Methodology

The 2007 Benchmark Survey of Foreign Direct Investment in the United States was conducted by the Bureau of Economic Analysis (BEA) to obtain complete and accurate data on foreign direct investment in the United States for 2007. Reporting on the survey was mandatory under the International Investment and Trade in Services Survey Act.[1] Benchmark surveys, which are conducted every 5 years, are BEA's most comprehensive surveys of foreign direct investment, in terms of both coverage of companies and the amount of information collected; the last benchmark survey covered the year 2002.[2]

This publication provides the final results of the 2007 benchmark survey in 130 tables that present nearly all of the collected data. Two related types of data are presented for U.S. affiliates of foreign companies: (1) financial and operating data and (2) direct investment position and balance-of-payments data. The financial and operating data provide a variety of indicators of the overall operations of U.S. affiliates, including balance sheets and income statements; value added; goods and services supplied; taxes; property, plant, and equipment; employment and compensation of employees; U.S. trade in goods; and research and development activities. These data cover the entire operations of the U.S. affiliate regardless of the percentage of foreign ownership.[3]

The direct investment position and balance-of-payments data cover transactions and positions between U.S. affiliates and their foreign parents and other members of their foreign parent groups. These data thus focus on the foreign parent's share, or interest, in the affiliate rather than on the affiliate's overall size or level of operations. Balance-of-payments data include data on financial flows between U.S. affiliates and their foreign parent groups and payments of income by U.S. affiliates to their foreign parent groups. In conjunction with the sample data collected in BEA's quarterly surveys of foreign direct investment in the United States, the direct investment position and balance-of-payments data collected in the benchmark survey are the source of the official estimates of direct investment-related measures that are included in the U.S. national and income accounts (NIPAs), the U.S. international transactions (or balance-of-payments) accounts, and the U.S. net international investment position. The direct investment financial flows, income, and position data collected in the benchmark survey are presented in this publication on a historical-cost basis; prior to their inclusion in the international accounts and the NIPAs, they are adjusted to reflect current-period prices.

The amount and type of data collected in the survey differed, depending on whether the U.S. affiliates were banks or nonbanks, and for nonbank affiliates, whether they were majority or minority owned.[4] In this publication, data for U.S. affiliates are presented separately for three affiliate groups: (1) all affiliates (Part I), (2) all majority-owned affiliates (Part II), and (3) majority-owned nonbank affiliates (Part III). Most of the tables cover all majority-owned affiliates (Part II). A variety of table formats are used: some tables present data for several related items, each of which is disaggregated by industry, country, or state; other tables present data for a single item disaggregated by industry cross-classified by country, by country cross-classified by industry, or by state cross-classified by industry or by country.

The financial and operating data from the benchmark survey extend the statistics that begin with those for 1977 and that are derived from both annual and benchmark surveys. In addition, the benchmark survey data will be used in preparing annual statistics on U.S. affiliate operations in subsequent nonbenchmark years; these statistics are derived by extrapolating forward the benchmark survey data by the sample data reported in BEA's annual surveys of foreign direct investment in the United States.

Beginning with the presentation of results from the 2007 benchmark survey, most of the tabulations of affiliate financial and operating data cover both bank and nonbank affiliates. In previous benchmark survey publications, most of the tabulations covered only nonbank affiliates because only a few items on affiliate operations were collected on the separate survey form for bank affiliates. For nonbenchmark-survey years before 2007, bank affiliates were exempt from filing survey reports; therefore, all of the tabulated statistics on

1. Public Law 472, 94th Cong., 90 stat. 2059, 22 U.S.C. 3101–3108, as amended.

2. See U.S. Bureau of Economic Analysis, *Foreign Direct Investment in the United States: Final Results From the 2002 Benchmark Survey* (Washington, DC: U.S. Government Printing Office, October 2006); an electronic version of this publication can be accessed on BEA's Web site at www.bea.gov.

3. To be classified as a U.S. affiliate, however, the foreign share of ownership in the enterprise must be equal to 10 percent or more of the voting securities if the enterprise is incorporated or an equivalent interest if the enterprise is unincorporated; see the definition of direct investment in the section "Concepts and Definitions."

4. In this publication, the term "bank affiliates" is used to describe affiliates that are banks (including credit unions and savings institutions, as well as commercial banks), bank holding companies, or financial holding companies. As in the 2002 benchmark survey, the data reported for a bank affiliate include, in a single consolidated report, any data for nonbank U.S. companies that are more than 50 percent owned by the bank affiliate.

affiliate operations for those years covered only nonbank affiliates. In future presentations of annual data on U.S. affiliate operations, for 2008 forward, the data for bank and nonbank affiliates will be combined in all tabulations.

As in the 2002 benchmark survey and in the annual surveys for 2003–2006, the financial and operating data collected and tabulated from the 2007 benchmark survey provide more detailed information on the operations of majority-owned U.S. affiliates (that is, affiliates that are owned more than 50 percent by foreign direct investors) than on the operations of all (majority-owned plus minority-owned) U.S. affiliates.[5] For most applications of the financial and operating data, emphasis is placed on companies that are unambiguously under foreign control. Because of the presumption of foreign control, majority ownership is viewed by many as the preferred basis for selecting firms for the analysis of the role of multinational enterprises in a host country's economy.[6] Majority ownership is also recommended as the primary basis for the compilation of statistics on the operations of foreign-owned firms by the Organisation for Economic Co-operation and Development's *OECD Handbook on Economic Globalisation Indicators* and by the international *Manual on Statistics of International Trade in Services*, reflecting in part the emphasis placed on data for majority-owned affiliates by trade negotiators and other policy makers.

For the financial and operating data, the statistics for 2007 presented in this report update statistics for 1977–2006 contained in other BEA reports. For similar items, the tabulations of the benchmark survey data for all (bank and nonbank) affiliates in this report are comparable to the tabulations for nonbank affiliates in the reports for earlier years. Table 1 provides cross-references between the financial and operating data tables for all affiliates in this report and the corresponding tables for nonbank affiliates in the benchmark survey report for 2002 and in the annual reports for 2003–2006. As shown, some of the tables for all affiliates in this report have counterparts for nonbank affiliates in the 2002 benchmark survey report but not in the annual survey reports for 2003–2006, because they cover items that are not collected in nonbenchmark survey years. In addition, several tables for nonbank affiliates in the reports for 2002 or 2003–2006 do not have counterparts for all affiliates in this report. In some of the cases for which there are no counterparts, the earlier tables presented data items—such as trade in goods by product—that were discontinued from data collection in the 2007 benchmark survey. In other cases, the earlier tables presented data items that were not collected (and could not be estimated) for banks; these include tables that presented detail by account on assets and liabilities and on changes in property, plant, and equipment, as well as all of the tables on the external financial position of affiliates (Group C in the reports for earlier years).

In the data reports for 2008 forward, all tables will present combined data for bank and nonbank affiliates. For transition purposes, this report includes, in Part III, selected tables for nonbank affiliates. In addition, these tables present data items that were collected for nonbank affiliates in 2007 but not for bank affiliates. Cross-references between these tables and their counterparts in the reports for 2002–2006 are presented in Table 2.

For the direct investment position and balance-of-payments data, the tables for all affiliates presented in Part I, Group I, of this publication are comparable to, but less detailed than, the tables for all nonbank affiliates presented in Part II, Groups K through M, of the 2002 benchmark survey final publication. Tables on direct investment royalties and license fees and charges for other services (which were presented for all nonbank affiliates in Part II, Group N, of the 2002 publication) are not included in this publication, because the underlying data were not collected in the 2007 benchmark survey. Data on direct investment-related royalties and license fees and charges for other services for U.S. affiliates are instead collected in BEA's benchmark and quarterly surveys of transactions in selected services and intangible assets with foreign persons; country-level tables for these data are presented in an annual article on U.S. international services in the October issue of the SURVEY OF CURRENT BUSINESS.

Because of increases in the thresholds for reporting on survey forms—both for the 2007 benchmark survey and the follow-on annual surveys for 2008 forward—the level of detail has been reduced in standard presentations by industry and by investing country to ensure that the published statistics continue to meet standards for statistical quality.

The statistics in this publication are based on data collected at the enterprise—or company—level. Data presented at the establishment—or plant—level are also available for selected years as a result of a project to link BEA's enterprise data on foreign direct investment in the United States with more detailed Census

5. In the benchmark and annual surveys covering years before 2002, the amount of information collected for majority-owned and minority-owned affiliates was the same; therefore, most of the tabulations in the data reports for those years covered all affiliates.

6. See, for example, Robert E. Lipsey, "Foreign Direct Investment and the Operations of Multinational Firms: Concepts, History, and Data," in *Handbook of International Trade*, ed. Kwan Choi and James Harrigan (Oxford, United Kingdom: Basil Blackwell, 2003).

Table 1. Comparison of Financial and Operating Data Tables for All (Bank and Nonbank) Affiliates in This Report With Those for Nonbank Affiliates in the 2002 Benchmark Survey Report and in the Reports for 2003–2006—Continues

Table for all (bank plus nonbank) affiliates in 2007 benchmark survey report	Comparable table for nonbank affiliates in 2002 benchmark survey report	Comparable table for nonbank affiliates in 2003–2006 reports
All Affiliates		
Group A. Selected Data		
I.A 1–I.A 5	II.A 1–II.A 5	II.A 1–II.A 5
I.A 7	II.A 7	II.A 7
I.A 9	II.A 10	II.A 10
Group B. Balance Sheet		
I.B 1–I.B 2	n.a.	n.a.
I.B 3	II.B 5	II.B 5
Group C. Property, Plant, and Equipment		
I.C 3	II.D 3	II.D 3
I.C 7	II.D 11 (Part)	II.D 11 (Part)
Group D. Income Statement		
I.D 3	II.E 3	II.E 3
Group F. Employment and Compensation of Employees		
I.F 3	II.G 3	II.G 3
I.F 18	II.G 19 (Part)	II.G 19 (Part)
Majority-Owned Affiliates		
Group A. Selected Data		
II.A 1–II.A 8	III.A 1–III.A 8	III.A 1–III.A 8
II.A 9	III.A 10	III.A 10
Group B. Balance Sheet		
II.B 1	III.B 1 (Part), III.B 2 (Part)	III.B 1 (Part), III.B 2 (Part)
II.B 2	III.B 3 (Part), III.B 4 (Part)	III.B 3 (Part), III.B 4 (Part)
II.B 3–II.B 4	III.B 5–III.B 6	III.B 5–III.B 6
II.B 5–II.B 7	III.B 7–III.B 9	n.a.
Group C. Property, Plant, and Equipment		
II.C 1–II.C 3	III.D 1–III.D 3	III.D 1–III.D 3
n.a.	III.D 4–III.D 5	n.a.
n.a.	III.D 6–III.D 7	III.D 6–III.D 7
n.a.	III.D 8	n.a.
II.C 5–II.C 9	III.D 9–III.D 13	III.D 9–III.D 13
II.C 10–II.C 12	III.D 14–III.D 16	n.a.
II.C 13–II.C 18	III.D 17–III.D 22	III.D 17–III.D 22
II.C 19	n.a.	n.a.
n.a.	III.D 23	III.D 23
n.a.	III.D 24–III.D 25	n.a.
Group D. Income Statement		
II.D 1–II.D 4	III.E 1–III.E 4	III.E 1–III.E 4
II.D 5–II.D 6	III.E 5–III.E 6	n.a.
II.D 7–II.D 8	III.E 7–III.E 8	III.E 7–III.E 8
II.D 9	III.E 9	n.a.
II.D 10–II.D 15	III.E 10–III.E 15	III.E 10–III.E 15
Group E. Value Added		
II.E 1–II.E 3	III.F 1–III.F 3	III.F 1–III.F 3
II.E 4	III.F 4	n.a.
II.E 5–II.E 6	III.F 5–III.F 6	III.F 5–III.F 6
Group F. Employment and Compensation of Employees		
II.F 1–II.F 4	III.G 1–III.G 4	III.G 1–III.G 4
II.F 5	III.G 5	n.a.
II.F 6–II.F 8	III.G 6–III.G 8	III.G 6–III.G 8
II.F 9	III.G 9	n.a.
II.F 10–II.F 11	III.G 10–III.G 11	III.G 10–III.G 11
II.F 12	III.G 12	n.a.
II.F 13	III.G 13	III.G 13
II.F 14	III.G 14	n.a.
III.F 15–III.F 16	III.G 15–III.G 16	III.G 15–III.G 16
n.a.	III.G 17	III.G 17
II.F 17	III.G 18	III.G 18

n.a. Not available

Table 1. Comparison of Financial and Operating Data Tables for All (Bank and Nonbank) Affiliates in This Report With Those for Nonbank Affiliates in the 2002 Benchmark Survey Report and in the Reports for 2003–2006—Table Ends

Table for all (bank plus nonbank) affiliates in 2007 benchmark survey report	Comparable table for nonbank affiliates in 2002 benchmark survey report	Comparable table for nonbank affiliates in 2003–2006 reports
Majority-Owned Affiliates		
Group G. U.S. Trade in Goods		
II.G 1–II.G 4	III.H 1–III.H 4	III.H 1–III.H 4
II.G 5	III.H 5	n.a.
II.G 6–II.G 7	III.H 6–III.H 7	III.H 6–III.H 7
II.G 8	III.H 8	n.a.
n.a.	III.H 9–III.H 21	n.a.
II.G 9–II.G 23	III.H 22–III.H 36	n.a.
II.G 24	III.H 37	III.H 37
Group H. Interest, Dividends, Taxes Other Than Income Taxes, and Research and Development Expenditures		
II.H 1–II.H 2	III.I 1–III.I 2	III.I 1–III.I 2
II.H 3–II.H 5	III.I 3–III.I 5	n.a.
II.H 6	III.I 6	III.I 6

n.a. Not available

Table 2. Comparison of Tables for Majority-Owned Nonbank Affiliates in This Report With Those in the 2002 Benchmark Survey Report and in the Reports for 2003–2006

Table in 2007 benchmark survey report	Comparable table in 2002 benchmark survey report [1]	Comparable table in 2003–2006 reports [1]
Group A. Selected Data		
III.A 1	III.A 1	III.A 1
III.A 3	III.A 3	III.A 3
III.A 5	III.A 5	III.A 5
III.A 9	III.A 10	III.A 10
Group C. Property, Plant, and Equipment		
III.C 4	III.D 6 (Part)	III.D 6 (Part)
III.C 7	III.D 11	III.D 11
Group F. Employment and Compensation of Employees		
III.F 18	III.G 8 (Part), III.G 13 (Part)	III.G 8 (Part), III.G 13 (Part)

1. List excludes Part III tables that do not have counterparts in the 2007 benchmark survey report.

Bureau establishment data for all U.S. companies.[7]

Coverage

The benchmark survey covered virtually every U.S. business enterprise that was a U.S. affiliate of a foreign person. A U.S. affiliate is a U.S. business enterprise in which a foreign person owns or controls, directly or indirectly, at least 10 percent of the voting securities if the enterprise is incorporated or an equivalent interest if the enterprise is unincorporated.

For both the financial and operating data and the direct investment position and balance-of-payments data, the data presented in this publication cover every U.S. business enterprise that was a U.S. affiliate at the end of its 2007 fiscal year. The coverage of the direct investment position and balance-of-payments data in this publication is thus consistent with that of the financial and operating data. However, it differs from the coverage of these data in the U.S. international investment position and international transactions accounts, which, for a given calendar year, include transactions for U.S. businesses that were U.S. affiliates at some time during the year but that were not affiliates at the end of the year, because the foreign parents' interest in them was liquidated or sold during the year.

Every bank U.S. affiliate with total assets, sales, or net income (or loss) greater than $15 million and every nonbank U.S. affiliate was required to report in the benchmark survey for 2007. In order to minimize the reporting burden of small enterprises, nonbank affiliates that did not have total assets, sales, or net income (or loss) of more than $15 million were required to report only some basic identification information and a few items indicating affiliate size—including total assets, sales, net income, and employment—on an abbreviated miniform. Nonbank affiliates with total assets, sales, or net income greater than $15 million but not greater than $40 million were required to file a complete miniform, which requested additional information on a few other measures of affiliate operations. Together, affiliates that filed the miniform accounted for a very small share of the data for all affiliates in terms of value: they accounted for 0.3 percent of the total assets, 0.9 percent of the sales, and 2.1 percent of the employment of affiliates.

In previous benchmark surveys, very small affiliates with total assets, sales, and net income (or loss) that were all below a given size threshold were not required

7. Publications presenting the establishment data are available for 1987–92, 1997, and 2002; electronic files for these publications can be accessed on BEA's Web site at www.bea.gov. The 1987, 1992, 1997, and 2002 publications cover establishments in both manufacturing and nonmanufacturing industries; the 1988–91 publications cover establishments in manufacturing industries only. A forthcoming publication will present establishment data for 2007 for both manufacturing and nonmanufacturing industries.

to complete a benchmark survey report; instead, they were instructed to submit an exemption form with information on their total assets, sales, and net income. In the 2002 benchmark survey, the threshold for submitting an exemption form in lieu of a benchmark survey report was total assets, sales, and net income (or loss) of $10 million or less.[8] In the benchmark survey for 1997, the reporting exemption level was $3 million, and in the benchmark surveys for 1980, 1987, and 1992, the exemption level was $1 million. The data presented in the benchmark survey publications for 1997 and 2002 included estimates for exempt affiliates based on the information reported on the exemption form for their total assets, sales, and net income. In contrast, estimates for exempt affiliates were not included in the published data for affiliates for years before 1997. Because the aggregate data for affiliates below the respective exemption levels are so small, this difference has virtually no effect on the comparability of published data across years.

Concepts and Definitions

This section discusses the basic concepts and definitions used in the 2007 benchmark survey.

Direct investment

Direct investment implies that a person resident in one country exercises control or a significant degree of influence over the management of a business enterprise resident in another country. For the United States, in accordance with international guidelines, ownership or control of 10 percent or more of an enterprise's voting securities, or the equivalent, is considered evidence of having at least a significant degree of influence over management, with control being deemed to exist if the investor owns more than 50 percent of the voting securities.[9] Thus, foreign direct investment in the United States is ownership or control, direct or indirect, by one foreign person of 10 percent or more of the voting securities of an incorporated U.S. business enterprise or an equivalent interest in an unincorporated U.S. business enterprise. Only foreign investment in the United States that is direct investment was covered by the 2007 benchmark survey.

Direct investment in a U.S. business enterprise can result from direct or indirect ownership by a foreign person. In direct ownership, the foreign person itself holds the ownership interest in the U.S. business enterprise. In indirect ownership, one or more tiers of ownership exist between the U.S. business enterprise and the foreign person. For example, a U.S. business enterprise may be directly owned by another U.S. business enterprise that is, in turn, owned by the foreign person. A foreign person's percentage of indirect voting ownership in a given U.S. business enterprise is equal to the direct-voting-ownership percentage of the foreign person in the first U.S. business enterprise in the ownership chain, times the first enterprise's direct-voting-ownership percentage in the second U.S. business enterprise in the chain, times the corresponding percentages for all intervening enterprises in the chain, times the last intervening enterprise's direct-voting-ownership percentage in the given U.S. business enterprise. If more than one ownership chain exists, the percentages of direct and indirect ownership in all chains are summed to determine the foreign person's ownership percentage.

Direct investment refers to ownership by a single person, not to the combined ownership by all the persons in a country. A "person" is broadly defined to include any individual, branch, partnership, associated group, association, estate, trust, corporation, or other organization (whether or not organized under the laws of any state) and any government (including a foreign government, the U.S. Government, a state or local government, or any corporation, financial institution, or other entity or instrumentality thereof, including a government-sponsored agency).

An associated group is treated in this definition as a single person. An associated group consists of two or more persons who exercise their voting privileges in a concerted manner—by the appearance of their actions, by agreement, or by an understanding—in order to influence the management of a business enterprise. The following are deemed associated groups: (1) members of the same family, (2) a business enterprise and one or more of its officers or directors, (3) members of a syndicate or joint venture, (4) a corporation and its domestic subsidiaries, and (5) the national and provincial levels of a foreign country's government. Thus, direct investment is considered to exist as long as the combined ownership interest of all members of the group is at least 10 percent, even if no one member owns 10 percent or more. The definition assumes, in effect, that the members' influence over management is comparable to that of a single person with the same ownership interest.

8. For the 2002 benchmark survey, exemption claims were filed by 8,717 affiliates, compared with 5,932 affiliates that were required to file a benchmark survey report. In terms of value, however, the data for exempt affiliates were minuscule relative to the data totals for the direct investment universe: together, they accounted for 0.2 percent of the total assets and 0.4 percent of the sales of all affiliates.

9. See International Monetary Fund (IMF), *Balance of Payments and International Investment Position Manual*, 6th ed. (Washington, DC: IMF, 2009); and Organisation for Economic Co-operation and Development (OECD), *OECD Benchmark Definition of Foreign Direct Investment*, 4th ed. (Paris: OECD, 2008).

Investment by a foreign person of less than 10 percent in a U.S. business enterprise is not considered direct investment, even if another foreign person—of the same country or of another country—has an interest of at least 10 percent in the enterprise. Thus, if one foreign person owns 11 percent and another owns 9 percent, the 11 percent interest is included, but the 9 percent interest is excluded. However, if two or more foreign persons each hold an interest of at least 10 percent, each such interest is included.

Determination of residency

For purposes of the benchmark survey (and BEA's other direct investment surveys), the "United States" means the 50 states, the District of Columbia, the Commonwealth of Puerto Rico, and all U.S. territories and possessions. U.S. offshore oil and gas sites are also considered to be in the United States.

"Foreign" means that which is situated outside the United States or which belongs to, or is characteristic of, a country other than the United States.

The country of residence, rather than the country of citizenship, of a person is used to determine whether a direct investor or the business enterprise owned by a direct investor is United States or foreign. A U.S. person is any person who resides in, or is subject to the jurisdiction of, the United States, and a foreign person is any person who resides outside the United States or who is subject to the jurisdiction of a country other than the United States.

A person is considered a resident of, or subject to the jurisdiction of, the country in which the person is located if the person resides or expects to reside in it for 1 year or more. Under this rule, individuals who reside or expect to reside outside their country of citizenship for less than 1 year are considered residents of their country of citizenship, whereas individuals who reside or expect to reside outside their country of citizenship for 1 year or more are considered residents of the country in which they are residing.

There are two exceptions to this rule. First, individuals (and their immediate families) who either own or are employed by a business enterprise in their country of citizenship and who are residing outside of that country for 1 year or more in order to conduct business for the enterprise are considered residents of their country of citizenship if they intend to return within a reasonable period of time. Second, individuals who reside outside their country of citizenship because they are government employees (such as diplomats, consular officials, members of the armed forces, and their immediate families) are considered residents of their country of citizenship regardless of their length of stay.

The U.S. affiliate

A U.S. affiliate is a U.S. business enterprise in which there is foreign direct investment. The affiliate is called a *U.S.* affiliate to denote that it is located in the United States.

A business enterprise is any organization, association, branch, venture, or the ownership of real estate that exists for profitmaking purposes or to otherwise secure economic advantage. Therefore, by definition, a business enterprise excludes the ownership of real estate exclusively for personal use; a primary residence that is leased to others by an owner while outside the United States who intends to reoccupy it is considered real estate held for personal use and not a business enterprise.

A business enterprise, and therefore an affiliate, may be either incorporated or unincorporated. Unincorporated affiliates primarily take the form of branches and partnerships. They may also include directly held commercial property.

A U.S. affiliate that is a branch consists of operations or activities in the United States that a foreign person conducts in its own name rather than through an entity separately incorporated in the United States. By definition, a branch is wholly owned.

In general, the U.S. operations or activities of a foreign person are considered to be a U.S. affiliate if they are legally or functionally separable from the foreign operations or activities of the foreign person. In most cases, it is clear whether the U.S. operations or activities constitute a U.S. affiliate. If an operation or activity is incorporated in the United States—as most are—it is *always* considered a U.S. affiliate. The situation is not always so clear with unincorporated U.S. operations or activities. Most are legally or functionally separable from those of the foreign person and thus are considered U.S. affiliates, but some are not clearly separable, and the determination of whether they constitute U.S. affiliates is made on a case-by-case basis, depending on the weight of evidence. The following characteristics would indicate that the unincorporated operation or activity probably is a U.S. affiliate:

- It is subject to U.S. income taxes.
- It has a substantial physical presence in the United States, as evidenced by plant and equipment or employees that are permanently located in the United States.
- It has separate financial records that allow the preparation of financial statements, including a balance sheet and income statement. (A mere record of disbursements to, or receipts from, the U.S. operation or activity would not constitute a "financial statement" for this purpose.)

- It takes title to the goods it sells and receives revenues from the sale, or it receives funds from customers for its own account for services it performs.

The following characteristics would indicate that the unincorporated operation or activity probably is *not* a U.S. affiliate:

- It is not subject to U.S. income taxes.
- It has limited physical assets or few employees permanently located in the United States.
- It has no separate financial records that allow the preparation of financial statements.
- It conducts business in the United States only for the foreign person's account, not for its own account.
- It engages only in sales promotion or public relations activities.
- Its expenses are paid by the foreign person.

Consistent with these guidelines, the U.S. stations, ticket offices, and terminal or port facilities of a foreign airline or ship operator that provide services only to the airline's or ship operator's operations are not considered U.S. affiliates, because most of the revenues, such as passenger fares and freight charges, collected by these facilities are generated by the travel and transportation services rendered by the airline or ship operator of which they are a part, not by the activities of these facilities. However, if the facilities provide services to unaffiliated persons, they are considered U.S. affiliates.

Each U.S. affiliate was required to report on a fully consolidated domestic (U.S.) basis. The full consolidation includes all other U.S. affiliates of the foreign parent in which the affiliate directly or indirectly owned more than 50 percent of the outstanding voting interests. The consolidation excludes all other U.S. business enterprises and all foreign business enterprises owned by the U.S. affiliate.

There were two exceptions to this general consolidation rule. First, a given U.S. affiliate may have been excluded from full consolidation because of the lack of effective control. Second, a U.S. affiliate in which a direct ownership interest was held by one foreign person and an indirect ownership interest was held by another foreign person was not permitted to be consolidated in the report of another U.S. affiliate; this rule ensured that data on transactions and positions of both owners could be obtained from the affiliate.

The foreign owners

The existence of direct investment in a U.S. affiliate is determined solely on the basis of the voting shares (or the equivalent) held by its *foreign parent*. To more completely describe the foreign ownership of a U.S. affiliate, however, reference must be made to two additional entities—the *foreign parent group* and the *ultimate beneficial owner* (UBO). All three concepts are necessary to identify fully the owners of U.S. affiliates. The foreign parent of a U.S. affiliate must be identified to establish that foreign direct investment does in fact exist. The UBO of each U.S. affiliate is identified to determine the person that ultimately owns or controls and, therefore, ultimately derives the benefits from owning or controlling the U.S. affiliate.[10] Members of the foreign parent group are identified to distinguish foreign persons that are affiliated with a U.S. affiliate from those that are not.

The affiliate's transactions with all these persons are included in the investment income, services, and financial accounts of the U.S. international transactions accounts, and the direct investment positions in the affiliate that are held by all members of the foreign parent group, not just by its foreign parent, are included in the foreign direct investment position in the United States.[11]

A given U.S. affiliate may have more than one ownership chain above it, if it is owned at least 10 percent by more than one foreign person. In such cases, the affiliate may have more than one foreign parent, UBO, and foreign parent group.

A *foreign parent* is the first person outside the United States in a U.S. affiliate's ownership chain that has a direct investment interest in the affiliate. By this definition, the foreign parent consists *only* of the first person outside the United States in the affiliate's ownership chain; all other affiliated foreign persons are excluded.

The *ultimate beneficial owner* of a U.S. affiliate is that person, proceeding up the affiliate's ownership chain beginning with and including the foreign parent, that is not owned more than 50 percent by another person.[12] The UBO excludes other affiliated persons. If the foreign parent is not owned more than 50 percent by another person, the foreign parent and the UBO are the same. Unlike the foreign parent, the UBO may be either a U.S. person or a foreign person (though most are foreign).

Both the foreign parent and the UBO are "persons." Thus, they may be business enterprises; religious, charitable, or other nonprofit organizations; individuals;

10. UBOs that are individuals were not required to be identified by name; however, their countries of location were required.

11. Another type of transaction—trade in goods between affiliates and members of their foreign parent groups—is also included in the U.S. international transactions accounts, but it is not shown separately. Separate data on such trade, however, were obtained in the benchmark survey as part of the U.S.-affiliate financial and operating data; see the section "Financial and Operating Data."

12. This definition is equivalent to the OECD's definition of the "ultimate investor;" see *OECD Benchmark Definition of Foreign Direct Investment*, 4th ed., Annex 10, p. 208.

governments; estates or trusts; associated groups; and so forth. In the case of a foreign estate, the estate, not its beneficiary, is considered the foreign parent or UBO. For the investments of a foreign trust, either the creator or the beneficiary of the trust may be considered the foreign parent or UBO, depending on the circumstances. The creator is considered the foreign parent or UBO if the creator is a corporation or other organization that designates its own shareholders or members as beneficiaries or if there is a reversionary interest—that is, the interest in the trust may later be returned to the creator. In all other cases, the beneficiary of the trust is considered the foreign parent or UBO.

A *foreign parent group* consists of (1) the foreign parent, (2) any foreign person, proceeding up the foreign parent's ownership chain, that owns more than 50 percent of the person below it, up to and including the UBO, and (3) any foreign person, proceeding down the ownership chain(s) of each of these members, that is owned more than 50 percent by the person above it.

Accounting Principles

In most cases, data in the 2007 benchmark survey were required to be reported as they would have been for stockholders' reports rather than for tax or other purposes. Thus, unless otherwise indicated by the survey instructions, survey reporters were asked to report using U.S. generally accepted accounting principles (GAAP). The survey instructions departed from GAAP in cases where the departure would result in data that were conceptually or analytically more useful or appropriate for direct investment purposes. One major departure from GAAP was in the area of consolidation rules (see the preceding discussion of consolidated reporting for "The U.S. affiliate" in the section "Concepts and Definitions").

Reporters that maintained their accounting records using international financial reporting standards (IFRS) or other reporting standards were asked to make adjustments, if feasible, to correct for any material differences between GAAP and the reporting standards used.[13] In a few cases, the reporters using IFRS or other reporting standards stated that it was infeasible or highly burdensome to make the requested adjustments to conform to GAAP; in such cases, the survey forms were accepted as submitted.

Fiscal Year Reporting

Data for U.S. affiliates were required to be filed on a fiscal year basis. An affiliate's 2007 fiscal year was defined to be the affiliate's financial reporting year that ended in calendar year 2007. Because the fiscal year data from the benchmark survey that are presented in this publication are not identical to the calendar year estimates that are needed for the U.S. international transactions accounts and in the foreign direct investment position in the United States, these data must be adjusted to a calendar year basis before they are entered into the international transactions and foreign direct investment position accounts.

The extent of noncomparablity between the benchmark survey data presented here and the direct investment statistics presented in the international transactions and foreign direct investment position accounts depends on the number and size of, and volatility of the data for, the U.S. affiliates whose fiscal years do not correspond to the calendar year. Selected data for affiliates classified by the affiliates' fiscal year ending date are shown in table 3. As indicated in the addendum to the table, affiliates whose fiscal year exactly corresponded to the calendar year 2007 accounted for

13. A major difference between IFRS and GAAP is the more extensive use under IFRS of fair value accounting—as opposed to valuation at historical cost—in valuing assets or liabilities. Fair value accounting is the valuing of assets or liabilities at current market prices or fair market value rather than at purchase prices (historical cost); see footnote 44.

Table 3. Selected Data of U.S. Affiliates by Fiscal Year Ending Date

[Millions of dollars, except as noted]

	Fiscal year ending date					
	Total	January 1 to March 31	April 1 to June 30	July 1 to September 30	October 1 to December 31	Addendum: December 31
	(1)	(2)	(3)	(4)	(5)	(6)
Total assets	12,955,017	1,066,274	174,327	308,875	11,405,541	11,007,197
Sales	3,616,247	484,394	95,577	162,139	2,874,136	2,773,266
Net income [1]	144,234	24,874	7,996	4,432	106,932	101,888
Compensation of employees	437,566	47,006	13,436	34,780	342,344	327,546
Thousands of employees	6,088.7	716.3	243.4	606.0	4,523.0	4,263.5
Exports of goods	229,825	36,050	6,766	13,103	173,906	169,686
Imports of goods	566,382	150,392	10,166	19,929	385,894	379,467
Foreign direct investment position in the United States	1,944,042	312,011	48,517	109,562	1,473,953	1,436,620
Direct investment income	127,231	24,228	6,774	5,982	90,247	88,360

1. Includes capital gains and losses.

most of the foreign direct investment position and direct investment income for all affiliates.

Unlike the direct investment position and balance-of-payments data, financial and operating data in all BEA surveys are consistently collected and published on a fiscal year basis.

Confidentiality

Under the International Investment and Trade in Services Survey Act, the direct investment data collected by BEA from individual respondents are confidential; thus, they cannot be published in such a manner "that the person to whom the information relates can be specifically identified." For this publication, each cell in a table was tested to determine whether the data it contained should be suppressed (not be shown) for confidentiality reasons. A "(D)" in a cell indicates that the data were suppressed to avoid the disclosure of information on an individual company. For employment data, a letter representing a size range is entered in lieu of a "(D)."

The act further specifies that the data must be used for statistical and analytical purposes only; the use of an individual company's data for tax, investigative, or regulatory purposes is prohibited. Access to the data is limited to officials and employees (including consultants and contractors and their employees) of government agencies designated by the President to perform functions under the act. In addition, as amended by the Foreign Direct Investment and International Financial Data Improvements Act of 1990, the act grants access to certain other government agencies for limited statistical purposes. For example, access is granted to the Bureau of the Census for the purpose of linking BEA's enterprise-, or company-, level data for foreign direct investment to the Census Bureau's establishment-, or plant-, level data for all U.S. companies to obtain more detailed data by industry and by state for the foreign-owned enterprises that report to BEA. A separate act, the Confidential Information Protection and Statistical Efficiency Act of 2002 (Title V of Public Law 107–347), also authorizes the sharing of business confidential data (including BEA's direct investment data) between BEA, the Census Bureau, and the Bureau of Labor Statistics under specified conditions for statistical purposes.

Private individuals may obtain access to the data only in the capacity of experts, consultants, or contractors whose services are procured by BEA, usually on a temporary or intermittent basis, for purposes of carrying out projects under the Survey Act—for example, to perform research on foreign direct investment. These individuals are subject to the same confidentiality requirements as regular employees of BEA or other government agencies performing functions under the act.

Classification of Data

Both the financial and operating data and the direct investment position and balance-of-payments data from the benchmark survey can be classified by industry of affiliate, by country and industry of UBO, and by country and industry of foreign parent. In addition, the direct investment position and balance-of-payments data can be classified by country of each member of the foreign parent group.

Industry classification

In the 2007 benchmark survey, each U.S. affiliate was classified by industry using the International Survey Industry (ISI) classification system, which was updated for the benchmark survey to reflect the 2007 revision to the North American Industry Classification System (NAICS). For most industries, the classifications under this system are identical to those in the NAICS-based ISI classification system used in the benchmark and annual surveys for 2002–2006, which was based on the 2002 version of NAICS.[14] The most significant change is the reclassification of a number of industrial activities in the information sector.

The 2007 NAICS-based ISI classification system includes 201 industries, compared with 205 industries in the 2002 NAICS-based ISI system. For the most part, the ISI classifications are equivalent to NAICS four-digit industries; at its most detailed level, NAICS classifies industries at a six-digit level. The ISI classification system is less detailed than NAICS because it is designed for classifying enterprises rather than establishments (or plants). Because many direct investment enterprises are active in several industries, it is not meaningful to classify all their data in a single industry if that industry is defined too narrowly. A list and a description of the NAICS-based ISI codes (and their relationship to NAICS) are presented in the *Guide to Industry Classifications for International Surveys, 2007* (see appendix).[15]

Each U.S. affiliate was classified by industry on the basis of its sales (or of its total income, for holding companies) in a three-step procedure. First, a given U.S. affiliate was classified in the NAICS sector that

14. The ISI classification system used in the surveys for 1997–2001 was based on the 1997 version of NAICS. In the surveys before 1997, the industry classification system was based on the Standard Industrial Classification (SIC). For a discussion of the differences between the NAICS-based ISI classification system introduced in 1997 and the earlier SIC-based ISI classification system, see the section on industry classification in the Methodology of *Foreign Direct Investment in the United States: Final Results From the 1997 Benchmark Survey* (Washington, DC: U.S. Government Printing Office, June 2001).

15. The Guide is also available on BEA's Web site at www.bea.gov/surveys/iftcmat.htm.

accounted for the largest percentage of its sales.[16] Second, within the sector, the U.S. affiliate was classified in the three-digit subsector in which its sales were largest; a three-digit subsector consists of all four-digit industries that have the same first three digits in their four-digit ISI code. Third, within its three-digit subsector, the U.S. affiliate was classified in the four-digit industry in which its sales were largest.[17] This procedure ensured that the U.S. affiliate was not assigned to a four-digit industry outside either its sector or its three-digit subsector.[18]

Tables I.A 2 and II.A 2 present selected financial and operating data for U.S. affiliates classified by industry of affiliate; each four-digit industry is shown separately and is grouped by the sector and subsector to which it belongs. (Table I.A 2 presents detailed industry data for all affiliates, and table II.A 2 presents detailed industry data for majority-owned affiliates.) Primarily because of confidentiality requirements, many of these four-digit industries are not shown in the other tables in this publication. However, each industry that is included, but not identified, in an industry group shown in the other tables may be ascertained by referring to tables I.A 2 and II.A 2.

Each U.S. affiliate was classified in a single industry—the primary industry of the affiliate. As a result, any affiliate activities that take place in secondary industries are classified as activities in the primary industry. Because the benchmark survey data were collected on an enterprise basis, the reports for many affiliates reflect substantial activities in secondary industries. Information on the distribution of activities within each firm was obtained in the benchmark survey for two key items—sales and employment. Each majority-owned U.S. affiliate above a minimum size threshold was required to distribute its sales and its employment among the four-digit industries in which it had sales.[19] Data on affiliate sales distributed by industry of sales are presented in tables II.A 8, II.D 7, II.D 8, and II.D 9; data on affiliate employment distributed by industry of sales are presented in tables II.A 8, II.F 10, II.F 11, and II.F 12.

The data classified by industry of sales confirm that many affiliates had activities in more than one industry. In particular, the largest affiliates tended to report substantial sales in a number of secondary industries, including industries outside of the sector in which the affiliate was classified. Table 4 illustrates the degree to which sales by large majority-owned affiliates classified in manufacturing are diversified across industries; it indicates that the 100 largest majority-owned manufacturing affiliates (which together account for 70 percent of the total sales of all majority-owned affiliates classified in manufacturing) on average had sales in 4 industries, and that 31 percent of these affiliates' sales were accounted for by four-digit industries other than the one in which the affiliate was classified.[20] The table also shows that, on average, sales outside manufacturing accounted for 16 percent of the affiliates' total sales.

In addition, table 4 shows that industry diversification tends to increase with affiliate size. For example,

16. The sectors used were agriculture, forestry, fishing, and hunting; mining; utilities; construction; manufacturing; wholesale trade; retail trade; transportation and warehousing; information; finance and insurance; real estate and rental and leasing; professional, scientific, and technical services; management of companies and enterprises; administrative and support and waste management and remediation services; educational services; health care and social assistance; arts, entertainment, and recreation; accommodation and food services; and other services.

17. Following this procedure, a few affiliates that reported on the bank form are classified in financial industries other than depository credit intermediation (banking). Because the data reported for bank affiliates include any data for nonbank U.S. companies that are more than 50 percent owned by the bank affiliates (see footnote 4), the sales of a given bank affiliate may be largest in an industry other than banking. The uniform application of this classification procedure in the 2007 benchmark survey differs from the practice adopted in the 2002 benchmark survey, under which all affiliates that filed the bank form—even those that reported that their sales were largest in nonbanking industries—were classified in depository credit intermediation.

18. The following example illustrates the three-stage classification procedure. Suppose an affiliate's sales were distributed as follows:

Industry code — Percentage of total sales

$$\left.\begin{array}{l}\left.\begin{array}{l}3341\ldots\ldots\ldots5\\3342\ldots\ldots\ldots10\\3344\ldots\ldots\ldots15\end{array}\right\}30\\3353\ldots\ldots\ldots25\end{array}\right\}55$$
$$4236\ldots\ldots\ldots45$$

where industry codes 3341, 3342, 3344, and 3353 are in the manufacturing sector and code 4236 is in the wholesale trade sector. Because 55 percent of the affiliate's sales were in manufacturing and only 45 percent were in wholesale trade, the affiliate's sector is manufacturing. Because the largest share of its sales within manufacturing is in the three-digit subsector 334 (computers and electronic products, which includes industry codes 3341, 3342, and 3344), the affiliate's three-digit subsector is 334. Finally, because its sales within subsector 334 were largest in industry 3344, the affiliate's four-digit industry is 3344 (semiconductors and other electronic components). Thus, the affiliate was assigned to industry 3344, even though its sales in that industry were smaller than its sales in either industry 4236 or industry 3353.

19. Specifically, large majority-owned U.S. affiliates (those with total assets, sales, or net income greater than $175 million) had to specify their sales and employment in the 10 industries in which their sales were largest; medium-sized majority-owned affiliates (those with assets, sales or net income greater than $40 million but not greater than $175 million) had to specify their sales in the 4 industries in which their sales were largest. For majority-owned affiliates, affiliate sales and employment in all other industries are shown in the "unspecified" row in tables II.A 8, II.D 7, II.D 8, II.F 10, and II.F 11.

20. For 29 of these 100 affiliates, the industry in which the affiliate is classified accounts for less than half of the affiliate's total sales.

in an examination of the 20 largest affiliates, the average number of industries in which affiliates had sales increases to 6 industries, and the average share of sales accounted for by industries other than the industry in which the affiliate was classified increases to 42 percent. Similar patterns of industry diversification are displayed by large affiliates classified in industries outside manufacturing, particularly by affiliates in wholesale trade.

As table 4 implies, the distribution of data by industry of affiliate differs from the distribution that would result if each of the affiliates' activities were classified by industry. In table II.A 8, majority-owned U.S. affiliates' sales and employment by industry of sales are compared with their sales and employment by industry of affiliate. (Data by industry of sales cross-classified by industry of affiliate are shown in table II.D 7 for sales and table II.F 10 for employment.)

The distribution of affiliate data by industry of sales roughly approximates the distribution that would result if the data were reported and classified by industry of establishment because an affiliate that has an establishment in an industry usually also has sales in that industry. However, if two establishments of an affiliate are in different industries and if one of the establishments provides all of its output to the other one, the affiliate will not have sales in the industry of the first establishment.[21] Thus, the data by industry of sales approximate data by industry of establishment, but data by industry of establishment provide more precise and more detailed information on the activities of the affiliates. In addition, establishment data can be related directly to measures of economic activity by all establishments in the United States. Partly for these reasons, BEA plans to publish establishment data for U.S. affiliates for 2007 as part of a project that links the enterprise data from the benchmark survey to the establishment data from the Census Bureau's 2007 economic census.[22]

The foreign parent and UBO of each affiliate were also classified by industry; however, because a breakdown was not obtained for each industry in which the foreign parent or UBO had sales, the categories used were much less detailed than those used for affiliates. In the benchmark survey, an affiliate had to assign its foreign parent and UBO to 1 of 32 broad NAICS-based categories. These categories are shown in table 5, which presents selected data for majority-owned affiliates classified by industry of foreign parent. Selected data for majority-owned affiliates classified by industry of UBO are presented in table II.A 6. (Data by industry of affiliate cross-classified by industry of UBO are shown in tables II.B 5, II.D 5, II.E 4, and II.F 5.)

The industry classification of an affiliate's foreign parent may differ from that of its UBO. The foreign parent consists *only* of the first foreign person in the affiliate's ownership chain, and its industry of classification reflects only the activities of that first foreign person. In contrast, the UBO's industry reflects its fully consolidated worldwide activities, including the activities of both U.S. and foreign entities in the ownership chain below it.

A distribution of sales by industry was not obtained for UBOs or foreign parents. For affiliates that had more than one UBO or foreign parent, each UBO or

21. For example, if an affiliate operates both a metal mine and a metal manufacturing plant and if the entire output of the mine is used by the manufacturing plant, all of the affiliate's sales will be in metal manufacturing, and none will be in metal mining. When the mining employees are distributed by industry of sales, they are classified in manufacturing. In contrast, when they are distributed by industry of establishment, they are classified in mining.

22. Establishment data from the link project were published previously for 1987–92, 1997, and 2002; for further information, see footnote 7.

Table 4. Industry Distribution of Sales by 100 Largest Majority-Owned Affiliates Classified in Manufacturing

Sales rank	Number of four-digit industries in which affiliate has sales [1]			Percentage of affiliate sales accounted for by:					Addendum: Percentage of affiliate sales accounted for by four-digit industries other than those in which the affiliate is classified [2]
					Manufacturing industries				
	All industries	Manufacturing industries	Other industries	All industries [2]	Total	Four-digit industry in which the affiliate is classified	Other	Non-manufacturing industries [2]	
100 largest affiliates	4.3	2.6	1.7	100.0	84.0	69.4	14.6	16.0	30.6
1–20	6.4	3.6	2.8	100.0	74.8	57.9	16.9	25.2	42.1
21–40	3.9	2.6	1.3	100.0	87.3	71.3	15.9	12.7	28.7
41–60	4.4	2.6	1.8	100.0	82.6	63.9	18.8	17.4	36.1
61–80	4.1	2.7	1.5	100.0	85.3	71.0	14.3	14.7	29.0
81–100	2.8	1.8	1.0	100.0	90.0	82.8	7.2	10.0	17.2

1. On the benchmark survey form, large majority-owned affiliates (those with assets, sales, or net income greater than $175 million) were required to specify their sales in the 10 industries in which their sales were largest. To the extent that some affiliates had sales in more than 10 industries, there may be a slight downward bias in the average number of industries shown for a given group.

2. For affiliates that had sales in more than 10 industries, includes sales in industries that were not identified on the benchmark survey form.

foreign parent was classified. In the tables that show data disaggregated by industry of UBO or foreign parent, all data for these affiliates are shown in the industry of the UBO or foreign parent with the largest ownership share.

Country classification

In the benchmark survey, the UBO and the foreign parent of a U.S. affiliate were each classified by country. For affiliates that had more than one UBO or foreign parent, each UBO or foreign parent was classified; for most of the tables in this publication, the data for a given affiliate were then classified by the country of the UBO or the foreign parent that had the largest ownership share in the affiliate.

Table 5. Selected Financial and Operating Data of Majority-Owned U.S. Affiliates by Industry of Foreign Parent

	By industry of foreign parent				
	Millions of dollars				Thousands of employees
	Total assets	Gross property, plant, and equipment	Sales	Compensation of employees	
	(1)	(2)	(3)	(4)	(5)
All industries	**12,232,719**	**1,293,735**	**3,340,722**	**408,273**	**5,588.2**
Government and government-related entities	**5,192**	**1,961**	**1,241**	**(D)**	**H**
Government and government-owned enterprises	(D)	(D)	(D)	(D)	H
Pension funds—Government run	(D)	(D)	(D)	1	(*)
Individuals, estates, and trusts	**33,328**	**17,667**	**11,225**	**1,007**	**17.2**
Pension funds–privately run	4,159	2,232	1,071	161	2.9
Estates, trusts, and nonprofit organizations	8,235	5,192	1,459	107	1.9
Individuals	20,934	10,243	8,696	739	12.4
Manufacturing	**1,036,908**	**416,426**	**1,185,369**	**116,518**	**1,479.6**
Food	52,354	16,227	49,803	6,535	112.3
Beverages and tobacco products	15,275	4,036	14,132	1,641	19.8
Petroleum and coal products	67,582	46,617	170,802	1,928	18.8
Chemicals	187,124	59,450	140,380	19,750	182.0
Pharmaceuticals and medicines	98,581	10,008	54,165	9,253	75.3
Other	88,542	49,441	86,214	10,497	106.7
Nonmetallic mineral products	31,401	22,366	18,764	3,714	56.1
Primary and fabricated metals	64,221	27,378	67,624	9,479	132.1
Machinery	52,088	12,307	53,800	7,387	100.9
Computer and electronic products	117,316	30,491	154,463	17,502	196.2
Electrical equipment, appliances, and components	56,381	14,807	61,751	9,199	110.6
Transportation equipment	330,654	145,574	374,126	26,187	338.0
Motor vehicles, bodies and trailers, and parts	297,461	140,465	346,919	20,546	265.6
Other	33,193	5,108	27,206	5,642	72.4
Other manufacturing	62,513	37,175	79,724	13,196	212.8
Wholesale and retail trade	**122,405**	**39,166**	**242,926**	**16,380**	**435.8**
Information	**165,944**	**37,074**	**57,304**	**11,357**	**127.8**
Finance and insurance	**8,303,328**	**47,600**	**508,447**	**55,364**	**349.3**
Depository institutions and bank holding companies	6,798,811	25,600	365,361	38,578	227.5
Finance (except depository institutions)	385,222	10,553	38,089	5,957	44.2
Insurance	1,119,294	11,448	104,997	10,829	77.6
Real estate	**68,537**	**59,031**	**15,773**	**(D)**	**K**
Professional, scientific, and technical services	**85,725**	**9,180**	**52,214**	**13,622**	**149.2**
Other industries	**2,411,353**	**665,629**	**1,266,224**	**192,635**	**3,000.6**
Agriculture, forestry, fishing, and hunting	5,180	2,143	5,079	789	9.1
Mining	50,310	26,962	24,477	1,419	15.4
Utilities	43,997	32,539	18,885	1,240	18.6
Construction	25,177	6,662	31,720	4,776	60.2
Transportation and warehousing	46,373	29,461	42,493	8,348	168.4
Holding companies	2,164,560	543,425	1,087,716	152,027	2,040.4
Other services	75,756	24,437	55,855	24,036	688.4

NOTE. The following ranges are given in employment cells that are suppressed. The size ranges are: A—1 to 499; F—500 to 999; G—1,000 to 2,499; H—2,500 to 4,999; I—5,000 to 9,999; J—10,000 to 24,999; K—25,000 to 49,999; L—50,000 to 99,999; M—100,000 or more.

For most affiliates, the country of the UBO is the country of the foreign parent: of the 5,652 U.S. affiliates above the size threshold for which number counts are tabulated, the country of the UBO and that of its foreign parent are the same for 4,593 affiliates. Together, these affiliates account for more than 80 percent of the total assets, sales, and employment of all affiliates.

Table 6 shows, for major investing countries, the number of affiliates by country of UBO (in columns 1–3) and by country of foreign parent (in columns 4–6). For a given UBO country, the table shows the number of affiliates for which the affiliate's country of foreign parent is identical to, or differs from, its country of UBO. For most of the countries shown, the country of foreign parent is the same as the country of UBO for the vast majority of affiliates. However, for some UBO countries—most notably, Hong Kong and a number of countries in the Middle East—the country of foreign parent of most affiliates differs from that of their UBO. For these countries, the tabular totals shown when data are distributed by country of UBO are much higher than those shown when data are distributed by country of foreign parent. Table 6 also shows, for a given country of foreign parent, the number of affiliates for which the affiliate's country of UBO is identical to, or differs from, its country of foreign parent. For some foreign-parent countries—most notably Luxembourg and a number of countries in Other Western Hemisphere—the country of UBO of most affiliates differs from that of their foreign parent. For most of these countries, totals shown when data are distributed by country of foreign parent are substantially higher than those shown when data are distributed by country of UBO. Tables I.A 7 and II.A 7 compare data for selected items by country of UBO and by country of foreign parent for U.S. affiliates.

Most of the data in the tables that are disaggregated by country in this publication are classified by country of UBO. Classification by country of UBO usually is used for financial and operating data because the country that ultimately owns or controls a U.S. affiliate and that therefore derives benefits from owning or controlling the affiliate generally is considered most important for analyzing these data. Except for the data in table 7 (which provides data on several different classification bases), all balance-of-payments and direct investment position data in this publication are also classified by country of UBO, so that both types of data presented will be classified on the same basis. In contrast, the data in the U.S. international transactions accounts and in the foreign direct investment position in the United States are usually classified by the country of each member of the foreign parent group with which there are transactions or positions.[23]

Tables I.A 3 and II.A 3 present selected financial and operating data for U.S. affiliates by each country in which a UBO was located in 2007. Table 7 shows data for all affiliates on the direct investment position and on direct investment income by each country in which a UBO was located. Primarily because of confidentiality requirements, many countries could not be shown in the other tables in this publication. However, each country included, but not identified, in a geographic group shown in the other tables may be ascertained by referring to table I.A 3, table II.A 3, or table 7.

Three tables—tables 7, I.A 7, and II.A 7—show data by country of foreign parent. Table 7 shows the direct investment position and direct investment income by country of foreign parent and by country of each member of the foreign parent group, in addition to by country of UBO. As mentioned above, tables I.A 7 and II.A 7 compare a few key financial and operating data items classified by country of UBO and by country of foreign parent.

23. However, the detailed tables on the direct investment position and direct investment balance-of-payments data published annually in the September issue of the SURVEY OF CURRENT BUSINESS do include one table that presents data on the foreign direct investment position in the United States and foreign direct investment income by country of UBO as well as by country of each member of the foreign parent group.

Estimation and General Validity of the Data

Every bank U.S. affiliate with total assets, sales, or net income (or loss) greater than $15 million and every nonbank U.S. affiliate was required to report in the benchmark survey for 2007. The specific survey form used for reporting depended on the affiliate's size, the share of ownership in it held by foreigners, and whether it was a bank or nonbank affiliate.

As in previous benchmark surveys, separate survey

Table 6. Number of Affiliates With Assets, Sales, or Net Income (or Loss) Greater Than $15 Million, by Selected Country of UBO and Country of Foreign Parent, and by Whether or Not the Country of Foreign Parent is the Same as the Country of UBO

	By country of UBO			By country of foreign parent		
	Total	Affiliates whose country of foreign parent is: Country of UBO	Affiliates whose country of foreign parent is: Another country	Total	Affiliates whose country of UBO is: Country of foreign parent	Affiliates whose country of UBO is: Another country
All affiliates [1]	**5,652**	**4,593**	**1,059**	**5,652**	**4,593**	**1,059**
Canada	**574**	**561**	**13**	**637**	**561**	**76**
Europe:						
Belgium	69	46	23	57	46	11
Denmark	44	41	3	52	41	11
Finland	37	28	9	29	28	1
France	341	287	54	317	287	30
Germany	571	513	58	564	513	51
Ireland	33	26	7	40	26	14
Italy	160	109	51	119	109	10
Luxembourg	23	9	14	95	9	86
Netherlands	178	161	17	327	161	166
Spain	83	63	20	74	63	11
Sweden	82	68	14	87	68	19
Switzerland	245	191	54	237	191	46
United Kingdom	572	425	147	514	425	89
Latin America and Other Western Hemisphere:						
South and Central America:						
Brazil	37	19	18	20	19	1
Mexico	77	62	15	66	62	4
Venezuela	11	9	2	9	9	0
Other Western Hemisphere:						
Bermuda	63	30	33	62	30	32
Netherlands Antilles	13	9	4	58	9	49
United Kingdom Islands, Caribbean	41	28	13	241	28	213
Africa:						
South Africa	13	2	11	3	2	1
Middle East:						
Israel	56	47	9	54	47	7
Kuwait	12	6	6	6	6	0
Saudi Arabia	64	14	50	14	14	0
United Arab Emirates	46	5	41	5	5	0
Asia and Pacific:						
Australia	156	142	14	144	142	2
China	17	14	3	16	14	2
Hong Kong	79	27	52	33	27	6
India	47	31	16	32	31	1
Japan	1,277	1,245	32	1,251	1,245	6
Korea, Republic of	72	70	2	71	70	1
Singapore	37	25	12	31	25	6
Taiwan	92	68	24	69	68	1
United States	**110**	......	**110**	......	......	......

1. The totals on this line are for all affiliates with total assets, sales, or net income (or loss) greater than $15 million. Thus, for a given column, the total affiliate count on this line exceeds the sum of the affiliate counts for the selected countries shown.

NOTE. This table covers all affiliates with assets, sales, or net income greater than $15 million that were required to report in the benchmark survey.

Table 7. Foreign Direct Investment Position in the United States and Direct Investment Income by Country of UBO, of Foreign Parent, and of Each Member of the Foreign Parent Group—Continues

[Millions of dollars]

	By country of UBO		By country of foreign parent		By country of each member of the foreign parent group	
	Position	Income	Position	Income	Position	Income
	(1)	(2)	(3)	(4)	(5)	(6)
All countries	**1,944,042**	**127,231**	**1,944,042**	**127,231**	**1,944,042**	**127,231**
Canada	**208,756**	**8,824**	**223,471**	**10,644**	**206,543**	**9,531**
Europe	**1,228,610**	**82,541**	**1,322,237**	**85,395**	**1,377,544**	**87,231**
Belgium	13,096	3,630	10,486	3,123	10,563	3,144
Denmark	6,892	399	6,648	598	4,770	475
Finland	7,293	695	6,104	675	6,200	677
France	154,553	15,214	147,777	14,639	144,832	14,381
Germany	225,565	3,318	206,063	2,112	200,437	1,930
Ireland	21,364	798	14,753	809	20,684	832
Italy	23,336	1,297	14,449	1,190	10,371	1,158
Netherlands	115,490	7,999	221,822	13,027	194,590	12,615
Spain	27,857	361	25,164	151	25,458	203
Sweden	26,287	2,001	36,679	3,109	47,145	3,422
Switzerland	75,137	5,227	89,483	5,334	147,127	7,048
United Kingdom	500,579	41,175	438,184	37,221	413,484	36,592
Other	31,161	427	104,625	3,406	151,883	4,753
Albania	0	0	0	0	(D)	0
Austria	2,718	213	4,677	316	4,535	320
Azerbaijan	(*)	(*)	(*)	(*)	(D)	(*)
Belarus	(*)	(*)	(*)	(*)	1	(*)
Bulgaria	0	(*)	0	(*)	0	(*)
Croatia	3	1	3	1	–3	1
Cyprus	(D)	–3	560	1	555	1
Czech Republic	2	(*)	2	(*)	7	(*)
Estonia	–4	–2	–4	–2	–4	–2
Gibraltar	62	(D)	(D)	(D)	2,486	161
Greece	1,751	6	1,751	–27	1,271	–43
Greenland	11	3	1	(*)	1	(*)
Hungary	6	–6	7,478	1,021	25,322	1,507
Iceland	1,601	140	1,732	123	5,504	350
Kazakhstan	0	0	0	0	(D)	(*)
Liechtenstein	548	15	302	–9	418	(*)
Lithuania	(*)	(*)	(*)	(*)	–5	–1
Luxembourg	4,960	114	67,201	1,686	97,204	2,460
Macedonia	0	0	0	0	–1	0
Malta	(*)	(*)	(*)	(*)	(D)	1
Monaco	248	–20	–6	(*)	–6	(*)
Norway	12,798	–94	14,527	–58	10,704	–167
Poland	4	(*)	(D)	(D)	(D)	(D)
Portugal	2,101	(D)	125	2	140	2
Romania	(*)	(*)	(*)	(*)	22	(*)
Russia	4,173	106	(D)	9	655	13
San Marino	0	0	0	0	(*)	(*)
Slovakia	(*)	–1	(*)	–1	2	–1
Slovenia	(D)	(D)	(D)	(D)	(D)	(D)
Turkey	108	12	50	5	53	5
Ukraine	(*)	(*)	(*)	(*)	4	(*)
Latin America and Other Western Hemisphere	**129,889**	**11,333**	**98,337**	**8,783**	**67,875**	**8,250**
South and Central America	28,581	3,574	18,386	3,070	18,284	2,971
Brazil	8,129	–32	2,104	–186	1,817	–207
Mexico	13,395	(D)	9,218	2,180	9,598	2,153
Venezuela	4,116	(D)	3,986	(D)	3,982	(D)
Other	2,940	257	3,078	(D)	2,887	(D)
Argentina	776	(D)	552	(D)	954	(D)
Belize	(D)	(D)	(D)	–1	(D)	–1
Bolivia	8	1	0	0	0	0
Chile	276	–6	261	5	304	5
Colombia	560	5	518	5	463	6
Costa Rica	33	–3	17	(*)	–118	–1
Ecuador	175	11	(D)	7	3	5
El Salvador	(D)	(*)	2	(*)	–9	(*)
Guatemala	30	5	8	2	29	2
Guyana	1	(*)	0	0	0	0
Honduras	1	(*)	(*)	0	32	0
Nicaragua	(D)	5	0	0	(D)	0
Panama	583	216	1,225	261	1,047	236
Paraguay	0	0	0	0	–1	0
Peru	85	5	74	5	46	5
Suriname	0	0	(D)	1	(D)	1
Uruguay	100	18	351	12	168	12
Other Western Hemisphere	101,308	7,759	79,951	5,713	49,591	5,279
Bermuda	85,659	4,644	37,721	1,632	8,222	1,373
United Kingdom Islands, Caribbean	10,767	1,812	33,844	2,851	38,474	2,678
Other	4,883	1,303	8,387	1,231	2,895	1,228
Anguilla	0	0	0	0	(D)	0
Antigua and Barbuda	3	(*)	3	(*)	3	(*)
Aruba	(*)	(*)	4	(*)	–4	(*)
Bahamas	(D)	11	1,139	(D)	1,160	(D)
Barbados	8	–2	781	43	–5,450	43
Cuba	(*)	(*)	(D)	7	(D)	7
Dominican Republic	(D)	(D)	(D)	(D)	–97	(D)
French Islands, Caribbean	(*)	(*)	(*)	(*)	(*)	(*)

NOTE. See “General Notes to the Tables” on page T–1.

Table 7. Foreign Direct Investment Position in the United States and Direct Investment Income by Country of UBO, of Foreign Parent, and of Each Member of the Foreign Parent Group—Table Ends

[Millions of dollars]

	By country of UBO		By country of foreign parent		By country of each member of the foreign parent group	
	Position	Income	Position	Income	Position	Income
	(1)	(2)	(3)	(4)	(5)	(6)
Grenada	1	(*)	8	(*)	8	(*)
Jamaica	(*)	(*)	(*)	(*)	1	(*)
Netherlands Antilles	4,721	(D)	6,475	1,223	7,015	1,220
St. Kitts and Nevis	0	0	1	(*)	1	(*)
Trinidad and Tobago	46	6	9	(*)	164	(*)
United Kingdom Islands, Atlantic	0	0	(D)	–5	(D)	–5
Africa	**2,266**	**150**	**2,974**	**165**	**2,382**	**168**
South Africa	2,067	137	641	(*)	274	(*)
Other	200	14	2,333	165	2,108	168
Algeria	0	0	0	0	–8	0
Angola	(D)	–1	(D)	–1	32	–1
Benin	0	0	0	0	–2	0
Congo (Brazzaville)	2	–3	0	0	–4	0
Cote D'Ivoire	0	0	0	0	(D)	0
Egypt	15	2	9	1	9	1
Equatorial Guinea	0	0	0	0	(D)	0
Gabon	0	0	0	0	5	0
Ghana	1	(*)	0	0	0	0
Guinea	(D)	(D)	(D)	(D)	(D)	(D)
Kenya	(*)	(*)	(*)	0	(*)	0
Liberia	43	(D)	2,146	(D)	1,851	(D)
Libya	0	0	0	0	(*)	0
Mauritius	19	–10	52	–2	66	–2
Morocco	–22	1	(D)	(*)	(D)	(*)
Nigeria	(D)	3	(D)	3	45	3
Seychelles	0	(*)	(*)	(*)	(*)	(*)
Swaziland	0	0	0	0	(D)	(D)
Tunisia	0	0	0	0	(*)	0
Middle East	**44,716**	**541**	**14,225**	**431**	**15,364**	**445**
Israel	15,447	693	6,041	–6	7,069	1
Saudi Arabia	14,475	855	(D)	(D)	(D)	(D)
United Arab Emirates	10,370	–1,076	1,028	–59	1,126	–51
Other	4,424	69	(D)	(D)	(D)	(D)
Bahrain	782	–82	58	–79	58	–79
Iran	(*)	(*)	(*)	(*)	(*)	(*)
Iraq	0	0	0	0	(D)	0
Jordan	–9	–3	(D)	–4	(D)	–4
Kuwait	2,403	(D)	583	(D)	782	(D)
Lebanon	(D)	(D)	(D)	–9	(D)	–9
Oman	–2	(*)	–2	(*)	–5	(*)
Qatar	(D)	–7	(D)	–17	(D)	–17
Syria	7	(*)	0	0	0	0
Yemen (Sanaa)	0	0	0	0	(*)	0
Asia and Pacific	**295,547**	**21,845**	**282,798**	**21,813**	**274,334**	**21,605**
Australia	34,963	5,544	32,873	5,524	27,576	5,274
China	719	95	680	110	1,145	111
Hong Kong	5,244	209	3,070	289	3,174	291
India	2,330	11	1,764	76	1,716	69
Japan	220,658	14,861	215,647	14,804	214,183	14,845
Korea, Republic of	14,509	412	14,521	477	13,207	481
Singapore	7,912	217	7,403	306	7,741	297
Taiwan	6,619	345	4,878	188	4,503	188
Other	2,593	152	1,962	40	1,090	48
Bangladesh	(*)	(*)	(*)	(*)	3	(*)
Brunei	(D)	(D)	0	0	0	0
Burma	(D)	–1	(D)	–1	(D)	–1
Fiji	0	0	0	0	(*)	0
French Islands, Pacific	(*)	(*)	(*)	(*)	–2	(*)
Indonesia	143	(D)	53	5	68	5
Macau	0	0	0	0	(D)	3
Malaysia	683	41	618	–18	659	–16
Marshall Islands	0	0	3	(*)	(D)	(*)
New Zealand	845	38	817	33	817	33
Pakistan	32	20	44	9	43	9
Papua New Guinea	2	(*)	2	(*)	2	(*)
Philippines	163	7	105	4	137	3
Samoa	6	(*)	13	(*)	13	(*)
Sri Lanka	(*)	(*)	(*)	(*)	9	(*)
Thailand	(D)	8	(D)	8	339	8
United Kingdom Islands, Pacific	0	0	3	–2	(D)	3
Vanuatu	(D)	(*)	(D)	(*)	(D)	(*)
Vietnam	1	(*)	1	(*)	8	(*)
United States	**34,257**	**1,998**	....	....	....	....
Addenda:						
European Union (27)	1,133,921	77,130	1,213,097	79,797	1,210,650	79,820
OPEC	32,433	829	12,295	1,415	12,393	1,414

NOTE. See "General Notes to the Tables" on page T–1.

forms were used for bank and nonbank affiliates. The bank form (BE–12 Bank) was used for all bank affiliates with total assets, sales or gross operating revenues, or net income (or loss) greater than $15 million.[24] On the bank form, some data items on affiliate operations were collected only for majority-owned affiliates. For the financial and operating data, bank affiliates in the past were required to report only a very limited amount of information and only in benchmark surveys. For 2007, the collection of data on affiliate operations for bank affiliates was expanded to cover several core data items, including, for majority-owned affiliates, all of the items needed to compute value added. Estimates were made for data items not collected on the bank form in order to present the data for bank and nonbank affiliates combined. Beginning with the annual survey for 2008, financial and operating data for bank and nonbank affiliates are being collected annually on the same survey forms.[25]

For nonbank affiliates, as in earlier surveys, the amount of financial and operating information collected in the 2007 benchmark survey varied by affiliate size and whether or not the affiliate was majority owned by foreign direct investors. The long form (BE–12(LF)), which requested the most detailed information, was filed only by majority-owned affiliates with total assets, sales, or net income (or loss) of more than $175 million.[26] Smaller majority-owned affiliates with total assets, sales, or net income (or loss) between $40 million and $175 million filed the short form (BE–12(SF)), and very small majority-owned affiliates with total assets, sales, and net income (or loss) of $40 million or less filed the miniform (BE–12 Mini)—a full miniform was filed by affiliates with total assets, sales, or net income greater than $15 million but not greater than $40 million, and an abbreviated miniform was filed by affiliates with total assets, sales, and net income of $15 million or less.[27] For those majority-owned affiliates not required to file a long form (that is, affiliates that filed a short form or miniform), BEA estimated the items that are only on the long form, so that the published results could be presented in the same detail for all majority-owned affiliates.[28] Thus, for every data item in the tables for majority-owned affiliates, the statistics presented cover the universe of majority-owned U.S. affiliates.

The short form was also filed by minority-owned nonbank affiliates (that is, by affiliates that were owned 50 percent or less by foreign direct investors) with total assets, sales, or net income (or loss) of more than $40 million; because the estimates of items that are only on the long form are not prepared for these affiliates, the published results for all affiliates cover only the items that are on the short form.[29] Smaller minority-owned affiliates (those with total assets, sales, and net income (or loss) of $40 million or less) filed a miniform; for these affiliates, BEA estimated the items that were collected on the short form but not on the miniform. For every data item in the tables for all (majority-owned plus minority-owned) affiliates, the statistics presented cover the universe of all U.S. affiliates.

For both majority-owned and minority-owned affiliates, the statistics include estimates for affiliates that failed to report in the benchmark survey but for which BEA had a basis for estimation, usually from data reported in other BEA surveys. In addition, estimates were made for nonreporting affiliates that had filed a size-based exemption claim in the 2002 benchmark survey.

Direct investment position and balance-of-payments data were collected for bank affiliates on the bank form and for nonbank affiliates on the long and short forms. For small nonbank affiliates that filed a miniform, the direct investment position and balance-of-payments data were estimated from the information reported on affiliate operations. For every item in the tables for the direct investment position and balance-of-payments data, the statistics cover the universe of all U.S. affiliates.

In the 2007 benchmark survey, a total of 222 affiliates filed the bank form and a total of 3,398 nonbank affiliates filed either the long form or the short form (table 8). In terms of value, these 3,620 affiliates accounted for more than 90 percent of the affiliate universe for most key data items. A total of 1,149 affiliates filed a full miniform; these affiliates accounted for less

24. Virtually all bank affiliates had total assets above the $15-million threshold for filing a bank form. If a bank affiliate had total assets, sales, and net income (or loss) all less than or equal to $15 million, it was instructed to file the BE–12 Claim for Not Filing.

25. For some data items, the estimates for bank affiliates in 2007 were constructed using more detailed information from their reports on the 2008 annual survey.

26. The size threshold for reporting on the long form had been $125 million in the 2002 benchmark survey; it was raised in order to reduce the burden on respondents.

27. In the 2002 benchmark survey, a full short form was filed by majority-owned affiliates with total assets, sales, or net income between $30 million and $125 million, and an abbreviated short form was filed by majority-owned affiliates with total assets, sales, and net income of $30 million or less. The miniform was introduced in the 2007 benchmark survey.

28. For a given majority-owned affiliate that filed the short form or the miniform, long-form items were generally estimated on the basis of relationships among data items for a comparable panel of long-form affiliates.

29. Some items on the short form (for example, manufacturing employment and commercial property by state) were collected only for majority-owned affiliates; these items are not included in the data tabulated for all affiliates.

than 2 percent of the affiliate universe for most key data items. Estimates were made for 883 affiliates that did not file a benchmark survey report even though they met the criteria for filing either a full miniform or a longer survey form. For these affiliates, BEA had a report in another direct investment survey that could serve as a basis for the estimation. These affiliates, most of which were small, accounted for less than 5 percent of the universe for most key data items.

Very small nonbank affiliates—those with total assets, sales, and net income (or loss) of $15 million or less—were asked to file an abbreviated miniform. A total of 6,336 abbreviated miniforms were filed or estimated for. In addition, estimates were made for 5,625 very small affiliates that did not file a benchmark survey report for 2007 but had filed a size-based exemption claim in the 2002 benchmark survey. Together, these very small affiliates accounted for 1 percent or less of the affiliate universe for most data items.[30]

For majority-owned affiliates, the long form was filed by a total of 1,747 nonbank affiliates. Although these affiliates accounted for only 35 percent of all majority-owned affiliates above the size threshold for reporting on a full miniform or more detailed form, they accounted for 85 percent or more of the majority-owned universe for affiliate sales and employment. For total assets, their share of the majority-owned universe was 60 percent; most of the remaining share (38 percent) was accounted for by 218 majority-owned affiliates that filed the bank form.

The data reported by U.S. affiliates had to pass a substantial number of computerized edit checks. Where possible, the data for an affiliate were reviewed for their consistency with related data for the affiliate from other parts of the report form, with data provided in related report forms, with comparable data reported by other affiliates, and with comparable data from outside sources. As a result of this edit and review process, a number of changes were made to the reported data, usually after consulting with the reporting affiliate. In some cases, usually involving small affiliates, estimates based on industry averages or other information were substituted for missing or erroneously reported data.

For some items—such as those pertaining to trade by country of origin or destination and employment by industry of sales or by state—affiliates had difficulty in supplying the required information because the data were not easily accessible or were unavailable from their standard accounting records. In these cases, affiliates often made estimates, the quality of which is difficult to assess.

30. Slightly more than a third of these affiliates were in real estate. For affiliates in real estate, the share of total assets accounted for by these very small affiliates was 5 percent, much larger than their 0.2 percent share for affiliates in all industries combined.

Table 8. Selected Data for All U.S. Affiliates and for Majority-Owned U.S. Affiliates Distinguished by Reporting Status and Form Filed

	Number of affiliates	Millions of dollars		Thousands of employees	Percentage of total		
		Total assets	Sales		Total assets	Sales	Thousands of employees
All U.S. affiliates, total	....	**12,955,017**	**3,616,247**	**6,088.7**	**100.0**	**100.0**	**100.0**
All U.S. affiliates with assets, sales, or net income greater than $15 million	5,652	12,931,571	3,597,588	6,021.3	99.8	99.5	98.9
Affiliates that reported on a detailed survey form [1]	3,620	12,782,253	3,461,991	5,664.7	98.7	95.7	93.0
Bank affiliates	222	4,811,650	279,706	199.0	37.1	7.7	3.3
Nonbank affiliates	3,398	7,970,603	3,182,285	5,465.7	61.5	88.0	89.8
Affiliates that filed on the long form	1,747	7,306,848	2,835,704	4,788.3	56.4	78.4	78.6
Affiliates that filed on the short form	1,651	663,755	346,582	677.4	5.1	9.6	11.1
Nonbank affiliates that failed to file reports and for which reports were estimated	883	123,772	113,297	286.2	1.0	3.1	4.7
Affiliates that filed on the full miniform	1,149	25,546	22,300	70.4	0.2	0.6	1.2
Affiliates that filed an abbreviated miniform [2]	6,336	13,692	10,204	41.4	0.1	0.3	0.7
Estimates for very small affiliates that did not file a report but filed a size-based exemption claim in earlier surveys [3]	5,625	9,754	8,502	26.0	0.1	0.2	0.4
Majority-owned U.S. affiliates, total	....	**12,232,719**	**3,340,722**	**5,588.2**	**100.0**	**100.0**	**100.0**
Majority-owned U.S. affiliates with assets, sales, or net income greater than $15 million	4,995	12,209,589	3,322,197	5,522.7	99.8	99.4	98.8
Affiliates that reported on a detailed survey form [1]	3,232	12,074,747	3,201,013	5,200.3	98.7	95.8	93.1
Bank affiliates	218	4,669,058	270,475	173.0	38.2	8.1	3.1
Nonbank affiliates	3,014	7,405,689	2,930,538	5,027.3	60.5	87.7	90.0
Affiliates that filed on the long form	1,747	7,306,848	2,835,704	4,788.2	59.7	84.9	85.7
Affiliates that filed on the short form	1,267	98,840	94,834	239.1	0.8	2.8	4.3
Nonbank affiliates that failed to file reports and for which reports were estimated	763	112,237	102,072	259.5	0.9	3.1	4.6
Affiliates that filed on the full miniform	1,000	22,605	19,112	62.9	0.2	0.6	1.1
Affiliates that filed an abbreviated miniform [2]	6,289	13,376	10,024	39.6	0.1	0.3	0.7
Estimates for very small affiliates that did not file a report but filed a size-based exemption claim in earlier surveys [3]	5,625	9,755	8,502	25.9	0.1	0.3	0.5

1. Excludes small affiliates that filed a report on the miniform.
2. Affiliates with total assets, sales, and net income (or loss) all less than $15 million. Includes some small affiliates that did not file and for which the data were estimated.
3. In the 2002 benchmark survey, exemption claims were filed by affiliates with assets, sales, and net income (or loss) all less than $10 million.

Number of Affiliates

Several tables in this publication present the number (by industry, country, or state) of affiliates with total assets, sales, or net income (or loss) greater than $15 million, the minimum size threshold for reporting in the 2007 benchmark survey using the bank form, the full miniform, or a more detailed survey form. These number counts are not comparable with the affiliate number counts shown in previous benchmark and annual publications, which presented the number of affiliates above the company size threshold used to require the submission of a benchmark survey report.[31]

The affiliate number counts shown in the tables of this publication exclude very small affiliates; that is, they exclude affiliates with total assets, sales, or net income of $15 million or less. These very small affiliates consist of bank affiliates that did not file on the bank form and nonbank affiliates that were only required to file an abbreviated miniform.[32] For the 2007 benchmark survey, abbreviated miniforms were filed or estimated for 6,336 affiliates, and estimates from exemption claims filed in the 2002 benchmark survey were made for an additional 5,625 affiliates. The total number of very small affiliates may be considerably higher than the sum of these two counts. In terms of value, the effect of any omission of affiliates below the $15-million threshold on the benchmark survey data is negligible, as these affiliates account for only a tiny percentage of the data for all affiliates (table 8). However, the number of very small affiliates that were not counted could be substantial.

The published figures on the number of affiliates with total assets, sales, or net income (or loss) greater than $15 million may also be subject to some imprecision, because some affiliates that were required to file a report did not do so. Because of limited resources, BEA's efforts to ensure compliance with reporting requirements focused mainly on large affiliates. As a result, some smaller affiliates that were not aware of the reporting requirements and that were not on BEA's mailing list may not have filed reports. Although the omission of these affiliates from the benchmark survey results probably has not significantly affected the aggregate value of the various data items collected, it likely caused an understatement of the number of affiliates.

Even an exact count of U.S. affiliates would be difficult to interpret because each report covers a fully consolidated U.S. business enterprise, which may consist of multiple companies. The number of fully consolidated enterprises varies according to the degree of consolidation used and the differences in the organizational structure of the company. Several tables in this publication (for example, table I.A 1) show the number of companies consolidated in the affiliates' reports in addition to the number of affiliates. Because the report for one affiliate may cover multiple companies, the total number of companies consolidated is substantially higher than the total number of affiliates above the $15-million threshold for filing at least a full miniform—32,738 companies, compared with 5,652 affiliates. For majority-owned affiliates, the comparable figures are 29,603 companies and 4,995 affiliates.

This publication includes affiliate number counts by state in the following three categories: affiliates with either property, plant, and equipment or employment (tables I.A 9, II.A 9, and III.A 9); majority-owned affiliates with property, plant, and equipment (tables II.C 14 and II.C 15); and majority-owned affiliates with employment (table II.F 17). In the tables for majority-owned affiliates (in part II of this publication), the number for a given state may differ across tables because some affiliates have both employment and property, plant, and equipment in the state, some have only employment, and some have only property, plant, and equipment.

For a given state, an affiliate is counted even if it only has a few employees in the state and even if the value of its property, plant, and equipment in the state is small. For example, sales offices often account for a substantial portion of the total number of affiliates in a state. These offices often have fewer than 10 employees and only a nominal amount of property, plant, and equipment. The significance of such small operations in a particular state can be ascertained from tables II.C 14 and II.F 17, which show the number of affiliates with property, plant, and equipment and the number with employment, each disaggregated by size.

Financial and Operating Data

Financial and operating data focus on the overall operations of U.S. affiliates. Among the items covered by these data are the following: balance sheets and income

31. As discussed in the section on coverage, the threshold for reporting in the 2002 benchmark survey was total assets, sales, or net income (or loss) greater than $10 million; smaller affiliates were asked to file a size-based exemption form instead. For the 1997 benchmark survey, the exemption level was $3 million, and for earlier benchmark surveys, the exemption level was $1 million.

32. As noted in footnote 24, virtually all bank affiliates filed the bank form; only a tiny number were small enough in terms of total assets to submit a BE–12 Claim for Not Filing instead.

statements; value added; goods and services supplied; taxes; property, plant, and equipment; employment and compensation of employees; U.S. trade in goods; and research and development activities.

The financial and operating data for U.S. affiliates are not adjusted for the ownership share of the foreign direct investors. Thus, for example, the employment data include all the employees of each affiliate, including affiliates in which the foreign investor's ownership share is less than 100 percent.

Most of the concepts and definitions used in reporting the financial and operating data can be found in the instructions on the survey forms in the appendix. The following discussion focuses on the concepts, definitions, and statistical issues that require further explanation or that are not covered in the forms.

Balance sheets and income statements

U.S. affiliates' balance sheets and income statements are required to be reported as they would have been for stockholders' reports—preferably according to U.S. generally accepted accounting principles.[33] Therefore, any major changes in GAAP will affect the affiliate data.

For most affiliates, the income statement includes all types of income, both ordinary and extraordinary. However, for some affiliates, such as those in insurance, GAAP requires certain unrealized gains and losses to be carried directly to owners' equity in the balance sheet rather than to be recorded on the income statement.

Under GAAP, depreciation and depletion charges are used to distribute the cost of an asset over that asset's estimated useful life. For example, affiliates engaged in extracting natural resources report net income after the deduction of book depletion—that is, those expenses representing the periodic chargeoff of the actual cost of natural resources. Tax or percentage depletion is not deducted.

Value added

Value added is an economic accounting measure of the production of goods and services. A U.S. affiliate's value added measures the value of its production net of any intermediate inputs produced by others; it thus measures the affiliate's contribution to U.S. gross domestic product (GDP).

For a U.S. affiliate, as for any firm, value added can be measured as its gross output less its intermediate inputs (purchased goods and services used in production). Alternatively, it can be measured as the sum of the costs incurred (except for intermediate inputs) and the profits earned in production. The costs fall into four major categories: compensation of employees, net interest paid, taxes on production and imports, and the capital consumption allowance.[34] The estimates presented in this publication were calculated as the sum of costs and profits.

Value added is generally preferred to sales or other measures used to assess the economic impact of affiliates on the entire U.S. economy and on individual industries. Value added permits a more focused analysis of the impact of affiliates because it measures only the affiliates' own contribution to economic output, whereas sales do not distinguish between the affiliates' own contribution and the value of output embodied in inputs purchased from other companies. In addition, value added estimates measure the contribution to the economy by affiliates during a specific period. In contrast, some of the sales in a given period may represent production from earlier periods.

Goods and services supplied

For majority-owned affiliates, the 2007 benchmark survey collected affiliates' sales (or gross operating revenues) disaggregated into goods, services, and investment income. Services were further disaggregated into sales to U.S. persons, sales to members of the foreign parent group, sales to foreign affiliates, and sales to other foreigners. Supplemental information collected in the benchmark survey for affiliate activities in the banking, insurance, and wholesale and retail trade industries was used to adjust the reported data on sales of goods and services to produce statistics on goods and services *supplied*, BEA's new featured measures of

33. As noted in the section "Accounting Principles," the accounting records of some U.S. affiliates are based on international financial reporting standards (IFRS) rather than GAAP.

34. In the U.S. national income and product accounts, two measures of depreciation, or capital consumption, are used—the *capital consumption allowance* and *consumption of fixed capital*. The capital consumption allowance (CCA) consists of depreciation charges, which are based largely on tax returns, and allowances for accidental damage to fixed capital. Consumption of fixed capital consists of CCA plus an adjustment to place depreciation on an economic basis that uses economic service lives, depreciation that follows a geometric pattern, and replacement-cost valuation.

For U.S. affiliates, the only measure of capital consumption available from BEA's survey data is the book value of depreciation, reported on a basis consistent with GAAP. Because this measure does not provide for replacement-cost valuation, it is termed the "capital consumption allowance" in this publication (see table II.E 1).

The basis used to measure depreciation has no effect on the measurement of total value added; any differences between the measures of depreciation, which is a cost of production, have equal and offsetting effects on the profit-type-return component.

the output of goods and services provided by U.S. affiliates.[35]

For purposes of distributing sales into goods, services, and investment income, "goods" are generally defined to be economic outputs that are tangible and "services" are generally defined to be economic outputs that are intangible.[36] Information on investment income was collected primarily to ensure that, if investment income was included in total sales (or gross operating revenues), it would not be included in sales of services. In finance and insurance, affiliates include investment income in sales because it is generated by a primary activity of the affiliate. In other industries, most affiliates consider investment income an incidental revenue source and include it in the income statement in an "other income" category rather than in sales.

For most industries, goods and services supplied by affiliates are equal to the reported values of affiliate sales of goods and services. Adjustments to these reported sales values are made for bank affiliates and for affiliates with activities in insurance or in wholesale or retail trade to better measure their output. For banks, services supplied includes explicit fees and commissions and an estimate of the value of implicit services provided by banks (often referred to as financial intermediation services indirectly measured).[37] For insurance, services supplied consists of BEA's estimate of premiums remaining after provision for expected or "normal" losses and a measure of premium supplements, which represent income earned on funds insurers hold on policymakers' behalf. For wholesalers and retailers, services supplied includes an estimate of the distributive services affiliates provide by selling, or arranging for the sales of, goods; this estimate of distributive services is subtracted from the reported value of sales of goods to produce a measure of goods supplied that includes only the value of the goods resold. These adjustments to reported sales of goods and services affect the distribution of sales between goods and services supplied but do not affect the total value of sales.

Employment and compensation of employees

In the benchmark survey, affiliates were requested to report employment as the number of full-time and part-time employees on the payroll at the end of fiscal year 2007. However, a count taken during the year was accepted if it was a reasonable proxy for the end-of-year number. In addition, if employment at the end of the year was unusually high or low because of temporary factors, such as seasonal variations or a strike, a number reflecting normal operations was requested.

For majority-owned affiliates, employment is classified both by industry of affiliate and by industry of sales. The classification by industry of sales is based on information supplied by each affiliate filing on the long form on employment in the four-digit industries in which it had sales.

Data on employment and compensation of employees covering affiliates' total U.S. operations were collected. For majority-owned affiliates, the data on employment and compensation of employees were collected broken down by two broad occupational categories: managerial, professional, and technical employees and all other employees.

The data on affiliate employment were collected broken down by state. For majority-owned U.S. affiliates, data on their manufacturing employment were also collected by state. Manufacturing employees in a given state consist of the employees on the payroll of manufacturing plants in the state. These data are shown in table II.F 13.

For manufacturing, three measures of employment are available from the benchmark survey for majority-owned U.S. affiliates. The employment totals under each of the three measures differ. *Employment by manufacturing affiliates* (shown in tabulations by industry of affiliate) consists of the employment by affiliates *classified in manufacturing*. It includes all the employees of affiliates whose primary industry is manufacturing, even though the affiliates may have activities, and

35. Statistics on services supplied though U.S. affiliates are presented together with data on cross-border trade in services in annual articles in the SURVEY OF CURRENT BUSINESS; for the most recent presentation, see Jennifer Koncz-Bruner and Anne Flatness, "U.S. International Services: Cross-Border Trade in 2009 and Services Supplied Through Affiliates in 2008," SURVEY 90 (October 2010): 18–60. In this article, the series on services supplied through U.S. affiliates begins with the year 2004, the first year for which the new measures are available for both majority-owned foreign affiliates of U.S. companies and majority-owned U.S. affiliates of foreign companies. In BEA's benchmark and annual data publications on foreign direct investment in the United States, statistics on goods and services supplied on the new basis are presented beginning with the benchmark survey year 2007.

36. Tangible outputs are typically associated with establishments in the following six NAICS sectors: agriculture, forestry, fishing and hunting (except support activities for agriculture and forestry); mining (except support activities); construction; manufacturing; wholesale trade; and retail trade. Intangible outputs are typically associated with establishments in the 14 other NAICS sectors—utilities; transportation and warehousing; information; finance and insurance; real estate and rental and leasing; professional, scientific, and technical services; management of companies and enterprises; administrative and support and waste management and remediation services; educational services; health care and social assistance; arts, entertainment, and recreation; accommodation and food services; other services (except public administration); and public administration—and with establishments that provide support activities for agriculture and forestry and for mining.

37. The value of implicit services provided by banks is measured by the implicit fees they earn by offering lower interest rates on deposits than they charge on loans.

thus employees, in other industries; it excludes the manufacturing employees of affiliates not classified in manufacturing. *Affiliates' manufacturing employment* (table II.F 13) consists of the employees on the payrolls of manufacturing plants of affiliates. It includes employees of manufacturing plants of affiliates that are not classified in manufacturing, and it excludes employees of nonmanufacturing plants of affiliates that are classified in manufacturing. *Manufacturing employment when employees are disaggregated by industry of sales* (tables II.F 10 to II.F 12) consists of the employment of affiliates in each four-digit manufacturing industry in which they had sales. Unlike affiliates' manufacturing employment, it may include some nonmanufacturing employees.[38]

The manufacturing employment data in table II.F 13 give a better indication of the number of manufacturing employees in a state than the data in table II.F 7, which shows affiliate employment in each state classified by industry of affiliate. The manufacturing employees shown in table II.F 13 are those actually engaged in manufacturing in the state regardless of the industry classification of the affiliate. In contrast, in table II.F 7, all the employees of a U.S. affiliate in the state are shown in the single industry in which, based on its total U.S. operations, the affiliate is classified, even if some of the employees are in other industries.

Although the data on employment and compensation of employees from the benchmark survey can be used to compute rates of compensation per employee and wages and salaries per employee, these rates may not accurately reflect the compensation rates normally paid by affiliates (and, thus, are not shown in this publication). The computed rates may be distorted by the inclusion of part-time employees, because part-time employees are counted the same as full-time employees, or by data that cover only part of the year—for example, data for an affiliate that was newly established during the year.[39]

Property, plant, and equipment

In the benchmark survey, majority-owned U.S. affiliates were required to disaggregate the gross book value of their property, plant, and equipment (PPE) by use, both for their total U.S. operations and for their operations in each state. For majority-owned affiliates, a breakdown was obtained for two broad categories—commercial property and PPE used for all other purposes. Commercial property consists of the gross book value of all commercial buildings and associated land owned by the affiliate. Commercial buildings include apartment buildings, office buildings, hotels, motels, and buildings used for wholesale, retail, and services trades (such as shopping centers, recreational facilities, department stores, bank buildings, restaurants, public garages, and automobile service stations). PPE used for all other purposes includes PPE used for agriculture, mining, manufacturing, or other industrial purposes; it also includes equipment used in commercial buildings.

U.S. trade in goods

The concepts and definitions underlying the data collected in the benchmark survey on U.S. trade in goods of U.S. affiliates are nearly identical to those used for the data on total U.S. trade in goods compiled by the Census Bureau. The trade data are particularly difficult for affiliates to report, but BEA's review of the reported data indicates that most of the data conform well to Census Bureau concepts and definitions. However, because of certain reporting issues, the affiliate trade data are not completely comparable with the Census Bureau trade data. In the benchmark survey, data on U.S. trade in goods were requested to be reported on a "shipped" basis—that is, on the basis of when, where, and to (or by) whom the goods were shipped—in order for them to be comparable with official U.S. trade data. However, most affiliates keep their accounting records on a "charged" basis—that is, on the basis of when, where, and to (or by) whom the goods were charged. The two bases are usually the same, but they can differ substantially. For example, if a U.S. affiliate buys goods from country A and sells them to country B and if the goods are shipped directly from country A to country B, the affiliate's books would show a purchase from country A and a sale to country B. Because the goods never entered or left the United States, on a shipped basis, they would not be recorded as either U.S. imports or U.S. exports. However, if the affiliate's trade data were reported on a charged basis, the purchase would appear as a U.S. import and the sale would appear as a U.S. export.

On the basis of its review, BEA believes most affiliates reported on a shipped, rather than on a charged, basis. However, some affiliates had difficulty obtaining data on a shipped basis, which usually requires using shipping department invoices rather than accounting records. If BEA determined that the data were reported on a charged basis and that these data were likely to differ materially from data reported on a shipped basis,

38. See the discussion of affiliate sales and employment classified by industry of sales in the section "Industry classification."

39. Employee compensation rates are better measured by hourly wage rates, which do not suffer from these shortcomings. Data on hourly wage rates for foreign-owned manufacturing establishments for 1988–92, 1997, and 2002 are available from the BEA-Census Bureau data link project; for further information, see footnote 7.

it required revised reports to be filed. However, some cases of erroneous reporting were probably not identified.

In addition, the data on trade by U.S. affiliates that are collected by BEA are on a fiscal year basis, whereas the data on total U.S. trade in goods that are collected by the Census Bureau are on a calendar year basis. In the 2007 benchmark survey, affiliates whose fiscal year exactly corresponded to the calendar year 2007 accounted for 74 percent of the total exports and for 67 percent of the total imports of goods reported for all U.S. affiliates (table 3).

Additional differences between the BEA trade data and the Census Bureau trade data may have resulted simply because the data come from different sources: the BEA data are based on company records, whereas the Census Bureau data are compiled from export and import documents filed by shippers with the U.S. Bureau of Customs and Border Protection on individual transactions. The timing, valuation, origin or destination, shipper, and product involved in a given transaction may be recorded differently on company records than on these export and import documents.

In the 2007 benchmark survey, as in previous benchmark surveys, exports shipped by majority-owned U.S. affiliates were disaggregated by country of destination, and imports shipped to majority-owned U.S. affiliates were disaggregated by country of origin. To reduce the reporting burden on U.S. affiliates, breakdowns of trade in goods by country of destination or origin are collected only in benchmark-survey years.

In the 2007 benchmark survey—as in the benchmark surveys for 1980, 1992, 1997, and 2002—imports shipped to majority-owned U.S. affiliates were disaggregated by intended use into three categories: Capital equipment, goods for resale without further manufacture, and goods for further manufacture. However, in the 1987 benchmark survey, data on capital equipment and goods for further manufacture were collected as a single category. Data on goods for further manufacture have been collected in the annual surveys since the 1993 survey.

Research and development

The 2007 benchmark survey collected data on two technology-related items—research and development (R&D) expenditures and the number of employees engaged in R&D-related activities.

As in the 1992, 1997, and 2002 benchmark surveys, the 2007 benchmark survey data on R&D expenditures were collected on two bases: R&D *funded* by the affiliate (whether the R&D was performed internally or by others) and R&D *performed* by the affiliate (whether the R&D was for its own use or for use by others). The first basis views R&D from the perspective of the costs of production and can be used as an indicator of affiliates' use of technology; this basis is consistent with guidelines of the Financial Accounting Standards Board for accounting for the costs of R&D. The second basis can be used to gauge the technological capabilities of affiliates, and it is the primary basis on which National Science Foundation and Bureau of the Census surveys collect information on R&D from U.S. businesses.

R&D performed by affiliates is the only basis on which data on affiliate R&D expenditures have been collected in BEA's annual surveys of affiliate operations since the survey for 1998. Before the 1997 benchmark survey, the sole basis for collecting R&D expenditure data in the annual surveys was R&D funded by affiliates.

Data on the number of employees associated with R&D activities have been collected in the annual surveys since the 1993 survey. They were previously collected only in the benchmark surveys for 1980 and 1992.

Direct Investment Position and Balance-of-Payments Data

Direct investment position and direct investment balance-of-payments data measure the U.S. affiliate's transactions and positions with its foreign parent and other members of its foreign parent group.[40] In contrast, affiliate financial and operating data provide measures of the U.S. affiliate's overall operations, including its transactions and positions with persons other than members of its foreign parent group. For example, the direct investment position in an affiliate is equal to its foreign parent group's equity in, and net outstanding loans to, its U.S. affiliate; a U.S. affiliate's total assets, in contrast, are equal to the sum of (1) the total owners' equity in the affiliate held both by members of the foreign parent group and by all other

40. In this publication, the direct investment position and direct investment balance-of-payments data are presented according to the directional principle, which focuses on the direction of the direct investment relationship. For a discussion of the directional principle and its contrast with the asset and liability presentation of direct investment data, see IMF, *Balance of Payments and International Investment Position Manual*, 6th ed., pp. 107–109.

persons and (2) the total liabilities owed by the affiliate both to members of the foreign parent group and to all other persons.[41]

In the benchmark survey, data for the position and balance-of-payments items for nonbank affiliates were obtained in parts III and IV of the long form and in part III of the short form; for bank affiliates, they were obtained in part III of the bank form (see appendix).

For foreign direct investment in the United States, two major items appear in the U.S. international transactions (balance-of-payments) accounts: direct investment financial flows and direct investment income. Two adjustments are made to the balance-of-payments data before they are entered into the U.S. international accounts. First, the two items are adjusted to reflect current-period prices.[42] Second, the data from the benchmark survey are adjusted from a fiscal year basis to a calendar year basis. As discussed in the section on fiscal year reporting, the direct investment position and balance-of-payments data collected in the 2007 benchmark survey are on a fiscal year basis. Thus, before the data are incorporated into the U.S. international transactions accounts and the annual series on the position, which are on a calendar year basis, they are adjusted from a fiscal year basis to a calendar year basis. The adjusted data for 2007 are extrapolated forward to derive universe estimates for calendar years after 2007 on the basis of sample data collected in BEA's quarterly surveys for those years.[43]

41. To illustrate, suppose that an affiliate is owned 80 percent by its foreign parent and that the affiliate has total owners' equity of $50 million and total liabilities of $100 million, of which $20 million is owed to the parent. In this case, the affiliate's total assets would be $150 million (total owners' equity of $50 million plus total liabilities of $100 million), and the parents' position in the affiliate would be $60 million (80 percent of the $50 million of owners' equity plus the $20 million of intercompany debt).

42. The adjustments are made only at the global level; the data required to make them for countries and industries are not available.

The adjustments are accomplished in three steps. First, a capital consumption adjustment is made to convert depreciation charges from a historical-cost basis to a current- (or replacement-) cost basis. Second, earnings are raised by the amount of charges for the depletion of natural resources, because these charges are not treated as production costs in the NIPA's. Third, expenses for mineral exploration and development are reallocated across periods to ensure that they are written off over their economic lives rather than all at once.

43. As noted in the section on coverage, the universe estimates in the U.S. international transactions accounts include transactions for affiliates that were liquidated or sold during a given calendar year. In contrast, the balance-of-payments data collected in the 2007 benchmark survey and presented in this publication do not cover transactions for enterprises that were no longer U.S. affiliates at the end of the 2007 fiscal year. In the benchmark survey publications for 1992 and 1997, the balance-of-payments data and the beginning-of-year direct investment position data included estimates for affiliates that were liquidated or sold during the benchmark survey year, using data from other surveys. In this publication, as in the benchmark survey publication for 2002, the balance-of-payments and direct investment position data are not adjusted to include such estimates, in order to preserve consistency in coverage with the financial and operating data.

Foreign direct investment position in the United States

The foreign direct investment position in the United States at historical cost is equal to the net book value of the foreign parent groups' equity in, and net outstanding loans to, their U.S. affiliates. The position may be viewed as financing provided in the form of equity or debt by foreign parent groups to U.S. affiliates.

The direct investment position data presented in this publication are valued at historical cost and are not adjusted to current value. Thus, they largely reflect prices at the time of investment rather than prices of the current period. Because historical cost is the basis used for valuation in company accounting records in the United States, it is generally the only basis on which companies can report data in BEA's direct investment surveys.[44] It is also the only basis on which detailed estimates of the position are available by country, by industry, and by account. However, BEA does provide aggregate estimates of the position valued in current-period prices.[45]

Direct investment equity positions in U.S. affiliates

44. In recent years, however, use of fair value accounting—under which assets and liabilities are valued at current market prices or fair market value rather than at historical cost—has become more prevalent among companies reporting in BEA's direct investment surveys. This shift reflects changes to GAAP and a growing number of respondents using other accounting standards, such as IFRS.

GAAP is shifting to allow or require more types of assets and liabilities to be recorded at fair value. In the past, most data reported on BEA's surveys was valued at historical cost and use of fair value accounting was very limited (it was primarily used to record debt and equity securities held for trading purposes). GAAP now allows more types of financial assets and liabilities to be recorded at fair value and requires business combinations to be recorded at fair value. IFRS goes further than GAAP by allowing fixed assets to be recorded at fair value. As a result, many companies have balance sheets that include both fair value and historical cost valuations.

The growing use of fair value accounting in the survey data has implications for BEA's measure of the direct investment position as financial data previously reported on BEA's surveys at historical cost are replaced by data reported at fair value. Information collected in recent years on BEA's Annual Survey of Foreign Direct Investment in the United States indicates that while relatively few affiliates use fair value accounting to prepare their balance sheets, those that do record a significant portion of their assets and liabilities at fair value. The impact on the positions is difficult to assess because respondents that use fair value accounting are not generally able to provide historical cost valuations for comparison. However, BEA believes that to data the impact on the positions at historical cost has been immaterial and that its featured measure of the direct investment position—the current-cost measure that appears in the net international investment position—continues to be an accurate and consistent measure of direct investment. BEA will continue to assess the extent and impact of fair value accounting and other accounting practices on its statistics and will change its methodologies if it determines that such changes would improve their accuracy and consistency.

45. Position estimates measured at current cost and at market value for foreign direct investment in the United States (and for U.S. direct investment abroad) are published each July in an article on the U.S. international investment position in the SURVEY OF CURRENT BUSINESS. For a discussion of concepts and estimating procedures, see J. Steven Landefeld and Ann M. Lawson, "Valuation of the U.S. Net International Investment Position," SURVEY 71 (May 1991): 40–49.

are, by definition, held only by foreign parents. Foreign parents may also have direct debt positions with U.S. affiliates.[46] For other members of the foreign parent groups, only direct debt positions are included in the direct investment position.

Foreign parents' equity in incorporated affiliates can be broken down into foreign parents' holdings of capital stock in, and other capital contributions to, their U.S. affiliates and foreign parents' equity in the retained earnings of their U.S. affiliates. Capital stock consists of all the stock of the affiliates—both common and preferred and voting and nonvoting. Other capital contributions by foreign parents, also referred to as the "foreign parents' equity in additional paid-in capital," consist of the invested and contributed capital that is not included in capital stock, such as cash contributions, the amount paid for stock in excess of its par or stated value, and the capitalization of intercompany accounts (conversions of debt to equity) that do not result in the issuance of capital stock. Foreign parents' equity in retained earnings is the foreign parents' shares of the cumulative undistributed earnings of their incorporated U.S. affiliates.

Foreign parent groups' net outstanding loans to their U.S. affiliates, also referred to as "U.S. affiliates' net intercompany debt," consist of trade accounts and trade notes payable, other current liabilities, and long-term debt owed by the affiliates to their foreign parents or other members of their foreign parent groups, net of similar items due to the affiliates from their foreign parents or other members of their foreign parent groups.

Intercompany debt includes the value of capital leases and of operating leases of more than 1 year between U.S. affiliates and their foreign parent groups. The value of the property leased to a U.S. affiliate by its foreign parent group is included in affiliates' payables, and the value of the property leased by a U.S. affiliate to the foreign parent group is included in affiliates' receivables. Under a capital lease, it is assumed that the title to the leased property will be transferred to the lessee at the termination of the lease, similar to an installment sale. Operating leases have a term that is significantly shorter than the expected useful life of the tangible property being leased, and the leased property is usually returned to the lessor at the termination of the lease. For capital leases, the value of the leased property is calculated according to GAAP; under GAAP, the lessee records either the present value of the future lease payments or the fair market value, whichever is lower, and the lessor records the present value of future lease receipts. For operating leases of more than 1 year, which are carried only on the balance sheet of the lessor, the value recorded is the original cost of the leased property less the accumulated depreciation.

Beginning with the statistics for 2007, the direct investment position of U.S. affiliates that are depository institutions is defined to include only their foreign parent groups' equity investment in them; this treatment follows the sixth edition of the *Balance of Payments and International Investment Position Manual*, issued by the International Monetary Fund, which recommends that all debt between affiliated depository institutions be removed from direct investment and be included in other investment accounts.[47] Similarly, the direct investment flows that enter the U.S. international transactions accounts for these affiliates exclude all debt investment and associated interest.

For nonbank U.S. affiliates that are primarily engaged in financial intermediation, the direct investment position and associated direct investment financial flows exclude intercompany debt transactions.[48] This treatment, which was introduced in the U.S. international transactions accounts for 1994, is similar to the new treatment of debt investment for affiliates that are depository institutions.[49]

A foreign parent and its U.S. affiliate may have a two-way relationship—each may have debt and equity investment in the other. Thus, a foreign parent may have investment in a U.S. affiliate that, in turn, has investment in the parent as a result of the affiliate's lending funds to, or acquiring voting securities or other equity interest in, the parent. In addition, the other members of the foreign parent group may have debt investment in a U.S. affiliate, and a U.S. affiliate may have debt or equity investment in the other members of the foreign parent group. In the intercompany debt portion of the position, affiliates' receivables from

46. Foreign parents can have debt positions, but not equity positions, in U.S. affiliates that they indirectly own.

47. Prior to 2007, permanent debt investment, which was defined as debt investment that was deemed to represent a lasting interest in the institution, was included in the direct investment position along with equity investment; this treatment was consistent with the fifth edition of the *Balance of Payments Manual*. All other transactions and positions—mainly claims and liabilities arising from the parents' and affiliates' normal banking business—were excluded from the direct investment accounts and included with other banking claims and liabilities.

48. For this purpose, a nonbank affiliate that is primarily engaged in financial intermediation is defined to be an affiliate classified in finance (except depository institutions or insurance) whose foreign parent (or—in the case of an affiliate whose foreign parent is a holding company—whose UBO) is either (1) a foreign depository institution or (2) a company in other finance (excluding insurance).

49. See the section on "reclassification of intercompany debt and associated interest transactions with financial intermediaries" in Christopher L. Bach, "U.S. International Transactions: Revised Estimates for 1986–97," SURVEY 78 (July 1998): 52–53.

their foreign parent groups (reverse debt investment) are netted against affiliates' payables to their foreign parent groups.[50] Equity investment by U.S. affiliates in members of their foreign parent groups is included in the U.S. direct investment position abroad if the affiliate's ownership is 10 percent or more and in the "foreign securities" component of U.S.-owned assets abroad if the affiliate's ownership is less than 10 percent.

The direct investment position at the end of the year is equal to the position at the end of the previous year plus the change in the position during the year (table 9). The change during the year is the sum of direct investment financial flows (defined below) and valuation adjustments. Valuation adjustments are broadly defined to include all changes in the position other than financial flows. They primarily reflect differences between the transactions values, which are used to record direct investment financial flows, and the book values on U.S. affiliates' books, which are used to record the position and, hence, changes in the position. For example, valuation adjustments include differences between the sale value and the book value of affiliates that are sold by foreign parents and differences between the purchase price and the book value of affiliates that are acquired by foreign parents.[51] They also include currency-translation adjustments—that is, the gains and losses that arise because of changes in the exchange rates used in translating affiliates' foreign-currency-denominated assets and liabilities into U.S. dollars—and other capital gains and losses, such as revaluations of assets that result from mergers and acquisitions.

Table 9. Change in the Historical-Cost Foreign Direct Investment Position in the United States by Account, 2007

[Millions of dollars]

Position at yearend 2006	1,700,730
Change in position	243,311
Financial inflows without current-cost adjustment	253,349
Equity	134,648
Increases	212,601
Transactions between foreign parents and U.S. affiliates	184,959
Transactions between foreign parents and other U.S. persons	27,642
Decreases	77,953
Transactions between foreign parents and U.S. affiliates	77,953
Transactions between foreign parents and other U.S. persons	0
Reinvested earnings without current-cost adjustment	45,775
Intercompany debt	72,926
Increases in U.S. affiliates' payables	140,916
Increases in U.S. affiliates' receivables	67,990
Valuation adjustments	–10,038
Of which:	
Capital gains and losses, including translation adjustments	16,914
Position at yearend 2007	1,944,042

50. In the extremely rare case in which a U.S. affiliate and its foreign parent own 10 percent or more of each other, a U.S. affiliate's debt investment in the foreign parent group is not netted against the group's debt investment in it. To avoid double-counting, the foreign parent group's debt investment in the affiliate is included in the foreign direct investment position in the United States, and the affiliate's debt investment in the foreign parent is included in the U.S. direct investment position abroad.

51. For the current-price estimates of the foreign direct investment position entered in the U.S. international investment position, the corresponding adjustments would reflect differences between the transactions values and the estimated current values of the affiliates.

Direct investment financial flows

Direct investment financial flows (which are recorded in the financial account of the U.S. international transactions accounts) arise from transactions that change financial claims (assets) and liabilities between U.S. affiliates and their foreign parents or other members of their foreign parent groups. Financial inflows arise from transactions that increase U.S. liabilities or decrease U.S. assets, and financial outflows arise from transactions that decrease U.S. liabilities or increase U.S. assets. Direct investment financial flows consist of equity investment, reinvested earnings, and intercompany debt investment. This section first defines these components and then discusses the coverage, measurement, and presentation of direct investment financial flows.

Equity investment. Equity investment is the difference between increases and decreases in foreign parents' equity in their U.S. affiliates. Equity increases arise from (1) foreign parents' establishment of new U.S. affiliates, (2) payments by foreign parents to unaffiliated parties for the purchase of capital stock or other equity interests when they acquire an existing U.S. business, (3) payments made to acquire additional ownership interests in their U.S. affiliates, and (4) capital contributions to their U.S. affiliates. Equity increases exclude changes in equity that result from reinvested earnings, which are recorded as a separate component of direct investment financial flows.

Equity decreases are the funds foreign parents receive when they reduce their equity interest in their U.S. affiliates. Equity decreases result from liquidations of U.S. affiliates, from partial or total sales of ownership interests in U.S. affiliates, and from the return of financial contributions. Equity decreases also include liquidating dividends, which are a return of capital to foreign parents.

Equity increases and decreases are recorded at transactions values. In most cases, transactions values may be obtained from the books of the U.S. affiliates. However, in some cases, such as when a foreign parent purchases or sells capital stock in the affiliate from or to an unaffiliated third party, the transactions value may be obtained only from the parent's books. In addition, transactions values on foreign parents' books reflect the actual cost of ownership interests in affiliates that are acquired or sold by foreign parents, including any premium or discount; such values may differ from the book values recorded on the affiliates' books.

Reinvested earnings. Reinvested earnings of U.S. affiliates are earnings less distributed earnings. Earnings are foreign parents' shares in the net income of their U.S. affiliates after provision for U.S. income taxes; earnings are from the books of the U.S. affiliate.[52] A foreign parent's share in earnings is based on its directly held equity interest in the U.S. affiliate. The earnings and reinvested earnings estimates in this publication are not adjusted to reflect current-period prices, because the source data needed to adjust the estimates by detailed country and industry are not available.

Earnings are entered into direct investment income because they are income to the foreign parent, whether they are reinvested in the affiliate or remitted to the parent.[53] However, because reinvested earnings are not actually transferred to the foreign parent but increase the parent's investment in its affiliate, an entry that is equal to that made in the direct investment income account but that has the opposite sign is made in the direct investment financial account.

For incorporated U.S. affiliates, distributed earnings are dividends on common and preferred stock held by foreign parents. Distributions can be paid out of current or past earnings. Dividends exclude stock and liquidating dividends. Stock dividends are excluded because they are a capitalization of retained earnings—a substitution of one type of equity (capital stock) for another (retained earnings); they reduce the amount of retained earnings available for distribution but leave total owners' equity unchanged. Thus, stock dividends do not give rise to entries in the international transactions accounts.[54] Liquidating dividends are excluded because they are a return of capital rather than a remittance of earnings (liquidating dividends are included as decreases in equity in the direct investment financial flows). For unincorporated affiliates, distributed earnings are earnings distributed to foreign parents out of current or past earnings.

Distributed earnings, like total earnings, are based on the books of the U.S. affiliate. Because they are on an accrual basis, they are reported as of the date that they are either paid to foreign parents or entered into intercompany accounts with the foreign parents. Distributed earnings are included whether they are paid in cash, through debt creation, or in kind.

Intercompany debt investment. Intercompany debt investment results from changes during the year in net outstanding loans between foreign parents (or other members of the foreign parent group) and their U.S. affiliates, including loans by foreign parent group members to affiliates and loans by affiliates to foreign parent group members. The change for a given period is derived by subtracting the net outstanding intercompany debt balance (that is, affiliate payables less affiliate receivables) at the end of the previous period from the net outstanding balance at the end of the current period.

When a member of a foreign parent group lends funds to a U.S. affiliate, the balance of the affiliate's payables (amounts owed) to the foreign parent group increases; subsequently, when the affiliate repays the principal owed to a member of the foreign parent group, the balance of the affiliate's payables to the group is reduced. Similarly, when a member of the foreign parent group borrows funds from a U.S. affiliate, the balance of the affiliate's receivables (amounts due) from the group increases; subsequently, when the member of the group repays the principal owed to the affiliate, the balance of the affiliate's receivables from the group is reduced.[55]

Increases in affiliates' payables to, or reductions in affiliates' receivables from, their foreign parent groups give rise to increases in intercompany debt investment (financial inflows). Increases in affiliates' receivables from, or reductions in affiliates' payables to, their foreign parent groups give rise to decreases in intercompany debt investment (financial outflows).

Not all intercompany debt transactions reflect actual flows of funds. For example, when distributed earnings or interest from a U.S. affiliate accrue to a foreign parent group, the full amount is included as an income payment (an outflow) on foreign direct investment in the United States. If part of that amount is not actually transferred to the foreign parent group, the amount not transferred is entered into intercompany accounts as an increase in the U.S. affiliate's payables to its foreign parent group (an inflow).

The net change in intercompany debt includes changes in the value of capital leases and operating leases of more than 1 year between foreign parent groups and their U.S. affiliates. When property is leased by a U.S. affiliate from its foreign parent group,

52. As discussed in the next section, "Direct investment income," earnings exclude capital gains and losses, whether or not such gains and losses are included in net income for income statement purposes.

53. See the next section, "Direct investment income."

54. "Stock dividends" are used here to refer to essentially the same concept that is discussed in the IMF *Manual* (see footnote 9) under the heading of "bonus shares." BEA has retained its terminology because it conforms to what U.S. firms understand by the term "stock dividends."

55. Following the recommendations in the sixth edition of the *Balance of Payments and International Investment Position Manual*, all debt transactions between affiliated bank or finance companies (excluding insurance companies) are excluded from intercompany debt inflows.

the value of the leased property is recorded as an increase in intercompany debt investment (a financial inflow) because it increases the affiliate's payables. The subsequent payment of principal on a capital lease or the component of rent under an operating lease that reflects depreciation is a return of capital and is recorded as a decrease in intercompany debt investment (a financial outflow) because it reduces the affiliate's payables. Similarly, when property is leased by a U.S. affiliate to its foreign parent group, the value of the leased property is recorded as a decrease in intercompany debt investment because it increases the affiliate's receivables. The subsequent payment of principal on a capital lease or the component of rent on an operating lease that reflects depreciation is a return of capital and is recorded as an increase in intercompany debt investment because it reduces the affiliate's receivables.

Coverage, measurement, and presentation. Equity and intercompany debt investment mainly result from transactions between foreign parents (or, in the case of intercompany debt investment, other foreign parent group members) and their U.S. affiliates. However, some investment may result from transactions between foreign parents and unaffiliated U.S. persons; for example, direct investment equity investment results from a transaction between a foreign parent and an unaffiliated U.S. person when the parent purchases an affiliate's capital stock from the unaffiliated person.

In general, direct investment financial flows exclude transactions among members of a foreign parent group or between the members of the group and other foreigners, because foreign-to-foreign transactions are not international transactions of the United States. Thus, if a foreign parent purchases additional capital stock in a U.S. affiliate from another foreign person, the foreign parent's ownership interest in the U.S. affiliate will increase, but no equity investment is recorded, because the transaction occurs entirely outside the United States. In addition, there is no net increase in foreign claims on the United States; instead, the foreign parent's claims have merely been substituted for the claims of the other foreign person.[56]

However, if the foreign parent's original interest represented only a less-than-10-percent investment interest and if the combined interests qualify as a direct investment as a result of the purchase of an additional interest, a direct investment financial inflow equal to the value of the additional interest is recorded. In addition, a valuation adjustment is made to the direct investment position to bring the original interest into the position. If a foreign parent's interest in an affiliate falls below 10 percent, a direct investment financial outflow is recorded and a valuation adjustment is made to extinguish the remaining direct investment interest. (In both cases, offsetting adjustments would be made to the "U.S. securities other than U.S. Treasury securities" component of foreign-owned assets in the U.S., so that the reclassification would not affect the overall U.S. international investment position.)

Equity and intercompany debt investment can be disaggregated into several subaccounts. Equity investment, which is recorded as a net amount, can be disaggregated to show increases and decreases in equity. Intercompany debt investment is disaggregated to show both the flows resulting from changes in U.S. affiliates' payables and the flows resulting from changes in U.S. affiliates' receivables. Certain transactions may affect two or more of these subaccounts simultaneously and by offsetting amounts. Such transactions are "grossed up"; that is, the inflows and the offsetting outflows are recorded in the affected subaccounts rather than being netted to zero and not recorded in any subaccount. However, because such gross flows are offsetting, they have no effect on net financial flows. For example, the capitalization of intercompany debt, which brings about a decrease in intercompany debt investment (an outflow) and an offsetting increase in equity investment (an inflow), results in gross, but not net, flows.

Direct investment income

Direct investment income is the return on the foreign direct investment position in the United States; that is, it is the foreign parents' return on their debt and equity investment in their U.S. affiliates plus the return of other members of the foreign parent groups on their debt investment in U.S. affiliates. Direct investment income consists of earnings (that is, the foreign parents' share in the net income of their U.S. affiliates) plus interest on intercompany accounts of U.S. affiliates with their foreign parent groups (interest is defined as the interest paid by U.S. affiliates to their foreign parent groups net of the interest received by U.S. affiliates from their foreign parent groups). Earnings are the foreign parents' return on their equity investment, and interest is the foreign parent groups' return on their

56. If this exchange involves more than one country, offsetting valuation adjustments are made to the direct investment position, reducing the position of the seller's country and increasing the position of the purchaser's country.

debt investment in U.S. affiliates. Table 10 shows direct

Table 10. Direct Investment Income and Its Components

[Millions of dollars]

Income without current-cost adjustment	127,231
Earnings without current-cost adjustment	106,428
Distributed earnings	60,653
Reinvested earnings	45,775
Interest	20,803
U.S. affiliates' payments	26,488
U.S. affiliates' receipts	5,685

investment income and the relationships among its components for all U.S. affiliates from the 2007 benchmark survey.

Direct investment income is reported as accrued. Direct investment income and earnings exclude currency-translation adjustments and other capital gains and losses, whether or not such gains and losses are included in net income for income statement purposes. This treatment is intended to make income and earnings correspond more closely to the current operating performance of affiliates as recommended by international guidelines for the compilation of balance-of-payments accounts.

Direct investment income is measured before deduction (that is, gross) of all U.S. and foreign withholding taxes.[57] This treatment views taxes as being levied upon the recipient of the distributed earnings or interest and thus as being paid across borders, even though, as an administrative convenience, the taxes actually were paid by the firm whose disbursements gave rise to them. Thus, U.S. withholding taxes on distributed earnings and on interest received by the foreign parent group are recorded as if they were paid by the foreign parent group, not by the U.S. affiliate. Similarly, foreign withholding taxes on interest payments by the foreign parent group are recorded as if they were paid by the U.S. affiliate, not by the foreign parent group. Counterentries for these taxes are made in the U.S. international transactions accounts under "unilateral current transfers, net."

Interest is recorded on a net basis as interest paid or credited to foreign parents and other members of the foreign parent groups on debt owed to them by U.S. affiliates less interest received from, or credited by, foreign parents and other members of the foreign parent groups on debt owed by them to U.S. affiliates.[58] Interest receipts are netted against interest payments because in the intercompany debt component of the direct investment position, debt owed by foreign parent groups to U.S. affiliates is netted against debt owed by U.S. affiliates to foreign parent groups. Like other components of direct investment income, interest is reported as accrued. It includes interest paid through debt creation or in kind as well as interest paid in cash.

Interest includes net interest payments on capital leases between U.S. affiliates and their foreign parent groups because the outstanding capitalized value of such leases is included in the intercompany debt component of the direct investment position.[59]

57. Withholding taxes are taxes withheld at the source on income or other funds that are distributed or remitted.

58. For U.S. affiliates that are depository institutions (commercial banks, savings and loan institutions, and credit unions) and for nonbank affiliates that are primarily engaged in financial intermediation, all interest on intercompany debt is excluded from direct investment income payments. The treatment of interest for these affiliates parallels the treatment of their debt transactions with their foreign parent groups, as described in the section "Foreign direct investment position in the United States."

59. Although the value of operating leases of more than 1 year is also included in the intercompany debt position, payments of net rent (which covers interest, administrative expenses, and profit) on such leases are recorded as charges for the use of tangible property (part of the direct investment "other private services" account) rather than as interest.