Foreign Direct Investment in the United States

Final Results From the 2012 Benchmark Survey

U.S. DEPARTMENT OF COMMERCE
Penny S. Pritzker
Secretary

ECONOMICS AND STATISTICS ADMINISTRATION
Ken Arnold
Acting Under Secretary for Economic Affairs

BUREAU OF ECONOMIC ANALYSIS
Brian C. Moyer
Director

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Preface

This volume presents the results of the 2012 Benchmark Survey of Foreign Direct Investment that was conducted by the U.S. Bureau of Economic Analysis (BEA). Benchmark surveys are BEA's most comprehensive surveys—in terms of both the number of companies covered and the amount of information gathered. The 2012 survey covered the foreign direct investment universe, which consists of all U.S. business enterprises owned 10 percent or more, directly or indirectly, by a foreign person. The last benchmark survey covered 2007.

The survey collected detailed data on the activities of U.S. affiliates of foreign multinational enterprises in 2012. The data include balance sheets, income statements, goods and services supplied, taxes, employment and compensation of employees, U.S. trade in goods, research and development expenditures, and data used to calculate value added. The survey also collected data on transactions and positions between U.S. affiliates and their foreign parent companies that are the source data of the official estimates of direct investment that enter the U.S. national income and product accounts and the U.S. international investment position and international transactions (or balance of payments) accounts. The data from the survey are disaggregated in a number of ways, including by industry of U.S. affiliate, by country and industry of ultimate beneficial owner or foreign parent, and, for employment, by state.

The data from the benchmark survey will be used as the primary basis for expanding to universe levels the data for nonbenchmark years that are collected in BEA's quarterly and annual cutoff sample surveys, which cover a sample of U.S. affiliates above a size-exemption level. The quarterly surveys collect sample data on direct investment transactions between U.S. affiliates and their foreign parents, and the annual surveys collect sample data on the activities of U.S. affiliates. For both types of data, estimates for nonsample affiliates usually are derived by extrapolating forward their data from the benchmark survey on the basis of the year-to-year movements in the data reported by affiliates in the sample.

Many of the items for which data were collected in the 2012 benchmark survey are also collected annually, but other items are collected only in benchmark survey years. These items include research and development expenditures broken down by source of funding, U.S. exports and imports of goods by country of destination and origin, and U.S. imports of goods by intended use.

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Sarahelen Thompson, Associate Director for International Economics provided general guidance for the survey project. Patricia E. Abaroa, Chief of the Direct Investment Division, directed the design of the benchmark survey report forms, the processing of the survey, and the analysis and publication of the results.

The 2012 benchmark survey was conducted under the direction of Mark Xu. Jennifer Rodriguez and Christopher J. Stein supervised the processing of the survey. Diane I. Young supervised the computer programming for data estimation and tabulation. The following staff contributed to the processing and editing of the survey or to the related computer programming: George M. Bogachevsky, Kirsten Brew, Polly Y. Cheung, Constance T. Deve, Rita Ismaylov, Nazre Jamil, Neeta Kapoor, Julie A. Lampe, Qi Chen Lee, Da-Chin Lin, Kevin McCarthy, Demetria A. McCormick, Makia M. Riley, Gary Sowers, John R. Starnes, and Daniel K. Wakjira.

William J. Zeile of the Research Branch of the Balance of Payments Division prepared the methodology and other text and coordinated the design of the tables for this publication. General guidance for writing the text was provided in the Balance of Payments Division by Raymond J. Mataloni Jr., Assistant Division Chief for Research and Analysis, and James J. Fetzer, Chief of the Research Branch.

The Communications Division's Kristina Maze coordinated the production of this publication and desktop published the tables. Danielle Helta edited and desktop published the text. Colby Johnson designed the cover and Tanya Shen posted this document on BEA's Web site, www.bea.gov.

Methodology

The 2012 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 2012. 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 2007.[2]

This publication provides the final results of the 2012 benchmark survey in 108 tables that present nearly all of the collected data. Two related types of statistics are presented for U.S. affiliates of foreign multinational enterprises: (1) statistics on activities data (formerly termed financial and operating data) and (2) statistics on direct investment position and transactions data. The activities 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 transactions 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. Direct investment transactions data (formerly termed balance-of-payments data) include data on financial transactions 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 transactions 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 income and product accounts (NIPAs), the U.S. international transactions accounts, and the U.S. net international investment position. The direct investment financial transactions, 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.

For the activities data, more detailed information was collected for majority-owned U.S. affiliates (that is, affiliates that are owned more than 50 percent by

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 2007 Benchmark Survey* (Washington, DC: U.S. Department of Commerce, September 2011); 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."

foreign direct investors) than for minority-owned U.S. affiliates in order to place more emphasis 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.[4] Majority ownership is also recommended as the primary basis for the compilation of statistics on the activities of foreign-owned firms by the Organisation for Economic Co-operation and Development's (OECD) *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 policymakers.

In this publication, statistics for U.S. affiliates are presented separately for two affiliate groups: (1) all (majority-owned plus minority-owned) affiliates (Part I) and (2) majority-owned affiliates (Part II). As in the reports for the survey years 2002–2011, most of the tables cover majority-owned affiliates (Part II), reflecting the more detailed information collected on their activities.[5] A variety of table formats are used: some tables present statistics for several related data items, each of which is disaggregated by industry or by country of foreign owner; other tables present statistics for a single data 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 activities data from the benchmark survey extend the series that begin with 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 activities in subsequent nonbenchmark years; these statistics are derived from sample data reported in BEA's annual surveys of foreign direct investment in the United States combined with nonsample estimates based on forward extrapolations of the benchmark survey data.

For the statistics on affiliate activities, the tabulations of the benchmark survey data in this report are comparable to the tabulations in the reports for 2007–2011. In publications for benchmark survey years before 2007, 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.[6] For nonbenchmark survey years before 2007, bank affiliates were exempt from filing survey reports; therefore, all of the tabulated statistics on affiliate operations for those years covered only nonbank affiliates.

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4. 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).

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. Bank affiliates were defined to be affiliates classified in depository credit intermediation, which comprises commercial banks, savings institutions, credit unions, bank holding companies, and financial holding companies.

Table 1 provides cross-references between the activities data tables in this report and the corresponding tables in the benchmark survey report for 2007 and in the annual reports for 2008–2011. As shown, some of the tables in this report have counterparts in the 2007 benchmark survey report but not in the annual survey reports for 2008–2011, in some cases because they cover items that are not collected in nonbenchmark survey years. In addition, several tables in the report for 2007 do not have counterparts in this report, because they presented

Table 1. Comparison of Activities Data Tables in This Report With Those in the 2007 Benchmark Survey Report and in the Annual Survey Reports for 2008–2011—Continues

Table in 2012 benchmark survey report	Comparable table in 2007 benchmark survey report	Comparable table in 2008–2011 reports
Part I. All Affiliates		
Group A. Selected Data		
I.A 1—I.A 5	I.A 1—I.A 5	I.A 1—I.A 5
I.A 7	I.A 7	I.A 7
I.A 9	I.A 9	I.A 9
Group B. Balance Sheet		
I.B 1—I.B 3	I.B 1—I.B 3	I.B 1—I.B 3
Group C. Gross Property, Plant, and Equipment		
I.C 3	I.C 3	I.C 3
n.a.[1]	I.C 7	n.a.
Group D. Income Statement		
I.D 3	I.D 3	I.D 3
Group G. Employment		
I.G 3	I.F 3	I.F 3
I.G 17	I.F 18	I.F 18
Part II. Majority-Owned Affiliates		
Group A. Selected Data		
II.A 1—II.A 9	II.A 1—II.A 9	II.A 1—II.A 9
Group B. Balance Sheet		
II.B 1–II.B 4	II.B 1–II.B 4	II.B 1–II.B 4
II.B 5—II.B 7	II.B 5—II.B 7	n.a.
Group C. Gross Property, Plant, and Equipment		
II.C 1—II.C 3	II.C 1—II.C 3	II.C 1—II.C 3
II.C 4	n.a.	II.C 4
n.a.[1]	II.C 5—II.C 15	n.a.
n.a.	II.C 16—II.C 17	n.a.
II.C 16—II.C 17	II.C 18—II.C 19	II.C 18—II.C 19
Group D. Income Statement		
II.D 1—II.D 4	II.D 1—II.D 4	II.D 1—II.D 4
II.D 5—II.D 6	II.D 5—II.D 6	n.a.
II.D 7—II.D 8	II.D 7—II.D 8	II.D 7—II.D 8
II.D 9	II.D 9	n.a.
II.D 10—II.D 11	II.D 10—II.D 11	II.D 10—II.D 11
Group E. Goods and Services Supplied		
II.E 1—II.E 4	II.D 12—II.D 15	II.D 12—II.D 15

See the footnote at the end of the table.

data items that were discontinued from data collection after the 2007 benchmark survey.[7]

For the statistics on the direct investment position and direct investment transactions, the tables presented in Part I, Group J, of this publication are comparable to the tables presented in Part I, Group I, of the 2007 benchmark survey final publication.

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 Bureau establishment data for all U.S. companies.[8]

7. As a result of restored funding for the collection of state-level detail on affiliate gross, property, plant, and equipment and manufacturing employment, tables II.C 5 through II.C 15 and II.F 13 in the 2007 benchmark survey report are scheduled for inclusion in the annual survey reports for 2014 and subsequent years.

8. 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.

Table 1. Comparison of Activities Data Tables in This Report With Those in the 2007 Benchmark Survey Report and in the Annual Survey Reports for 2008–2011—Table Ends

Table in 2012 benchmark survey report	Comparable table in 2007 benchmark survey report	Comparable table in 2008–2011 reports
Group F. Value Added		
II.F 1—II.F 3	II.E 1—II.E 3	II.E 1—II.E 3
II.F 4	II.E 4	n.a.
II.F 5—II.F 6	II.E 5—II.E 6	II.E 5—II.E 6
Group G. Employment and Compensation of Employees		
II.G 1—II.G 4	II.F 1—II.F 4	II.F 1—II.F 4
II.G 5	II.F 5	n.a.
II.G 6—II.G 8	II.F 6—II.F 8	II.F 6—II.F 8
II.G 9	II.F 9	n.a.
II.G 10—II.G 11	II.F 10—II.F 11	II.F 10—II.F 11
II.G 12	II.F 12	n.a.
n.a.[1]	II.F 13	n.a.
n.a.	II.F 14	n.a.
II.G 14—II.G 16	II.F 15—II.F 17	II.F 15—II.F 17
Group H. U.S. Trade in Goods		
II.H 1—II.H 4	II.G 1—II.G 4	II.G 1—II.G 4
II.H 5	II.G 5	n.a.
II.H 6—II.H 7	II.G 6—II.G 7	II.G 6—II.G 7
II.H 8—II.H 24	II.G 8—II.G 24	n.a.
Group I. Interest, Dividends, Taxes Other Than Income Taxes, and Research and Development Expenditures		
II.I 1—II.I 2	II.H 1—II.H 2	II.H 1—II.H 2
II.I 3—II.I 5	II.H 3—II.H 5	n.a.
II.I 6	II.H 6	II.H 6

n.a. Not available

1. Data for the tables in the 2007 benchmark survey publication were not collected in the 2012 benchmark survey or in the annual surveys for 2008–2011 but are being collected in the annual surveys for 2014 forward; these tables are scheduled for inclusion in the annual survey publications for 2014 and subsequent years.

Coverage

The benchmark survey covered nearly every U.S. business enterprise that was a U.S. affiliate of a foreign owner in 2012. A U.S. affiliate is a U.S. business enterprise in which a foreign owner holds, 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 activities data and the direct investment position and transactions data, the statistics presented in this publication cover every U.S. business enterprise that was a U.S. affiliate at the end of its 2012 fiscal year. The coverage of the direct investment position and transactions data in this publication is thus consistent with that of the activities 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 U.S. affiliate was required to report in the benchmark survey for 2012. In order to minimize the reporting burden of small enterprises, affiliates that did not have total assets, sales, or net income (or loss) of more than $20 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 version of the least detailed survey form, Form BE–12C. Affiliates with total assets, sales, or net income greater than $20 million but not greater than $60 million were required to file a complete version of Form BE–12C, which requested additional information on a few other measures of affiliate operations. Together, affiliates that filed Form BE–12C 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 1.6 percent of the employment of all affiliates.

Similarly, in the benchmark survey for 2007, 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 on an abbreviated version of the least detailed form, termed the "miniform," and 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.[9]

In benchmark surveys for 2002 and earlier years, very small affiliates with total assets, sales, and net income (or loss) that were all below a given size threshold were not required to complete a benchmark survey report; instead, they were instructed to submit an exemption form with information on their total assets,

9. Together, affiliates that filed the miniform accounted for 0.3 percent of the total assets, 0.9 percent of the sales, and 1.8 percent of the employment of affiliates.

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. 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 2012 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.[10] 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 2012 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 in the United States 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

10. 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).

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 a foreign person has claims on a U.S. business enterprise through more than one ownership chain, 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.

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 domestic (U.S.) 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, and 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:

1. It is subject to U.S. income taxes.

2. 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.

3. 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.)

4. 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:

1. It is not subject to U.S. income taxes.

2. It has limited physical assets or few employees permanently located in the United States.

3. It has no separate financial records that allow the preparation of financial statements.

4. It conducts business in the United States only for the foreign person's account, not for its own account.

5. It engages only in sales promotion or public relations activities.

6. 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 U.S. business enterprises proceeding down each ownership chain whose voting securities are more than 50 percent owned by the U.S. business enterprise above. The consolidation excludes all other U.S. business enterprises and all foreign business enterprises owned by the U.S. affiliate. U.S. affiliates that are at least 10 percent indirectly owned by a foreign parent but are not consolidated into the report of another U.S. affiliate because they are not at least 50 percent owned by the U.S. business enterprise above are required to file a separate report.

As an exception to this general consolidation rule, 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—it must file a separate report; 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.[11] 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 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.[12]

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

12. 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 activities data; see the section "Activities Data."

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.[13] 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; 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 2012 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").

13. 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.

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.[14]

Fiscal-Year Reporting

Data for U.S. affiliates were required to be filed on a fiscal-year basis. An affiliate's 2012 fiscal year was defined to be the affiliate's financial reporting year that ended in calendar year 2012. 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 2. As indicated in the addendum to the table, affiliates whose fiscal year exactly corresponded to the calendar year 2012 accounted for most of the foreign direct investment position and direct investment income for all affiliates.

Unlike the direct investment position and transactions data, activities data in all BEA surveys are consistently collected and published on a fiscal-year basis.

14. 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 43.

Table 2. Selected Data of U.S. Affiliates by Fiscal Year Ending Date

[Millions of dollars, except as noted]

	Fiscal year ending date					
	Total	Jan. 1 to March 31	April 1 to June 30	July 1 to Sept. 30	Oct. 1 to Dec. 31	Addendum: Dec. 31
	(1)	(2)	(3)	(4)	(5)	(6)
Total assets	13,848,988	1,439,769	189,210	347,574	11,872,435	11,090,961
Sales	4,191,727	568,442	119,960	168,156	3,335,169	3,286,023
Net Income	156,881	17,144	592	5,584	133,561	131,369
Compensation of employees	518,771	60,202	14,220	36,678	407,670	398,528
Thousands of employees	6,458.1	877.9	219.0	607.1	4,754.2	4,617.4
Exports of goods	359,961	54,388	11,390	16,976	277,208	274,049
Imports of goods	672,883	153,329	10,027	25,209	484,319	480,624
Foreign direct investment position in the United States	2,511,464	326,986	56,033	116,640	2,011,805	1,959,188
Direct investment income	155,570	18,289	6,284	6,417	124,580	123,832

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 Census Bureau 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 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 activities data and the direct investment position and transactions 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 transactions data can be classified by country of each member of the foreign parent group.

Industry classification

In the 2012 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 2012 revision to the North American Industry Classification System (NAICS). For almost all 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 2007–2011, which was based on the 2007 version of NAICS.[15] The only change is the reclassification of a few subindustry activities among detailed industries within the manufacturing, wholesale trade, and retail trade sectors.

The 2012 NAICS-based ISI classification system includes 201 industries, the same number of industries as in the 2007 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, 2012* (see the appendix).[16]

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 accounted for the largest percentage of its sales.[17] 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. This procedure

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15. The ISI classification system used in the surveys for 2002–2006 was based on the 2002 version of NAICS, and the 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).

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

17. 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.

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 activities 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

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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

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

$$4236\ldots\ldots45$$

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.

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.G 10, II.G 11, and II.G 12.

The data classified by industry of sales confirm that many affiliates had activities in more than one industry. In particular, the largest affiliates in terms of sales tended to report substantial sales in a number of secondary industries, including industries outside of the sector in which the affiliate was classified. Table 3 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 71 percent of the total sales of all majority-owned affiliates classified in manufacturing) on average had sales in 4 industries, and that 29 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 14 percent of the affiliates' total sales.

In addition, table 3 shows that industry diversification tends to increase with affiliate size. For example, 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 38 percent. Similar patterns of

19. Specifically, large majority-owned U.S. affiliates (those with total assets, sales, or net income greater than $300 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 $60 million but not greater than $300 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.G 10, and II.G 11.

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

Table 3. Industry Distribution of Sales by 100 Largest Majority-Owned Affiliates Classified in Manufacturing

	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]	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
100 largest affiliates	4.1	2.6	1.5	100.0	85.6	71.2	14.4	14.4	28.8
1–20	6.0	3.2	2.9	100.0	77.8	62.0	15.8	22.2	38.0
21–40	4.9	3.1	1.9	100.0	80.2	65.6	14.7	19.8	34.4
41–60	3.3	2.5	0.8	100.0	92.0	77.8	14.2	8.0	22.2
61–80	2.8	1.9	1.0	100.0	91.2	82.3	8.9	8.8	17.7
81–100	3.5	2.5	1.0	100.0	86.6	68.1	18.4	13.4	31.9

1. On the benchmark survey form, large majority-owned affiliates (those with assets, sales, or net income greater than $300 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.

industry diversification are displayed by large affiliates classified in industries outside manufacturing.

As table 3 implies, the distribution of data by industry of affiliate differs from the distribution that would result if each of the affiliates' lines of business 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.G 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, which 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 2012 as part of a project that links the enterprise data from the benchmark survey to the establishment data from the Census Bureau's 2012 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 4, 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.F 4, and II.G 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.

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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 8.

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 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.

Table 4. Selected Data of Majority-Owned U.S. Affiliates 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	**12,789,675**	**1,832,592**	**3,778,717**	**467,538**	**5,889.0**
Government and government-related entities	**651,180**	**115,369**	**209,199**	**9,327**	**106.0**
Government and government-owned enterprises	633,194	(D)	204,831	8,454	92.4
Pension funds—government run	17,986	(D)	4,367	873	13.6
Individuals, estates, and trusts	**539,784**	**188,871**	**370,021**	**52,978**	**823.4**
Pension funds—privately run	6,757	1,898	2,179	508	7.2
Estates, trusts, and nonprofit organizations	4,584	4,010	5,850	937	17.6
Individuals	528,443	182,963	361,991	51,533	798.6
Manufacturing	**2,363,284**	**850,100**	**1,766,116**	**191,751**	**2,140.0**
Food	125,635	40,880	127,097	14,320	215.6
Beverages and tobacco products	157,649	12,517	31,984	2,494	31.5
Petroleum and coal products	260,415	174,222	193,289	7,461	39.8
Chemicals	489,595	121,160	284,724	36,777	308.4
Pharmaceuticals and medicines	335,513	48,940	148,544	23,327	160.5
Other	154,081	72,220	136,180	13,450	147.9
Nonmetallic mineral products	83,010	56,738	41,857	9,021	111.6
Primary and fabricated metals	72,438	36,383	76,219	9,016	113.8
Machinery	156,720	23,354	106,134	18,076	201.3
Computers and electronic products	177,850	42,111	232,894	27,144	255.6
Electrical equipment, appliances, and components	103,450	20,334	66,073	10,224	132.1
Transportation equipment	608,692	267,575	489,025	36,777	473.1
Motor vehicles, bodies and trailers, and parts	561,907	257,744	454,386	28,395	383.5
Other	46,785	9,832	34,639	8,382	89.6
Other manufacturing	127,830	54,825	116,821	20,442	257.4
Wholesale and retail trade	**172,595**	**64,827**	**443,115**	**21,251**	**497.0**
Information	**331,563**	**50,874**	**80,489**	**16,517**	**160.1**
Finance and insurance	**7,762,444**	**97,621**	**370,923**	**70,092**	**462.0**
Depository institutions and bank holding companies	5,377,990	40,437	151,451	37,526	218.9
Finance (except depository institutions)	817,935	37,307	69,294	15,550	129.9
Insurance	1,566,519	19,877	150,177	17,016	113.1
Real estate	**54,770**	**49,283**	**9,921**	**945**	**13.0**
Professional, scientific, and technical services	**142,783**	**12,349**	**82,405**	**26,801**	**249.5**
Other industries	**771,272**	**403,299**	**446,529**	**77,876**	**1,437.9**
Agriculture, forestry, fishing, and hunting	7,156	2,463	6,550	806	9.4
Mining	272,464	183,196	176,628	8,304	50.8
Utilities	107,199	82,779	33,527	3,700	34.9
Construction	41,596	9,246	42,231	7,358	75.0
Transportation and warehousing	97,803	65,639	55,527	10,802	252.1
Holding companies	0	0	0	0	0.0
Other services	245,054	59,976	132,066	46,906	1,015.7

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.

For most affiliates, the country of the UBO is the country of the foreign parent. Of the 5,684 U.S. affiliates above the size threshold for which number counts are tabulated, the country of the UBO and that of the foreign parent are the same for 4,433 affiliates. Together, these affiliates account for 75 percent or more of the total assets, sales, and employment of all affiliates.

Table 5 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 5 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, the Netherlands, 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 activities 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 6 (which provides data on several different classification bases), all direct investment position and transactions 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

Table 5. Number of Affiliates With Assets, Sales, or Net Income (or Loss) Greater Than $20 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
	(1)	(2)	(3)	(4)	(5)	(6)
All countries [1]	**5,684**	**4,433**	**1,251**	**5,684**	**4,433**	**1,251**
Canada	**568**	**546**	**22**	**622**	**546**	**76**
Europe						
Belgium	61	37	24	59	37	22
Denmark	45	44	1	51	44	7
Finland	32	28	4	29	28	1
France	311	248	63	281	248	33
Germany	521	467	54	519	467	52
Ireland	41	24	17	43	24	19
Italy	175	125	50	138	125	13
Luxembourg	33	15	18	133	15	118
Netherlands	129	106	23	291	106	185
Spain	92	74	18	92	74	18
Sweden	83	67	16	84	67	17
Switzerland	236	179	57	235	179	56
United Kingdom	572	419	153	548	419	129
Latin America and Other Western Hemisphere						
South and Central America						
Brazil	47	23	24	24	23	1
Mexico	85	63	22	70	63	7
Venezuela	14	13	1	13	13	0
Other Western Hemisphere						
Bermuda	58	28	30	69	28	41
United Kingdom Islands, Caribbean	43	30	13	275	30	245
Africa						
South Africa	11	2	9	2	2	0
Middle East						
Israel	62	49	13	57	49	8
Kuwait	13	5	8	5	5	0
Saudi Arabia	54	10	44	10	10	0
United Arab Emirates	57	9	48	10	9	1
Asia and Pacific						
Australia	155	143	12	146	143	3
China	70	46	24	50	46	4
Hong Kong	69	16	53	33	16	17
India	70	42	28	44	42	2
Japan	1,208	1,171	37	1,183	1,171	12
Korea, Republic of	90	88	2	88	88	0
Singapore	38	25	13	40	25	15
Taiwan	96	65	31	67	65	2
United States	**184**	....	**184**	....	....	....

1. The totals on this line are for all affiliates with total assets, sales, or net income (or loss) greater than $20 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 total assets, sales, or net income greater than $20 million that were required to report in the benchmark survey.

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 activities data for U.S. affiliates by each country in which a UBO was incorporated in 2012. Table 6 shows data for all affiliates on the direct investment position and on direct investment income by each country in which a UBO was incorporated. 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 6.

Three tables—tables 6, I.A 7, and II.A 7—show data by country of foreign parent. Table 6 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 activities data items classified by country of UBO and by country of foreign parent.

Estimation and General Validity of the Data

Every U.S. affiliate was required to report in the benchmark survey for 2012. The specific survey form used for reporting depended on the affiliate's size and share of foreign ownership. Following a change introduced in the 2008 Annual Survey of Foreign Direct Investment in the United States, each of the survey forms covered U.S. affiliates in all industries, including banking. In previous benchmark surveys, bank affiliates reported on a separate bank form that was less detailed than the forms filed by nonbank affiliates; before the 2008 annual survey, bank affiliates were exempt from filing annual reports in nonbenchmark survey years.

The amount of information on U.S. affiliate activities collected in the 2012 benchmark survey varied by affiliate size and whether or not the affiliate was majority owned by foreign direct investors. Form BE–12A, 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 $300 million.[24] Smaller majority-owned affiliates with total assets, sales, or net income (or loss) between $60 million and $300 million filed Form BE–12B, and very small majority-owned affiliates with total assets, sales, and net income (or loss) of $60 million or less filed Form

23. However, the detailed tables on the direct investment position and transactions 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. Statistics on the direct investment position and direct investment income by country of UBO are also available on BEA's Web site.

24. The size threshold for reporting on the most detailed form, previously termed the "long form," had been $175 million in the 2007 benchmark survey; it was raised in order to reduce the burden on respondents.

Table 6. 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

	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	**2,511,464**	**155,570**	**2,511,464**	**155,570**	**2,511,464**	**155,570**
Canada	**249,871**	**13,011**	**253,094**	**14,764**	**255,450**	**15,136**
Europe	**1,570,309**	**108,164**	**1,688,993**	**111,936**	**1,689,771**	**111,715**
Belgium	30,596	2,761	40,938	2,529	40,375	2,454
Denmark	9,766	688	10,038	(D)	10,038	741
Finland	10,862	217	(D)	126	9,986	126
France	219,586	16,417	205,145	15,276	203,943	15,332
Germany	250,959	19,874	200,628	15,365	198,711	15,350
Ireland	86,993	4,086	(D)	(D)	12,415	1,576
Italy	33,845	2,854	22,430	(D)	22,463	2,355
Netherlands	114,696	9,965	283,818	27,218	287,506	27,252
Spain	52,260	1,773	48,445	1,185	48,430	1,187
Sweden	32,646	2,358	(D)	2,056	48,135	2,130
Switzerland	111,417	11,837	87,242	10,824	80,826	12,472
United Kingdom	568,209	34,656	530,896	26,319	537,431	24,590
Other	48,475	677	(D)	6,266	189,512	6,150
Armenia	(*)	(*)	(*)	(*)	(*)	(*)
Austria	2,800	(D)	(D)	493	5,695	509
Azerbaijan	(*)	(*)	(*)	(*)	(*)	(*)
Belarus	2	(D)	2	(*)	2	(*)
Bosnia and Herzegovina	(*)	0	(*)	0	(*)	0
Bulgaria	(*)	(*)	(*)	(*)	(*)	(*)
Croatia	3	1	3	1	3	1
Cyprus	(D)	–26	(D)	32	(D)	(D)
Czech Republic	2	(*)	2	(*)	2	(*)
Estonia	–4	–1	–4	–1	–4	–1
Georgia	1	(D)	0	0	0	0
Gibraltar	(D)	(*)	(D)	(D)	733	(D)
Greece	414	–80	(D)	–141	(D)	–141
Greenland	5	2	2	(*)	2	(*)
Hungary	(D)	–1	(D)	(D)	8,788	496
Iceland	369	30	(D)	59	(D)	59
Liechtenstein	458	50	437	20	445	21
Lithuania	(*)	(*)	(*)	(*)	(*)	(*)
Luxembourg	12,531	–239	(D)	(D)	141,814	4,132
Malta	5	2	(D)	(D)	(D)	(D)
Moldova	4	(*)	0	0	0	0
Monaco	(D)	(D)	2	(*)	2	(*)
Norway	17,778	943	(D)	(D)	18,670	938
Poland	(D)	(D)	(D)	(D)	1,965	82
Portugal	(D)	–140	215	–22	215	–22
Romania	1	(*)	1	(*)	1	(*)
Russia	6,323	–98	(D)	(D)	(D)	(D)
Slovakia	(*)	–1	(*)	–1	(*)	–1
Slovenia	(D)	(D)	(D)	(D)	(D)	(D)
Turkey	974	(D)	(D)	(D)	(D)	(D)
Ukraine	1	(*)	1	(*)	1	(*)
Uzbekistan	(*)	(*)	(*)	(*)	(*)	(*)
Latin America and Other Western Hemisphere	**85,192**	**5,662**	**118,213**	**8,614**	**116,131**	**8,534**
South and Central America	51,280	2,977	24,212	3,528	23,840	3,527
Brazil	16,450	308	2,392	132	2,392	132
Mexico	26,280	2,055	(D)	(D)	13,972	2,445
Venezuela	4,721	(D)	(D)	(D)	4,608	(D)
Other	3,830	(D)	3,104	4	2,867	(D)
Argentina	511	–73	(D)	(D)	(D)	(D)
Belize	(D)	1	15	–2	15	–2
Bolivia	8	1	0	0	0	0
Chile	–730	(D)	(D)	37	–740	38
Colombia	2,083	–223	(D)	(D)	(D)	–69
Costa Rica	64	(D)	17	(D)	22	(*)
Ecuador	76	–6	(D)	1	(D)	1
El Salvador	(D)	4	(D)	3	(D)	3
Guatemala	15	1	13	1	11	1
Guyana	1	(*)	0	0	0	0
Honduras	2	(*)	(*)	(*)	(*)	(*)
Nicaragua	(D)	(D)	5	(D)	5	(*)
Panama	805	–100	1,171	109	1,171	109
Peru	(D)	(D)	(D)	(D)	(D)	(D)
Uruguay	215	32	(D)	(D)	213	38

NOTE. See "General Notes to the Tables" on page M–45.

BE–12C. On Form BE–12C, the full survey form was filed by affiliates with total assets, sales, or net income greater than $20 million but not greater than $60 million, and an abbreviated form was filed by affiliates with total assets, sales, and net income of $20 million or less.[25] For those majority-owned affiliates not required to file Form BE–12A (that is, affiliates that filed Form BE–12B or Form

25. In the 2007 benchmark survey, an intermediate length form, termed the "short form," was filed by majority-owned affiliates with total assets, sales, or net income between $40 million and $175 million, and the least detailed form, termed the "miniform," was filed by majority-owned affiliates with total assets, sales, and net income of $40 million or less—a full miniform was filed by affiliates with 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.

Table 6. 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

	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)
Other Western Hemisphere	33,912	2,686	94,001	5,087	92,291	5,007
Bermuda	17,137	1,229	(D)	1,316	(D)	1,200
United Kingdom Islands, Caribbean	(D)	–281	64,222	3,587	64,761	3,628
Other	(D)	1,737	(D)	183	(D)	179
Anguilla	(D)	(D)	(D)	6	(D)	6
Aruba	(*)	(*)	10	(*)	10	(*)
Bahamas	211	(D)	(D)	–36	1,924	–35
Barbados	27	5	426	–20	426	–20
Cuba	(*)	(*)	(*)	(D)	(*)	(*)
Curacao	(D)	(D)	(D)	235	5,818	229
Dominican Republic	(D)	3	(D)	(D)	(D)	3
French Islands, Caribbean	1	(*)	1	(*)	1	(*)
Grenada	3	(*)	10	(D)	10	(*)
Jamaica	(*)	(*)	(*)	(D)	(*)	(*)
Netherlands Islands, Caribbean	2	(*)	15	1	15	1
St. Kitts and Nevis	(*)	0	5	2	5	2
Trinidad and Tobago	(D)	8	3	(D)	3	(*)
United Kingdom Islands, Atlantic	(*)	–5	26	–7	26	–7
Africa	**2,926**	**433**	**(D)**	**363**	**4,515**	**341**
South Africa	(D)	(D)	(D)	(D)	(D)	(D)
Other	(D)	(D)	(D)	(D)	(D)	(D)
Angola	(D)	(D)	(D)	(D)	(D)	(D)
Congo (Brazzaville)	2	–3	0	0	0	0
Egypt	3	–1	–3	–1	–3	–1
Ghana	1	(*)	0	0	0	0
Guinea	(D)	(D)	(D)	(D)	(D)	(D)
Kenya	(*)	(*)	(*)	0	(*)	0
Liberia	17	1	(D)	(D)	659	33
Libya	(*)	2	0	0	0	0
Malawi	(*)	(*)	(*)	(*)	(*)	(*)
Mauritius	13	(D)	(D)	(D)	2,248	(D)
Morocco	–24	1	(D)	(*)	(D)	(*)
Niger	(*)	(*)	(*)	(*)	(*)	(*)
Nigeria	(D)	(D)	(D)	(D)	(D)	(D)
Seychelles	(*)	0	(*)	(*)	(*)	(*)
Somalia	0	0	(*)	(*)	(*)	(*)
Sudan	(*)	(*)	(*)	(*)	(*)	(*)
Middle East	**62,689**	**–59**	**(D)**	**–86**	**19,858**	**–86**
Israel	27,694	911	10,101	198	10,106	199
Saudi Arabia	(D)	–63	(D)	–232	(D)	–232
United Arab Emirates	21,040	–635	(D)	(D)	1,628	3
Other	(D)	–272	(D)	(D)	(D)	–55
Bahrain	1,023	–15	(D)	–44	–91	–44
Iran	(*)	0	(*)	0	(*)	0
Jordan	(D)	–7	(D)	(D)	(D)	(D)
Kuwait	1,222	–233	807	(D)	807	23
Lebanon	186	(D)	(D)	–1	(D)	–1
Oman	–2	(*)	–2	(*)	–2	(*)
Qatar	(D)	(D)	(D)	(D)	(D)	(D)
Syria	7	(*)	0	0	0	0

NOTE. See "General Notes to the Tables" on page M–45.

BE–12C), BEA imputed the items that are only on BE–12A so the published results could be presented in the same detail for all majority-owned affiliates.[26] Thus, for every data item in the tables for majority-owned affiliates, the statistics presented cover the known universe of majority-owned U.S. affiliates.

Form BE–12B also was filed by minority-owned 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 $60 million; because the imputations of items that are only on Form BE–12A are not prepared for these affiliates, the published results for all affiliates cover only the items that are on Form BE–12B. (Some items on Form BE–12B were collected only for majority-owned affiliates; these items are not included in the data tabulated for all affiliates.) Smaller minority-owned affiliates (those with total assets, sales, and net income of $60 million or less) filed Form BE–12C; for these affiliates, BEA imputed the items that were collected on Form BE–12B but not on Form BE–12C. For every item in the tables for all (majority-owned plus minority-owned) affiliates, the statistics presented cover the known universe of all U.S. affiliates.

26. For a given majority-owned affiliate that filed Form BE–12B or Form BE–12C, items collected only on Form BE–12A generally were estimated on the basis of relationships among data items for a comparable panel of Form BE–12A affiliates.

Table 6. 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

	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)
Asia and Pacific	**447,864**	**20,917**	**426,458**	**19,979**	**425,740**	**19,930**
Australia	60,382	4,241	58,134	3,968	58,334	3,995
China	16,067	280	(D)	(D)	7,974	278
Hong Kong	8,148	(D)	10,275	264	10,305	264
India	11,111	549	5,927	351	5,927	351
Japan	293,792	11,401	290,687	11,298	291,433	11,310
Korea, Republic of	26,711	2,561	(D)	2,545	26,495	2,541
Singapore	18,240	632	18,429	732	16,766	645
Taiwan	8,399	832	5,316	(D)	5,309	521
Other	5,014	(D)	(D)	23	3,197	25
Afghanistan	(D)	1	(D)	(D)	(D)	(D)
Bangladesh	2	(*)	2	(D)	2	(D)
Brunei	745	1	0	0	0	0
Burma	4	–4	4	–4	4	–4
Cambodia	(*)	(*)	(*)	(D)	(*)	(D)
French Islands, Pacific	(*)	0	(*)	0	(*)	0
Indonesia	714	40	397	16	397	16
Malaysia	1,347	–48	821	–34	821	–34
Marshall Islands	0	0	(D)	3	(D)	3
Micronesia	0	0	1	0	1	0
New Zealand	1,386	–6	931	26	928	27
Pakistan	(D)	–5	(D)	2	(D)	2
Papua New Guinea	2	(*)	2	(D)	2	(D)
Philippines	104	(D)	(D)	(D)	91	(D)
Samoa	(*)	(*)	(D)	(D)	(D)	(D)
Sri Lanka	(*)	(*)	(*)	(D)	(*)	(D)
Thailand	473	1	296	–2	296	–2
United Kingdom Islands, Pacific	0	0	(D)	5	(D)	4
Vanuatu	(D)	(*)	(D)	(D)	(D)	(D)
Vietnam	(*)	(*)	(*)	(D)	(*)	(D)
United States	**92,612**	**7,441**	.....	.....	.....	.....
Addenda:						
European Union (27)	1,432,550	95,415	1,573,354	(D)	1,580,604	98,201
OPEC	38,728	–39	14,681	702	14,681	702

NOTE. See "General Notes to the Tables" on page M–45.

For both majority-owned and minority-owned affiliates, the statistics include imputations 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. The statistics do not include estimates for affiliates unknown to BEA.

Direct investment position and international transactions data were collected for affiliates on Forms BE–12A and BE–12B. For small affiliates that filed Form BE–12C, the direct investment position and international transactions data were imputed from the information reported on affiliate activities. For every item in the tables for the direct investment position and transactions data, the statistics cover the known universe of all U.S. affiliates.

In the 2012 benchmark survey, a total of 1,500 affiliates filed Form BE–12A and a total of 1,400 affiliates filed Form BE–12B (table 7). In terms of value, these 2,900 affiliates accounted for 94 percent of the affiliate universe for total assets,

Table 7. 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		
		Assets	Sales		Total assets	Sales	Thousands of employees
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
All U.S. affiliates, total	....	13,848,988	4,191,727	6,458.1	100.0	100.0	100.0
All U.S. affiliates with assets, sales or net income greater than $20 million	5,684	13,819,148	4,169,532	6,387.2	99.8	99.5	98.9
Affiliates that reported on a detailed survey form [1]	2,900	13,035,748	3,672,679	5,191.0	94.1	87.6	80.4
Affiliates that filed on Form BE–12A	1,500	11,899,222	3,177,962	4,447.7	85.9	75.8	68.9
Affiliates that filed on Form BE–12B	1,400	1,136,526	494,717	743.4	8.2	11.8	11.5
Affiliates that failed to file reports and for which reports were estimated	1,762	754,357	471,010	1,128.3	5.4	11.2	17.5
Affiliates that filed the full version of form BE–12C	1,022	29,043	25,844	67.9	0.2	0.6	1.1
Affiliates that filed an abbreviated version of form BE–12C [2]	8,562	15,588	10,896	35.6	0.1	0.3	0.6
Estimates for very small affiliates that did not file a report for 2012 but filed an abbreviated form or a size-based exemption claim in an earlier survey	7,690	14,253	11,299	35.3	0.1	0.3	0.5
Majority-owned U.S. affiliates, total	....	12,789,675	3,778,717	5,889.0	100.0	100.0	100.0
Majority-owned U.S. affiliates with assets, sales or net income greater than $20 million	5,081	12,760,499	3,756,841	5,820.2	99.8	99.4	98.8
Affiliates that reported on a detailed survey form [1]	2,608	12,028,572	3,286,977	4,695.0	94.0	87.0	79.7
Affiliates that filed on Form BE–12A	1,498	11,898,519	3,177,375	4,447.5	93.0	84.1	75.5
Affiliates that filed on Form BE–12B	1,110	130,053	109,603	247.5	1.0	2.9	4.2
Affiliates that failed to file reports and for which reports were estimated	1,566	706,081	446,782	1,064.1	5.5	11.8	18.1
Affiliates that filed the full version of form BE–12C	907	25,846	23,081	61.1	0.2	0.6	1.0
Affiliates that filed an abbreviated version of form BE–12C [2]	8,558	15,557	10,883	35.5	0.1	0.3	0.6
Estimates for very small affiliates that did not file a report for 2012 but filed an abbreviated form or a size-based exemption claim in an earlier survey	7,621	13,619	10,993	33.2	0.1	0.3	0.6

1. Excludes small affiliates that filed on Form BE–12C.
2. Affiliates with assets, sales, or net income (or loss) less than $20 million.

88 percent of the universe for sales, and 80 percent of the universe for employment.[27] A total of 1,022 affiliates filed the full version of Form BE–12C; these affiliates accounted for about 1 percent or less of the affiliate universe for total assets, sales, and employment. Estimates were made for 1,762 affiliates that did not file a benchmark survey report even though they met the criteria for filing either a full Form BE–12C or a longer survey form; according to these estimates, such affiliates accounted for 5 percent of the affiliate universe for total assets, 11 percent of the universe for sales, and 18 percent of the universe for employment. For these affiliates, BEA had a report in another direct investment survey that could serve as a basis for the estimation.[28]

Very small affiliates—those with total assets, sales, and net income (or loss) of $20 million or less—were asked to file an abbreviated version of Form BE–12C. A total of 8,562 abbreviated forms were filed. In addition, imputations were made for 7,690 very small affiliates that did not file a benchmark survey report for 2012 but had filed either an abbreviated miniform in the 2007 benchmark survey or a size-based exemption claim in another survey. Together, these very small affiliates accounted for about 1 percent or less of the affiliate universe for total assets, sales, and employment.[29]

For majority-owned affiliates, the Form BE–12A was filed by a total of 1,498 affiliates. Although these affiliates accounted for only 29 percent of all majority-owned affiliates above the size threshold for reporting on the full version of Form BE–12C or on a more detailed form, they accounted for 93 percent of the majority-owned affiliate universe for total assets and for 84 percent of the majority-owned affiliate universe for sales. For employment, their share of the majority-owned universe was 76 percent.

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 consultation with the reporting affiliate. In some cases, usually involving small affiliates, imputations 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.

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27. Data on total assets, sales, and employment were collected on the abbreviated version of Form BE–12C as well as on the more detailed survey forms.

28. Affiliates that had filed an annual survey report for 2010 or 2011 accounted for about three-fourths of the estimated data on total assets, sales, and employment for affiliates that did not file a benchmark survey report for 2012.

29. About 45 percent 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 6 percent, much larger than their 0.2 percent share for affiliates in all industries combined.

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 $20 million, the minimum size threshold for reporting in the 2012 benchmark survey using the full version of Form BE–12C 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 were based on lower size thresholds. In the publications for 2007–2011, the number counts were based on the $15 million size threshold used to require reporting in the 2007 benchmark survey using a full version of the survey's least detailed form (the "miniform") or a more detailed form. In the publications for earlier years, the counts were based on size thresholds used to require the submission of a benchmark survey report.[30]

The affiliate number counts shown in the tables of this publication—except for table 7—exclude very small affiliates; that is, they exclude affiliates with total assets, sales, and net income of $20 million or less. These very small affiliates consist of affiliates that were only required to file an abbreviated version of Form BE–12C. For the 2012 benchmark survey, the abbreviated version of Form BE–12C was filed by 8,562 affiliates, and estimates from abbreviated miniform filings in the 2007 benchmark survey or from exemption claims filed in other surveys were made for an additional 7,690 affiliates. The total number of very small affiliates may be considerably higher than the sum of these two counts, as some very small affiliates may be unknown to BEA. In terms of value, the effect of any omission of affiliates below the $20 million threshold on the benchmark survey data is likely negligible, as the known affiliates below this threshold account for only a tiny percentage of the data for all affiliates (table 7). 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 $20 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.

30. 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.

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—33,914 companies, compared with 5,684 affiliates above the $20 million threshold for filing at least the full version of Form BE–12C. For majority-owned affiliates, the comparable figures are 30,922 companies and 5,081 affiliates.

This publication includes affiliate number counts by state for all affiliates with employment (table I.A 9) and for majority-owned affiliates with employment (tables II.A 9 and II.G 16). For a given state, an affiliate is counted even if it only has a few employees in the state. 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. The significance of such small operations in a particular state can be ascertained from table II.G 16, which shows the number of affiliates with employment disaggregated by size class.

Activities Data

Activities data focus on the overall operations of U.S. affiliates. Among the items covered by these data are the following: 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.

The activities 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 activities data can be found in the instructions of 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 if they were required—preferably according to U.S. generally accepted accounting principles.[31] Therefore, any major changes in GAAP will affect the affiliate data.

31. 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.

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.[32] 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 direct 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.

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32. 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.F 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.

Goods and services supplied

For majority-owned affiliates, the 2012 benchmark survey collected affiliate sales (or gross operating revenues) disaggregated into goods, services, and investment income. Services were further disaggregated into sales to U.S. persons and sales to foreign persons. 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 featured measures of the output of goods and services provided by U.S. affiliates.[33]

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.[34] 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.[35] For banks, services supplied includes explicit fees and commissions and an estimate of the value of implicit charges for services provided by banks (often referred to

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33. Statistics on services supplied though U.S. affiliates are presented together with statistics on services supplied through foreign affiliates and on trade in services in annual articles in the Survey of Current Business; for the most recent presentation, see Alexis N. Grimm and Charu S. Krishnan, "U.S. International Services: Trade in Services in 2014 and Services Supplied Through Affiliates in 2013," Survey 95 (October 2015). Statistics on services supplied through U.S. affiliates beginning with the year 2002 are available in BEA's interactive international services tables. In BEA's benchmark and annual data publications on foreign direct investment in the United States, statistics on goods and services supplied replace statistics on goods and services sales as BEA's featured measures of goods and services provided by affiliates beginning with the benchmark survey year 2007.

34. 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.

35. See Obie G. Whichard and Maria Borga, "Selected Issues in the Measurement of International Services," Survey 82 (June 2002): 36–56.

as financial intermediation services indirectly measured).[36] 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 2012. 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 above a minimum size threshold on employment in the four-digit industries in which it had sales.[37]

Data were collected on employment and compensation of employees covering affiliates' total U.S. operations. In addition, the data on affiliate employment were broken down by state.

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.[38]

36. The implicit service charges reduce the rate paid to depositors, who forego some interest in exchange for services, and increase the rates charged to borrowers. These implicitly priced services include processing of checks and electronic payments, disbursing or transferring funds when and where needed, protecting deposited funds, bookkeeping, bill payment, check cashing, investment services, screening and monitoring borrowers, and loan underwriting. See Kyle K. Hood, "Alternative Measures of Implicitly Priced Financial Services of Savings Institutions and Credit Unions," Survey 91 (November 2013): 27–35.

37. See footnote 19.

38. 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 8.

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, 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 2012 benchmark survey, affiliates whose fiscal year exactly corresponded to the calendar year 2012 accounted for 76 percent of the total exports and for 71 percent of the total imports of goods reported for all U.S. affiliates (table 2).

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 2012 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 2012 benchmark survey—as in the benchmark surveys for 1980, 1992, 1997, 2002, and 2007—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.

Research and development

The 2012 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 previous benchmark surveys, the 2012 benchmark survey data on R&D expenditures were collected on two bases: R&D *performed* by the affiliate (whether the R&D was for its own use or for use by others) and R&D *funded* by the affiliate (whether the R&D was performed internally or by others). R&D performed can be used to gauge the technological capabilities of affiliates. R&D funded 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.

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. A detailed description of what is considered an R&D employee is available in the survey instructions in the appendix.

Direct Investment Position and Transactions Data

Direct investment position and transactions data measure the U.S. affiliate's positions and transactions with its foreign parent and other members of its foreign parent group.[39] In contrast, affiliate activities data provide measures of the U.S. affiliate's overall operations, including its transactions and positions with all persons. For example, the direct investment position in an affiliate is equal to its

39. In this publication, the direct investment position and transactions 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. See also Marilyn Ibarra-Caton and Raymond J. Mataloni, "Direct Investment Positions for 2013: Country and Industry Detail," Survey 94 (July 2014).

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 persons and (2) the total liabilities owed by the affiliate both to members of the foreign parent group and to all other persons.[40]

In the benchmark survey, data for the direct investment position and transactions items for affiliates were obtained in part III of Form BE–12A and in part III of BE–12B (see the appendix).

For foreign direct investment in the United States, two major items appear in the U.S. international transactions accounts: direct investment financial transactions and direct investment income. Two adjustments are made to the direct investment transactions data before they are entered into the U.S. international accounts. First, the two items are adjusted to reflect current-period prices.[41] 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 transactions data collected in the 2012 benchmark survey are on a fiscal-year basis. Thus, before the data are incorporated into the U.S. international transactions accounts and the investment 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 2012 are extrapolated forward to derive universe estimates for calendar years after 2012 on the basis of sample data collected in BEA's quarterly surveys for those years.[42]

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 the cumulative financing provided in the form of equity or debt by foreign parent groups to U.S. affiliates.

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40. 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).

41. The adjustments are made only at the global level; the source data needed to adjust the estimates by detailed country and industry 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 economic accounting. 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.

42. 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 direct investment transactions data collected in the 2012 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 2012 fiscal year. In the benchmark survey publications for 1992 and 1997, the direct investment transactions 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 and 2007, the direct investment transactions and direct investment position data are not adjusted to include such estimates, in order to preserve consistency in coverage with the activities data.

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.[43] 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.[44]

Direct investment equity positions in U.S. affiliates are, by definition, held only by foreign parents. Foreign parents may also have direct debt positions with U.S. affiliates.[45] 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. Unincorporated affiliates are wholly owned by their foreign parent and do not disaggregate equity into subcategories.

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43. 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 date the impact on the positions at historical cost has been immaterial and that its featured measure of the direct investment position—the market-value 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.

Foreign parent groups' net outstanding loans to their U.S. affiliates, also referred to as the "debt instruments" position, 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.

The debt instruments position 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 property leased to a U.S. affiliate by its foreign parent group is included in affiliates' payables, and the value of 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 terms 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.

For U.S. affiliates that are depository institutions, the foreign direct investment position is defined to include only their foreign parents' equity investment in them; this treatment, which was introduced with the position statistics for 2007, 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.[46] Similarly, the direct investment transactions 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

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44. Estimates of the U.S. direct investment position on an asset/liability basis measured at market value are published each quarter in an article on the U.S. international investment position in the Survey of Current Business. In addition, position estimates measured at market value and at current cost are presented in table 2.1 of BEA's international investment position tables. 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.

45. The foreign parent group can have debt positions, but not equity positions, in U.S. affiliates that they indirectly own through another U.S. affiliate.

46. 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.

flows exclude intercompany debt transactions.[47] This treatment, which was introduced in the U.S. international transactions accounts for 1994, is similar to the more recent treatment of debt investment for affiliates that are depository institutions.[48]

A foreign parent and its U.S. affiliate may have a two-way financial relationship—each may have debt or 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 them. In the debt-instruments portion of the position, affiliates' receivables from their foreign parent groups (reverse debt investment) are netted against affiliates' payables to their foreign parent groups.[49] 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 "portfolio investment" component of U.S. assets 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 8). The change during the year is the sum of direct investment financial transactions (defined below) and valuation adjustments. Valuation adjustments are

47. 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).

48. 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.

49. 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.

Table 8. Change in the Historical-Cost Foreign Direct Investment Position in the United States by Account, 2012

[Millions of dollars]

Position at yearend 2011	2,047,307
Change in position	464,158
Direct investment financial transactions without current-cost adjustment	222,086
Equity other than reinvestment of earnings	112,943
Increases	170,524
Decreases	57,581
Reinvestment of earnings without current-cost adjustment	78,036
Debt instruments	31,107
Increases in U.S. affiliates' payables	83,779
Increases in U.S. affiliates' receivables	52,673
Valuation adjustment	242,072
Of which:	
Capital gains and losses, including translation adjustments	–1,967
Position at yearend 2012	2,511,464

broadly defined to include all changes in the position other than financial transactions. 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.[50] 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.

Direct investment financial transactions

Direct investment financial transactions arise from transactions that change U.S. affiliate claims (assets) and obligations (liabilities) toward their foreign parents or other members of their foreign parent groups. Direct investment financial transactions consist of equity other than reinvestment of earnings, reinvestment of earnings, and debt instruments. This section first defines these components and then discusses the coverage, measurement, and presentation of direct investment financial transactions.

Equity other than reinvestment of earnings. Equity other than reinvestment of earnings is the net of increases and decreases in foreign parent equity in their U.S. affiliates. It excludes changes in equity that result from the reinvestment of earnings, which are recorded as a separate component of direct investment financial transactions. Increases in equity other than reinvestment of earnings result from the foreign parents' establishment of new U.S. affiliates, from initial acquisitions of a 10 percent or more ownership interest in existing U.S. business, from acquisitions of additional ownership interests in existing U.S. affiliates, and from capital contributions to U.S. affiliates. Decreases in equity other than reinvestment of earnings result from liquidations of U.S. affiliates, from partial or total sales of ownership interests in U.S. affiliates, and from the return of capital contributions. Decreases also include liquidating dividends, which are a return of capital to foreign parents. Decreases in equity other than reinvestment of earnings are netted against increases to derive net transactions in equity other than reinvestment of earnings.

Increases and decreases in equity other than reinvestment of earnings 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

50. 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.

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.

Reinvestment of earnings. Reinvestment of earnings of U.S. affiliates equals total 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.[51] A foreign parent's share in earnings is based on its directly held equity interest in the U.S. affiliate. The earnings and reinvestment of 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.

Reinvestment of earnings is shown as a separate component of direct investment financial transactions in recognition of the fact that the earnings of a U.S. affiliate are income to the foreign parent, and generate an entry in the direct investment income account, whether they are reinvested in the affiliate or remitted to the parent.[52] However, because reinvested earnings are not actually transferred to the foreign parent but increase the parent's investment in its affiliate, an entry of equal magnitude, but opposite direction, is made in the direct investment financial account, offsetting the "reinvested earnings" entry made in direct investment income payments.

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.[53] 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 transactions). 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.

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51. 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.
52. See the next section, "Direct investment income."
53. "Stock dividends" are used here to refer to essentially the same concept that is discussed in IMF, *Balance of Payments and International Investment Position Manual*, 6th ed. (see footnote 11) 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."

Debt instruments. Debt instrument transactions result 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 U.S. affiliate's net outstanding debt balance with its foreign parent group (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.[54]

Increases in U.S. affiliates' payables to or reductions in U.S. affiliates' receivables from their foreign parent groups result in increases in U.S. affiliates' net liabilities and give rise to inflows in debt instruments. Reductions in U.S. affiliates' payables to or increases in U.S. affiliates' receivables from their foreign parent groups result in decreases in U.S. affiliates' net liabilities and give rise to outflows in debt instruments.

Not all debt instrument 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 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 debt instruments as an increase in the U.S. affiliate's payables to its foreign parent group.

Transactions in debt instruments include changes in the value of capital—or financial—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, the value of the leased property is recorded as a liability of the U.S. affiliate because it increases its payables (a debt instruments inflow). The subsequent payment of principal on a capital lease, or the component of payments under an operating lease that reflects depreciation, is a return of capital and is recorded as a reduction in the U.S. affiliate's liabilities because it reduces its payables (a debt instruments outflow). Similarly, when property is leased by a U.S. affiliate to its foreign parent group, the value of the leased property is recorded as an asset of the U.S. affiliate because it increases its receivables (a debt instruments outflow). The subsequent payment of principal on a capital lease, or

54. Following the recommendations in IMF, *Balance of Payments and International Investment Position Manual*, 6th ed., all debt transactions between affiliated bank or finance companies (excluding insurance companies) are excluded from intercompany debt inflows.

the component of payments on an operating lease that reflects depreciation, is a return of capital and is recorded as a reduction in the U.S. affiliate's assets because it reduces its receivables (a debt instruments inflow).

Coverage, measurement, and presentation. Equity and debt instrument investment mainly result from transactions between foreign parents (or, in the case of debt instrument 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 transactions exclude financing 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.[55]

However, if the foreign parent's original interest only represented 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 "equity and investment fund shares" component of U.S. portfolio investment liabilities, so that the reclassification would not affect the overall U.S. international investment position.)

Equity and debt instrument investment can be disaggregated into several subaccounts. Equity other than reinvestment of earnings, which is recorded as a net amount, can be disaggregated to show increases and decreases in equity. Debt instrument transactions are 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

55. 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.

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 transactions. For example, the capitalization of debt instruments, which brings about a decrease in debt instrument investment (an outflow) and an offsetting increase in equity investment (an inflow), results in gross, but not net, transactions.

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 equity and debt investments in their U.S. affiliates plus the return of other members of the foreign parent groups on their debt investments in their U.S. affiliates. Direct investment income consists of earnings (that is, the foreign parent 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 debt investment in U.S. affiliates. Table 9 shows direct investment income and the relationships among its components for all U.S. affiliates from the 2012 benchmark survey.

Table 9. Direct Investment Income and Its Components

Direct investment income	155,570
Income on equity	133,689
Dividends and withdrawals	55,654
Reinvested earnings	78,036
Interest	21,881
U.S. affiliates' payments	24,637
U.S. affiliates' receipts	2,756

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.[56] This treatment views taxes as being levied upon the recipient of the distributed earnings or interest and thus as being paid

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

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 dividends and withdrawals 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 “secondary income (current transfer) payments and receipts.”

Income on equity. Direct investment income on equity represents the foreign parents’ shares in the net income of their U.S. affiliates, after provision for income taxes. A parent’s share in net income is based on its directly held equity interest in the affiliate; a parent’s directly held debt in the affiliate is not considered in determining the parent’s share because debt is not an indication of ownership. The two major components of direct investment income on equity are *dividends and withdrawals* and *reinvested earnings*.

Dividends and withdrawals are distributed earnings allocated to the owners of a business for placing funds at the disposal of the business. For incorporated affiliates, they represent the payment of dividends to the owners of equity; they are the returns to the shareholders or owners. In addition to dividends from corporations, withdrawals from unincorporated affiliates are included in income on equity. From an economic point of view, the withdrawal of such income is equivalent to the distribution of corporate income through dividends.

Reinvestment of earnings is the earnings that remain after distributions have been made to the owners of the U.S. affiliate. They represent the net savings of the affiliate in the period. Because reinvested earnings, or net savings, represent an addition to the owners’ capital, an offsetting entry of equal magnitude is made in the direct investment component of the financial account. The offsetting entry is presented as reinvestment of earnings and is listed separately along with other transactions in equity and debt instruments as components of the owners’ investment in the enterprise.

Interest. 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.[57] Interest receipts are netted against interest payments because in the

57. 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.”

debt instruments 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 debt instruments component of the direct investment position.[58]

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58. 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.

General Notes to the Tables

- A “U.S. affiliate” is a U.S. business enterprise in which a single foreign person owns or controls, directly or indirectly, 10 percent or more of the voting securities if the enterprise is incorporated or an equivalent interest if the enterprise is unincorporated. “Person” is broadly defined to include any individual, corporation, branch, partnership, associated group, association, estate, trust, or other organization and any government (including any corporation, institution, or other entity or instrumentality of government). A “foreign” person is any person resident outside the United States—that is, outside the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, and all U.S. territories and possessions.

- A “majority-owned U.S. affiliate” is a U.S. affiliate that is owned more than 50 percent by foreign direct investors.

- 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.

- An “ultimate beneficial owner” (UBO) is that person, proceeding up a U.S. affiliate’s ownership chain, beginning with and including the foreign parent, that is not owned more than 50 percent by another person.

- 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.

- The statistics in this report cover the universe of U.S. affiliates of foreign multinational enterprises. The one exception is number counts of U.S. affiliates, which cover affiliates with total assets, sales, or net income (or loss) greater than $20 million.

- The statistics are on a fiscal-year basis. The fiscal year of an affiliate is defined as the financial reporting year that ended in the calendar year. Unless otherwise specified, all balances are as of the close of fiscal year 2012.

- To ascertain the subindustries in an industry grouping, see tables I.A 2 and II.A 2.

- To ascertain the countries in a geographical area, see tables I.A 3 and II.A 3.

- The European Union (27) comprises Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

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

- The "United Kingdom Islands, Caribbean" includes British Virgin Islands, Cayman Islands, Montserrat, and Turks and Caicos Islands.

- In the tables in which the data are disaggregated by state, "other U.S. areas" consists of the U.S. Virgin Islands, Guam, American Samoa, U.S. offshore oil and gas sites, and all other outlying U.S. areas; the "foreign" category consists of the employees of U.S. affiliates working abroad for more than 1 year.

- In the tables in which the data are disaggregated by the industry of the ultimate beneficial owner, the industry "government and government-related entities" consists of foreign governments, government-owned or government-sponsored agencies, quasi-government organizations, and government-run pension funds.

- An asterisk "(*)" indicates a nonzero value between –$500,000 and $500,000 or fewer than 50 employees.

- Detail may not add to the total, because of rounding.

- A "(D)" indicates that the data have been suppressed to avoid the disclosure of data of individual companies. For employment cells that have been suppressed, a letter in the data cell indicates an employment size range; the ranges are indicated at the bottom of the tables.

- See the footnotes following the last table.