery	3,277	(P)	5,354	103	29,647	1,373	(P)	(P)	(P)	116	0
Machinery, except electrical	1,543	(P)	3,559	6	12,800	(P)	(P)	(P)	(P)	(P)	0
Office and computing machines	551	(P)	1,508	-1	3,924	(P)	(P)	(P)	(P)	(P)	0
Other	992	987	2,051	7	8,876	273	5	0	0	0	0
Electric and electronic equipment	1,734	(P)	1,795	96	16,847	(P)	(P)	1	1	(P)	0
Audio, video, and communications equipment	61	(P)	57	(P)	(P)	(P)	0	0	0	0	0
Electronic components and accessories	(P)	(P)	(P)	(P)	2,006	(P)	0	0	0	0	0
Other	(P)	(P)	(P)	(P)	(P)	(P)	0	0	0	0	0
Other manufacturing	2,783	2,456	3,327	153	27,149	8,706	327	441	29	2,245	464
Textile products and apparel	402	(P)	972	(P)	9,227	107	(P)	(P)	(P)	(P)	0
Lumber, wood, furniture, and fixtures	(P)	(P)	(P)	1	(P)	(P)	0	0	0	0	0
Paper and allied products	555	(P)	7	(P)	(P)	(P)	(P)	(P)	0	0	(P)
Printing and publishing	295	293	429	-24	4,620	(P)	2	(P)	1	0	(P)
Newspapers	(P)	(P)	(P)	(P)	(P)	(P)	0	0	0	0	0
Other	(P)	(P)	(P)	(P)	(P)	(P)	2	(P)	1	0	(P)
Rubber products	1	1	3	(P)	(P)	(P)	0	0	0	0	0
Miscellaneous plastics products	218	215	290	(P)	2,236	138	3	0	0	0	(P)
Stone, clay, and glass products	535	533	377	-4	3,584	7,931	2	1	0	0	0
Transportation equipment	(P)	(P)	(P)	(P)	(P)	(P)	(P)	(P)	(P)	1,893	157
Motor vehicles and equipment	(P)	(P)	(P)	-1	(P)	(P)	0	0	0	0	(P)
Other transportation equipment	(P)	(P)	(P)	1	(P)	(P)	5	5	(P)	(P)	(P)
Instruments and related products	427	426	405	11	3,078	128	2	0	-1	0	0
Other	78	77	106	-1	873	(P)	1	5	0	0	0
Wholesale trade	1,299	1,074	2,209	16	7,381	925	225	154	-19	735	0
Motor vehicles and equipment	41	31	(P)	-1	(P)	(P)	11	(P)	(P)	(P)	0
Professional and commercial equipment and supplies	0	0	0	0	0	0	(P)	(P)	(P)	(P)	0
Metals and minerals, except petroleum	0	0	0	0	0	0	0	0	0	0	0
Electrical goods	(P)	(P)	919	4	(P)	(P)	20	(P)	-1	112	0
Machinery, equipment, and supplies	(P)	(P)	(P)	-1	(P)	(P)	0	(P)	(P)	8	0
Other durable goods	218	(P)	130	(P)	652	(P)	(P)	(P)	(P)	(P)	0
Groceries and related products	44	44	152	3	1,044	(P)	0	0	0	0	0
Farm-product raw materials	0	0	0	0	0	0	0	0	0	0	0
Other nondurable goods	369	362	885	11	912	93	7	4	(P)	9	0
Retail trade	(P)	(P)	4,306	42	33,653	(P)	62	74	-14	316	0
General merchandise stores	0	0	0	0	0	0	0	0	0	0	0
Food stores	(P)	(P)	(P)	3	(P)	(P)	0	0	0	0	0
Apparel and accessory stores	1	0	0	0	0	0	1	(P)	0	0	0
Other	1,139	1,079	(P)	39	(P)	(P)	60	74	-14	(P)	0
Banking ²	10,941	10,595	829	-48	4,234	(P)	346	9	-2	73	0
Finance, except banking ²	7,731	4,141	660	8	(P)	(P)	3,589	(P)	(P)	464	0
Insurance	9,812	(P)	(P)	(P)	1,584	(P)	(P)	5	-4	(P)	0
Real estate	(P)	(P)	(P)	10	(P)	(P)	1,279	(P)	20	(P)	8,184
Services	(P)	(P)	14,575	46	78,475	1,385	195	237	-5	1,269	(P)
Hotels and other lodging places	499	454	170	11	2,964	19	45	13	2	406	6
Business services	566	533	455	(P)	8,393	9	33	83	1	290	0
Computer and data processing services	331	326	183	(P)	2,171	(P)	5	(P)	3	0	0
Other business services	235	207	272	2	6,222	(P)	28	(P)	-2	0	0
Motion pictures, including television tape and film	(P)	(P)	(P)	(P)	(P)	(P)	(P)	(P)	(P)	(P)	0
Engineering, architectural, and surveying services	40	(P)	(P)	-1	(P)	(P)	(P)	(P)	-3	0	0
Accounting, research, management, and related services	125	113	(P)	-5	1,838	0	11	(P)	-3	111	0
Health services	272	(P)	281	8	5,045	(P)	4	(P)	-1	0	0
Other services	1,018	951	409	-16	8,365	1,223	67	13	-1	(P)	(P)
Other industries	11,082	10,481	9,994	(P)	68,013	(P)	601	35	-42	258	24,882
Agriculture, forestry, and fishing	22	0	0	0	0	0	22	5	0	74	22,003
Mining	(P)	(P)	(P)	(P)	(P)	(P)	(P)	(P)	(P)	(P)	(P)
Coal	(P)	(P)	(P)	(P)	(P)	(P)	0	0	0	0	0
Other	82	(P)	(P)	(P)	(P)	(P)	(P)	(P)	0	0	0
Construction	167	165	498	10	2,298	(P)	2	3	0	0	0
Transportation	(P)	(P)	(P)	(P)	(P)	(P)	(P)	0	0	0	0
Communication and public utilities	870	373	230	9	1,170	(P)	497	28	-42	155	(P)

P Suppressed to avoid disclosure of data of individual companies.
 * Less than \$500,000 (±).
 1. Sales, or gross operating revenue, excluding sales taxes.
 2. See footnote 1, table 3.

NOTE.—Data for 1993 are preliminary. For acquired businesses, data are for, or as of the end of, the fiscal year preceding the year of acquisition; for newly established businesses, data are projections for, or as of the end of, the first full year of operation.