U.S. DIRECT INVESTMENT ABROAD

Balance of Payments and Direct Investment Position Estimates, 1982–88

September 1995

U.S. DEPARTMENT OF COMMERCE
Ronald H. Brown, *Secretary*

ECONOMICS AND STATISTICS ADMINISTRATION
Everett M. Ehrlich, *Under Secretary for Economic Affairs*

BUREAU OF ECONOMIC ANALYSIS
J. Steven Landefeld, *Acting Director*

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402

Contents

Introduction

This publication presents estimates of the U.S. direct investment position abroad valued at historical cost and of balance of payments transactions between U.S. parent companies and their foreign affiliates for calendar years 1982–88. Balance of payments transactions consist of capital outflows and its components (equity capital outflows, reinvested earnings, and intercompany debt outflows); income; royalties and license fees; and charges for other services. The estimates in this publication differ from comparable items included in the international investment position of the United States and in the U.S. balance of payments accounts; these differences are discussed in the section "Incorporation of Direct Investment Estimates in the International Investment Position and Balance of Payments Accounts."

The years 1982–88 were chosen for inclusion in this publication because estimates for these years are now final. Preliminary estimates for these years (as well as more recent years) have been published by the Bureau of Economic Analysis (BEA) in its monthly journal, the SURVEY OF CURRENT BUSINESS, usually in the August issues.

The estimates, which are summarized in table A, are linked—or benchmarked—to the 1982 and 1989 benchmark surveys, or censuses, of U.S. direct investment abroad. They are generally consistent with estimates published for earlier years. (See *Selected Data on U.S. Direct Investment Abroad, 1950–76* and *U.S. Direct Investment Abroad: Balance of Payments and Direct Investment Position Estimates, 1977–81.*[1]) The important differences, such as changes in the definitions of the components of the direct investment position, are discussed in the section "Changes in the Direct Investment Series."

1. These publications are available from the National Technical Information Service (NTIS). For *Selected Data* 1950–76, the stock number is PB87–121869 and the prices are $47.00 for domestic orders and $83.50 for foreign orders. For *U.S. Direct Investment Abroad* 1977–81, the stock number is PB87–178265 and the price are $25.00 for domestic orders and $44.50 for foreign orders. An order form for NTIS products is provided at the end of this volume.

Table A.—U.S. Direct Investment Abroad: Balance of Payments and Direct Investment Position Estimates, 1982–89

[Millions of dollars]

	1982	1983	1984	1985	1986	1987	1988	1989
Position	**207,752**	**212,150**	**218,093**	**238,369**	**270,472**	**326,253**	**347,179**	**381,781**
Equity	208,483	223,607	236,506	255,914	278,912	327,857	337,614	353,628
Intercompany debt	–730	–11,457	–18,413	–17,546	–8,439	–1,604	9,565	28,153
U.S. parent receivables	59,907	54,758	56,925	56,032	58,748	64,037	67,970	92,084
U.S. parent payables	60,638	66,214	75,338	73,578	67,187	65,641	58,404	63,931
Capital outflows	**1,078**	**9,525**	**13,045**	**13,388**	**19,641**	**30,154**	**18,599**	**37,604**
Equity capital	9,708	7,249	2,394	–1,672	1,147	4,868	–6,662	6,395
Increases	16,842	12,658	11,761	10,409	15,322	20,175	16,775	28,123
Decreases	7,133	5,409	9,367	12,082	14,175	15,307	23,437	21,728
Reinvested earnings	4,806	13,680	17,607	14,165	9,669	18,454	14,073	12,697
Intercompany debt	–13,436	–11,404	–6,956	895	8,825	6,832	11,187	18,512
U.S. parent receivables	1,584	–5,150	2,168	–548	2,239	5,311	4,145	24,546
U.S. parent payables	–15,021	–6,254	–9,124	1,443	6,587	1,521	7,042	–6,033
Income	**24,828**	**27,260**	**30,746**	**28,778**	**31,040**	**40,028**	**52,057**	**53,929**
Earnings	26,797	30,868	35,114	32,886	34,244	42,393	53,444	53,885
Distributed earnings	21,991	17,188	17,507	18,721	24,575	23,940	39,371	41,188
Reinvested earnings	4,806	13,680	17,607	14,165	9,669	18,454	14,073	12,697
Interest	–1,969	–3,608	–4,368	–4,108	–3,203	–2,366	–1,386	44
U.S. parents' receipts	2,151	1,816	1,760	1,621	1,600	1,767	2,219	3,210
U.S. parents' payments	4,120	5,424	6,128	5,729	4,803	4,133	3,605	3,166
Royalties and license fees:								
U.S. parents' receipts	3,585	3,750	4,091	4,344	5,695	7,275	8,776	10,082
U.S. parents' payments	78	123	100	131	114	162	137	68
Other services:								
U.S. parents' receipts	4,517	4,618	4,612	4,882	5,577	5,658	6,808	9,117
U.S. parents' payments	2,700	2,089	2,076	2,300	2,391	3,050	3,461	4,783

NOTE.—Income excludes a current-cost adjustment. Income, royalties and license fees, and other services are after deduction of withholding taxes. The direct investment position is on a historical-cost basis.

The data for 1982 and 1989 are universe values from benchmark surveys, adjusted from the fiscal year basis on which the data were reported to a calendar year basis—the basis required for the balance of payments accounts. The data for 1983–88 are universe estimates that are the sum of sample data reported in BEA's quarterly surveys of U.S. direct investment abroad plus an estimate of data for affiliates not reported in the quarterly surveys. The estimates for unreported affiliates for 1983–88 are derived both by extrapolating forward data reported for these affiliates in the 1982 benchmark survey based on the movement of the sample data in the subsequent years, and by interpolating backwards between the 1989 and 1982 benchmark surveys. (For a more detailed discussion, see the section on "Changes in the Direct Investment Series.")

The tables in this publication are available on diskette.[2] In addition, BEA can make special tabulations or perform regressions or other statistical analyses of the underlying data at cost, within the limits of available resources and subject to the legal requirement to avoid disclosure of data of individual companies. Data users requiring special tabulations should submit their requests in writing and include a justification of need; BEA will consider each request on a case-by-case basis. Requests for, or questions about, special tabulations should be directed to the International Investment Division (BE-50), Data Retrieval and Analysis Branch, Bureau of Economic Analysis, U.S. Department of Commerce, Washington, DC 20230.

2. A diskette containing the tables in this volume, along with similar tables for 1989–94, is available from BEA; the stock number is 50–95–40–577, price $20.00. An order form for BEA products is provided at the end of this volume.

Definitions

The following are brief definitions of terms and concepts used in this volume. See also "A Guide to BEA Statistics on U.S. Multinational Companies" (SURVEY OF CURRENT BUSINESS 75 (March 1995): 40–44), which discusses these terms and concepts in somewhat more detail and provides examples and visual aids (charts and diagrams). For the most detailed discussion, see the "Methodology" section of *U.S. Direct Investment Abroad: 1989 Benchmark Survey, Final Results.*[1]

Direct investment implies that a person in one country has a lasting interest in, and a degree of influence over the management of, a business enterprise in another country. *U.S. direct investment abroad* (USDIA) is the ownership or control, directly or indirectly, by one U.S. resident of 10 percent or more of the voting securities of an incorporated foreign business enterprise or the equivalent interest in an unincorporated foreign business enterprise. ("Resident" is broadly defined to include any individual, branch, partnership, associated group, association, estate, trust, corporation, or other organization.) A *U.S. parent company* is a U.S. business that undertakes USDIA; a *foreign affiliate* is a foreign business in which the U.S. parent has a direct investment interest.

The *U.S. direct investment position abroad* is the value of the U.S. parents' equity in, and net outstanding loans to, their foreign affiliates. The position may be viewed as the U.S. parents' contributions to the total assets of their foreign affiliates or as financing provided by the U.S. parents to their foreign affiliates in the form of equity or debt. It is not a measure of the total assets of the affiliates, which are the sum of the owners' equity held by, and the liabilities owed to, not only their U.S. parents but also other persons.

Direct investment capital outflows measure funds that U.S. parent companies provide to their foreign affiliates (gross outflows), net of funds that affiliates provide to their parents (gross inflows) during a given period. These funds can be supplied in three forms: Equity capital, intercompany debt, and reinvested earnings. *Equity capital outflows* are net increases in the U.S. parents' holdings of capital stock in, and other capital contributions to, their foreign affiliates. *Reinvested earnings* are the U.S. parents' claim on the undistributed after-tax earnings of their foreign affiliates. *Intercompany debt outflows* are increases in the U.S. parents' net outstanding loans to their affiliates.

Direct investment income is the U.S. parents' return on capital that they have provided to their foreign affiliates. It comprises (1) U.S. parents' claims on the earnings (or profits) of foreign affiliates and (2) U.S. parents' interest receipts on loans to their foreign affiliates less the parents' interest payments on loans from their foreign affiliates. The earnings component of direct investment income is computed after foreign income taxes and excludes capital gains and losses. Both the earnings that are distributed to the parent and those that are reinvested are included in direct investment income.

Direct investment *royalties and license fees* comprise U.S. parents' receipts from, and payments to, their foreign affiliates for the use or sale of intangible property or rights, such as patents, trademarks, copyrights, franchises, manufacturing rights, and other intangible assets or proprietary rights.

Direct investment *charges for other services* comprise U.S. parents' receipts from, and payments to, their foreign affiliates for management, professional, or technical services; rentals for the use of tangible property; and film and television tape rentals.

1. U.S. Department of Commerce, Bureau of Economic Analysis (Washington, DC: U.S. Government Printing Office (GPO), October 1992): M-1—M-24. The GPO stock number is 003-010-00234-4 and the price is $25.00. An order form for GPO products is provided at the end of this volume.

Changes in the Direct Investment Series

The following is a brief summary of the important changes in the direct investment series that have been implemented, beginning with the estimates for 1982.

Capital gains and losses

Capital gains and losses have been removed from direct investment income and the reinvested earnings component of direct investment capital flows. This change was made because capital gains and losses are not income (or returns) on investments from current operations but are part of the value of the investments (or capital). As a result of this change, direct investment income has now been converted from a financial-accounting basis to an economic-accounting basis, which means that its earnings component reflects only earnings on direct investment capital that are derived from current-period production.

Unincorporated affiliates

Beginning with the 1982 benchmark survey, data collected for unincorporated foreign affiliates were made parallel to those collected for incorporated foreign affiliates so that the same detail is now available for both types of affiliates. This change affected only the estimates of the individual components of, not the totals for, the direct investment position, income, and capital flows.

Before the 1982 benchmark survey, the direct investment position in unincorporated affiliates was reported as a single summary account. Now, U.S. parents' equity in and intercompany debt with their unincorporated foreign affiliates are each reported, and each account is combined with the corresponding data for incorporated affiliates to yield the component totals for all affiliates.

Before the 1982 benchmark survey, the reinvested earnings and the distributed earnings of unincorporated affiliates also were not reported separately. Instead, total earnings of these affiliates were treated as if they were distributed; earnings actually reinvested were treated as transfers from parents to affiliates and were included, along with other capital flows, in a single summary account in the "equity and intercompany accounts" component of total capital flows. The estimates of reinvested earnings covered only incorporated affiliates. Now, the reinvested earnings and the distributed earnings of unincorporated affiliates are each reported, and each is combined with the corresponding data for incorporated affiliates to yield totals for all affiliates. In the capital account, the single summary account for unincorporated affiliates is divided into equity capital flows, reinvested earnings, and intercompany debt flows, and each is combined with the corresponding data for incorporated affiliates to yield the component totals for all affiliates.

Royalties, license fees, and charges for other services

Before the 1982 benchmark survey, U.S. parents' net receipts from their foreign affiliates for royalties, license fees, and charges for other services were collected and published as a single item, "fees and royalties." The "fees and royalties" category is no longer shown but instead U.S. parents' gross payments and gross receipts for "royalties and license fees" and "charges for other services" are shown separately.

New benchmarking procedure

The 1983–88 estimates presented in this volume were derived by using a new benchmarking procedure. For the first time, benchmark survey results have been used to revise estimates for years prior to a benchmark survey year. In the past, benchmark survey results were used only to extrapolate estimates forward from the benchmark year. This new procedure eliminates the discontinuity, or break-in-series, that had occurred at a benchmark year because the estimates prior to the benchmark year were extrapolated forward from the previous benchmark survey, whereas the estimates subsequent to the benchmark year were extrapolated forward from the current benchmark survey. Thus, estimates for 1983–88 that previously were only extrapolated forward from the 1982 benchmark survey have now also been interpolated backwards between the 1989 and the 1982 benchmark surveys, thereby eliminating the discontinuity at 1989.

The differences between the previously published estimates (obtained by extrapolating forward universe values from the 1982 benchmark survey) and the final estimates presented in this volume (obtained by also interpolating between the 1982 and 1989 benchmark surveys) are significant (table B). The revisions to direct investment capital flows and position were positive for all years and mainly reflected the addition of data for affiliates that entered the universe between 1983 and 1988 but that were below the exemption level for reporting in the quarterly surveys and thus were not known by, or reported to, BEA until the 1989 benchmark survey.

Format of the published tables

The industry detail shown in the table headings and stubs has changed slightly from the previous publication containing comparable estimates for 1977–81. In the table heading, "mining" and the "retail trade" portion of the former "trade" category have been moved to "other industries," and "services" have been moved from "other industries" to be shown separately.[1] In the table stub, more detail is shown within "services," "finance," and "other industries."

By country, the detail shown has been reorganized along geographic lines; economic or political groupings, such as "developing countries" or the European Communities, are no longer shown in the body of the tables, but in some cases they are shown as addenda. In addition, a few countries in which U.S. investment had expanded significantly (Barbados, China, Costa Rica, Dominican Republic, Guatemala, and Honduras) are now shown separately and several countries in which investment had not expanded as rapidly (Liberia and Libya) are no longer shown.

1. "Services" are narrowly defined to include only those industries in the "services" division of the Standard Industrial Classification (SIC). The services category of the SIC is dominated by business services, such as advertising, accounting, and computer and data processing services; it also includes hotel, health, and motion picture services. For a more detailed list, see the group "services" in tables 14–16.

Table B.—Revisions to 1983–88 Estimates for U.S. Direct Investment Abroad

[Millions of dollars]

	Estimates extrapolated forward from 1982 benchmark survey	Revisions				Revised estimates
		Total	Due to:			
			Unreported births	Unreported deaths	Corrections for reporting errors	
Income:						
1983	26,813	447	784	–337		27,260
1984	30,046	700	929	–229		30,746
1985	27,858	920	1,132	–211		28,778
1986	29,927	1,113	1,387	–273		31,040
1987	38,523	1,505	1,758	–254		40,028
1988	50,429	1,628	2,037	–409		52,057
Capital outflows:						
1983	6,686	2,839	2,581	153	105	9,525
1984	11,649	1,396	2,636	–1,182	–58	13,045
1985	12,724	664	2,869	–2,301	96	13,388
1986	17,706	1,935	3,236	–1,582	281	19,641
1987	28,980	1,174	3,923	–2,914	165	30,154
1988	17,871	728	4,193	–3,467		18,599
Royalties and license fees, net:						
1983	3,597	30	45	–15		3,627
1984	3,921	71	91	–20		3,992
1985	4,096	117	141	–24		4,213
1986	5,412	169	197	–27		5,581
1987	6,889	224	265	–41		7,113
1988	8,333	306	338	–32		8,639
Other services, net:						
1983	2,532	–3	56	–58		2,529
1984	2,483	53	114	–61		2,536
1985	2,490	93	176	–83		2,583
1986	3,024	162	247	–84		3,186
1987	2,446	162	333	–171		2,608
1988	3,091	256	424	–168		3,347
Position:						
1983	207,203	4,947	2,581	1,583	783	212,150
1984	211,480	6,613	5,217	673	723	218,093
1985	230,250	8,119	8,086	–787	820	238,369
1986	259,800	10,672	11,323	–1,751	1,100	270,472
1987	314,307	11,946	15,266	–4,585	1,265	326,253
1988	335,893	11,286	19,459	–8,173		347,179

Incorporation of Direct Investment Estimates in the International Investment Position and Balance of Payments Accounts

The estimates presented in this publication differ in two respects from those for comparable items included in the international investment position of the United States and in the U.S. balance of payments accounts.[1] First, the estimates are on a historical- cost basis, which is the only basis on which detailed country and industry are available; in contrast, the direct investment position estimates in the international investment position of the United States are presented on both a current-cost and a market-value basis, and direct investment income and capital flow estimates in the U.S. balance of payments accounts are presented on a current-cost basis. Second, the estimates of direct investment current- account items (income and services) in this publication, unlike the estimates in the U.S. balance of payments accounts, are net (after deduction) of U.S. and foreign withholding taxes; estimates gross of withholding taxes are not available by country or by industry. A brief explanation of these adjustments can be found in "A Guide to BEA Statistics on U.S. Multinational Companies."

1. See "The International Investment Position of the United States in 1994," and "U.S. International Transactions, First Quarter 1995," SURVEY 75 (June 1995): 52–60 and 76–117, respectively.

Table C.— Alternative Valuations of the U.S. Direct Investment Position Abroad, 1982–88

[Millions of dollars]

	1982	1983	1984	1985	1986	1987	1988
Historical cost ...	207,752	212,150	218,093	238,369	270,472	326,253	347,179
Current cost	387,002	376,307	367,839	394,760	431,475	505,096	526,824
Market value	226,638	274,342	270,574	386,352	530,074	590,246	692,461

Table C shows the direct investment position abroad on all three valuation bases (historical cost, current cost, and market value). Table D reconciles the estimates presented in this publication with those included in the U.S. balance of payments accounts.

Table D.—U.S. Direct Investment Abroad: Reconciliation with Balance of Payments Accounts

[Millions of dollars]

Line		1982	1983	1984	1985	1986	1987	1988
1	**Income with current-cost adjustment, before deduction of withholding taxes (IT table 1, line 12)**	**23,922**	**26,950**	**31,262**	**30,547**	**31,968**	**39,608**	**52,092**
2	Earnings	25,795	30,511	35,593	34,621	35,129	41,918	53,394
3	Distributed earnings	23,058	18,628	18,687	19,780	26,077	25,264	41,744
4	Reinvested earnings	2,737	11,883	16,906	14,841	9,053	16,654	11,650
5	Interest, net	–1,873	–3,561	–4,330	–4,074	–3,162	–2,310	–1,301
6	U.S. parents' receipts	2,264	1,911	1,853	1,706	1,684	1,860	2,336
7	U.S. parents' payments	4,137	5,472	6,183	5,780	4,846	4,169	3,637
8	***Less*: Current-cost adjustment to earnings**	**–2,069**	**–1,797**	**–701**	**676**	**–616**	**–1,799**	**–2,423**
9	***Less*: Withholding taxes, net**	**1,163**	**1,487**	**1,218**	**1,093**	**1,543**	**1,380**	**2,458**
10	On distributed earnings	1,067	1,440	1,180	1,059	1,502	1,324	2,373
11	On interest, net	96	47	38	34	41	56	85
12	On U.S. parents' receipts	113	96	93	85	84	93	117
13	On U.S. parents' payments	17	48	55	51	43	37	32
14	***Equals*: Income without current-cost adjustment, after deduction of withholding taxes (shown in the accompanying tables)**	**24,828**	**27,260**	**30,746**	**28,778**	**31,040**	**40,028**	**52,057**
15	**Capital outflows with current-cost adjustment (IT table 1, line 44, with sign reversed)**	**–991**	**7,728**	**12,344**	**14,065**	**19,025**	**28,355**	**16,175**
16	Equity capital	9,708	7,249	2,394	–1,672	1,147	4,868	–6,662
17	Increases in equity capital	16,842	12,658	11,761	10,410	15,322	20,175	16,775
18	Decreases in equity capital	7,133	5,409	9,367	12,082	14,175	15,307	23,437
19	Reinvested earnings (line 4)	2,737	11,883	16,906	14,841	9,053	16,654	11,650
20	Intercompany debt	–13,436	–11,404	–6,956	895	8,825	6,832	11,187
21	U.S. parents' receivables	1,584	–5,150	2,168	–548	2,239	5,311	4,145
22	U.S. parents' payables	–15,021	–6,254	–9,124	1,443	6,587	1,521	7,042
23	***Less*: Current-cost adjustment (line 8)**	**–2,069**	**–1,797**	**–701**	**676**	**–616**	**–1,799**	**–2,423**
24	***Equals*: Capital outflows without current-cost adjustment (shown in the accompanying tables)**	**1,078**	**9,525**	**13,045**	**13,388**	**19,641**	**30,154**	**18,599**
25	Equity capital (line 16)	9,708	7,249	2,394	–1,672	1,147	4,868	–6,662
26	Reinvested earnings without current-cost adjustment (line 19 less line 23)	4,806	13,680	17,607	14,165	9,669	18,454	14,073
27	Intercompany debt (line 20)	–13,436	–11,404	–6,956	895	8,825	6,832	11,187
28	**Royalties and license fees, before deduction of withholding taxes, net**	**3,693**	**3,820**	**4,203**	**4,437**	**5,877**	**7,501**	**9,096**
29	U.S. parents' receipts (IT table 1, part of line 8)	3,774	3,947	4,306	4,572	5,994	7,668	9,238
30	U.S. parents' payments (IT table 1, part of line 22, with sign reversed)	81	127	103	136	118	168	141
31	***Less*: Withholding taxes, net**	**186**	**193**	**212**	**224**	**296**	**387**	**457**
32	On U.S. parents' receipts	189	197	215	229	300	393	462
33	On U.S. parents' payments	3	4	3	4	4	5	5
34	***Equals*: Royalties and license fees, after deduction of withholding taxes, net**	**3,507**	**3,627**	**3,992**	**4,213**	**5,581**	**7,113**	**8,639**
35	U.S. parents' receipts (shown in the accompanying tables)	3,585	3,750	4,091	4,344	5,695	7,275	8,776
36	U.S. parents' payments (shown in the accompanying tables)	78	123	100	131	114	162	137
37	**Charges for other services, net [1]**	**1,816**	**2,529**	**2,536**	**2,583**	**3,186**	**2,608**	**3,347**
38	U.S. parents' receipts (IT table 1, part of line 9; also shown in the accompanying tables)	4,517	4,618	4,612	4,882	5,577	5,658	6,808
39	U.S. parents' payments (IT table 1, part of line 23, with sign reversed; also shown in the accompanying tables)	2,701	2,089	2,076	2,300	2,391	3,050	3,461

NOTE.—This table reconciles the estimates for which country and industry detail are presented in the accompanying tables with the aggregate estimates presented in the U.S. international transactions accounts in the SURVEY OF CURRENT BUSINESS (see, for example, "U.S. International Transactions, First Quarter, 1995," Survey 75 (June 1995): 76–117). In the international transactions accounts, the earnings component of direct investment income and the reinvested earnings component of capital outflows are adjusted to a current-cost basis, and direct investment current-account items are adjusted to be gross (before deduction) of U.S. and foreign withholding taxes. These adjustments are not reflected in the estimates in the tables in the body of this publication because the source data needed to make the adjustments by country and industry are not available.

1. Withholding taxes on "other" services transactions between U.S. parents and foreign affiliates are assumed to be negligible, and no estimates of them are made. Therefore, there is no difference between the "before-tax" estimates shown in the international transactions accounts and the "after-tax" estimates shown in the tables in the body of this publication.

IT International transactions.

List of Tables

General Notes to Tables

- Detail may not add to totals because of rounding.
- An asterisk "(*)" indicates a value between −$500,000 and $500,000.
- A "(D)" indicates that data have been suppressed to avoid disclosure of data of individual companies.
- Industry classification is by primary industry of foreign affiliate.
- For tables that do not show every country or industry, the individual countries or industries included in a country or industry group shown in the heading or stub may be found by referring to tables 11–13 for countries or tables 14–16 for industries.
- Country names and country groupings reflect those that were current in the year covered by the data.
- The European Communities (10) comprises Belgium, Denmark, France, the Federal Republic of Germany (excluding the German Democratic Republic), Greece, Ireland, Italy, Luxembourg, the Netherlands, and the United Kingdom.
- The European Communities (12) comprises the European Communities (10), Portugal, and Spain.
- OPEC (the Organization of Petroleum Exporting Countries) comprises Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.

September 1995