

# SURVEY OF CURRENT BUSINESS



## Aspects of International Investment

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# The International Investment Position of the United States: Developments in 1973

THE recorded net international investment position of the United States increased \$11.8 billion in 1973, following declines of \$6.4 billion and of \$11.5

billion in 1972 and in 1971. The major factor contributing to this improvement was the shift in the current account in the U.S. balance of payments to a small surplus in 1973 from large deficits in the two preceding years. In addition, reinvested earnings of U.S. affiliates abroad increased substantially more than reinvested earnings of foreign-owned enterprises in the United States, and net valuation and other adjustments had an exceptionally large favorable impact. Total U.S. assets abroad rose \$25.5 billion in 1973 to \$226.1 billion, while total liabilities to foreigners rose \$13.8 billion to \$163.1 billion. The net investment position at yearend was \$63.0 billion, compared with \$51.2 billion in 1972.

balance of payment capital flows, that is, the net change in U.S. assets and liabilities resulting from recorded balance of payments transactions. If the unrecorded flows in the balance of payments could be identified, part would presumably be recorded in the current account and part would be recorded in capital flows; the current account plus allocations of SDR would then equal net recorded balance of payments capital flows.

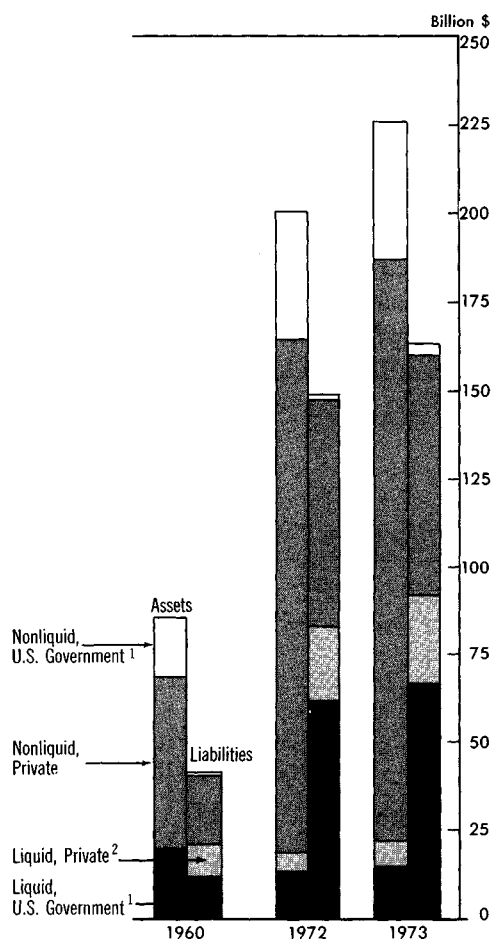
The second group of factors that determines the change in the investment position is not included in balance of payments transactions. In this group are net reinvested earnings, that is, retained earnings of U.S. direct investment abroad less those of foreign direct investment in the United States, and net valuation and other adjustments to outstanding U.S. investments abroad and foreign investments in the United States, including changes in the market value of outstanding assets and liabilities, changes in exchange rates, and changes in coverage (table 2).

### Balance of payments factors

In 1973, the balance on current account was in surplus by \$0.7 billion. There were no SDR allocations, and the balance on unrecorded transactions (errors and omissions) was in deficit by \$2.8 billion. The net result of these balance of payments factors was a deficit of \$2.1 billion, \$8.8 billion less than in 1972.

NOTE.—Statistical material for this article was prepared under the supervision of Nancy R. Keith, with significant contributions from Julius N. Freidlin and E. Seymour Kerber.

CHART 1  
International Assets and Liabilities of the United States



1. Liquid liabilities include other readily marketable and nonliquid liabilities to foreign official agencies as in table 3 line 36.
2. Assets not separately available in 1960, included with private nonliquid assets.

Note.—Refer to table 3 for data.

U.S. Department of Commerce, Bureau of Economic Analysis

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This article reviews the factors accounting for the changes in the net international investment position in 1973. It discusses changes in the composition of U.S. assets and liabilities, noting the shifts between liquid and nonliquid categories. Finally, the pattern of change in the liquidity structure of the investment position is examined by comparing selected categories of assets and liabilities.

### Changes in the Net International Investment Position

The major factors that determine the change in the U.S. net investment position are shown in table 1. The first group represents the balance of payments effect; it is the sum of the balance on current account (goods and services and unilateral transfers), allocations of SDR, and an adjustment for errors and omissions. This sum, in an accounting sense, must be equal to net recorded

The marked shift in the current account balance principally reflected the improvement in the merchandise trade balance, which shifted to a small surplus from a \$7.0 billion deficit in 1972. The dollar devaluations of December 1971 and February 1973, and subsequent further depreciation of the dollar in exchange markets against several major currencies, improved the U.S. competitive trade position. The trade balance was also favorably affected by a sharp increase in agricultural exports, associated with a worldwide shortage and a rise in prices of agricultural products, and by a rise in foreign demand for industrial materials and capital equipment.

The favorable shift in the current account balance was partly offset by adverse changes in the other balance of payments factors. There were no allocations of SDR, and the errors and omissions outflows increased. Most of the net unrecorded outflows occurred in the first quarter when there were widespread expectations of exchange rates changes. This rise in unrecorded net outflows during speculative flare-ups in exchange markets strongly suggests that they were associated with the capital accounts and resulted in underreporting of foreign assets acquired by U.S. residents. If these outflows could be identified and recorded, the result would be an improvement in the net investment position. However, if there

were unrecorded outflows associated with current account transactions and they could be identified and recorded, such revisions to the current account would fully offset the revisions to errors and omissions, resulting in no change in the net investment position.

#### Other factors

Net reinvested earnings rose 70 percent, to \$7.2 billion, and continued to bolster the U.S. net international investment position. Reinvested earnings abroad by foreign affiliates of U.S. companies rose 72 percent to \$8.1 billion, dwarfing the \$0.9 billion of earnings reinvested in the United States by U.S. affiliates of foreign companies. The increase in retained earnings of U.S. foreign affiliates reflected increased business activity abroad and the appreciation of leading foreign currencies against the dollar.

Reinvested earnings of U.S. affiliates of foreign companies nearly doubled reflecting their share of the increased U.S. corporate earnings. Most of the increase stemmed from investments made in the United States prior to 1973. The devaluation-induced improvement in the U.S. competitive position during 1973 may have given an incentive to reinvest additional earnings in the United States.

Net valuation and other adjustments had an unusually large \$6.7 billion

favorable effect on the change in the net investment position. U.S. liabilities to foreigners were reduced by a \$5.7 billion downward adjustment in the value of foreign-held U.S. stocks as a result of a 20 percent drop in U.S. stock prices. U.S. reserve assets were adjusted upward by \$1.4 billion because of an official change in the par value of the dollar effective October 18.

#### Changes in U.S. Assets and Liabilities

In 1973, U.S. assets abroad rose 13 percent and liabilities increased 9 percent, compared with increases of 11 percent and 21 percent in 1972.

#### Changes in assets

U.S. international assets increased \$25.5 billion, to \$226.1 billion. Balance of payments capital flows accounted for about two-thirds of the increase. Nonliquid assets—both long- and short-term—increased \$22.4 billion; balance of payments flows accounted for \$14.8 billion of this rise. Liquid assets increased almost \$3.2 billion, with balance of payments flows accounting for about half the increase (table 2).

Among nonliquid assets, U.S. government assets rose \$2.7 billion, almost entirely from capital outflows, including extraordinary financing of military sales contracts with Israel.

Table 1.—Factors Accounting for Changes in the Net International Investment Position of the United States<sup>1</sup>

(Millions of dollars)

Item	Average		1968	1969	1970	1971	1972	1973*
	1961-65	1966-70						
<b>Balance of payments factors:</b>								
1. Balance on current account (surplus (+)).....	3,761	114	-962	-1,633	-324	-3,817	-9,807	667
2. Plus: Allocations of SDR.....		173			867	717	710	
3. Plus: Adjustment for errors and omissions (receipts (+)).....	-824	-509	94	-1,805	-458	-9,776	-1,790	-2,776
4. Sum of lines 1, 2, and 3 equals net recorded balance of payments capital flows (outflows (+)).....	2,937	-222	-868	-3,438	85	-12,876	-10,887	-2,109
<b>Other factors:</b>								
5. Plus: Net reinvested earnings (increase (+)).....	1,072	1,786	1,687	2,173	2,514	2,659	4,219	7,179
6. Plus: Net valuation and other adjustments.....	-618	-39	-660	3,061	-791	-1,318	223	6,710
7. Equals: Change in net international investment position of the United States.....	3,391	1,525	159	1,796	1,808	-11,535	-6,444	11,781
8. Addendum: Net international investment position of the United States at end of period.....			65,599	67,395	69,203	57,668	51,224	63,005

\* Preliminary.  
1. Revised.

NOTE.—Details may not add to totals because of rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Table 2.—Changes in the International Investment Position of the United States Reconciled with Balance of Payments Capital Flows

[Millions of dollars]

Lines in table 3	Net International Investment Position and U.S. Assets Abroad			Lines in table 3	U.S. Liabilities to foreigners		
	Item (increase (+))	1972 <sup>a</sup>	1973 <sup>a</sup>		Item (increase (+))	1972 <sup>a</sup>	1973 <sup>a</sup>
1	<b>Net international investment position of the United States.....</b>	<b>-6,444</b>	<b>11,781</b>				
	Balance of payments capital flows.....	-10,887	-2,110				
	Other than capital flows.....	4,442	13,889				
2	<b>U.S. assets abroad.....</b>	<b>19,806</b>	<b>25,536</b>	26	<b>U.S. liabilities to foreigners.....</b>	<b>26,250</b>	<b>13,755</b>
	Capital flows.....	10,276	16,540		Capital flows.....	21,163	18,650
	Other than capital flows.....	9,529	8,995		Other than capital flows.....	5,087	-4,894
3	<b>Nonliquid assets.....</b>	<b>17,154</b>	<b>22,364</b>	27	<b>Nonliquid liabilities to other than foreign official agencies.....</b>	<b>11,179</b>	<b>4,043</b>
	Capital flows.....	9,061	14,805		Capital flows.....	6,092	9,119
	Other than capital flows.....	8,092	7,558		Other than capital flows.....	5,087	-5,076
4	<b>U.S. Government.....</b>	<b>1,970</b>	<b>2,700</b>	28	<b>U.S. Government.....</b>	<b>238</b>	<b>1,124</b>
5, 6	Long-term credits.....	2,364	2,080		Capital flows.....	238	1,111
	Capital flows.....	1,734	2,041		Exchange rate adjustments <sup>1</sup> .....		13
	Exchange rate adjustments <sup>1</sup> .....	-361	55	29	Private, long-term.....	10,385	2,016
	Valuation adjustments.....		-32		Capital flows.....	5,633	7,104
	Changes in coverage.....	990	17		Other than capital flows.....	4,752	-5,088
7	Foreign currencies and other short-term assets.....	-395	620	30	Direct investments in the United States.....	608	3,485
	Capital flows.....	-166	608		Capital flows.....	383	2,537
	Exchange rate adjustments <sup>1</sup> .....	-230	21		Reinvested earnings.....	496	945
	Statistical discrepancies.....	1	-10		Valuation adjustments.....	-271	3
8	Private, long-term.....	13,108	14,484	31	Corporate and other bonds.....	2,292	999
9	Direct investments abroad.....	8,139	12,931		Capital flows.....	2,074	1,293
	Capital flows.....	3,517	4,872		Price changes.....	218	-294
	Reinvested earnings.....	4,715	8,124	32	Corporate stocks.....	6,398	-2,984
	Valuation adjustments.....	-92	-66		Capital flows.....	2,433	2,758
10	Foreign bonds.....	1,212	767		Price changes.....	3,965	-5,742
	Capital flows.....	1,066	1,006	33	Other liabilities, reported by U.S. banks.....	167	252
	Price changes.....	159	-240		Capital flows.....	149	252
	Exchange rate adjustments <sup>1</sup> .....	-13	1		Statistical discrepancies.....	18	
11	Foreign corporate stocks.....	1,999	-511	34	Other liabilities, reported by U.S. nonbanking concerns.....	920	264
	Capital flows.....	-412	-199		Capital flows.....	564	264
	Price changes.....	2,239	-697		Statistical discrepancies.....	326	
	Exchange rate adjustments <sup>1</sup> .....	172	385	35	Private, short-term nonliquid, reported by U.S. nonbanking concerns.....	556	903
12	Other claims, reported by U.S. banks.....	1,382	833		Capital flows.....	221	904
	Capital flows.....	1,307	833		Statistical discrepancies.....	335	-1
	Statistical discrepancies.....	75		36	<b>Liquid liabilities to private foreigners and liquid, other readily marketable, and nonliquid liabilities to foreign official agencies.....</b>	<b>15,071</b>	<b>9,712</b>
13	Other claims, reported by U.S. nonbanking concerns.....	376	464		Capital flows.....	15,071	9,531
	Capital flows.....	253	464		Exchange rate adjustments <sup>1</sup> .....		182
	Statistical discrepancies.....	123		37	To private foreigners.....	4,749	4,436
14	Private, short-term nonliquid.....	2,076	5,180		To foreign commercial banks.....	3,716	2,978
15	Claims reported by U.S. banks.....	1,433	3,940		Capital flows.....	3,716	2,978
	Capital flows.....	1,457	3,940	38	To international and regional organizations.....	104	376
	Statistical discrepancies.....	26			Capital flows.....	104	376
16	Claims reported by U.S. nonbanking concerns.....	593	1,240		To other foreigners.....	929	1,082
	Capital flows.....	305	1,240		Capital flows.....	929	1,082
	Statistical discrepancies.....	288		39	To foreign official agencies.....	10,322	5,276
17	<b>Liquid assets.....</b>	<b>2,652</b>	<b>3,172</b>	40	Liquid.....	9,734	4,595
	Capital flows.....	1,215	1,735		Capital flows.....	9,734	4,452
	Other than capital flows.....	1,437	1,437		Exchange rate adjustments <sup>1</sup> .....		143
18	Private.....	1,668	1,945	41	Other readily marketable liabilities.....	399	1,118
19	Claims reported by U.S. banks.....	921	1,103		Capital flows.....	399	1,118
	Capital flows.....	742	1,103	42	Nonliquid, reported by U.S. Government.....	189	-436
	Statistical discrepancies.....	179			Capital flows.....	189	-475
20	Claims reported by U.S. nonbanking concerns.....	747	842		Exchange rate adjustments <sup>1</sup> .....		39
	Capital flows.....	505	841	43			
	Statistical discrepancies.....	242	1	44			
21	U.S. monetary reserve assets.....	984	1,227				
22	Gold.....	281	1,165				
	Capital flows.....	-547					
	Par value adjustments <sup>2</sup> .....	828	1,165				
23	SDR.....	858	208				
	Capital flows.....	708	-9				
	Par value adjustments <sup>2</sup> .....	155	217				
24	Convertible currencies.....	-35	-233				
	Capital flows.....	-35	-233				
	Exchange rate adjustments <sup>1</sup> .....		(*)				
25	Gold tranche position in IMF.....	-120	87				
	Capital flows.....	-153	33				
	Par value adjustments <sup>2</sup> .....	33	54				

<sup>a</sup> Revised. <sup>b</sup> Preliminary. \*Less than \$500,000 (±).

1. In lines 5/6, 7, 10 and 11, represent changes in the dollar value of foreign currencies as indicated by exchange market movements; in lines 24, 28, 42 and 44, represent changes from revaluations of foreign currencies due to the dollar devaluation in the first quarter, 1973.

2. Represent the changes in the official dollar/gold parity as officially implemented on May 8, 1972, and October 18, 1973.

NOTE.—Details may not add to totals because of rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Private long-term assets abroad increased \$14.5 billion, with \$12.9 billion accounted for by direct investment, the major form of U.S. investment abroad. The rise in direct investment included \$4.9 billion in capital outflows and \$8.1 billion in reinvested earnings; valuation adjustments were minor. Although direct investment flows and assets are classified as long-term, included among these transactions are short-term intercompany account changes resulting from debt transactions between U.S. parents and foreign-incorporated affiliates. These short-term intercompany transfers totaled \$1.7 billion in 1973 and were concentrated in the first quarter when there were expectations of major exchange rate changes. The combined effect of direct investment outflows and of the large retained earnings resulted in a 13.7 percent rate of growth in the value of U.S. direct investment abroad, well above the range of 9.3 to 10.3 percent prevalent from 1969 to 1972. This probably reflects the strong demand for funds by foreign subsidiaries of U.S. corporations to meet inflated current costs and higher plant and equipment expenditures at a time when the alternative of borrowing in world capital markets was either too costly or not available.

Foreign securities held by U.S. residents increased only \$0.3 billion. The value of foreign bond holdings increased \$0.8 billion; net purchases of foreign bonds by U.S. residents were \$1.0 billion, and outstanding bonds were adversely affected by a \$0.2 billion loss resulting from a drop in bond prices. Since the imposition of the interest equalization tax (IET) on foreign bonds in 1963, U.S. net purchases have been almost completely confined to securities exempt from the tax, predominantly Canadian, World Bank, Israeli, and, to a lesser degree, Latin American new issues. (The IET was removed in January 1974.)

The value of foreign stocks held by U.S. residents dropped \$0.5 billion, as net sales, and a loss in value due to a drop in stock prices, more than offset an increase resulting from exchange rate adjustments. There were net sales of Canadian and Japanese stocks, partly offset by net purchases of West-

ern European stocks. (U.S. purchases of foreign stocks have also been subject to the IET.)

Other nonliquid assets in the form of long- and short-term claims, reported by U.S. banks and nonbanking concerns, increased \$6.5 billion. About \$5.2 billion of the increase was in nonliquid short-term claims and was partly related to interest rate differentials between the United States and other leading countries, which generally favored borrowing in the United States and lending abroad.

Liquid assets rose almost \$3.2 billion. Capital outflows accounted for more than \$1.7 billion, and revaluation of assets more than \$1.4 billion, of the rise. As in the other short-term accounts, outflows of private capital to acquire liquid foreign assets were particularly large in the first quarter. The asset revaluation represented an adjustment to the value of monetary reserves resulting from the official dollar/gold parity change. Monetary reserves rose slightly less than the amount of the par value adjustment because there was a \$0.2 billion sale of foreign currency holdings to support the dollar in exchange markets in early 1973.

#### *Changes in liabilities*

Total U.S. liabilities to foreigners increased \$13.8 billion, almost half as much as in 1972. Capital inflows, totaling \$18.7 billion, actually exceeded the increase. Partly offsetting was a negative valuation adjustment of \$4.9 billion, primarily to corporate stocks, which are included among nonliquid liabilities to other than foreign official agencies. Thus, those liabilities rose only \$4.0 billion, although capital inflows associated with nonliquid liabilities were \$9.1 billion. Nonliquid liabilities of the U.S. Government increased \$1.1 billion, entirely through capital inflows.

U.S. long-term private liabilities increased only \$2.0 billion, despite capital inflows of \$7.1 billion, because of the large negative valuation adjustments. Foreign direct investments in the United States were unusually high at \$3.5 billion. After two substantial dollar devaluations, investing in the United

States apparently became more attractive for foreigners. Foreign investment may also have been stimulated by fears of potential controls on capital outflows by some foreign countries, and of possible U.S. restrictions on foreign investment here. Foreign direct investment capital inflows into the United States rose to \$2.5 billion, including both new investments and purchases of existing companies. The increased capital inflow was supplemented by reinvested earnings of \$0.9 billion, mainly reported by U.S. subsidiaries controlled by foreigners prior to 1973.

U.S. securities held by foreigners declined \$2.0 billion, despite substantial net foreign purchases. Net foreign purchases of U.S. stocks and bonds were \$2.8 billion and \$1.3 billion, respectively, but there was a negative valuation adjustment of \$5.7 billion to foreign holdings of U.S. stocks, reflecting the nearly 20 percent drop in stock prices in 1973, and of \$0.3 billion to U.S. bonds. The adjustments to U.S. stocks have become an increasingly important factor in the change in the net international investment position because they are applied to steadily expanding foreign holdings—at yearend 1973 they were \$24.8 billion.

Net foreign purchases of U.S. stocks registered a record high, partly due to the devaluations of the dollar against a number of leading foreign currencies, which made U.S. stock prices more attractive in terms of these currencies. On the other hand, net foreign purchases of U.S. bonds, other than Treasury issues, dropped about one-third from 1972, partly due to the post-devaluation decline in dollar issues on the Eurobond market, especially of those convertible into U.S. stocks. Apparently, foreigners chose to invest directly in U.S. equities. Higher interest rates also led U.S. corporations to minimize long-term borrowings overseas. When it was necessary to borrow abroad to comply with U.S. capital controls, U.S. corporations relied upon short-term borrowing wherever possible. They may also have avoided long-term borrowings in anticipation of a relaxation or elimination of the OFDI program. (In January 1974, all regula-

Table 3.—International Investment Position of the United States at Yearend†

[Millions of dollars]

Line	Type of investment	Total				Western Europe		Canada	Japan ‡		Latin American Republics and other Western Hemisphere		Other foreign countries †		International organizations and unallocated†		
		1960	1971	1972 r	1973 p	1972 r	1973 p	1972 r	1973 p	1972 r	1973 p	1972 r	1973 p	1972 r	1973 p		
1	<b>Net international investment position of the United States</b> .....	44,718	57,668	51,224	63,005	-37,801	-45,559	29,382	32,501	-11,548	-2,278	23,501	25,631	29,868	33,367	17,821	19,342
2	<b>U.S. assets abroad</b> .....	85,577	180,790	200,596	226,132	50,908	58,925	44,138	47,328	9,843	12,255	34,241	38,440	40,202	45,907	21,265	23,277
3	<b>Nonliquid assets</b> .....	66,218	164,659	181,813	204,177	48,584	56,321	42,490	45,529	9,233	11,023	33,262	36,959	39,890	45,438	8,355	8,907
4	U.S. Government.....	16,908	34,165	36,135	38,835	7,915	8,089	78	142	900	639	7,099	7,587	18,656	20,732	1,488	1,646
5	Long-term credits:																
6	Repayable in dollars 1.....	14,016	25,593	28,444	30,550	6,919	7,124	75	140	762	554	6,398	6,896	12,808	14,294	1,483	1,641
7	Other 2.....		6,183	5,697	5,571	849	842			94	40	654	651	4,099	4,038		
8	Foreign currencies and other short-term assets.....	2,892	2,389	1,994	2,614	147	123	3	2	44	45	47	40	1,749	2,400	5	5
9	Private, long-term.....	44,497	115,867	128,975	143,459	37,062	43,546	41,143	43,940	4,311	4,373	21,154	23,029	18,438	21,310	6,867	7,261
10	Direct investments abroad.....	31,865	86,198	94,337	107,268	30,817	37,218	25,771	28,055	2,375	2,733	16,798	18,452	13,833	15,493	4,743	5,317
11	Foreign securities:																
12	Foreign bonds.....	5,574	14,654	15,866	16,633	478	461	9,531	10,032	258	247	1,151	1,210	2,324	2,739	2,124	1,944
13	Foreign corporate stocks.....	3,984	7,050	9,049	8,538	3,329	3,163	4,136	3,967	1,188	1,003	141	151	255	254		
14	Other claims, reported by U.S. banks.....	1,698	3,647	5,029	5,862	803	959	406	489	353	247	2,016	2,076	1,451	2,091	(*)	(*)
15	Other claims, reported by U.S. nonbanking concerns 4.....	1,376	4,318	4,694	5,158	1,635	1,745	1,299	1,397	137	143	1,048	1,140	575	733		
16	Private, short-term nonliquid.....	4,813	14,627	16,703	21,883	3,607	4,686	1,269	1,447	4,022	6,011	5,009	6,343	2,796	3,396	(*)	(*)
17	Claims, reported by U.S. banks.....	3,594	10,872	12,355	16,295	1,891	2,447	814	948	3,686	5,469	4,015	5,005	1,949	2,426	(*)	(*)
18	Claims, reported by U.S. nonbanking concerns.....	1,219	3,755	4,348	5,588	1,716	2,239	455	499	336	542	994	1,338	847	970		
19	<b>Liquid assets</b> .....	19,359	16,131	18,783	21,955	2,324	2,604	1,648	1,799	610	1,232	979	1,481	312	469	12,910	14,370
20	Private.....	(9)	3,964	5,632	7,577	2,084	2,597	1,648	1,799	609	1,231	979	1,481	312	469		
21	Claims, reported by U.S. banks.....	(9)	2,400	3,321	4,424	1,066	1,431	1,100	1,012	466	931	468	856	201	194		
22	Claims, reported by U.S. nonbanking concerns.....	(9)	1,564	2,311	3,153	7,998	7,166	548	787	143	300	7,511	7,625	7,111	7,275		
23	U.S. monetary reserve assets.....	19,359	12,167	13,151	14,378			(*)	(*)	1	1					12,910	14,370
24	Gold.....	17,804	10,206	10,487	11,652											10,487	11,652
25	SDR.....		1,100	1,958	2,166											1,958	2,166
26	Convertible currencies.....		276	241	8	240	7	(*)	(*)	1	1						
27	Gold tranche position in IMF.....	1,555	585	465	552											465	552
28	<b>U.S. liabilities to foreigners</b> .....	40,859	123,122	149,372	163,127	88,709	104,484	14,756	14,827	21,391	14,533	10,740	12,809	10,334	12,540	3,444	3,935
29	<b>Nonliquid liabilities to other than foreign official agencies</b> .....	19,830	55,275	66,454	70,497	48,123	49,300	7,891	7,843	903	2,258	4,783	4,838	2,449	3,953	2,307	2,306
30	U.S. Government 10.....	793	1,548	1,786	2,910	1,307	1,619	31	18	19	323	2	56	428	889		
31	Private, long-term.....	18,418	49,792	60,177	62,193	43,906	44,486	7,612	7,542	667	1,633	4,150	3,972	1,536	2,255	2,307	2,306
32	Direct investments in the United States.....	6,910	13,655	14,263	17,748	10,516	12,159	3,422	4,003	-129	307	309	424	146	856		
33	U.S. securities:																
34	Corporate and other bonds.....	649	8,647	10,939	11,938	8,780	9,552	375	414	58	177	273	337	33	24	1,420	1,434
35	Corporate stocks.....	9,302	21,429	27,827	24,843	19,722	17,851	3,598	2,883	254	644	2,822	2,263	1,040	881	391	321
36	Other liabilities, reported by U.S. banks.....	7	758	925	1,177	258	277	1	9	1	4	132	217	37	119	496	551
37	Other liabilities, reported by U.S. nonbanking concerns.....	1,550	5,303	6,223	6,487	4,630	4,647	216	233	483	501	614	731	280	375		
38	Private, short-term nonliquid, reported by U.S. nonbanking concerns.....	619	3,935	4,491	5,394	2,910	3,195	243	283	217	297	631	810	485	809		
39	<b>Liquid liabilities to private foreigners and liquid, other readily marketable, and nonliquid liabilities to foreign official agencies</b> .....	21,029	67,847	82,918	92,630	40,586	55,184	6,865	6,984	20,488	12,275	5,957	7,971	7,885	8,587	1,137	1,629
40	To private foreigners.....	9,139	16,613	21,362	25,798	6,359	9,445	2,586	3,131	n.s.s.	n.s.s.	4,222	5,420	n.s.s.	n.s.s.	1,137	1,629
41	To foreign commercial banks 11.....	4,818	10,949	14,665	17,643	5,047	7,816	2,024	2,439	n.s.s.	n.s.s.	1,374	2,066	n.s.s.	n.s.s.		
42	To international and regional organizations.....	1,541	1,523	1,627	2,003	10	7			n.s.s.	n.s.s.	334	318	n.s.s.	n.s.s.	1,137	1,629
43	To other foreigners.....	2,780	4,141	5,070	6,152	1,302	1,622	562	692	n.s.s.	n.s.s.	2,514	3,036	n.s.s.	n.s.s.		
44	To foreign official agencies.....	11,890	51,234	61,556	66,832	34,227	45,739	4,279	3,853	n.s.s.	n.s.s.	1,735	2,551	n.s.s.	n.s.s.		
45	Liquid.....	11,888	47,610	57,344	61,939	33,533	45,047	1,439	1,313	n.s.s.	n.s.s.	1,735	2,551	n.s.s.	n.s.s.		
46	Other readily marketable.....		144	543	1,661												
47	Nonliquid, reported by U.S. Government 10.....	2	3,480	3,669	3,232	694	692	2,840	2,540	n.s.s.	n.s.s.			n.s.s.	n.s.s.		

r Revised. p Preliminary. \*Less than \$500,000 (±). †Includes U.S. gold stock. n.s.s. Not shown separately.

1. Also includes paid-in capital subscription to international financial institutions (other than IMF) and outstanding amounts of miscellaneous claims which have been settled through international agreements to be payable to the U.S. Government over periods in excess of 1 year. Excludes World War I debts that are not being serviced.

2. Includes indebtedness which the borrower may contractually, or at its option, repay with its currency, with a third country's currency, or by delivery of materials or transfer of services.

3. The Ryukyu Islands are included with Japan in 1972; in previous periods they are included with other foreign countries.

4. For the most part represents the estimated investment in shipping companies registered primarily in Panama and Liberia.

5. The long-term position data given here include estimates for real estate, insurance, estates, and trusts.

6. Liquid claims are not available separately and are included with nonliquid claims.

7. Country detail for Western Europe includes the 6 countries of the European Economic Community, United Kingdom, and Switzerland only, and for Latin America and O.W.H.

includes only Bahamas and Bermuda. Remaining countries are not separately identified due to insignificant amounts and are included in other foreign countries.

8. Total reserve assets include increases from changes in the par value of the dollar, as officially implemented: on May 8, 1972, the increase totalled \$1,016 million, consisting of \$828 million gold stock, \$155 million SDR, and \$33 million gold tranche position in IMF; and on October 18, 1973, the increase was \$1,436 million, consisting of \$1,165 million gold stock, \$217 million SDR, and \$54 million gold tranche position in IMF.

9. The regional breakdown for these liability lines may not add to the world total since certain items cannot be shown separately.

10. U.S. Government liabilities are broken down into those to foreign official reserve agencies in line 44 and those to others in line 28, including foreign official agencies other than reserve agencies.

11. As reported by U.S. banks; ultimate ownership is not identified.

NOTE.—Details may not add to totals because of rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

tory programs on capital outflows were terminated.)

Other nonliquid liabilities reported by banks and nonbanking concerns increased \$1.4 billion, with capital inflows accounting for all of the increase. Capital inflows increasing long-term liabilities of U.S. banks and nonbanking concerns rose slightly; there was a larger rise in short-term inflows. Escalating long-term borrowing costs abroad and uncertainties relating to the future of the OFDI program apparently were factors in the shift to shorter term borrowings.

The combined increase in liquid liabilities to private foreigners and liabilities to foreign official agencies was \$9.7 billion, and was almost entirely from capital inflows. There was a \$4.4 billion increase in liabilities to private foreigners, associated with continued borrowing from abroad by U.S. banks and U.S. branches and agencies of foreign banks in the face of strong domestic loan demand. A good part of these overseas borrowings occurred in the fourth quarter and may have been associated with effects of the oil crisis.

Liabilities to foreign official agencies increased \$5.3 billion, about half the 1972 rise. The increase was more than accounted for by a very large accumulation of dollars by foreign official agencies in the first quarter, when they purchased dollars to maintain the exchange rates of their currencies against the dollar within the limits prescribed by the December 1971 Smithsonian agree-

ment. After the second dollar devaluation in February 1973, and the subsequent floating of several major currencies, these liabilities began to decline. This was especially apparent in the fourth quarter, when the dollar appeared more attractive vis-a-vis other major currencies after Arab petroleum cutbacks were announced. Changes in liabilities to foreign official agencies under the system of floating rates in effect for most of 1973 mainly reflected limited official intervention by monetary authorities to maintain orderly exchange markets.

### Liquidity Structure

The changes in the international investment position of the U.S. in 1973 indicated an improvement in the liquidity structure of both nonliquid and liquid categories: in percentage terms, nonliquid assets rose more than nonliquid liabilities to other than foreign official agencies, and liquid assets rose more than liquid liabilities. The ratios presented in table 4 compare selected assets to liabilities of roughly similar nature. In 1973, all ratios indicated moderate improvements in liquidity. In each case, the improvement followed a deterioration that had prevailed for several years but had slowed down in 1972 following the extensive realignment of major currencies at the end of 1971. The improvement in the ratios was associated with more orderly conditions in exchange markets after the

dollar was devalued for the second time and several leading currencies were floated against the dollar.

Ratio A, which compares reserves to liabilities to foreign official agencies, relates to the overall financing of U.S. balance of payments accounts; it is the investment position counterpart to the official reserve transactions balance. This ratio rose marginally to 0.22 in 1973. The slight improvement in 1973 was partly due to the revaluation of U.S. reserve assets resulting from the change in the official dollar/gold parity during the year. Liabilities to foreign official agencies, the denominator of ratio A, grew by half as much in 1973 as in 1972.

Ratio B also rose slightly, to 0.24. The addition of U.S. private liquid claims on foreigners in the numerator and U.S. liquid liabilities to private foreigners in the denominator results in the investment position counterpart to the net liquidity balance. Although sensitive to exchange market developments, these items were also responsive to interest rate movements, especially in short-term money markets. Short-term rates in most leading international centers rose in 1973, and the differential between lower U.S. and higher foreign interest rates widened at times. U.S. private liquid claims on foreigners thus rose at a more rapid rate than liquid liabilities to private foreigners, contributing to ratio B's improvement.

(Continued on page 9)

Table 4.—Liquidity Ratios: Outstanding U.S. Assets Abroad to Liabilities to Foreigners, by Degree of Liquidity

Refer to chart	Lines in table 3	Ratios	1966	1967	1968	1969	1970	1971	1972	1973
A	21 41	<u>Reserves</u> Liabilities to foreign official agencies	0.93	0.77	0.85	1.00	0.59	0.24	0.21	0.22
B	17 36	<u>Liquid assets</u> Liquid liabilities to private foreigners and liquid and nonliquid liabilities to foreign official agencies	.54	.47	.48	.43	.36	.24	.23	.24
C	14+17 35+36	<u>Liquid and nonliquid short-term assets</u> Liquid and nonliquid short-term liabilities and nonliquid liabilities to foreign official agencies	.79	.71	.70	.64	.58	.43	.41	.45
D	4+8 28+29	<u>Long-term assets</u> Long-term liabilities to other than foreign official reserve agencies	3.56	3.37	2.94	3.03	2.93	2.92	2.66	2.80
E	2 26	<u>Total U.S. assets abroad</u> Total U.S. liabilities to foreigners	2.08	1.94	1.81	1.74	1.71	1.47	1.34	1.39



# Foreign Direct Investment in the United States in 1973

IN 1973, the value of foreign direct investment in the United States rose a record \$3,485 million, or 24 percent, to \$17,748 million at yearend. This followed a rise of \$608 million in 1972. The largest previous increase was \$1,452 million in 1970. The 1973 increase resulted from net capital inflows of \$2,537 million, reinvested earnings of \$945 million, and valuation adjust-

ments of \$3 million. The estimates presented in this article update those published in the February and August, 1973, issues of the SURVEY.

### Net capital inflows

The \$2,537 million net capital inflow was \$2,154 million more than in 1972. The increase resulted from a \$764 million rise in equity investments and

a \$1,390 million increase in other net capital inflows. The latter flows reflect the net balance of payments effect of foreign parents' sales and liquidations of equity in their U.S. affiliates, debt transactions between foreign parents and their U.S.-incor-

NOTE.—Gregory G. Fouch prepared the statistical material for this article; he also made a significant analytical contribution.

Table 1.—Foreign Direct Investment in the United States, Selected Items, Areas, and Industries

[Millions of dollars]

Area and industry	Book value at yearend			Net capital inflows						Earnings <sup>1</sup>		Balance of payments income <sup>2</sup>		Reinvested earnings	
	1971	1972 <sup>r</sup>	1973 <sup>p</sup>	1972 <sup>r</sup>			1973 <sup>p</sup>			1972 <sup>r</sup>	1973 <sup>p</sup>	1972 <sup>r</sup>	1973 <sup>p</sup>	1972 <sup>r</sup>	1973 <sup>p</sup>
				Total	In-creases in equity <sup>3</sup>	Other <sup>4</sup>	Total	In-creases in equity <sup>3</sup>	Other <sup>4</sup>						
Total.....	13,655	14,263	17,748	383	773	-390	2,537	1,537	1,000	1,202	1,843	687	892	496	945
<b>By Area:</b>															
Canada.....	3,339	3,422	4,003	249	539	-290	348	250	98	195	332	91	96	104	233
Europe.....	10,086	10,516	12,159	118	122	-4	1,095	661	434	825	1,061	506	527	312	545
United Kingdom.....	4,438	4,621	5,437	65	24	41	573	288	285	397	493	272	262	118	243
European Economic Community (6).....	3,761	3,936	4,479	17	84	-67	296	267	28	319	400	158	144	158	244
Belgium and Luxembourg.....	841	809	608	-51	(*)	-51	259	127	132	25	41	6	5	19	35
France.....	315	318	473	-17	5	-22	187	75	62	43	44	23	30	20	15
Germany.....	771	845	768	31	36	-5	-172	16	-189	63	116	21	9	42	96
Italy.....	109	107	85	10	13	-3	-8	(*)	-8	-6	-6	8	8	-12	15
Netherlands.....	2,225	2,357	2,550	43	30	13	81	49	32	195	205	102	91	89	112
Other Western Europe.....	1,888	1,960	2,244	36	14	22	226	106	120	108	169	76	121	37	58
Sweden.....	229	256	291	23	11	12	27	6	22	9	19	7	13	3	8
Switzerland.....	1,537	1,567	1,825	(*)	3	-3	211	101	111	93	144	66	105	30	47
Other.....	123	138	129	12	(*)	12	-12	(*)	-12	6	6	3	3	3	3
Japan.....	-230	-129	307	39	109	-71	334	115	218	134	158	58	42	62	102
Latin American Republics and other Western Hemisphere.....	315	309	424	-22	1	-23	53	(*)	53	46	89	29	28	17	62
Other.....	146	146	856	(*)	3	-3	707	511	197	2	203	2	200	(*)	3
<b>By Industry:</b>															
Petroleum.....	3,113	3,234	4,425	12	31	-19	1,045	693	352	233	464	114	321	109	146
Manufacturing.....	6,755	7,228	8,418	192	139	-54	725	348	376	502	742	230	290	250	462
Trade.....	512	511	948	-65	118	-183	270	120	150	134	203	47	14	64	167
Insurance.....	<sup>5</sup> 2,352	<sup>5</sup> 2,437	<sup>5</sup> 2,712	56	(*)	56	133	(*)	133	215	131	215	131	32	95
Other finance.....	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )	-2	3	-5	48	42	6	<sup>7</sup> 93	<sup>7</sup> 212	<sup>7</sup> 64	<sup>7</sup> 118	11	74
Other.....	923	853	1,244	189	482	-293	317	333	-16	25	91	17	17	11	11

<sup>r</sup> Revised. <sup>p</sup> Preliminary. \*Less than \$500,000 (±).

1. Earnings represents the foreign parents' share in corporate and branch earnings.

2. Same as interest, dividends, and branch earnings used in previous SURVEY articles. This item represents interest and dividends received by or credited to the account of foreign direct investors, all net of any U.S. withholding taxes, plus branch earnings after U.S. income taxes, but before any foreign income taxes.

3. Same as new investments used in previous SURVEY articles. This item consists of capital inflows to establish or acquire a new company or operation in the United States, the acqui-

sition cost of additional shares of existing U.S. companies, capital contributions by foreign parents to existing U.S. affiliates, and the capitalization of intercompany accounts.

4. Represents liquidations and changes in balances on intercompany and branch accounts.

5. Includes market revaluation of securities held by insurance companies.

6. Included in insurance.

7. Excludes interest paid by agency banks in the United States to foreign home offices.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

**Table 2.—Value of Foreign Direct Investment in the United States by Major Industry and Country, Yearend 1973**

[Millions of dollars]

	Total	Petro- leum	Manufac- turing	Finance and insurance	Other
All areas.....	17,748	4,425	8,418	2,712	2,192
Canada.....	4,003	295	2,363	364	982
Europe.....	12,159	3,396	5,743	2,108	913
United Kingdom.....	5,437	1,379	2,221	1,310	527
Netherlands.....	2,550	1,503	839	48	161
Switzerland.....	1,825	.....	1,375	383	67
Other.....	2,347	515	1,308	367	158
Other areas.....	1,585	735	312	240	297

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

porated affiliates, and all transactions between foreign parents and their U.S. branches.

More than \$500 million of the equity investments represented a petroleum-producing country's participation payment to a major U.S.-incorporated petroleum company in the third quarter of 1973. But even excluding this unusual transaction, equity investments were still substantially higher than in any previous year. Two principal factors probably contributed to the rise. The December 1971 and February 1973 devaluations of the dollar against a number of major foreign currencies made investments in dollar assets less costly in terms of foreign currencies. In addition, during 1973, U.S. companies' equity prices declined substantially on major U.S. stock exchanges, thus increasing the attractiveness of firms that were candidates for takeovers by foreigners.

The \$1,390 million increase in other net capital inflows was primarily caused by a \$1,202 million reversal of 1972 intercompany account outflows. The 1972 outflows were related to both increased receivables of U.S. trade affiliates from their Japanese parents and a reduction of debt owed by a U.S. affiliate to its Canadian parent. Most of the 1973 inflow occurred in the second quarter, perhaps in response to the February devaluation of the dollar. The only significant outflow due to transactions on intercompany accounts resulted from one U.S. trade affiliate's loan to its German parent.

By area, capital inflows from Europe increased \$977 million, from \$118 mil-

lion in 1972 to \$1,095 million in 1973. The largest inflows were from the United Kingdom. Over \$200 million of the \$573 million inflow from that country was to an existing U.S. affiliate for acquisition of a U.S. retail trade firm. Such capital inflows are included in "other net capital inflows" rather than in "increases in U.S. equity by foreigners" when they involve a foreign parent's extension of credit to an existing U.S. affiliate that, in turn, uses the proceeds of the loan to make the acquisition.

Capital inflows from Japan increased \$295 million in 1973, with virtually all of the improvement resulting from a

reversal of the aforementioned 1972 increase in receivables of U.S. trade affiliates from their Japanese parents. In addition, for the second consecutive year, Japanese equity investments registered a new high—\$115 million. As in 1972, most of these investments represented the acquisition of additional shares in U.S. trade affiliates.

### Return on investment

Earnings on foreign direct investment in the United States totaled \$1,843 million in 1973, up 53 percent from \$1,202 million in 1972. Except for insurance, all major industries shown in table 1 had sharp increases in earnings. Since these figures represent the foreign share in total earnings of U.S. firms, the increases are due to both increases in U.S. equity shares held by foreigners and increases in earnings per share.

The rise in earnings of foreign-owned U.S.-incorporated affiliates, coupled with a reduction in their overall dividend payout ratio, resulted in a 91 percent increase in reinvested earnings in 1973. These affiliates have historically paid out a smaller share of their earnings in the form of dividends than foreign affiliates of U.S. firms, although the spread has narrowed significantly in recent years (table 4). While the

**Table 3.—Alternative Measures of Return on Foreign Direct Investment in the United States, All Areas, 1969-73**

[Millions of dollars or percent]

Item	1969	1970	1971	1972 <sup>r</sup>	1973 <sup>p</sup>
A. Branch earnings.....	124	121	231	292	249
B. Dividends.....	261	280	349	373	605
C. U.S. withholding taxes.....	20	19	29	41	45
D. Reinvested earnings.....	431	434	498	496	945
E. Interest <sup>1</sup> .....	32	40	43	21	38
F. Royalties and fees.....	101	111	118	155	208
G. Measures of return:					
Earnings <sup>2</sup> .....	834	854	1,110	1,202	1,843
Adjusted earnings <sup>3</sup> .....	848	875	1,120	1,182	1,836
Balance of payments income <sup>4</sup> .....	417	441	621	687	892
Balance of payments receipts <sup>5</sup> .....	518	552	741	841	1,099
H. Measures of return, as a percentage of average direct investment position for the year: <sup>6</sup>					
Adjusted earnings.....	7.5	7.0	8.3	8.5	11.5
Balance of payments income.....	3.7	3.5	4.6	4.9	5.6
Balance of payments receipts.....	4.6	4.4	5.5	6.0	6.9

<sup>r</sup> Revised. <sup>p</sup> Preliminary.

1. Includes preferred dividends, which in 1973 were negligible.

2. Equals A+B+C+D.

3. Equals A+B+D+E.

4. Equals A+B+E. In the February 1973 issue of the SURVEY, this term was defined to include royalties and fees; it now excludes them.

5. Equals A+B+E+F.

6. The average position for each year was computed by summing the beginning- and end-of-year positions and dividing by 2. In the February 1973 issue of the SURVEY, the end-of-year position was used in computing returns.

NOTE.—For an explanation of items A-F, see the Technical Note.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

**Table 4.—Comparison of Payout Ratios of Incorporated Affiliates on Foreign Direct Investment in the United States and U.S. Direct Investment Abroad, 1969-73**

Item	[Percent]				
	1969	1970	1971	1972 <sup>a</sup>	1973 <sup>b</sup>
Ratio of dividends to earnings of: <sup>1</sup>					
Foreign direct investment in the United States.....	39.6	40.8	43.0	45.5	40.8
U.S. direct investment abroad.....	53.1	53.5	56.0	48.2	39.4

<sup>a</sup> Revised. <sup>b</sup> Preliminary.  
1. *Dividends* includes any U.S. withholding taxes but excludes preferred dividends. *Earnings* represents the sum of dividends on common stock, U.S. withholding taxes, and reinvested earnings.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

disparity can be explained in part by differences in industry composition, it is also true that foreign-owned U.S. affiliates have generally relied more heavily on internal financing than have U.S.-owned foreign affiliates.

Income payments on foreign direct investment in the United States as measured for balance of payments purposes—which include dividends, interest, and branch earnings—totaled \$892 million in 1973, an increase of 30 percent over 1972. Most of the in-

crease is accounted for by BEA's imputation of a dividend payment to the petroleum-producing country that made an equity investment in the United States during 1973.

Fees and royalties paid to foreign parents by their U.S. affiliates also rose sharply in 1973, as in 1972. Most of the 2-year increase can be attributed to fees and royalties paid by a U.S. pharmaceutical affiliate to its Swiss parent.

**Table 5.—Payments of Royalties and Fees on Foreign Direct Investment in the United States, by Area of Ownership, 1969-73**

	[Millions of dollars]				
	Total	Canada	United Kingdom	Europe except United Kingdom	Other
1969.....	101	56	25	16	4
1970.....	111	62	19	23	7
1971.....	118	64	11	39	4
1972 <sup>a</sup> .....	155	60	15	78	2
1973 <sup>b</sup> .....	208	73	20	113	2

<sup>a</sup> Revised. <sup>b</sup> Preliminary.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

## Technical Note

The six components used in computing the four measures of return on foreign direct investment presented in table 3 are:

Line A—Branch earnings are the net earnings of U.S. branches of foreign companies after U.S. income taxes, but before depletion charges (except amortization of the actual costs of capital assets) and foreign taxes. Also included in branch earnings is the foreign share in the net earnings of other types of unincorporated U.S. affiliates.

Line B—Dividends are dividends on common or voting stock only, net of U.S. withholding taxes. Dividends are included in income payments in the U.S. balance of payments.

Line C—U.S. withholding taxes are taxes withheld on the payment of dividends (as distinct from income taxes imposed on the earnings of a company). Taxes are also withheld by the payor on interest and preferred dividends, but both interest and preferred dividends are reported to BEA on a net basis; therefore, the estimates of withholding taxes relate only to those on common stock dividends.

Line D—Reinvested earnings are the foreign parents' share in the net earnings of their U.S. corporations, less gross dividends (before withholding taxes) on common stock.

Line E—Interest represents the net interest received on intercompany accounts or on long-term debt of foreign-

owned U.S. affiliates held by the parent or other nonbank foreign investors plus preferred dividends—all after deduction of any U.S. withholding taxes. Interest is included in income payments in the U.S. balance of payments.

Line F—Royalties and fees are net payments by U.S. affiliates to foreign direct investors (after withholding taxes) for the use of tangible and intangible property or rights (patents, techniques, trademarks, copyrights, etc.), and for professional, administrative, and management services. These payments appear as a separate item in the U.S. balance of payments.

(Continued from page 6)

Ratio C showed the largest increase, from 0.41 in 1972 to 0.45 in 1973. This ratio relates total short-term assets to total short-term liabilities, both liquid and nonliquid. U.S. short-term non-liquid liabilities rose \$0.9 billion as U.S. corporations sought to avoid high-cost long-term financing. Non-liquid assets rose \$5.2 billion. The increase was chiefly due to an expansion in U.S. bank lending abroad. There was also an unusual increase in the financing of unaffiliated foreigners by U.S. corporations, particularly in the fourth quarter, that may have been associated with credits extended to unaffiliated foreigners by U.S. oil companies.

Other combinations of assets and liabilities are concerned with longer-term developments in the liquidity structure of the U.S. international investment position. Ratio D compares long-term assets to long-term liabilities to other than foreign official agencies. The improvement in that ratio, to 2.80 from 2.67 in 1972, was mainly due to the large negative valuation adjustment of \$5.7 billion to liabilities resulting from the decline in U.S. stock prices. On the other hand, long-term assets grew at the same rate in 1973 as in 1972. Ratio E representing the overall U.S. international investment position, compares total assets to total liabilities, and rose to 1.39 in 1973 from 1.34 in 1972.

# U.S. Direct Investment Abroad in 1973

**T**HIS article presents estimates of the U.S. direct investment position abroad at yearend 1973 and the associated earnings, balance of payments receipts, and net capital outflows during that year.<sup>1</sup> It also discusses the net impact on the U.S. balance of payments of identifiable U.S. corporate transactions, and examines various measures of return on U.S. direct investment abroad.

1. The Technical Notes at the end of this article describe the derivation of these estimates from sample data and define key terms. The previous article in this annual series, "U.S. Direct Investment Abroad in 1972," was published in the September 1973 SURVEY. The articles present changes in accounts of a U.S. direct investor with its own foreign affiliates; they do not present income statements or other accounts of the foreign affiliates. For example, *earnings* in this article refers to the U.S. direct investor's share in the earnings of its foreign affiliates, not to total earnings of its affiliates. The most recent BEA data on foreign affiliate accounts were published in the *Special Survey of U.S. Multinational Companies, 1970*. That special survey, which drew data for 1966 and 1970 from a small sample of reporters, is available from the National Technical Information Service, U.S. Department of Commerce, Springfield, Virginia 22151. Price \$3.00. Quote Accession Number COM-72 11392 when ordering.

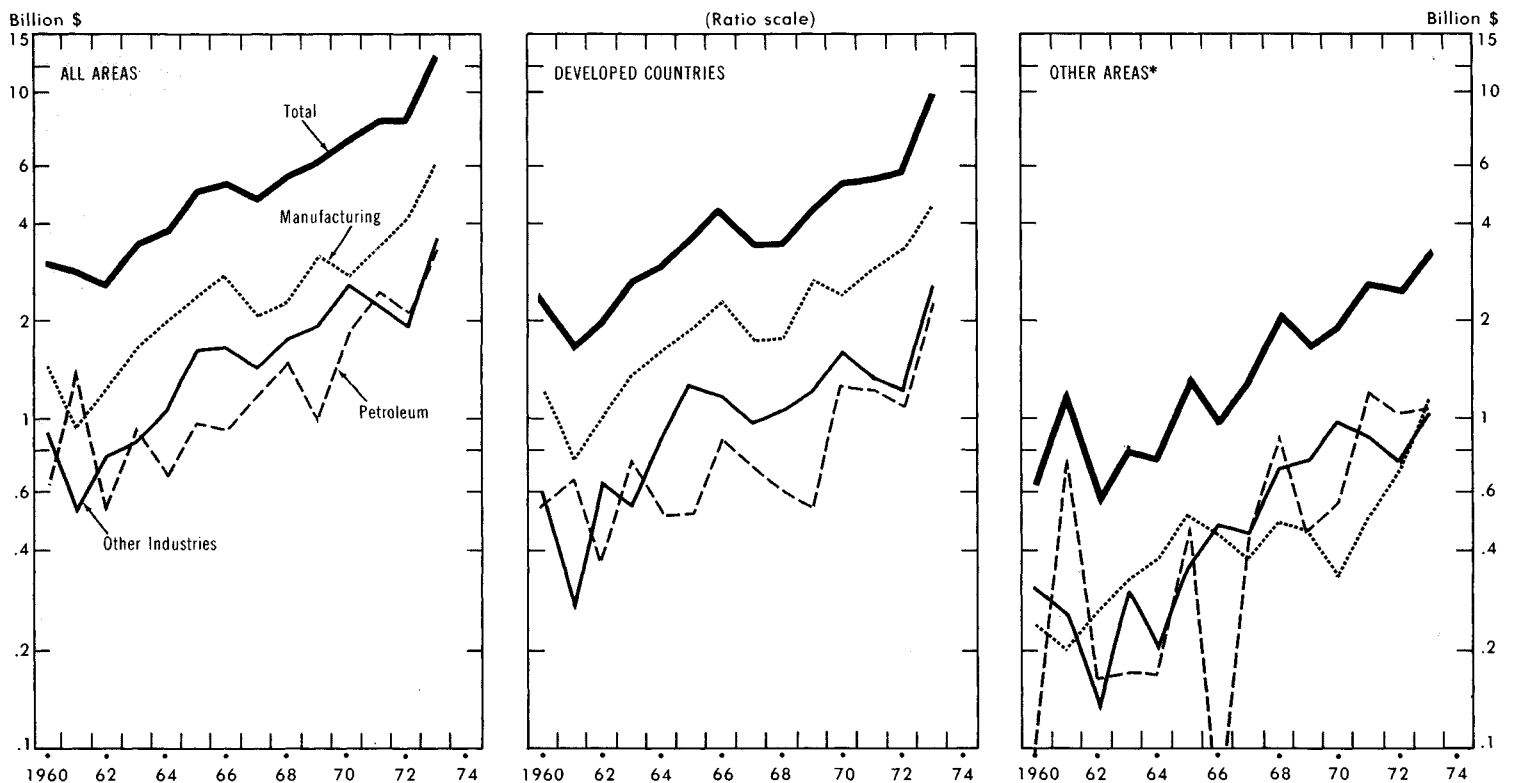
## Highlights

The value of the U.S. direct investment position abroad was \$107.3 billion at yearend 1973, an increase of \$12.9 billion, or 14 percent, from 1972. The large addition comprised reinvested earnings of \$8.1 billion, up 72 percent

NOTE.—Richard L. Smith and Gregory G. Fouch supervised preparation of the direct investment estimates with assistance from John W. Rutter and Ralph Kozlow.

CHART 2

Annual Additions to Direct Investment Abroad by Major Area and by Industry



\*Includes developing countries, international and unallocated.

Table 1.—Addition to U.S. Direct Investment Position and Components of Financing

[Millions of dollars]

Line	Item, year, and change from previous year	All areas				Developed countries				Other areas <sup>1</sup>			
		All industries	Petroleum	Manufacturing	Other	All industries	Petroleum	Manufacturing	Other	All industries	Petroleum	Manufacturing	Other
<b>Direct investment position:<sup>2</sup></b>													
1	Addition in 1973 <sup>3</sup> .....	12,930	3,305	6,074	3,551	9,726	2,244	4,952	2,529	3,205	1,060	1,122	1,022
2	Addition in 1972 <sup>3</sup> .....	8,140	2,111	4,084	1,945	5,676	1,085	3,373	1,213	2,465	1,025	712	728
3	Change, 1972-73.....	4,790	1,194	1,990	1,606	4,050	1,159	1,579	1,311	740	35	410	294
4	Change, 1971-72.....	120	-327	713	-265	249	-150	506	-107	-128	-178	208	-158
<b>Net capital outflows:<sup>3</sup></b>													
5	1973 <sup>3</sup> .....	4,872	1,417	1,820	1,635	3,631	1,053	1,354	1,224	1,241	364	467	411
6	1972 <sup>3</sup> .....	3,517	1,603	1,100	815	1,988	693	882	464	1,529	910	267	351
7	Change, 1972-73.....	1,355	-186	721	820	1,642	360	522	760	-288	-547	199	60
8	Change, 1971-72.....	-1,426	-347	-456	-621	-1,000	-283	-487	-230	-426	-65	29	-391
<b>Reinvested earnings:<sup>4</sup></b>													
9	1973 <sup>3</sup> .....	8,124	1,927	4,408	1,788	6,147	1,166	3,741	1,240	1,977	761	668	548
10	1972 <sup>3</sup> .....	4,715	563	2,991	1,161	3,710	424	2,537	750	1,004	140	454	411
11	Change, 1972-73.....	3,409	1,364	1,418	627	2,437	742	1,204	491	973	621	214	137
12	Change, 1971-72.....	1,558	63	1,137	353	1,273	173	972	128	285	-109	165	229
<b>Adjustments:<sup>5</sup></b>													
13	Change, 1972-73.....	26	17	-149	158	-29	56	-145	61	55	-38	-3	97
14	Change, 1971-72.....	-12	-44	33	-1	-24	-39	19	-5	12	-6	13	5

<sup>r</sup> Revised. <sup>p</sup> Preliminary.

1. Includes developing countries, international and unallocated.

2. Lines 1 and 2 correspond to appropriate column detail for line 3 in table 2.

3. Lines 5 and 6 correspond to changes in the appropriate column detail for line 4 in table 2.

4. Lines 9 and 10 correspond to changes in the appropriate column detail for line 5 in table 2.

5. Lines 13 and 14 correspond to changes in the appropriate column detail for line 6 in table 2.

NOTE.—Details may not add to totals because of rounding.

Table 2.—Identifiable U.S. Corporate Transactions With Foreigners<sup>1</sup>

[Millions of dollars, balance of payments signs: debits (-), credits (+)]

Line	Item	All areas			Developed countries			Other areas <sup>2</sup>			Change, 1972-73		
		1971 <sup>r</sup>	1972 <sup>r</sup>	1973 <sup>p</sup>	1971 <sup>r</sup>	1972 <sup>r</sup>	1973 <sup>p</sup>	1971 <sup>r</sup>	1972 <sup>r</sup>	1973 <sup>p</sup>	All areas	Developed countries	Other areas
1	<b>Net flow<sup>3</sup></b> .....	3,994	7,607	7,092	2,266	5,125	2,930	1,728	2,482	4,162	-515	-2,195	1,680
2	<b>Change in corporate claims on foreigners</b> .....	-9,037	-9,765	-15,649	-6,036	-6,640	-11,540	-3,001	-3,126	-4,109	-5,884	-4,900	-983
3	Addition to direct investment position.....	-8,020	-8,140	-12,930	-5,427	-5,676	-9,726	-2,593	-2,465	-3,204	-4,790	-4,050	-739
4	Net capital outflows.....	-4,943	-3,517	-4,872	-2,988	-1,988	-3,631	-1,955	-1,529	-1,241	-1,355	-1,643	288
5	Reinvested earnings.....	-3,157	-4,715	-8,124	-2,437	-3,710	-6,147	-720	-1,005	-1,977	-3,409	-2,437	-972
6	Valuation adjustment <sup>4</sup> .....	80	92	66	-1	23	52	81	69	14	-26	29	-55
7	Change in other corporate claims.....	-1,017	-1,625	-2,719	-609	-964	-1,814	-408	-661	-905	-1,094	-850	-244
8	Long-term.....	-168	-253	-464	-98	-156	-276	-70	-97	-188	-211	-120	-91
	Short-term:												
9	Liquid.....	-531	-505	-841	-404	-277	-565	-127	-223	-276	-336	-288	-48
10	Nonliquid <sup>5</sup> .....	-496	-214	-1,413	-266	-172	-972	-230	-42	-441	-1,199	-800	-399
11	Adjustments <sup>4</sup> .....	178	-653	-1	159	-359	-1	19	-294	652	358	294	
12	<b>Change in corporate liabilities to foreigners</b> .....	1,846	3,580	2,207	1,564	3,224	1,671	282	356	536	-1,373	-1,553	180
13	New issues of securities sold abroad by U.S. corporations <sup>6</sup> .....	1,181	2,002	1,222	1,181	2,002	1,222				-780	-780	
14	Change in corporate liabilities other than new issues.....	665	1,578	985	383	1,222	449	282	356	536	-593	-773	180
15	Long-term.....	384	594	264	289	561	118	95	33	146	-330	-443	113
16	Short-term <sup>6</sup> .....	22	160	943	-162	10	553	184	150	390	783	543	240
17	Adjustments <sup>4</sup> .....	259	824	-222	256	651	-222	3	173		-1,046	-873	-173
18	<b>Direct investors' ownership benefits</b> .....	11,702	14,055	20,377	7,152	8,856	12,628	4,550	5,200	7,749	6,322	3,772	2,549
19	Receipts on U.S. direct investments.....	8,545	9,340	12,253	4,715	5,146	6,481	3,830	4,195	5,772	2,913	1,335	1,577
20	Royalties and fees.....	2,160	2,415	2,838	1,594	1,816	2,182	566	600	656	423	368	56
21	Dividends and interest.....	4,174	4,548	5,327	2,648	2,899	3,637	1,528	1,649	1,690	779	738	41
22	Branch earnings <sup>7</sup> .....	2,211	2,377	4,088	473	431	662	1,733	1,946	3,426	1,711	231	1,450
23	Reinvested earnings.....	3,157	4,715	8,124	2,437	3,710	6,147	720	1,005	1,977	3,409	2,437	972
24	<b>Offset to adjustments<sup>4</sup></b> .....	-517	-263	137	-414	-315	171	-103	52	-14	420	486	-66

<sup>r</sup> Revised. <sup>p</sup> Preliminary.

1. Some balance of payments flows associated with U.S. corporate transactions are not separately identified in the U.S. balance of payments data and therefore are not reflected in the estimates given in this table. See text for further explanation. Claims and liabilities of U.S. banking and brokerage institutions are excluded.

2. Includes developing countries, international and unallocated.

3. Sum of lines 2+12+18+24.

4. These adjustments plus balance of payments flows are equal to the changes in the international investment position. Such adjustments do not enter the balance of payments flow figures. Line 24 is the sum of lines 6, 11, and 17, with sign reversed.

5. Excludes brokerage claims and liabilities.

6. Excludes funds obtained abroad by U.S. corporations through bank loans and other credits and also excludes securities issued by subsidiaries incorporated abroad. However, securities issued by finance subsidiaries incorporated in the Netherlands Antilles are treated as if they had been issued by U.S. corporations to the extent that the proceeds of such issues are transferred to U.S. parent companies.

7. Petroleum branch earnings have been revised as described in the Technical Notes.

NOTE.—Details may not add to totals because of rounding.

from 1972, and net capital outflows of \$4.9 billion, up 39 percent. Valuation adjustments were small.

For the second consecutive year, reinvested earnings accounted for a larger share of the addition to the U.S. direct investment position in foreign-incorporated affiliates than did net capital outflows. This differs markedly from earlier experience, when net capital outflows usually exceeded reinvested earnings.<sup>2</sup>

The large increase in reinvested earnings resulted from an unusual increase in foreign-incorporated affiliate earnings and a sharp decrease in the proportion of their earnings paid out as dividends. Direct investors' earnings from their foreign-incorporated affiliates—comprising reinvested earnings, dividends, and foreign withhold-

2. None of the reinvested earnings stems from branch earnings because the U.S. balance of payments accounts treat branch earnings as entirely remitted to the United States. However, some U.S. income received from branches may be returned to them as a net capital outflow.

**Table 3.—Dividend Payout Ratios of Foreign-Incorporated Affiliates**

[Millions of dollars, or ratios]

Item and industry	All areas			Developed countries			Other areas <sup>1</sup>		
	1971	1972 <sup>r</sup>	1973 <sup>p</sup>	1971	1972 <sup>r</sup>	1973 <sup>p</sup>	1971	1972 <sup>r</sup>	1973 <sup>p</sup>
<b>All industries:</b>									
Earnings.....	7,178	9,109	13,407	4,941	6,449	9,669	2,238	2,660	3,738
Gross dividends.....	4,022	4,394	5,283	2,504	2,739	3,522	1,518	1,655	1,761
Ratio, gross dividends to earnings.....	.56	.48	.39	.51	.43	.36	.68	.62	.47
<b>Petroleum:</b>									
Earnings.....	1,554	1,811	3,239	470	616	1,507	1,085	1,196	1,733
Gross dividends.....	1,054	1,248	1,312	219	192	340	836	1,056	972
Ratio, gross dividends to earnings.....	.68	.69	.40	.47	.31	.23	.77	.88	.56
<b>Manufacturing:</b>									
Earnings.....	3,736	5,074	7,156	3,149	4,302	6,110	588	772	1,046
Gross dividends.....	1,882	2,083	2,748	1,584	1,765	2,369	299	318	379
Ratio, gross dividends to earnings.....	.50	.41	.38	.50	.41	.39	.51	.41	.36
<b>Other:</b>									
Earnings.....	1,888	2,223	3,011	1,322	1,531	2,052	566	693	959
Gross dividends.....	1,085	1,063	1,223	700	782	812	384	281	410
Ratio, gross dividends to earnings.....	.57	.48	.41	.53	.51	.40	.68	.41	.43

<sup>r</sup> Revised. <sup>p</sup> Preliminary.

1. Includes developing countries, international and unallocated.

NOTE.—Details may not add to totals because of rounding.

Reported earnings are also equal to the sum of dividends, foreign withholding taxes, and reinvested earnings. Estimates are drawn from table 12. Gross dividends exclude preferred dividends, but include foreign withholding taxes.

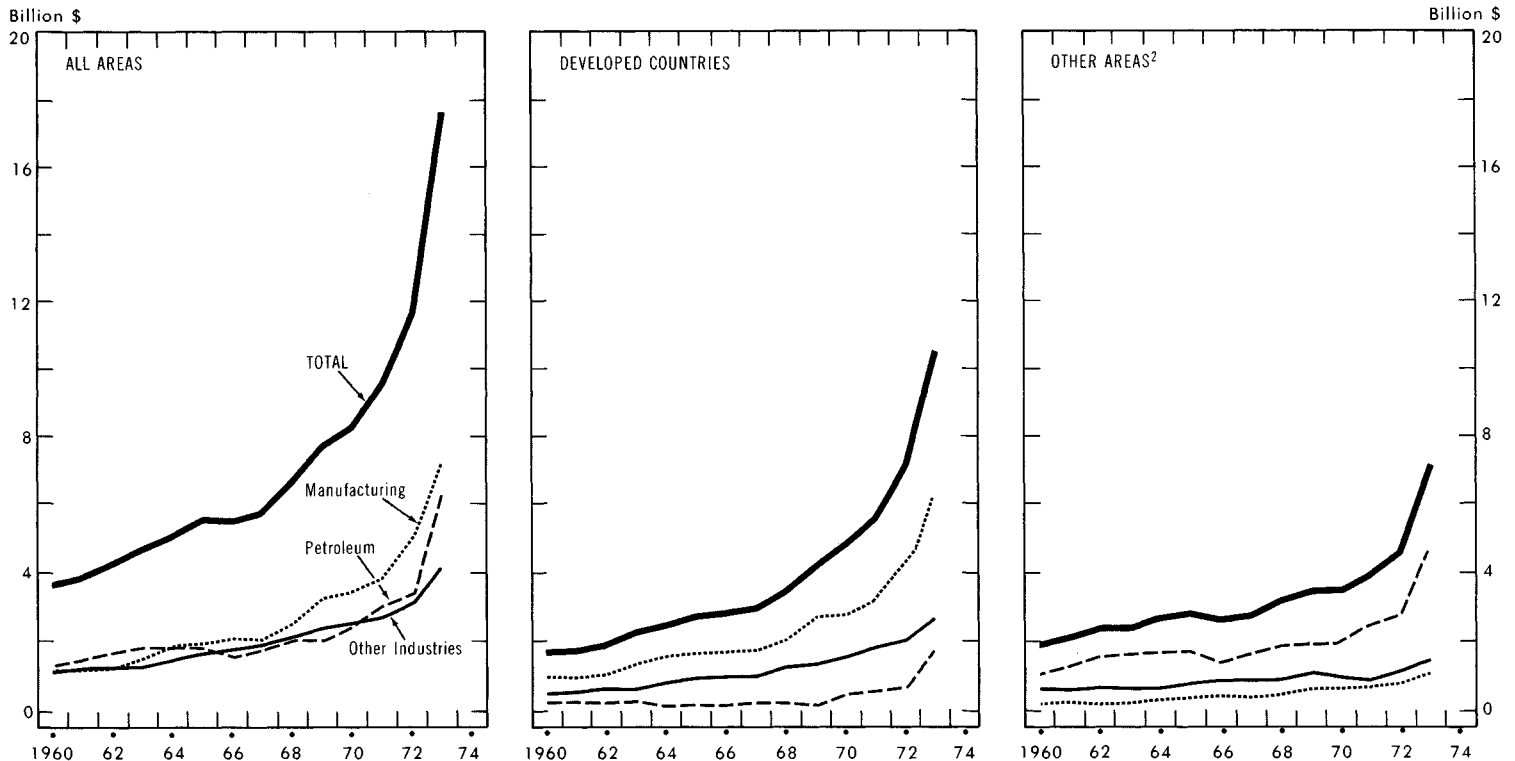
ing taxes—were \$13.4 billion in 1973, a \$4.3 billion or 47 percent increase over 1972. Almost 80 percent of this increase was reinvested as the overall dividend payout ratio of incorporated

affiliates fell to 0.39 compared with 0.48 in 1972.

The growth in earnings probably stemmed from three factors: The February 1973 dollar devaluation, which

CHART 3

**Adjusted Earnings by Major Area and by Industry<sup>1</sup>**



1. Adjusted earnings data are given in table 12.

2. Includes developing countries, international and unallocated.

increased the value of affiliates' foreign currency earnings when translated into dollars; a high level of economic activity during most of the year, coupled with rapid price increases, which raised affiliates' book profits; and the petroleum supply situation, which had been tightening for some months prior to the fourth-quarter Arab production cutback, and which resulted in higher per-barrel product prices and higher profits of petroleum affiliates.

The decline in the payout ratio was partly attributable to the dollar devaluations, which reduced the portion of affiliates' foreign currency earnings needed to maintain their dollar remittances to U.S. direct investors. Also, the high rate of inflation raised costs of affiliates' investment projects, thereby increasing their requirements for financing, including reinvested earnings. Finally, some of the increase in affiliates' earnings represented exceptional book profits on inventories, again related to inflation. Part of these inventory profits may not have been regarded as available for distribution to stockholders.

The 1973 earnings of foreign branches, mainly in extractive industries, were \$4.1 billion, up 72 percent from 1972. This increase resulted from the same factors as did the rise in earnings of incorporated affiliates. Combined earnings of branches and incorporated affiliates totaled \$17.5 billion, a 52 percent increase over 1972.

Adjusted earnings were \$17.5 billion in 1973, up \$5.9 billion or 51 percent from 1972. This may be a more appropriate measure of return from the viewpoint of the direct investor than the conventional accounting concept of earnings used above. Adjusted earnings are defined as the sum of a direct investor's share in earnings of affiliates, plus interest receipts from affiliates, less foreign withholding taxes. Because interest receipts about offset foreign withholding taxes in 1973, the earnings and adjusted earnings totals were virtually identical. The adjusted earnings rate of return on U.S. direct investment was a record 17.4 percent, compared with the previous high of 12.9 percent in 1972.

## Growth in U.S. Direct Investment Abroad

Table 1 and chart 2 show annual additions to the U.S. direct investment position by major area and industry categories.<sup>3</sup> There were record increases in

3. The annual addition estimates can be obtained in two ways: (i) by subtracting the book value (of the U.S. direct investment position abroad) at the end of one year from the book value at the end of the next year, using the estimates of book value in table 9; or (ii) by adding up the three components—net capital outflows, reinvested earnings, and valuation adjustments—of the annual addition. These three components are, respectively, lines 4, 5, and 6 of table 2.

**Table 4.—Reinvested Earnings in and Net Capital Outflows to Foreign-Incorporated Affiliates**

[Millions of dollars, or ratios]

Item and industry	All areas			Developed countries			Other areas <sup>1</sup>		
	1971	1972 <sup>r</sup>	1973 <sup>p</sup>	1971	1972 <sup>r</sup>	1973 <sup>p</sup>	1971	1972 <sup>r</sup>	1973 <sup>p</sup>
<b>All industries:</b>									
Total <sup>2</sup> .....	7,057	6,915	11,672	5,026	5,136	9,138	2,031	1,779	2,535
Reinvested earnings.....	3,157	4,715	8,124	2,437	3,710	6,147	720	1,005	1,977
Net capital outflows.....	3,900	2,201	3,548	2,589	1,426	2,991	1,311	774	558
Ratio, reinvested earnings to total.....	.45	.68	.70	.48	.72	.67	.35	.56	.78
<b>Petroleum, total<sup>2</sup>.....</b>	<b>1,921</b>	<b>1,550</b>	<b>2,542</b>	<b>1,139</b>	<b>1,070</b>	<b>1,968</b>	<b>782</b>	<b>481</b>	<b>574</b>
Reinvested earnings.....	500	563	1,927	251	424	1,166	249	140	761
Net capital outflows.....	1,421	987	615	888	646	802	533	341	-187
Ratio, reinvested earnings to total.....	.26	.36	.76	.22	.40	.59	.32	.29	.....
<b>Manufacturing, total<sup>2</sup>.....</b>	<b>3,360</b>	<b>4,000</b>	<b>6,145</b>	<b>2,850</b>	<b>3,306</b>	<b>5,011</b>	<b>510</b>	<b>694</b>	<b>1,135</b>
Reinvested earnings.....	1,854	2,991	4,408	1,565	2,537	3,741	289	454	668
Net capital outflows.....	1,506	1,009	1,736	1,285	769	1,270	221	240	467
Ratio, reinvested earnings to total.....	.55	.75	.72	.55	.77	.75	.57	.65	.59
<b>Other, total<sup>2</sup>.....</b>	<b>1,774</b>	<b>1,367</b>	<b>2,985</b>	<b>1,036</b>	<b>762</b>	<b>2,158</b>	<b>738</b>	<b>604</b>	<b>826</b>
Reinvested earnings.....	803	1,161	1,788	621	749	1,240	182	411	548
Net capital outflows.....	971	206	1,197	415	13	918	556	193	278
Ratio, reinvested earnings to total.....	.45	.85	.60	.60	.98	.57	.25	.68	.66

<sup>r</sup> Revised. <sup>p</sup> Preliminary.

1. Includes developing countries, international and unallocated.

2. Separate data for valuation adjustments, the remaining component of the addition to the U.S. direct investment position, are not available for foreign incorporated affiliates, so that the total lines do not exactly measure the addition to U.S. direct investment. These adjustments (covering branches as well as incorporated affiliates) totaled \$66 million in 1973, as given in line 6 of table 2.

NOTE.—Details may not add to totals because of rounding.

**Table 5.—Net Capital Outflows by Industry, Area, and Type of Capital**

[Millions of dollars, not seasonally adjusted]

Item	1971	1972 <sup>r</sup>	1973 <sup>p</sup>				
			Year	I	II	III	IV
<b>Net capital outflows.....</b>	<b>4,943</b>	<b>3,517</b>	<b>4,872</b>	<b>2,445</b>	<b>943</b>	<b>510</b>	<b>974</b>
To foreign-incorporated affiliates.....	3,898	2,201	3,549	1,858	321	719	650
Short-term intercompany accounts <sup>1</sup> .....	1,241	200	1,719	1,486	52	370	-190
Petroleum.....	822	668	516	346	-17	86	101
Manufacturing.....	296	-120	645	444	9	264	-72
Finance and insurance.....	13	-315	253	349	-36	101	-161
Other <sup>2</sup> .....	109	-33	305	347	96	-80	-53
Other <sup>2</sup> .....	2,656	2,001	1,829	371	270	348	841
Petroleum.....	599	319	99	152	-53	-55	56
Manufacturing.....	1,210	1,129	1,092	124	445	140	384
Finance and insurance.....	505	138	411	66	-10	164	192
Other <sup>2</sup> .....	344	416	228	30	-112	100	209
To branches <sup>4</sup> .....	1,045	1,317	1,324	587	622	-209	324
Petroleum.....	529	616	802	481	505	-321	137
Manufacturing.....	50	91	84	8	42	2	32
Finance and insurance.....	42	120	158	54	6	30	68
Other <sup>2</sup> .....	423	490	280	44	69	80	86
<b>Of which, short-term intercompany accounts with developed areas<sup>1</sup>.....</b>	<b>720</b>	<b>-106</b>	<b>1,426</b>	<b>1,348</b>	<b>26</b>	<b>87</b>	<b>-35</b>
Petroleum.....	417	427	599	401	-23	-79	301
Manufacturing.....	281	-109	448	402	-1	157	-111
Finance and insurance.....	-35	-300	160	301	-36	6	-111
Other <sup>2</sup> .....	59	-124	219	244	86	3	-114

<sup>r</sup> Revised. <sup>p</sup> Preliminary.

1. Calculated as the change in the amount outstanding from the beginning to the end of the accounting period. Each category reflects (i) transactions that result in net capital outflows from the United States, less (ii) conversions of outstanding short-term claims into long-term or equity claims, plus (iii) conversions of long-term claims or equity into short term. None of these conversions has a net effect on the balance of payments.

2. "Other" industries include all industries other than those listed, the major ones being mining and smelting, trade, agriculture, public utilities, and services.

3. "Other" types of capital outflows to foreign-incorporated affiliates reflect changes in long-term intercompany accounts; acquisition of capital stock of existing and newly established foreign companies in transactions with affiliated and unaffiliated foreigners; partial or total sales or liquidations of capital stock and other equity holdings; and verified transactions of non-reporters, which are not classified by type. This category includes transactions which result in net capital outflows plus conversions as described in footnote 1.

4. "Branches" include any unincorporated foreign affiliates. Detail on the term structure of this line is not available.

NOTE.—Details may not add to totals because of rounding.

1973 in each of the industry groups shown: petroleum, \$3.3 billion, or 13 percent; in manufacturing, \$6.1 billion, or 15 percent; and in the "other industries" category (mostly mining and smelting, trade, finance and insurance, public utilities, and agriculture), \$3.6 billion, or 13 percent. Of the \$12.9 billion total addition to the direct investment position, petroleum accounted for 26 percent, manufacturing for 47 percent, and "other industries" for 27 percent.

By area, developed countries accounted for \$9.7 billion, or 75 percent of the total addition, a percentage which has been rising in recent years as the U.S. direct investment position in developed countries has grown faster than in other areas. The difference in the rate of growth reflects the greater weight of manufacturing in developed

countries and the fact that, in each area, investment in manufacturing grew faster than the all-industry average.

### Petroleum

Of the 1973 addition to petroleum direct investment, \$2.2 billion was in developed countries, a 16 percent rise, resulting from the continuing response of U.S. petroleum companies to growing worldwide demand for energy and petrochemical feedstocks. Substantial expenditures were made to diversify sources of supply and accelerate development of new fields, as well as for terminals, refineries, and distribution facilities to help meet the increased petroleum demand. The additional investment was financed about equally by net capital outflows and by reinvested earnings.

Net capital outflows to the developed

countries were also influenced by a shifting to the books of U.S. parent companies of trade receivables owed by petroleum affiliates in developed (mainly petroleum importing) countries to petroleum affiliates in developing (mainly petroleum exporting) countries. This shifting resulted in increased U.S. parents' claims on developed countries (a U.S. net capital outflow), offset by increased U.S. parents' liabilities to developed countries (a U.S. net capital inflow).

Petroleum reinvested earnings stemmed in part from higher petroleum prices and profits per-barrel, along with increased inventory profits.

The addition to petroleum investment in developing countries was \$1.1 billion in 1973, about the same as in 1972. However, reinvested earnings replaced net capital outflows as the

Table 6.—Estimated Net Capital Outflows to Manufacturing Foreign Affiliates by Industry

[Millions of dollars]

Area and year	All manufacturing	Food products	Paper and allied products	Chemicals and allied products	Rubber products	Primary and fabricated metals	Machinery except electrical	Electrical machinery	Transportation equipment	Other
<b>All areas:</b>										
1969.....	1,160	125	3	163	9	136	177	206	115	226
1970.....	1,295	134	111	78	44	194	205	178	193	158
1971.....	1,556	206	44	365	1	21	307	117	267	229
1972 *.....	1,100	116	59	200	34	18	72	174	285	141
1973 *.....	1,820	170	23	347	27	-12	267	230	459	310
<b>Developed countries:</b>										
<b>Canada:</b>										
1969.....	248	53	-35	2	8	16	49	59	38	58
1970.....	305	5	86	47	3	74	-39	-5	131	4
1971.....	-53	26	6	91	-7	-16	24	-14	-230	68
1972 *.....	239	-5	54	52	14	-26	33	8	65	44
1973 *.....	102	8	-5	63	3	19	-7	7	43	-29
<b>Europe:</b>										
1969.....	596	54	31	100	1	63	105	114	24	104
1970.....	773	90	23	-13	41	85	195	148	50	154
1971.....	1,146	145	33	203	-16	36	250	98	319	79
1972 *.....	493	58	-3	61	5	53	-26	139	145	61
1973 *.....	1,202	96	26	154	5	34	186	145	274	282
<b>Japan:</b>										
1969.....	39	(*)	1	9	(*)	10	-7	10	5	11
1970.....	32	3	-3	12	1	-4	8	8	8	5
1971.....	120	11	(*)	11	(*)	3	-8	4	85	13
1972 *.....	102	19	(*)	21	(*)	36	3	3	2	21
1973 *.....	40	2	1	11	3	-4	15	4	-3	12
<b>Australia, New Zealand, and South Africa:</b>										
1969.....	72	12	-1	19	-8	20	4	3	2	21
1970.....	75	8	5	15	5	10	18	3	6	5
1971.....	105	24	(*)	18	2	-10	17	22	26	6
1972 *.....	-2	13	1	-4	(*)	-10	15	15	-24	7
1973 *.....	10	16	2	22	2	-59	-4	-8	7	32
<b>Other areas:</b>										
<b>Latin American Republics and other Western Hemisphere:</b>										
1969.....	133	1	6	-4	1	24	24	10	45	26
1970.....	104	44	-1	24	-4	18	20	23	-3	-17
1971.....	172	-5	3	33	10	-3	20	1	64	48
1972 *.....	232	25	6	64	6	6	30	24	74	-5
1973 *.....	345	37	(*)	80	4	-6	70	50	112	-2
<b>Other: 1 2</b>										
1969.....	73	5	1	37	7	3	3	11	1	7
1970.....	6	-16	1	-7	-2	11	3	8	1	7
1971.....	65	5	2	9	12	10	3	6	2	15
1972 *.....	36	6	(*)	7	7	-6	-1	-14	24	13
1973 *.....	122	11	(*)	18	10	4	7	34	25	14

\* Revised. \* Preliminary. \* Less than \$500,000 (±).

1. Commencing with 1972, estimates for Okinawa are included with Japan instead of other areas.

2. Includes other Africa, Middle East, other Asia and Pacific, international and unallocated.

NOTE.—Details may not add to totals because of rounding.



**Table 7.—Net Acquisitions from Unaffiliated Foreigners of Voting Stock in Foreign-Incorporated Affiliates<sup>1</sup>**

[Millions of dollars]

Item and area	1972 <sup>a</sup>				1973 <sup>b</sup>			
	All industries	Petroleum	Manufacturing	Other	All industries	Petroleum	Manufacturing	Other
<b>All areas, net acquisitions.....</b>	<b>702</b>	<b>29</b>	<b>418</b>	<b>255</b>	<b>11</b>	<b>-87</b>	<b>154</b>	<b>-56</b>
Acquisitions.....	854	39	492	323	626	11	419	196
Sales.....	152	10	74	68	615	98	265	252
<b>Developed countries:</b>								
Canada, net acquisitions.....	29	13	10	6	-1	1	-3	1
Acquisitions.....	60	18	27	15	26	6	12	8
Sales.....	31	5	17	9	27	5	15	7
Europe, net acquisitions.....	430	12	273	146	342	-60	241	161
Acquisitions.....	482	12	310	160	487	(*)	324	163
Sales.....	52		37	14	145	60	83	2
Other developed countries, net acquisitions.....	53	3	29	21	-128	4	-44	-87
Acquisitions.....	55	3	31	21	33	4	25	5
Sales.....	2		2		161		68	92
<b>Other areas:</b>								
Latin American Republics and other Western Hemisphere, net acquisitions.....	136	1	95	39	-24	-2	-27	4
Acquisitions.....	166	1	112	52	62	(*)	49	13
Sales.....	30		17	13	86	2	76	9
Other, net acquisitions <sup>2</sup> .....	54	-1	12	42	-179	-30	-14	-134
Acquisitions.....	92	4	12	75	17	2	9	7
Sales.....	38	5		33	196	32	23	141

<sup>a</sup> Revised. <sup>b</sup> Preliminary. \* Less than \$500,000 (±).

1. Net acquisitions are a component of net capital outflows to foreign-incorporated affiliates (table 5). Acquisitions include partial and total purchases of voting securities of existing foreign corporations from unaffiliated foreign owners. Sales include partial and total sales of voting securities of foreign corporations by U.S. owners to unaffiliated foreign purchasers. Liquidations through the sale of assets, as distinct from sale of ownership interests, are not included. Changes in the share of ownership resulting from transactions between a parent and an affiliate—such as the purchase of treasury stock from an affiliate by a parent—are not included; only changes involving outside foreign owners or purchasers are included. Secondary foreign companies acquired or sold through primary foreign affiliates are not included.

2. Includes other Africa, Middle East, other Asia and Pacific, international and unallocated.

NOTE.—Details may not add to totals because of rounding.

main source of funds. The 1973 drop in capital outflows was partially attributable to sales and liquidations of some U.S. petroleum-related investments in a few countries.<sup>4</sup> Net capital outflows to other developing countries to finance expansion in petroleum production and loading facilities were substantial.

**Manufacturing**

Most of the 1973 growth in the manufacturing direct investment position was accounted for by a \$5.0 billion or 15 percent addition in developed countries, in response to strong demand and capacity pressures. Reinvested earnings financed most of the addition. Net capital outflows also increased, particularly to machinery and transportation equipment industries in the United Kingdom (tables 6 and 9).

4. The bulk of this divestiture involved branch assets and is therefore not included in the \$30 million figure given in table 7 for net sales of U.S.-owned equity in foreign-incorporated petroleum affiliates.

There was a \$0.6 billion increase in short-term debt owed by manufacturing affiliates in developed countries to their U.S. parents; the increase was concentrated in the first quarter, when foreign exchange market uncertainties were widespread (table 5).

The increase in net capital outflows to developed countries was tempered by increased direct investors' sales and decreased acquisitions of equity in

**Table 8.—U.S. Balance of Payments Income on Petroleum Direct Investment Abroad**

[Millions of dollars, not seasonally adjusted]

Quarter	U.S. balance of payments income
1972 <sup>a</sup> :	
IV.....	953
1973 <sup>b</sup> :	
I.....	827
II.....	918
III.....	1,116
IV.....	1,464
1974 <sup>b</sup> :	
I.....	2,882

<sup>a</sup> Preliminary. <sup>b</sup> Revised.

foreign enterprises in transactions with unaffiliated foreigners (table 7).

In developing countries, the addition to U.S. manufacturing direct investment was \$1.1 billion or 15 percent, about equal to the manufacturing growth rate in developed countries.

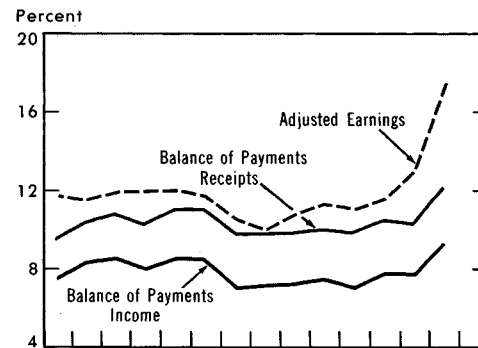
**Other industries**

For the "other industries" group, the 1973 addition to the direct investment position in developed countries was \$2.5 billion, with about equal contributions by net capital outflows and reinvested earnings. Net capital outflows, which were large relative to those in previous years, included sizable first-quarter short-term transactions by U.S.

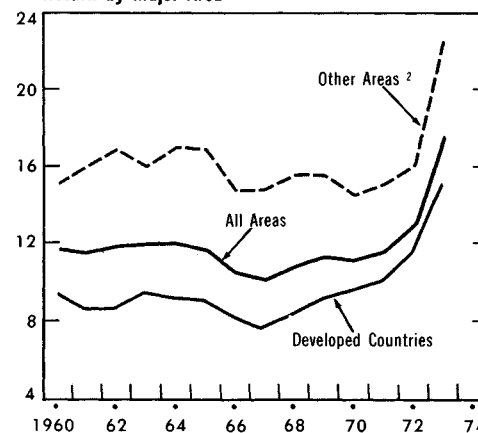
CHART 4

**Rates of Return on U.S. Direct Investment Abroad**

**Alternative Rates of Return, All Areas<sup>1</sup>**



**Adjusted Earnings Rate of Return by Major Area**



1. Rates of return and alternative methods of computation are shown in table 12.

2. Includes developing countries, international and unallocated.

Table 9.—U.S. Direct Investment Abroad by Major Area,

(Millions of

Area and year	All industries					Mining and smelting					Petroleum				
	Book value at year end	Net capital outflows	Reinvested earnings <sup>1</sup>	Earnings	Balance of payments income <sup>2</sup>	Book value at year end	Net capital outflows	Reinvested earnings <sup>1</sup>	Earnings	Balance of payments income <sup>2</sup>	Book value at year end	Net capital outflows	Reinvested earnings <sup>1</sup>	Earnings	Balance of payments income <sup>2</sup>
<b>All areas:</b>															
1966	54,799	3,661	1,739	5,364	3,707	4,365	305	129	659	524	16,222	885	106	1,530	1,443
1967	59,491	3,137	1,598	5,650	4,133	4,876	330	135	746	596	17,399	1,069	175	1,736	1,604
1968	64,983	3,209	2,175	6,538	4,489	5,435	440	134	795	644	18,887	1,231	239	1,965	1,787
1969	71,033	3,271	2,604	7,544	5,074	5,676	93	167	782	664	19,882	919	-59	1,868	2,054
1970	78,178	4,410	2,948	8,118	5,330	6,168	303	111	675	553	21,714	1,460	425	2,264	1,937
1971	88,198	4,943	3,157	9,389	6,385	6,685	510	23	499	482	24,152	1,950	500	2,946	2,532
1972 <sup>r</sup>	94,337	3,517	4,715	11,485	6,925	7,110	382	41	419	395	26,263	1,603	563	3,311	2,826
1973 <sup>p</sup>	107,268	4,872	8,124	17,495	9,415	7,483	201	143	675	548	29,567	1,417	1,927	6,183	4,325
<b>Canada:</b>															
1966	17,017	1,153	547	1,237	756	2,089	172	67	191	120	3,608	155	91	196	112
1967	18,102	408	644	1,327	790	2,342	173	82	240	154	3,819	115	93	207	132
1968	19,585	625	772	1,490	851	2,638	195	103	275	189	4,094	169	107	243	160
1969	21,127	671	937	1,596	782	2,769	54	77	236	152	4,361	179	95	242	152
1970	22,790	908	787	1,586	944	2,989	149	70	250	175	4,807	291	160	302	183
1971	24,105	273	1,074	1,955	1,015	3,246	256	31	203	171	5,149	87	249	370	150
1972 <sup>r</sup>	25,771	350	1,384	2,251	989	3,455	210	133	130	5,301	-101	313	451	161	
1973 <sup>p</sup>	28,055	540	1,846	2,846	1,126	3,735	190	91	230	5,864	89	476	670	219	
<b>Europe:<sup>3</sup></b>															
<b>United Kingdom:</b>															
1966	5,679	403	195	432	251	3	(**)	(**)	(**)	(**)	1,191	126	-8	-25	-15
1967	6,113	331	81	378	274	2	(**)	(**)	(**)	(**)	1,432	267	-29	-53	-17
1968	6,694	363	211	503	275	2	(**)	(**)	(**)	(**)	1,563	154	-21	-49	-15
1969	7,190	316	151	502	332	2	(**)	(**)	(**)	(**)	1,577	53	-41	-59	3
1970	7,986	645	212	593	386	5	(**)	(**)	(**)	(**)	1,839	305	-41	-27	40
1971	9,007	685	324	779	469	9	(**)	(**)	(**)	(**)	2,176	290	48	64	47
1972 <sup>r</sup>	9,582	35	508	1,086	583	5	(**)	(**)	(**)	(**)	2,312	59	82	110	62
1973 <sup>p</sup>	11,115	857	675	1,450	772	6	(**)	(**)	(**)	(**)	2,631	239	81	122	76
<b>European Economic Community (6):<sup>4</sup></b>															
1966	7,587	1,146	100	436	321	17	(**)	(**)	(**)	(**)	1,980	397	-56	-39	17
1967	8,444	852	41	448	398	19	(**)	(**)	(**)	(**)	2,086	176	-56	-24	35
1968	9,012	438	108	543	434	19	(**)	(**)	(**)	(**)	2,146	132	-77	-51	34
1969	10,255	660	503	945	460	17	(**)	(**)	(**)	(**)	2,244	129	-147	-129	29
1970	11,774	994	505	1,313	785	15	(**)	(**)	(**)	(**)	2,523	233	38	25	8
1971	13,605	1,334	499	1,384	878	13	(**)	(**)	(**)	(**)	2,918	477	-93	-28	91
1972 <sup>r</sup>	15,720	1,087	1,020	1,866	859	9	(**)	(**)	(**)	(**)	3,363	475	-43	-96	-17
1973 <sup>p</sup>	19,294	1,695	1,909	3,188	1,265	11	(**)	(**)	(**)	(**)	4,393	702	313	416	151
<b>Other Western Europe:</b>															
1966	2,967	285	140	293	157	34	(**)	(**)	(**)	(**)	832	134	-13	-15	2
1967	3,369	275	147	317	178	40	(**)	(**)	(**)	(**)	905	80	-3	-22	-12
1968	3,701	200	137	323	196	40	(**)	(**)	(**)	(**)	926	31	-14	-37	-18
1969	4,206	233	239	479	246	52	(**)	(**)	(**)	(**)	998	36	-9	-8	4
1970	4,746	275	271	477	219	55	(**)	(**)	(**)	(**)	1,104	114	-10	-24	-7
1971	5,127	150	218	533	300	57	(**)	(**)	(**)	(**)	1,098	15	-27	-38	-5
1972 <sup>r</sup>	5,515	46	365	769	406	60	(**)	(**)	(**)	(**)	1,177	100	-21	-44	-17
1973 <sup>p</sup>	6,809	388	892	1,319	432	70	(**)	(**)	(**)	(**)	1,362	75	92	54	-21
<b>Japan:<sup>5</sup></b>															
1966	756	32	49	91	43						331	-1	11	16	8
1967	870	34	79	123	46						347	(*)	15	21	9
1968	1,050	78	104	167	60						405	46	13	20	8
1969	1,244	89	105	185	70						447	27	15	19	7
1970	1,483	128	115	220	100						540	65	29	29	6
1971	1,821	212	127	285	149						637	78	24	29	11
1972 <sup>r</sup>	2,375	229	183	362	168						901	84	48	51	9
1973 <sup>p</sup>	2,733	36	311	548	222						922	-75	96	100	13
<b>Australia, New Zealand, and South Africa:</b>															
1966	2,655	167	148	292	138	324	77	21	63	39	646	11	19	22	3
1967	3,172	364	152	299	138	419	70	14	66	38	720	48	22	18	-5
1968	3,508	171	159	320	161	446	22	5	64	55	787	40	23	18	-2
1969	3,865	160	199	401	214	479	20	13	86	68	837	24	36	5	5
1970	4,356	288	184	462	299	583	88	20	111	88	910	46	29	37	25
1971	4,904	333	195	479	310	716	105	13	84	74	980	29	50	68	31
1972 <sup>r</sup>	5,395	241	250	546	326	847	117	13	89	80	1,100	75	45	87	56
1973 <sup>p</sup>	6,079	116	514	981	481	951	29	25	136	109	1,224	23	103	180	98
<b>Latin American Republics and other Western Hemisphere:</b>															
1966	11,498	307	343	1,452	1,113	1,565	60	31	359	327	3,475	-37	2	512	499
1967	12,049	296	211	1,398	1,190	1,709	71	24	397	365	3,473	-66	38	519	480
1968	13,101	677	358	1,574	1,218	1,930	227	8	392	374	3,680	177	42	531	489
1969	13,858	392	376	1,646	1,277	1,958	30	43	396	404	3,722	56	-15	434	472
1970	14,760	578	442	1,482	1,057	2,071	140	-17	245	259	3,938	160	68	417	345
1971	15,789	691	399	1,500	1,130	2,097	59	-39	172	214	4,195	204	63	507	444
1972 <sup>r</sup>	16,798	300	732	1,656	967	2,099	-15	16	175	171	4,292	28	71	303	243
1973 <sup>p</sup>	18,452	673	1,028	2,628	1,622	2,107	12	15	252	244	4,393	-59	208	858	643
<b>Other areas:<sup>6</sup></b>															
1966	6,640	167	216	1,131	928	334	-5	12	36	27	4,159	100	59	863	817
1967	7,372	578	244	1,361	1,120	346	9	4	36	32	4,617	448	95	1,071	982
1968	8,383	657	326	1,618	1,293	360	-1	15	55	41	5,285	482	166	1,290	1,130
1969	9,289	750	93	1,790	1,713	398	8	30	64	35	5,697	415	8	1,369	1,380
1970	10,274	594	432	1,984	1,541	451	18	34	61	28	6,053	245	153	1,505	1,336
1971	11,838	1,265	321	2,475	2,134	548	79	22	36	17	6,999	770	186	1,973	1,764
1972 <sup>r</sup>	13,181	1,229	272	2,949	2,627	634	72	15	24	10	7,818	882	69	2,449	2,323
1973 <sup>p</sup>	14,731	569	949	4,536	3,495	602	-43	12	55	43	8,777	423	553	3,783	3,144
<b>Addenda:</b>															
European economic com- (9): <sup>7</sup> 1973 <sup>p</sup>	31,257	2,601													

## Selected Items, 1966-73

dollars]

Manufacturing					Other					Year
Book value at year end	Net capital outflows	Reinvested earnings <sup>1</sup>	Earnings	Balance of payments income <sup>2</sup>	Book value at year end	Net capital outflows	Reinvested earnings <sup>1</sup>	Earnings	Balance of payments income <sup>2</sup>	
22,078	1,752	983	2,104	1,116	12,134	718	520	1,071	624	1966
24,172	1,234	847	2,055	1,193	13,044	504	442	1,112	740	1967
26,414	945	1,261	2,519	1,265	14,248	592	541	1,259	793	1968
29,527	1,160	1,939	3,287	1,337	15,948	1,099	557	1,606	1,020	1969
32,261	1,295	1,534	3,416	1,859	18,085	1,262	877	1,764	981	1970
35,632	1,556	1,854	3,834	1,950	19,728	927	780	2,111	1,422	1971
39,716	1,100	2,991	5,172	2,144	21,249	433	1,118	2,583	1,560	1972*
45,791	1,820	4,408	7,286	2,757	24,427	1,434	1,645	3,351	1,785	1973*
7,692	566	278	628	354	3,628	260	111	222	170	1966
8,095	20	344	613	296	3,847	100	125	267	208	1967
8,568	26	412	672	301	4,325	236	151	300	221	1968
9,406	248	599	833	255	4,591	190	166	285	202	1969
10,059	305	355	679	360	4,935	163	202	355	226	1970
10,590	-53	588	953	393	5,121	-18	206	428	300	1971
11,639	239	822	1,209	426	5,378	3	250	458	271	1972*
12,635	102	1,010	1,524	535	5,821	159	269	422	222	1973*
3,716	259	165	364	208	769	18	38	94	57	1966
3,878	38	111	340	207	802	27	-1	92	84	1967
4,243	134	215	442	206	886	74	18	110	84	1968
4,567	117	169	440	236	1,043	145	24	122	92	1969
4,977	192	219	472	234	1,175	148	35	148	111	1970
5,471	274	228	506	263	1,351	122	49	209	159	1971
5,851	1	351	726	345	1,414	-25	74	250	176	1972*
6,827	494	475	945	437	1,651	124	119	384	258	1973*
4,404	524	140	413	257	1,186	224	15	61	45	1966
4,976	505	101	424	310	1,363	171	-3	47	52	1967
5,399	253	167	502	329	1,448	53	18	91	71	1968
6,382	385	584	919	342	1,611	146	66	155	89	1969
7,177	464	367	1,080	655	2,059	296	100	229	122	1970
8,381	769	463	1,123	631	2,294	89	128	289	156	1971
9,755	484	885	1,602	694	2,594	127	179	360	181	1972*
11,736	628	1,397	2,345	895	3,156	364	194	426	220	1973*
759	116	60	83	24	1,343	35	93	224	133	1966
943	141	40	82	24	1,479	52	109	255	146	1967
1,155	175	51	97	47	1,579	-4	98	263	167	1968
1,330	93	101	158	63	1,823	104	146	323	179	1969
1,553	117	112	168	63	2,034	44	169	334	163	1970
1,768	104	99	182	84	2,205	31	147	383	222	1971
1,975	7	221	315	97	2,303	-61	164	498	325	1972*
2,461	80	408	544	137	2,915	233	391	720	316	1973*
334	22	36	56	18	91	11	2	19	17	1966
425	31	61	85	22	98	3	3	16	15	1967
522	11	86	127	37	123	21	4	20	15	1968
646	39	85	146	49	150	23	5	20	13	1969
749	32	75	154	69	194	30	11	36	25	1970
962	120	88	193	91	223	15	15	63	47	1971
1,194	102	120	236	100	280	43	15	76	59	1972*
1,420	40	176	342	143	391	71	39	106	66	1973*
1,332	65	79	161	79	354	13	29	46	17	1966
1,640	224	89	176	63	394	23	27	38	22	1967
1,830	83	110	192	82	445	26	20	46	26	1968
2,035	72	126	227	108	514	44	24	87	33	1969
2,252	75	124	264	145	612	79	11	50	40	1970
2,461	105	99	249	157	747	95	33	78	48	1971
2,595	-2	138	276	146	854	51	54	95	44	1972*
2,883	10	275	481	200	1,021	55	111	184	74	1973*
3,318	160	202	342	147	3,141	125	108	239	140	1966
3,586	199	78	269	195	3,282	92	70	213	151	1967
4,005	222	194	408	216	3,486	50	114	243	139	1968
4,347	133	225	466	237	3,831	199	123	350	164	1969
4,621	104	228	514	280	4,131	174	162	306	173	1970
4,999	172	240	514	268	4,499	255	135	308	204	1971
5,597	232	381	663	272	4,809	55	265	515	280	1972*
6,460	345	525	860	319	5,492	376	280	658	416	1973*
524	40	22	57	29	1,622	33	123	175	55	1966
629	77	24	66	36	1,779	43	121	189	69	1967
693	40	26	79	48	2,046	136	119	194	74	1968
813	73	48	98	47	2,381	254	8	259	252	1969
874	6	54	105	52	2,895	326	192	313	125	1970
1,001	65	49	114	62	3,291	350	65	351	291	1971
1,111	37	74	146	64	3,617	237	115	330	226	1972*
1,371	122	143	244	91	3,982	67	241	454	217	1973*
18,962	1,126	1,966	3,388	1,337	4,912	496	330	839	491	1973*
2,061	76	314	447	132	2,809	225	375	691	303	1973*

NOTE.—Details may not add to totals because of rounding. For an explanation of the relations between earnings, reinvested earnings, and balance of payments income see the Technical Notes. Not all countries grouped in an "other" or regional category have U.S. direct investment at any given time.

direct investors with their finance affiliates (table 5). Net capital outflows to the developing countries were \$0.4 billion (table 1) and would have been larger, except for selloffs of shipping and other affiliates totaling \$0.3 billion (table 7).

### U.S. Corporate Transactions With Foreigners

Table 2 gives the net impact on the U.S. balance of payments of identifiable U.S. corporate accounts with foreigners. It is not equivalent to the net impact of U.S. direct investment on the balance of payments for three reasons: (i) U.S. corporate data, as now collected, do not allow all transactions associated with direct investment to be separated from other corporate transactions with foreigners; (ii) data are lacking on interest payments to foreign holders of U.S. corporate debt associated with direct investment; and (iii) as explained in the Technical Notes, net capital outflows are sample data, rather than universe estimates.

The net inflow of funds to the United States resulting from U.S. corporate transactions with foreigners—including additions to the direct investment position, other capital account changes, and direct investor ownership benefits—was \$6.9 billion, down \$0.9 billion from the 1972 record. There was a \$5.9 billion increase in corporate claims on foreigners and a \$1.4 billion decrease in U.S. corporate borrowing from unaffiliated foreigners; these changes were largely offset by a \$6.3 billion increase in direct investors' ownership benefits, comprising royalties and fees, dividends, interest, branch earnings, and reinvested earnings. Statistical adjustments were negligible.

There was a marked shift in the geographic origin of net corporate flows. The net flow to the United States from developed countries decreased \$2.2 billion, to \$2.9 billion, while the net flow from the "other areas" category (mostly developing countries) increased \$1.7 billion, to \$4.2 billion. There are several reasons for this change. First, exchange market disturbances in the first quarter mainly affected capital transactions with ed-

Table 10A.—Preliminary 1973 Estimates, U.S. Direct Investment

[Millions]

Line	Area and country	All industries					Mining and smelting					Petroleum				
		Book value at year-end	Net capital out-flows	Reinvested earnings <sup>1</sup>	Earnings	Balance of payments income <sup>2</sup>	Book value at year-end	Net capital out-flows	Reinvested earnings <sup>1</sup>	Earnings	Balance of payments income <sup>2</sup>	Book value at year-end	Net capital out-flows	Reinvested earnings <sup>1</sup>	Earnings	Balance of payments income <sup>3</sup>
1	All areas.....	107,268	4,872	8,124	17,495	9,415	7,483	201	143	675	548	29,567	1,417	1,927	6,183	4,325
2	Developed countries.....	74,084	3,631	6,147	10,330	4,299	4,774	232	116	369	261	16,397	1,053	1,166	1,542	537
3	Canada.....	28,055	540	1,846	2,846	1,126	3,735	190	91	230	149	5,864	89	476	670	219
4	Europe <sup>3</sup> .....	37,218	2,939	3,476	5,956	2,470	87	14	(**)	(**)	(**)	8,387	1,016	491	592	208
5	European Economic Community (9).....	31,257	2,601	2,727	4,770	2,035	18	(**)	(**)	(**)	(**)	7,365	979	432	544	208
6	Belgium and Luxembourg.....	2,514	117	285	421	127	(*)	(*)	(**)	(**)	(**)	292	71	38	41	3
7	Denmark and Ireland.....	847	50	143	133	-3	1	(**)	(**)	(**)	(**)	340	38	33	6	-21
8	France.....	4,259	390	414	623	210	5	(**)	(**)	(**)	(**)	541	111	9	11	4
9	Germany.....	7,954	883	800	1,508	673	(**)	(**)	(**)	(**)	(**)	2,287	388	233	286	80
10	Italy.....	2,301	186	149	231	84	(**)	(**)	(**)	(**)	(**)	534	58	-18	-24	-4
11	Netherlands.....	2,266	119	261	405	171	1	(**)	(**)	(**)	(**)	739	74	51	102	68
12	United Kingdom.....	11,115	857	675	1,450	772	6	(**)	(**)	(**)	(**)	2,631	239	81	122	76
13	Other Western Europe.....	5,962	338	749	1,186	435	69	(**)	(**)	(**)	(**)	1,022	37	59	48	(*)
14	Norway.....	419	64	31	13	-11	(**)	(**)	(**)	(**)	(**)	216	51	9	-21	-24
15	Spain.....	1,017	-33	136	186	45	(**)	(**)	(**)	(**)	(**)	107	-55	-5	1	5
16	Sweden.....	846	63	60	93	37	(*)	(**)	(**)	(**)	(**)	364	24	19	19	2
17	Switzerland.....	2,593	200	440	706	260	(*)	(**)	(**)	(**)	(**)	21	12	8	9	4
18	Other <sup>4</sup> .....	1,066	44	82	189	104	22	(**)	(**)	(**)	(**)	314	5	27	41	12
19	Japan <sup>5</sup> .....	2,733	36	311	548	222						922	-75	96	100	13
20	Australia, New Zealand and South Africa.....	6,079	116	514	981	481	951	29	25	136	109	1,224	23	103	180	98
21	Australia.....	4,526	7	329	689	380	785	16	16	100	83	(**)	(**)	(**)	(**)	(**)
22	New Zealand.....	313	29	38	58	20	8	(*)	(*)	(**)	(**)	(**)	(**)	(**)	(**)	(**)
23	South Africa.....	1,240	80	148	234	80	158	13	8	36	26	274	(**)	(**)	(**)	(**)
24	Developing countries <sup>6</sup> .....	27,867	1,198	1,510	6,538	4,932	2,709	-32	28	306	287	10,431	247	467	4,247	3,665
25	Latin American Republics and other Western Hemisphere.....	18,452	673	1,028	2,628	1,622	2,107	12	15	252	244	4,393	-59	208	858	643
26	Latin American Republics.....	14,797	376	794	2,089	1,287	1,342	28	15	156	146	3,067	-232	91	635	536
27	Mexico.....	2,249	52	162	275	109	128	-3	8	14	6	30	(*)	-2	4	5
28	Panama.....	1,665	(*)	204	292	102	19	(*)	(*)	(**)	(**)	344	16	53	53	(*)
29	Other Central America <sup>6</sup> .....	653	25	11	47	39	19	4	7	7	7	124	-11	-3	8	11
30	Argentina.....	1,407	9	-7	63	66	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)
31	Brazil.....	3,199	343	355	448	84	180	(**)	(**)	(**)	(**)	194	-6	(**)	(**)	(**)
32	Chile.....	619	-3	2	1	1	359	(*)	(*)	(**)	(**)	(**)	(**)	(**)	(**)	(**)
33	Colombia.....	727	-26	29	53	24	(**)	(**)	(**)	(**)	(**)	277	-30	1	7	6
34	Peru.....	793	71	13	82	68	439	22	1	89	89	(**)	(**)	(**)	(**)	(**)
35	Venezuela.....	2,591	-98	-14	689	682	(**)	(**)	(**)	(**)	(**)	1,341	-205	-2	487	488
36	Other <sup>7</sup> .....	893	2	42	139	110	17	-6	1	12	11	412	-20	10	46	35
37	Other Western Hemisphere <sup>8</sup> .....	3,655	296	234	539	335	765	-16	(**)	95	98	1,326	173	117	223	107
38	Other Africa <sup>9</sup> .....	2,830	-427	177	618	446	397	-48	15	33	19	2,002	-391	145	548	406
39	Liberia.....	256	33	15	30	16	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)
40	Libya.....	895	-252	3	284	281	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)
41	Other.....	1,679	-208	159	304	148	338	-43	14	27	13	1,077	-189	140	258	120
42	Middle East <sup>10</sup> .....	2,682	588	108	2,277	2,172	5	(*)	(**)	(**)	(**)	2,377	513	99	2,242	2,146
43	Other Asia and Pacific <sup>6</sup> .....	3,903	365	198	1,014	692	199	5	-2	21	24	1,659	184	15	599	470
44	India.....	351	6	7	39	27	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)
45	Philippines.....	711	4	21	65	37	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)
46	Other <sup>6</sup> .....	2,841	354	169	910	628	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)
47	International and unallocated.....	5,317	43	467	627	185						2,740	117	294	394	122
	<b>Addenda:</b>															
	European Economic Community (6) <sup>11</sup> .....	19,296	1,694	1,909	3,162	1,266	11	(**)	(**)	(**)	(**)	4,394	702	318	446	152
	Other Europe <sup>12</sup> .....	6,808	388	892	1,299	432	71	(**)	(**)	(**)	(**)	1,362	75	92	106	-21

\*Less than \$500,000 (±). \*\*Combined in the "other industries" category to avoid disclosure of data for individual reporters.

1. Represents a U.S. reporter's share in reinvested earnings of its foreign incorporated affiliates.

2. Comprised of interest, dividends, and branch earnings. Petroleum branch earnings have been revised as described in the Technical Notes.

3. Direct investment statistics do not show any investment in Eastern Europe.

4. Includes Austria, Cyprus, Finland, Gibraltar, Greece, Iceland, Malta, Portugal, Turkey, and Yugoslavia.

5. Commencing with 1972, estimates for Okinawa are included with Japan instead of other Asia and Pacific.

6. Includes Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

7. Includes Bolivia, Dominican Republic, Ecuador, Haiti, Paraguay, and Uruguay.

8. Includes Western Hemisphere except Canada (line 3) and the 19 Latin American Republics (line 26).

9. Includes United Arab Republic (Egypt) and all other countries in Africa except South Africa.

10. Includes Bahrain, Iran, Israel, Jordan, Kuwait, Lebanon, Qatar, Saudi Arabia, South Yemen, Syria, Trucial States, Oman, and Yemen.

## Abroad, Selected Items

of dollars]

Manufacturing					Other					Line
Book value at year-end	Net capital outflows	Reinvested earnings <sup>1</sup>	Earnings	Balance of payments income <sup>2</sup>	Book value at year-end	Net capital outflows	Reinvested earnings <sup>1</sup>	Earnings	Balance of payments income <sup>2</sup>	
45,791	1,820	4,408	7,286	2,757	24,427	1,434	1,645	3,351	1,785	1
37,960	1,354	3,741	6,181	2,348	14,954	992	1,124	2,238	1,153	2
12,635	102	1,010	1,524	535	5,821	159	269	422	222	3
21,023	1,202	2,280	3,835	1,469	7,722	707	704	1,530	794	4
18,962	1,126	1,966	3,388	1,337	4,912	496	330	839	491	5
1,376	58	162	267	100	646	-12	85	113	24	6
400	4	84	97	5	106	8	16	29	13	7
3,064	173	386	556	169	648	106	19	55	38	8
4,666	301	520	1,072	486	1,002	193	41	150	107	9
1,414	100	188	238	71	354	28	(*)	17	17	10
1,216	-4	161	212	69	811	48	49	91	34	11
6,827	494	475	945	437	1,651	125	119	384	258	12
2,061	76	314	447	132	2,809	225	375	691	303	13
93	5	8	14	6	111	8	14	20	6	14
563	1	92	120	26	348	21	49	65	14	15
290	9	27	43	18	192	30	14	31	18	16
737	50	152	218	66	1,834	138	279	479	190	17
378	10	35	52	16	372	29	19	96	75	18
1,420	40	176	342	143	391	71	39	106	66	19
2,883	10	275	481	200	1,021	55	111	184	74	20
2,165	-29	197	366	164	1,575	21	116	223	133	21
159	10	18	23	4	145	19	20	36	15	22
558	29	61	93	31	251	38	79	105	24	23
7,830	467	668	1,104	410	6,896	516	348	881	570	24
6,460	345	525	860	319	5,492	376	280	658	416	25
6,122	342	491	816	307	4,266	238	198	482	298	26
1,567	16	129	215	81	524	38	27	42	18	27
184	-7	33	53	18	1,118	-9	118	187	84	28
119	7	9	14	7	391	25	5	17	13	29
872	33	-1	34	37	536	-23	-6	28	30	30
2,213	230	274	332	54	612	118	81	115	31	31
44	-2	-1	(*)	1	217	-1	2	2	(*)	32
302	9	24	40	15	147	-6	4	7	3	33
96	5	5	13	6	258	44	7	-20	-27	34
619	36	16	96	71	631	72	-29	167	124	35
106	15	4	21	17	358	13	28	61	46	36
338	2	34	44	12	1,226	137	82	177	117	37
143	20	-1	4	5	288	-8	18	33	16	38
(**)	(**)	(**)	(**)	(**)	256	33	15	30	16	39
(**)	(**)	(**)	(**)	(**)	895	-252	3	284	281	40
142	19	-1	4	5	122	5	6	14	10	41
130	19	7	12	5	170	56	2	24	21	42
1,098	83	138	229	81	946	93	47	166	117	43
183	-1	5	24	16	168	8	3	15	12	44
267	16	9	31	16	445	-11	12	34	21	45
648	68	124	174	49	2,193	284	45	736	578	46
-----	-----	-----	-----	-----	2,577	-74	173	232	63	47
11,735	628	1,397	2,337	895	3,156	363	194	380	219	
2,461	80	408	543	137	2,915	233	391	649	316	

11. Includes Belgium, France, Germany, Italy, Luxembourg, and the Netherlands.

12. Excludes the "European Economic Community (6)" category.

NOTES.—Details may not add to totals because of rounding. For an explanation of the relations between earnings, reinvested earnings, and balance of payments income, see the Technical Notes. Not all countries grouped in an "other" or regional category have U.S. direct investment. Line numbers in table 10A do not match line numbers in table 10B because the change in composition of the European Economic Community necessitated changes in table 10A.

veloped countries, where most leading international financial centers are located. Second, corporate borrowing from unaffiliated foreigners in developed areas declined as rising interest rates made foreign loans less attractive or difficult to obtain or renew. Also, decreased dividend payout ratios inhibited growth in U.S. balance of payments income from developed countries, which account for about three-fourths of incorporated affiliates' earnings. In addition, earnings of petroleum-producing branches in developing countries were sharply higher. All of these branch earnings are credited as U.S. balance of payments income receipts; in contrast, only the dividends from incorporated affiliates are so credited.

Finally, increased demands for participation in U.S.-owned affiliates in extractive industries by a number of developing countries led some U.S. direct investors to reduce their capital positions. There were net capital inflows from petroleum affiliates in the Western Hemisphere and from mining and smelting affiliates in the developing countries. In addition there were instances of petroleum disinvestment in the Middle East, although total net capital outflows to finance expansion in petroleum there were substantial.

### Return on U.S. Direct Investment

Table 12 presents alternative measures of the return on U.S. direct investment abroad and the components used in computing these measures. A comparison of the measures, as percentages of the direct investment position, is given in chart 4.<sup>5</sup>

*Earnings* gives a conventional accounting measure of return from the viewpoint of the affiliates. In 1973, these earnings were \$17.5 billion, up 52 percent from 1972. The increase was widespread, covering all the area and industry groups shown.

The rise in petroleum earnings was

5. For each year, the denominator used to obtain these rates of return is the average of the beginning- and end-of-year direct investment position for that year. A percent rate of return is not given for the earnings measure, because data on an appropriate base, the U.S. share in the net worth of the foreign affiliates, are not available.

Table 10B.—Revised 1972 Estimates, U.S.

IMillions

Line	Area and country	All industries					Mining and smelting					Petroleum				
		Book value at year-end	Net capital out-flows	Reinvested earnings <sup>1</sup>	Earnings	Balance of payments income <sup>2</sup>	Book value at year-end	Net capital out-flows	Reinvested earnings <sup>1</sup>	Earnings	Balance of payments income <sup>2</sup>	Book value at year-end	Net capital out-flows	Reinvested earnings <sup>1</sup>	Earnings	Balance of payments income <sup>2</sup>
1	All areas.....	94,337	3,517	4,715	11,485	6,925	7,110	382	41	419	395	26,263	1,603	563	3,311	2,826
2	Developed countries.....	64,359	1,988	3,710	6,880	3,331	4,376	325	10	220	213	14,152	693	424	559	255
3	Canada.....	25,771	350	1,384	2,251	989	3,455	210	(*)	133	130	5,301	-101	313	451	161
4	Europe <sup>3</sup> .....	30,817	1,168	1,892	3,721	1,847	74	-2	(**)	(**)	(**)	6,851	634	18	-30	28
5	United Kingdom.....	9,582	35	508	1,066	583	5	(**)	(**)	(**)	(**)	2,312	59	82	110	62
6	European Economic Community (6).....	15,720	1,087	1,020	1,866	859	9	(**)	(**)	(**)	(**)	3,363	475	-43	-96	-17
7	Belgium and Luxembourg.....	2,143	143	161	246	89	(*)	(**)	(*)	(**)	(**)	184	101	-33	-30	2
8	France.....	3,443	160	259	430	173	6	(**)	(**)	(**)	(**)	421	19	14	29	15
9	Germany.....	6,260	650	386	905	495	(**)	(**)	(**)	(**)	(**)	1,850	296	35	(**)	28
10	Italy.....	1,989	53	70	147	79	(**)	(**)	(**)	(**)	(**)	494	-41	-69	-72	(*)
11	Netherlands.....	1,885	81	143	138	23	1	1	(**)	(**)	(**)	614	99	9	-60	-62
12	Other Western Europe.....	5,515	46	365	769	406	60	(**)	(**)	(**)	(**)	1,177	100	-21	-44	-17
13	Denmark.....	379	20	1	10	14	1	(**)	(**)	(**)	(**)	244	19	-8	-11	1
14	Norway.....	323	19	14	-3	-13	(**)	(**)	(**)	(**)	(**)	155	12	2	-23	-22
15	Spain.....	910	66	68	107	37	(**)	(**)	(**)	(**)	(**)	150	21	-4	(*)	3
16	Sweden.....	723	10	24	50	29	(*)	(**)	(**)	(**)	(**)	321	-1	-9	-9	(*)
17	Switzerland.....	1,951	-90	163	435	267	(*)	(**)	(**)	(**)	(**)	-1	78	4	4	2
18	Other <sup>4</sup> .....	1,229	21	94	170	73	20	(**)	(**)	(**)	(**)	308	-29	-5	-5	-2
19	Japan <sup>5</sup> .....	2,375	229	183	362	168						901	84	48	51	9
20	Australia, New Zealand and South Africa.....	5,395	241	250	546	326	847	117	13	89	80	1,100	75	45	87	56
21	Australia.....	4,123	209	185	405	255	703	94	8	63	61	(**)	(**)	(**)	(**)	(**)
22	New Zealand.....	245	11	25	36	11	8	(*)	(*)	(*)	(**)	(**)	(**)	(**)	(**)	(**)
23	South Africa.....	1,027	21	40	105	61	137	22	5	26	18	215	(**)	(**)	(**)	(**)
24	Developing countries <sup>6</sup> .....	25,235	1,134	894	4,110	3,195	2,733	57	32	199	181	9,774	658	97	2,410	2,265
25	Latin American Republics and other Western Hemisphere.....	16,798	300	732	1,656	967	2,099	-15	16	175	171	4,292	26	71	303	243
26	Latin American Republics.....	13,667	86	621	1,372	758	1,317	-46	16	81	74	3,246	-75	47	274	223
27	Mexico.....	2,025	75	108	197	91	124	-11	7	9	2	32	(*)	2	4	2
28	Panama.....	1,458	-81	113	210	108	19	(*)	(*)	(*)	(**)	269	-6	14	14	(*)
29	Other Central America <sup>7</sup> .....	638	-37	11	33	23	15	6	3	3	3	159	-19	-1	-10	-9
30	Argentina.....	1,403	26	24	89	68	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)
31	Brazil.....	2,505	194	238	322	77	149	(**)	(**)	(**)	(**)	164	(*)	(**)	(**)	(**)
32	Chile.....	620	-93	-5	-4	7	359	-92	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)
33	Colombia.....	737	-23	15	39	24	(**)	(**)	(**)	(**)	(**)	327	-18	(*)	3	3
34	Peru.....	712	37	4	33	26	416	12	1	26	25	(**)	(**)	(**)	(**)	(**)
35	Venezuela.....	2,700	-57	67	402	329	(**)	(**)	(**)	(**)	(**)	1,548	-92	6	254	246
36	Other <sup>7</sup> .....	868	44	47	50	5	39	-7	1	11	10	424	34	7	-27	-33
37	Other Western Hemisphere <sup>8</sup> .....	3,130	214	111	284	209	782	31	(*)	94	98	1,046	103	24	29	21
38	Other Africa <sup>9</sup> .....	3,091	126	99	504	410	432	24	18	26	9	2,254	87	75	454	381
39	Liberia.....	208	11	2	11	10	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)
40	Libya.....	1,144	104	4	256	253	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)
41	Other.....	1,739	11	92	237	147	369	24	16	21	6	1,132	-12	73	202	130
42	Middle East <sup>10</sup> .....	1,992	353	-22	1,391	1,418	5	3	(**)	(**)	(**)	1,767	343	-39	1,358	1,402
43	Other Asia and Pacific <sup>5</sup> .....	3,354	355	85	558	399	197	45	-2	-2	1	1,461	200	-10	294	239
44	India.....	337	-4	11	43	27	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)
45	Philippines.....	698	6	-10	35	39	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)
46	Other <sup>6</sup> .....	2,319	353	84	480	334	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)	(**)
47	International and unallocated.....	4,743	395	111	496	400						2,336	252	43	343	306

\* Less than \$500,000 (±). \*\* Combined in the other industries category to avoid disclosure of data for individual reporters.

1. Represents a U.S. reporter's share in reinvested earnings of its foreign-incorporated affiliates.

2. Comprised of interest, dividends, and branch earnings. Petroleum branch earnings have been revised as described in the Technical Notes.

3. Direct investment statistics do not show any investment in Eastern Europe.

4. Includes Austria, Cyprus, Finland, Gibraltar, Greece, Greenland, Iceland, Ireland, Malta, Portugal, Turkey, and Yugoslavia.

5. Commencing with 1972, estimates for Okinawa are included with Japan instead of with other Asia and Pacific.

6. Includes Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

7. Includes Bolivia, Dominican Republic, Ecuador, Haiti, Paraguay, and Uruguay.

8. Includes Western Hemisphere except Canada (line 3) and the 19 Latin American Republics (line 26).

9. Includes United Arab Republic (Egypt) and all other countries in Africa except South Africa.

10. Includes Bahrain, Iran, Israel, Jordan, Kuwait, Lebanon, Qatar, Saudi Arabia, South Yemen, Syria, Trucial States, Oman, and Yemen.

## Direct Investment Abroad, Selected Items

of dollars]

Manufacturing					Other					Line
Book value at year-end	Net capital outflows	Reinvested earnings <sup>1</sup>	Earnings	Balance of payments income <sup>2</sup>	Book value at year-end	Net capital outflows	Reinvested earnings <sup>1</sup>	Earnings	Balance of payments income <sup>2</sup>	
39,716	1,100	2,991	5,172	2,144	21,249	433	1,119	2,583	1,560	1
33,008	832	2,537	4,363	1,808	12,822	139	740	1,739	1,054	2
11,639	239	822	1,209	426	5,378	1	250	458	271	3
17,580	493	1,457	2,643	1,137	6,311	44	417	1,108	682	4
5,851	1	351	726	345	1,414	-25	74	250	176	5
9,755	484	885	1,602	694	2,594	128	179	360	181	6
1,182	23	135	175	42	777	19	59	101	45	7
2,493	113	197	324	128	523	28	48	77	30	8
3,855	257	314	764	402	755	97	38	140	65	9
1,173	36	124	187	63	322	58	16	31	16	10
1,052	56	115	151	59	218	-75	19	46	25	11
1,975	7	221	315	97	2,303	-61	164	498	325	12
66	-4	3	6	4	69	5	7	16	9	13
80	1	8	10	2	89	5	4	10	7	14
484	35	40	62	23	276	11	33	45	11	15
253	16	25	34	11	148	-6	8	26	18	16
529	-45	69	107	37	1,422	-122	90	324	227	17
563	4	77	97	20	338	46	22	78	54	18
1,194	102	120	236	100	280	43	15	76	59	19
2,595	-2	138	276	146	854	51	54	95	44	20
1,983	16	111	219	117	1,438	99	66	122	76	21
131	4	13	19	5	107	7	12	17	5	22
482	-21	14	37	23	193	20	21	42	19	23
6,708	267	454	809	336	6,020	151	311	692	413	24
5,597	232	380	663	272	4,809	55	266	515	280	25
5,296	222	362	627	253	3,808	-15	197	390	209	26
1,409	61	82	154	71	461	25	17	30	16	27
162	-4	20	42	20	1,008	-71	79	155	88	28
104	24	6	10	5	361	-47	6	30	23	29
839	21	4	37	35	564	5	20	53	33	30
1,745	122	197	253	52	446	72	41	69	25	31
46	1	-3	-1	1	214	-2	-2	-3	6	32
262	-9	15	31	16	148	5	(*)	5	5	33
89	-3	1	11	8	207	28	3	-4	-7	34
552	4	37	82	40	600	31	23	66	43	35
88	4	3	8	5	317	12	36	57	22	36
301	10	19	36	19	1,002	70	68	125	71	37
124	-3	7	7	1	283	17	(*)	17	19	38
(**)	(**)	(**)	(**)	(**)	208	11	2	11	10	39
(**)	(**)	(**)	(**)	(**)	1,144	104	4	256	253	40
122	-4	8	8	1	116	3	-4	6	11	41
104	7	5	8	3	116	(*)	11	25	13	42
883	33	62	131	60	812	77	36	135	100	43
180	(*)	11	31	17	157	-4	(*)	12	10	44
252	(*)	-6	15	15	445	6	-5	20	24	45
451	33	57	85	28	1,868	320	27	395	306	46
					2,407	143	68	153	93	47

NOTES.—Details may not add to totals because of rounding. For an explanation of the relations between earnings, reinvested earnings, and balance of payments income, see the Technical Notes. Not all countries grouped in an "other" or regional category have U.S. direct investment. Line numbers in table 10A do not match line numbers in table 10B because the change in composition of the European Economic Community necessitated changes in table 10A.

particularly steep, up 87 percent to \$6.2 billion; large gains were recorded both in developed countries, where the main markets are located, and in developing countries, where most of the production for export occurs. (These earnings estimates may be revised.)<sup>6</sup>

Although the expansion in petroleum earnings was partly attributable to the effects on per-barrel profits of the fourth-quarter Arab production cutback, the supply situation—both for crude and for intermediate products—had been tightening for some months prior to the Arab action, because of previous restrictions on petroleum production imposed by some major producing countries and insufficient refining capacity. Also, there was a concurrent growth in U.S. demand, which led to an easing of restrictions on U.S. petroleum imports, and in demand in other major industrial countries. In the past, U.S. and foreign business upswings often were not in phase, so that rising U.S. demands could be met out of the temporary surplus in foreign refining capacity. Thus, the rise in petroleum earnings reflected basic supply and demand pressures throughout the year, in addition to the fourth quarter cutback. Some evidence as to the quarterly effects of these developments is given in table 8.

*Adjusted earnings* focuses on the return realized by investors, rather than on earnings from the viewpoint of affiliates. Interest is part of adjusted earnings because loans by an investor to its affiliates are included in direct investment; foreign withholding taxes are excluded because such taxes reduce benefits available to direct investors. The adjusted earnings figures are approximately the same in magnitude and area/industry pattern as the earnings figures, with by far the biggest percentage increases in petroleum.

The overall adjusted earnings rate of return was a record 17.5 percent in 1973, with each of the area and industry groups in table 3 showing strong gains.

6. See "U.S. Balance of Payments Developments: First Quarter 1974" in the June 1974 SURVEY.

However, these rates of return are somewhat overstated, because the value of the U.S. direct investment position—the denominator used to calculate the percentages—could not be adjusted upward for the December 1971 and February 1973 dollar devaluations, while the dollar value of affiliates' foreign currency earnings for 1972 and 1973 was boosted by these devaluations.<sup>7</sup> *Balance of payments income includes*

Table 11.—Direct Investment Receipts of Fees and Royalties, by Area and Major Industry

(Millions of dollars)

Line	Area and industry	1970			1971			1972 <sup>r</sup>			1973 <sup>p</sup>		
		Total	Royalties, license fees, and rentals	Management fees and service charges	Total	Royalties, license fees, and rentals	Management fees and service charges	Total	Royalties, license fees, and rentals	Management fees and service charges	Total	Royalties, license fees, and rentals	Management fees and service charges
1	All areas.....	1,919	1,092	826	2,160	1,237	923	2,415	1,463	952	2,838	1,827	1,012
2	Petroleum.....	216	34	182	258	32	226	288	28	261	281	28	253
3	Manufacturing.....	1,002	635	367	1,108	755	353	1,250	896	354	1,570	1,164	406
4	Trade.....	156	90	65	198	116	82	238	152	86	263	196	67
5	Foreign film rentals.....	299	299	—	296	296	—	339	339	—	324	324	—
6	Other.....	247	35	212	300	37	263	301	49	251	400	114	286
	<b>Developed countries:</b>												
7	Canada.....	357	165	192	389	186	203	420	200	220	478	226	252
8	Petroleum.....	17	1	16	20	1	20	22	1	21	27	1	25
9	Manufacturing.....	225	116	109	246	135	111	277	140	137	307	152	155
10	Trade.....	15	6	9	16	6	9	21	10	11	24	10	13
11	Foreign film rentals.....	37	37	—	39	39	—	39	39	—	38	38	—
12	Other.....	63	6	57	68	5	64	61	9	52	83	24	58
13	Europe.....	810	568	242	936	655	282	1,089	824	265	1,308	1,055	253
14	European Economic Community (6) <sup>1</sup> .....	413	314	99	505	377	128	585	484	101	727	641	86
15	Petroleum.....	31	1	30	48	2	46	38	1	38	43	1	42
16	Manufacturing.....	287	237	50	325	290	34	388	371	17	526	512	14
17	Trade.....	30	21	9	53	28	25	66	39	27	55	43	12
18	Foreign film rentals.....	48	48	—	45	45	—	63	63	—	66	66	—
19	Other.....	17	7	10	34	11	23	30	10	20	36	19	18
20	Other Europe, including United Kingdom.....	398	254	143	431	278	153	504	340	164	580	414	166
21	Petroleum.....	27	4	23	40	5	35	42	4	38	39	3	36
22	Manufacturing.....	229	139	90	235	150	85	267	182	85	320	223	97
23	Trade.....	41	39	2	47	52	-5	72	68	4	93	96	-3
24	Foreign film rentals.....	63	63	—	64	64	—	75	75	—	67	67	—
25	Other.....	37	8	29	46	7	38	47	11	36	61	25	36
26	Australia, New Zealand, South Africa, and Japan.....	235	153	84	268	174	94	307	216	91	396	276	121
27	Petroleum.....	21	4	17	19	2	17	12	1	11	19	1	18
28	Manufacturing.....	117	68	50	144	91	53	170	120	50	226	166	59
29	Trade.....	11	9	2	12	10	2	13	12	1	31	23	8
30	Foreign film rentals.....	67	67	—	66	66	—	77	77	—	78	78	—
31	Other.....	19	5	15	27	5	22	34	6	28	43	8	35
	<b>Other areas:</b>												
32	Latin American Republics and other Western Hemisphere.....	318	143	175	335	157	176	325	151	174	361	190	171
33	Petroleum.....	38	6	32	40	4	36	40	4	35	32	4	27
34	Manufacturing.....	115	62	53	129	76	52	121	68	53	135	85	49
35	Trade.....	33	13	20	35	17	18	34	18	16	32	19	13
36	Foreign film rentals.....	54	54	—	54	54	—	54	54	—	49	49	—
37	Other.....	78	7	70	77	7	70	77	7	70	114	32	82
38	Other <sup>2</sup> .....	199	64	133	232	64	168	275	73	201	296	80	215
39	Petroleum.....	82	18	64	91	19	73	134	17	117	122	18	103
40	Manufacturing.....	28	12	15	30	12	17	27	15	12	57	25	31
41	Trade.....	26	3	23	35	3	32	31	4	27	27	4	23
42	Foreign film rentals.....	30	30	—	29	29	—	31	31	—	27	27	—
43	Other.....	33	1	31	47	1	46	52	6	46	64	6	57
	<b>Addenda:</b>												
44	European Economic Community (9) <sup>3</sup> .....										1,118	902	216
45	Petroleum.....										73	3	70
46	Manufacturing.....										773	693	80
47	Trade.....										90	63	27
48	Foreign film rentals.....										107	107	—
49	Other.....										75	36	39
50	Other Europe <sup>4</sup> .....										190	154	37
51	Petroleum.....										9	(*)	9
52	Manufacturing.....										74	43	31
53	Trade.....										59	77	-18
54	Foreign film rentals.....										26	26	—
55	Other.....										23	8	15

<sup>r</sup> Revised. <sup>p</sup> Preliminary. \*Less than \$500,000(±).

1. Includes Belgium, France, Germany, Italy, Luxembourg and the Netherlands.

2. Includes other Africa, Middle East, other Asia and Pacific, international and unallocated.

3. Includes Denmark, Ireland, and the United Kingdom, in addition to the six countries listed in Note 1.

4. Excludes the "European Economic Community (9)" category.

NOTE.—Details may not add to totals because of rounding.



all identifiable income returns on direct investment recorded in the U.S. balance of payments accounts. This measure equals adjusted earnings less reinvested earnings. The latter are excluded be-

cause they are not income receipts in the U.S. balance of payments accounts.

Balance of payments income on direct investment was \$9.4 billion in 1973, up \$2.5 billion or 36 percent from 1972. The changes in the balance of payments income measure of return are less than those in the earnings measure because most of the increase in incor-

porated affiliates' earnings is accounted for by reinvested earnings. The balance of payments income rate of return on the U.S. direct investment position was 9.3 percent in 1973, compared with 7.7 percent in 1972.

Almost all the increase in the balance of payments rate of return was from operations of petroleum affiliates, which

7. The data necessary to adjust for the effects of the dollar devaluations on the measurement of the direct investment position are not available to BEA.

Table 12.—Alternative Measures of Return on U.S. Direct Investment Abroad

Line	Item and year	All areas				Developed countries				Other areas <sup>1</sup>			
		All industries	Petroleum	Manufacturing	Other	All industries	Petroleum	Manufacturing	Other	All industries	Petroleum	Manufacturing	Other
Millions of dollars													
1	<b>A. Branch earnings:</b> <sup>r</sup>												
2	1971.....	2,211	1,391	98	722	473	-5	57	421	1,738	1,396	40	301
3	1972 <sup>r</sup> .....	2,377	1,500	98	778	431	-57	61	427	1,946	1,557	37	351
3	1973 <sup>p</sup> .....	4,088	2,944	129	1,015	662	35	71	555	3,426	2,908	58	460
4	<b>B. Dividends:</b>												
5	1971.....	3,549	978	1,612	959	2,161	194	1,365	602	1,389	784	248	357
6	1972 <sup>r</sup> .....	3,887	1,145	1,789	953	2,389	165	1,528	697	1,497	980	261	256
6	1973 <sup>p</sup> .....	4,593	1,129	2,364	1,100	3,071	297	2,053	721	1,522	832	311	379
7	<b>C. Foreign withholding taxes:</b>												
8	1971.....	472	76	270	126	343	25	219	98	129	52	51	27
9	1972 <sup>r</sup> .....	507	103	295	110	349	27	237	85	158	76	57	25
9	1973 <sup>p</sup> .....	690	183	384	123	451	43	317	91	239	140	68	31
10	<b>D. Reinvested earnings:</b>												
11	1971.....	3,157	500	1,854	803	2,437	251	1,565	621	720	249	289	182
12	1972 <sup>r</sup> .....	4,715	563	2,991	1,161	3,710	424	2,537	749	1,005	140	454	411
12	1973 <sup>p</sup> .....	8,124	1,927	4,408	1,788	6,147	1,166	3,741	1,240	1,977	761	688	548
13	<b>E. Interest:</b> <sup>2</sup>												
14	1971.....	625	163	240	223	488	135	198	155	137	27	42	68
15	1972 <sup>r</sup> .....	662	181	257	223	510	147	220	144	152	35	37	80
15	1973 <sup>p</sup> .....	734	252	264	218	566	205	224	137	169	47	41	81
16	<b>F. Royalties and fees:</b>												
17	1971.....	2,160	258	1,108	794	1,594	127	950	517	566	131	158	277
18	1972 <sup>r</sup> .....	2,415	288	1,250	877	1,815	115	1,102	598	600	173	148	279
18	1973 <sup>p</sup> .....	2,838	281	1,570	988	2,182	128	1,379	675	657	153	191	313
19	<b>G. Measures of return, dollars:</b>												
20	Earnings: <sup>3</sup>												
20	1971.....	9,389	2,945	3,834	2,610	5,414	465	3,206	1,743	3,976	2,481	628	867
21	1972 <sup>r</sup> .....	11,485	3,311	5,172	3,002	6,880	559	4,363	1,958	4,606	2,753	809	1,044
21	1973 <sup>p</sup> .....	17,495	6,183	7,286	4,026	10,330	1,642	6,181	2,607	7,164	4,641	1,104	1,419
22	Adjusted earnings: <sup>4</sup>												
23	1971.....	9,542	3,032	3,803	2,707	5,559	576	3,134	1,799	3,983	2,456	619	908
24	1972 <sup>r</sup> .....	11,640	3,390	5,135	3,115	7,040	678	4,345	2,017	4,599	2,711	790	1,099
24	1973 <sup>p</sup> .....	17,539	6,252	7,166	4,122	10,445	1,704	6,068	2,653	7,094	4,648	1,078	1,468
25	Balance of payments income: <sup>5</sup>												
26	1971.....	6,385	2,532	1,950	1,904	3,122	324	1,620	1,178	3,264	2,207	330	726
27	1972 <sup>r</sup> .....	6,925	2,826	2,144	1,955	3,331	255	1,808	1,268	3,595	2,572	336	687
27	1973 <sup>p</sup> .....	9,415	4,325	2,757	2,334	4,299	537	2,348	1,414	5,117	3,787	410	920
28	Balance of payments receipts: <sup>6</sup>												
29	1971.....	8,546	2,790	3,058	2,697	4,716	452	2,570	1,695	3,830	2,339	484	1,003
30	1972 <sup>r</sup> .....	9,340	3,115	3,394	2,832	5,146	370	2,910	1,866	4,195	2,745	454	966
30	1973 <sup>p</sup> .....	12,254	4,606	4,327	3,321	6,480	665	3,726	2,088	5,774	3,940	601	1,233
Percent													
31	<b>H. Measures of return, as a percent of average of direct investment position at beginning- and end-of-year:<sup>7</sup></b>												
32	Adjusted earnings:												
31	1971.....	11.6	13.2	11.2	10.7	10.0	4.7	11.3	11.7	15.1	23.2	10.8	9.1
32	1972 <sup>r</sup> .....	12.9	13.4	13.6	11.4	11.5	5.0	13.9	12.2	16.0	23.3	12.4	10.2
33	1973 <sup>p</sup> .....	17.4	22.4	16.8	13.7	15.1	11.2	17.2	14.6	22.5	36.0	14.8	12.6
34	Balance of payments income:												
35	1971.....	7.8	11.0	5.7	7.5	5.6	2.6	5.7	7.7	12.4	20.8	5.7	7.3
36	1972 <sup>r</sup> .....	7.7	11.2	5.7	7.1	5.4	1.9	5.8	7.6	12.5	22.1	5.3	6.4
36	1973 <sup>p</sup> .....	9.3	15.5	6.4	7.7	6.2	3.5	6.6	7.8	16.2	30.0	5.6	7.9
37	Balance of payments receipts:												
38	1971.....	10.4	12.2	9.0	10.7	8.4	3.7	9.1	11.1	14.5	22.1	8.5	10.0
39	1972 <sup>r</sup> .....	10.3	12.4	9.0	10.3	8.4	2.7	9.3	11.2	14.6	23.6	7.6	8.9
39	1973 <sup>p</sup> .....	12.2	16.5	10.1	11.0	9.4	4.4	10.5	11.5	18.3	31.2	8.3	10.6

<sup>r</sup> Revised. <sup>p</sup> Preliminary.

1. Includes developing countries, international and unallocated.
2. Includes preferred dividends, which in 1973 totaled \$17 million.
3. Equals A+B+C+D.
4. Equals A+B+D+E.
5. Equals A+B+E.
6. Equals A+B+E+F.

7. The method of computation of the percentage rates of return differs from that in last year's article, which used beginning-of-year direct investment position figures as the denominator.

NOTE.—Details may not add to totals because of rounding. For an explanation of the relation between earnings, reinvested earnings, foreign withholding taxes, and interest, dividends, and branch earnings, see the Technical Notes. The definition of balance of payments income does not include royalties and fees and therefore differs from the definition given in last year's article. Petroleum branch earnings have been revised as described in the Technical Notes.

accounted for 46 percent of the U.S. direct investment balance of payments income and 60 percent of the increase in such income. Excluding petroleum, balance of payments income was \$5.1 billion, a 7.0 percent rate of return, compared with 6.3 percent in 1972. The increase in the balance of payments rate of return excluding petroleum was smaller because most non-petroleum earnings come from incorporated affiliates, whose reinvested earnings are not part of U.S. balance of payments income. In contrast, branches account for nearly half of petroleum earnings abroad, and all branch earnings are included as income receipts in the U.S. balance of payments accounts.

The *balance of payments receipts* measure includes direct investment fees and royalties in addition to balance of payments income, and thus is a broader measure than balance of payments income.<sup>8</sup>

Balance of payments receipts were \$12.3 billion, a 12.2 percent rate of return compared with the 9.3 percent balance of payments income rate of return. Much of the difference is attributable to manufacturing in developing countries, which accounted for roughly half of fee and royalty receipts.

### Technical Notes

#### Methodology

Annual U.S. direct investment estimates are derived from a mandatory BEA sample survey covering approximately 16,000 foreign affiliates of 1,300 U.S. direct investors. Except for net capital outflows, data reported by this sample were expanded to obtain the universe estimates published in this article. Separate estimates were prepared for each reported item for 800 country-industry cells. The expansion factors were derived from an affiliate-by-affiliate match. For the matched affiliate panel, the expansion factors were the ratios of the current year values of the data items to the preceding year values. These ratios were applied to the universe estimates of the data items for the preceding year. The result was adjusted for any year-to-year changes in the sample from additions or deletions of affiliates, to give the current-year universe estimate.

Sample data on capital flows were not expanded to universe estimates but were supplemented by additional capital flow data obtained from public sources, as confirmed by the U.S. residents involved. The sum of the resulting 1973 reinvested earnings and capital flow estimates, together with valuation adjustments, were added to

the estimated yearend 1972 U.S. direct investment position to estimate the yearend 1973 position. The yearend 1972 and earlier figures were estimated in the same way, beginning with the universe data in the 1957 benchmark survey.

As the 1957 benchmark is out of date, the annual estimates in this article are subject to a significant margin of error. Revised estimates based on a 1966 benchmark survey are in preparation.

The reporters in the annual sample account for the bulk of the annual addition to the value of U.S. direct investment abroad. The sample includes those U.S. residents having aggregate direct investment abroad in branches or in foreign-incorporated affiliates, amounting to \$2,000,000 or more, as measured on the books of the affiliated foreign enterprises.

#### Earnings

The definition of and relationship among direct investment earnings items, related items, and measures of return are as follows:

8. Terminology in this article differs from that in previous direct investment SURVEY articles, in which the term *balance of payments income* included fees and royalties. This change conforms to the current treatment in the U.S. balance of payments accounts, which list fees and royalties as payments for services rendered, rather than as income on direct investment.

1. *Net earnings of foreign-incorporated affiliates* are a U.S. direct investor's share in the earnings of its foreign-incorporated affiliates after provision for foreign income taxes and preferred dividends, but before provision for U.S. taxes.

2. *Net earnings of foreign branches* are earnings of foreign branches of U.S. direct investors after provision for foreign income taxes, but before depletion charges or provision for U.S. taxes. Also included is the U.S. share in the net earnings of other types of unincorporated foreign affiliates.

3. *Earnings* are net earnings of foreign-incorporated affiliates plus net earnings of foreign branches.

4. *Gross dividends* are dividends on common stock credited to a U.S. direct investor by its foreign-incorporated affiliates, before deduction of foreign withholding taxes.

5. *Foreign withholding taxes* are taxes on common stock dividends that are withheld by the foreign-resident payer at the time dividends are credited to a nonresident (as distinguished from an income tax on earnings). Taxes are also withheld by the payer on interest and preferred dividends, but such interest and preferred dividends are reported to BEA on a net basis; therefore, BEA estimates of withholding taxes relate only to common stock dividends.

6. *Dividends* are gross dividends on common stock less foreign withholding taxes.

7. *Preferred dividends* are dividends credited to a U.S. direct investor on its preferred or nonvoting shares in its foreign-incorporated affiliates, after deduction of foreign withholding taxes. Preferred dividends are treated in this article in the same way as interest, even though on a foreign affiliate's books preferred dividends are not charged as an expense, although interest is.

8. *Interest* is net interest on net inter-company accounts and long-term debt received by or credited to the U.S. direct investor or other nonbank U.S. investor on foreign affiliates, after deduction of foreign withholding taxes.

(Continued on page 40)

# Sales by Majority-Owned Foreign Affiliates of U.S. Companies, 1966-72

**T**HIS article presents estimates of sales by majority-owned foreign affiliates of U.S. companies, classified by country of location and industry of affiliate, for 1966-72 (tables 1 and 5A through 5G). Affiliate sales by major area and industry of affiliate are further disaggregated by destination to show the amounts sold locally (that is, to customers in the country of location of the affiliate), exported to the United States, and exported to other foreign countries (tables 2, 3, and 4).

The estimates of sales by majority-owned foreign affiliates of U.S. companies for 1966-72 show:

1. Total sales more than doubled and reached \$221.0 billion in 1972, an average annual rate of growth of 15 percent.

2. Except for mining and smelting, all major industries registered substantial sales growth. By far the largest dollar increase in sales was by manufacturing affiliates.

3. Sales by affiliates in both developed and developing areas grew at about the same rate from 1966 to 1972; however, the dollar increase was more than three times larger in developed areas.

4. Manufacturing affiliates had the largest dollar increase in sales in developed countries, while petroleum affiliates led in developing countries.

5. Local sales accounted for the largest portion of total affiliate sales—72 percent—in 1972. Exports to the United States were only 7 percent, and exports to other foreign countries 22 percent, of the total in that year.

6. The proportion of total affiliate sales exported to the United States remained virtually unchanged. A large part of these sales was by affiliates in the transportation equipment and petroleum industries.

7. The proportion of total sales exported to other foreign countries increased slightly.

## The Estimates

These estimates, covering sales by all majority-owned foreign affiliates of U.S. companies, are derived from reported annual sample data. The sample

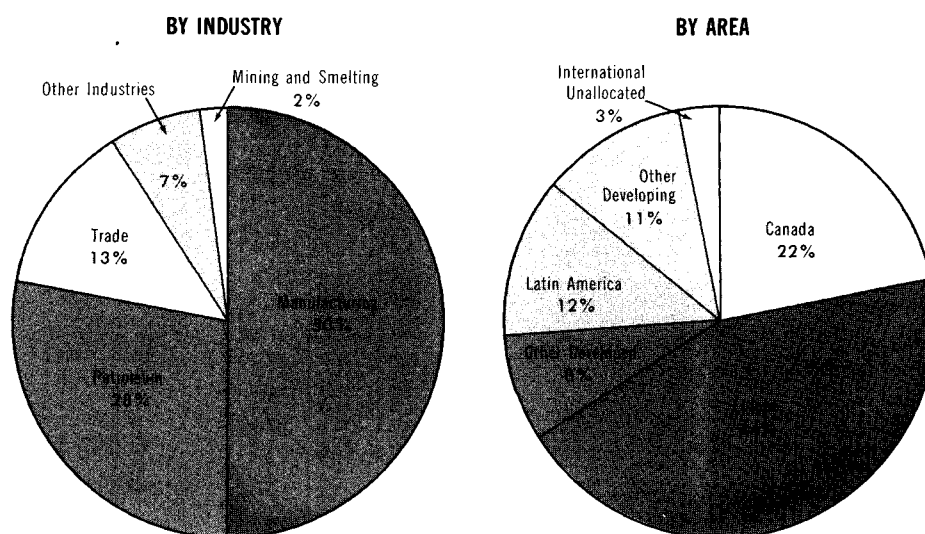
data have been expanded to universe estimates by using a link-relative procedure that benchmarks the sample data to BEA's most recent census of U.S. direct investments abroad, covering 1966.<sup>1</sup>

The estimates of sales by affiliates in manufacturing and mining differ from earlier BEA estimates, which were benchmarked to the 1957 direct

1. For a detailed discussion of the standard benchmarking procedure and the method for deriving universe estimates from sample survey data used by BEA for its direct investment series, including that on sales, see "Property, Plant, and Equipment Expenditures by Majority-Owned Foreign Affiliates of U.S. Companies," published in the December 1973 issue of the *SURVEY*.

CHART 5

Distribution of Sales by Majority-Owned Foreign Affiliates of U.S. Companies, 1972



NOTE.—Estimates for this article were prepared under the supervision of Shirley J. Davis, with significant contributions by Howard Murad and Juris E. Abolins.

investment census and covered sales by directly held foreign affiliates in which U.S. ownership was at least 25 percent.<sup>2</sup> The current series covers sales by foreign affiliates in which U.S. ownership is at least 50 percent, whether directly or indirectly held. Furthermore, the earlier method of deriving universe estimates has been modified. One result is that considerably more country detail is available for manufacturing and mining sales. Finally, sales estimates for manufacturing and mining for 1969-72 and for petroleum, trade, and other industries for 1966-72 are published here for the first time.

The sample data from which the universe estimates for 1967-72 are derived, and the 1966 census data, are

2. Earlier sales estimates for affiliates in manufacturing and mining were published for 1957, 1959-65, 1967, and 1968. The last article based on that series appeared in the October 1970 issue of the SURVEY. An article in the January 1973 issue of the SURVEY presented sample data on sales for a matched group of majority-owned foreign affiliates reporting in both the 1966 census and a special 1970 sample survey.

from reports submitted to BEA by U.S. parent companies. Reporters were requested to provide sales data based on the affiliates' books. It is assumed that sales data generally excluded receipts for sales, excise, or consumption taxes. However, if affiliates ordinarily computed sales inclusive of such taxes, sales could be reported on that basis. The extent to which such taxes are included in the sample data is unknown.

For the most part, a separate sales figure was reported for each majority-owned foreign affiliate in the sample. Thus, the estimates are generally unconsolidated and include intercompany sales between affiliates of the same U.S. parent company and between an affiliate and its U.S. parent. In some cases, consolidated reports were permitted but usually only if the affiliates of a given U.S. parent were located in the same country and engaged in the same industry. To the extent that such consolidation occurred, sales between

consolidated affiliates are excluded from the estimates.

Intercompany sales included in the estimates are substantial. In the 1966 direct investment census, they accounted for 19 percent of total sales by majority-owned foreign affiliates (6 percent of local sales, 73 percent of the affiliates' exports to the United States, and 53 percent of their exports to other foreign countries).

The value of goods sold by an affiliate to unaffiliated customers and to affiliated customers may differ. In the former case, open market prices apply, whereas in the latter, intercompany transfer prices, which may be higher or lower than the open market price, are often used.

The value of some goods is counted more than once in the estimates. When one affiliate sells goods to another affiliate in the sample, and the purchaser resells the same goods with or without further processing, the value of the goods would be included in each affil-

Table 1.—Sales by Majority-Owned Foreign Affiliates of U.S. Companies, 1966-72

[Billions of dollars or percent change]

	Billions of dollars							Percent change						
	1966	1967	1968	1969	1970	1971	1972	1967	1968	1969	1970	1971	1972	Average 1966-72
<b>Total</b> .....	97.8	109.0	120.4	134.7	154.4	190.2	221.0	11	11	12	15	23	16	15
<b>By industry</b>														
Mining and smelting.....	3.3	3.7	4.0	4.4	4.7	4.3	4.7	11	8	9	7	-9	9	6
Petroleum.....	27.5	31.5	33.8	36.6	42.3	54.9	61.1	15	7	8	16	30	11	14
Manufacturing.....	47.4	52.4	59.6	67.7	77.0	92.6	110.4	11	14	14	14	20	19	15
Food products.....	5.6	6.2	6.3	6.9	7.6	9.9	11.2	9	2	10	10	29	14	12
Paper and allied products.....	1.9	2.1	3.0	3.0	3.4	4.4	5.9	11	45	-1	13	30	34	21
Chemicals and allied products.....	7.4	8.7	10.0	11.0	12.6	15.1	18.5	16	16	10	14	20	22	16
Rubber products.....	1.8	1.8	1.9	2.2	2.4	2.7	3.2	-2	8	14	11	11	19	10
Primary and fabricated metals.....	3.9	4.5	4.9	5.8	7.2	7.8	8.7	15	10	17	25	8	11	14
Machinery (except electrical).....	6.5	7.5	8.4	10.3	12.0	13.9	16.5	15	12	23	16	16	19	17
Electrical machinery.....	4.4	4.7	5.1	5.9	7.3	9.1	10.9	6	10	15	24	25	19	16
Transportation equipment.....	11.2	11.6	13.8	16.1	16.7	20.2	24.1	4	20	17	4	21	19	14
Other manufacturing.....	4.6	5.5	6.1	6.5	7.8	9.5	11.4	19	11	7	19	22	20	16
Trade.....	14.1	13.9	15.3	17.0	20.2	24.6	29.2	-1	10	11	18	22	19	13
Other industries.....	5.6	7.5	7.7	8.9	10.2	13.8	15.6	35	2	16	15	35	13	19
<b>By area</b>														
Developed countries.....	71.6	79.2	87.7	98.6	114.8	139.6	164.1	11	11	12	16	22	18	15
Canada.....	23.9	26.7	30.0	32.5	34.8	42.9	48.7	12	12	8	7	23	14	13
Europe.....	40.5	44.3	48.7	55.5	67.9	81.5	97.0	9	10	14	22	20	19	16
United Kingdom.....	13.4	14.6	14.7	16.1	18.2	21.7	24.4	9	1	9	13	19	13	11
European Economic Community (6) <sup>1</sup> .....	20.2	22.1	25.4	29.3	37.7	46.0	56.2	9	15	16	29	22	22	19
Other Europe.....	6.9	7.6	8.6	10.1	12.0	13.8	16.4	10	14	17	19	15	18	16
Japan.....	2.1	2.8	3.0	3.8	4.1	5.5	7.6	33	7	29	8	32	40	24
Australia, New Zealand, and South Africa.....	5.2	5.4	6.1	6.8	7.9	9.8	10.8	4	13	13	16	23	11	13
Developing Countries.....	23.5	26.6	29.7	33.0	35.8	44.6	51.4	14	11	11	8	25	15	14
Latin America.....	14.3	16.1	17.5	19.5	20.7	23.9	26.3	13	8	12	6	15	10	11
Other Africa.....	1.9	2.6	3.3	3.5	4.0	4.6	5.1	38	27	8	11	17	9	18
Middle East.....	4.0	4.4	4.8	5.4	5.8	8.9	11.3	9	10	12	8	55	27	19
Other Asia and Pacific.....	3.3	3.5	4.2	4.6	5.4	7.2	8.7	8	17	11	16	35	21	18
International and unallocated.....	2.7	3.2	3.0	3.0	3.8	6.0	5.5	17	-6	0	28	57	-9	12

1. The European Economic Community (6) includes Belgium, France, Germany, Italy, Luxembourg, and the Netherlands.

NOTE.—Details may not add to totals because of rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

iate's sales. Such duplication may result from sales between any two affiliates in the sample, regardless of whether they are owned by the same U.S. parent company. Sales between affiliates do not result in duplication if the goods are for final use by the purchasing affiliate rather than for resale.

### Sales by Industry and Area of Affiliate

Total sales by majority-owned foreign affiliates of U.S. companies rose from \$97.8 billion in 1966 to \$221.0 billion in 1972, an average annual growth rate of 15 percent (table 1). The rate was almost twice that for sales by all U.S. corporations, which rose from \$1,158 billion to \$1,851 billion in the period.<sup>3</sup>

3. For estimates of U.S. corporate sales, see the July 1970 and July 1974 issues of the SURVEY. The estimates cover U.S. corporations in all industries except finance, insurance, and real estate, and include sales by consolidated foreign affiliates.

In 1972, sales by affiliates located in developed areas, mostly Europe, accounted for three-fourths of all affiliates' sales (see chart 5). By industry, manufacturing affiliates were responsible for 50 percent, and petroleum affiliates for 28 percent, of the total.

Except for mining and smelting, strong growth occurred in sales by affiliates in all major industries from 1966 to 1972. In both manufacturing and petroleum, affiliate sales rose an average of about 15 percent a year, reaching \$110.4 billion and \$61.1 billion respectively in 1972. Sales by affiliates in all industries combined in both the developed and developing areas also rose at about the same average annual rate—15 percent. In developed areas, manufacturing affiliates accounted for most of the increase in the dollar value of sales; in developing areas, petroleum affiliates accounted for the largest share. Within developed areas, the largest

dollar increases in sales were by affiliates located in the European Economic Community (6)—particularly Germany—and in Canada.<sup>4</sup>

### Factors contributing to sales growth

There are many reasons for the strong growth in affiliate sales. Substantial economic growth in leading foreign industrialized countries, especially in the latter part of the 1966-72 period, increased demand for goods and services which, in turn, spurred expansion of U.S.-owned production facilities abroad.<sup>5</sup> The expansion was carried out through both the development of

4. The EEC(6) includes Belgium, France, Germany, Italy, Luxembourg, and the Netherlands.

5. Forecasts of property, plant, and equipment expenditures by majority-owned foreign affiliates of U.S. companies, 1966-72, see the December 1973 and March 1974 issues of the SURVEY. Revised estimates will appear in the September 1974 issue.

Table 2.—Distribution of Sales by Majority-Owned Foreign Affiliates of U.S. Companies by Destination, 1966 and 1972

[Millions of dollars or percent of total]

	Total sales		Local sales				Exports to the United States				Exports to other foreign countries			
	1966	1972	1966		1972		1966		1972		1966		1972	
			Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total
<b>Total</b> .....	97,782	220,953	73,389	75	158,073	72	6,300	6	14,637	7	18,093	19	48,240	22
<b>By industry</b>														
Mining and smelting.....	3,321	4,662	825	25	1,002	21	1,260	38	1,486	32	1,236	37	2,174	47
Petroleum.....	27,457	61,098	19,251	70	37,951	62	1,491	5	3,763	6	6,715	24	19,383	32
Manufacturing.....	47,374	110,404	38,557	81	85,781	78	2,679	6	7,694	7	6,138	13	16,929	15
Food products.....	5,644	11,238	4,978	88	10,168	90	188	3	240	2	478	8	830	7
Paper and allied products.....	1,885	5,898	1,372	73	4,499	76	399	21	526	9	114	6	874	15
Chemicals and allied products.....	7,421	18,516	6,396	86	15,019	81	171	2	211	1	853	11	3,287	18
Rubber products.....	1,815	3,234	1,651	91	2,876	89	(D)	(D)	47	1	(D)	(D)	311	10
Primary and fabricated metals.....	3,904	8,697	3,516	90	7,297	84	47	1	431	5	340	9	969	11
Machinery (except electrical).....	6,513	16,459	4,679	72	11,535	70	260	4	914	6	1,573	24	4,009	24
Electrical machinery.....	4,389	10,860	3,733	85	9,241	85	184	4	263	2	472	11	1,356	12
Transportation equipment.....	11,156	24,118	8,457	76	15,735	65	(D)	(D)	4,778	20	(D)	(D)	3,605	15
Other manufacturing.....	4,648	11,384	3,775	81	9,412	83	356	8	285	2	517	11	1,687	15
Trade.....	14,066	29,179	9,966	71	19,916	68	504	4	1,109	4	3,596	26	8,153	28
Other industries.....	5,564	15,610	4,790	86	13,423	86	367	7	585	4	408	7	1,601	10
<b>By area</b>														
Developed countries.....	71,622	164,105	57,580	80	125,730	77	3,785	5	10,542	6	10,258	14	27,832	17
Canada.....	23,875	48,673	19,941	84	37,380	77	2,926	12	8,399	17	1,008	4	2,894	6
Europe.....	40,483	97,000	30,841	76	71,622	74	758	2	1,985	2	8,884	22	23,393	24
United Kingdom.....	13,374	24,431	10,686	80	18,993	78	236	2	605	2	2,452	18	4,833	20
European Economic Community (6) 1.....	20,235	56,186	15,715	78	14,923	75	302	1	1,014	2	4,218	21	13,248	24
Other Europe.....	6,874	16,384	4,440	65	10,705	65	220	3	366	2	2,214	32	5,313	32
Japan.....	2,080	7,630	1,997	96	7,302	96	23	1	32	1	60	3	296	4
Australia, New Zealand, and South Africa.....	5,184	10,803	4,800	93	9,423	87	78	1	126	1	307	6	1,249	12
Developing countries.....	23,456	51,369	13,976	60	29,650	58	2,356	10	3,772	7	7,125	30	17,948	35
Latin America.....	14,264	26,283	9,559	67	19,587	75	1,793	13	2,465	9	2,912	20	4,230	16
Other Africa.....	1,883	5,058	844	45	3,034	60	99	5	177	3	940	50	1,847	37
Middle East.....	4,015	11,293	1,100	27	2,041	18	253	6	447	4	2,663	66	8,806	78
Other Asia and Pacific.....	3,294	8,735	2,473	75	4,988	57	211	6	682	8	610	19	3,065	35
International and unallocated.....	2,703	5,477	1,834	68	2,694	49	160	6	324	6	710	26	2,460	45

<sup>D</sup> Suppressed to avoid disclosure of data for individual reporters.

1. The European Economic Community (6) includes Belgium, France, Germany, Italy, Luxembourg, and the Netherlands.

NOTE.—Details may not add to totals because of rounding.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

Table 3.—Sales by Majority-Owned Foreign Affiliates of U.S. Companies, by Destination and

(Millions)

Line	Affiliate area and industry	Total sales						Local sales <sup>1</sup>							
		1966	1967	1968	1969	1970	1971	1972	1966	1967	1968	1969	1970	1971	1972
	<b>All areas:</b>														
1	All industries.....	97,782	108,966	120,366	134,651	154,415	190,231	220,953	73,389	81,607	88,660	97,358	111,570	137,430	158,073
2	Mining and smelting.....	3,321	3,682	3,982	4,355	4,678	4,271	4,662	825	818	907	1,014	1,188	1,039	1,002
3	Petroleum.....	27,457	31,549	33,844	36,632	42,340	54,916	61,098	19,251	22,219	22,823	24,589	27,856	35,275	37,951
4	Manufacturing.....	47,374	52,372	59,583	67,739	77,000	92,604	110,404	38,557	42,352	47,676	52,627	59,911	72,504	85,781
5	Trade.....	14,066	13,877	15,295	17,039	20,183	24,620	29,179	9,966	9,703	10,561	11,835	13,878	16,638	19,916
6	Other industries.....	5,564	7,487	7,663	8,886	10,214	13,821	15,610	4,790	6,515	6,692	7,295	8,737	11,973	13,423
	<b>Canada:</b>														
7	All industries.....	23,875	26,730	29,982	32,468	34,805	42,804	48,673	19,941	21,619	23,720	25,074	26,788	32,864	37,380
8	Mining and smelting.....	1,403	1,694	1,922	1,789	2,398	2,073	2,221	487	409	471	461	558	466	463
9	Petroleum.....	2,739	3,266	3,642	3,894	4,492	5,314	5,927	2,562	3,026	3,330	3,546	4,039	4,445	4,853
10	Manufacturing.....	14,882	16,371	18,564	20,287	20,429	25,606	29,169	12,484	13,321	14,714	15,377	15,642	19,527	22,343
11	Trade.....	3,406	3,309	3,621	4,008	4,660	6,359	7,527	2,996	2,854	3,074	3,344	3,864	5,027	5,985
12	Other industries.....	1,446	2,090	2,233	2,491	2,826	3,512	3,829	1,413	2,007	2,130	2,345	2,685	3,398	3,736
	<b>Europe:</b>														
13	All industries.....	40,483	44,266	48,689	55,500	67,941	81,495	97,000	30,841	34,254	37,250	41,558	50,122	60,426	71,622
14	Mining and smelting.....	38	32	40	43	47	40	37	8	11	13	13	16	9	9
15	Petroleum.....	9,580	10,777	11,381	12,163	15,095	18,631	20,397	8,369	9,525	9,868	10,627	12,546	15,258	16,997
16	Manufacturing.....	21,738	23,797	27,119	31,488	38,659	46,188	56,890	16,128	17,846	20,246	22,910	28,002	33,809	41,236
17	Trade.....	7,437	7,398	7,989	9,179	11,064	12,464	14,902	4,925	4,925	5,258	6,041	7,076	8,003	9,646
18	Other industries.....	1,689	2,261	2,159	2,625	3,077	4,172	4,774	1,425	1,946	1,865	1,968	2,482	3,346	3,733
	<b>United Kingdom:</b>														
19	All industries.....	13,374	14,559	14,688	16,064	18,190	21,661	24,431	10,686	11,793	11,774	12,583	14,024	16,484	18,993
20	Mining and smelting.....	0	0	(*)	(*)	(*)	0	0	0	0	(*)	(*)	(*)	0	0
21	Petroleum.....	2,490	2,838	2,839	3,114	3,629	4,916	5,159	2,161	2,505	2,405	2,670	3,070	3,778	4,232
22	Manufacturing.....	8,275	9,173	9,583	10,635	11,958	13,569	15,687	6,182	7,025	7,342	7,896	8,695	9,988	11,757
23	Trade.....	1,982	1,786	1,072	1,571	1,763	2,027	2,333	1,809	1,590	1,535	1,406	1,698	1,831	2,070
24	Other industries.....	627	761	594	742	840	1,148	1,250	534	673	492	551	661	887	936
	<b>European Economic Community (6):<sup>2</sup></b>														
25	All industries.....	20,235	22,128	25,357	29,291	37,704	45,986	56,186	15,715	17,412	19,737	22,461	28,353	34,814	41,923
26	Mining and smelting.....	0	(D)	(D)	(D)	(D)	(D)	(D)	0	(*)	(*)	(*)	(*)	(*)	(D)
27	Petroleum.....	5,423	6,035	6,492	6,902	9,124	10,937	12,216	4,717	5,307	5,632	6,015	7,372	8,984	10,073
28	Manufacturing.....	11,456	12,317	14,756	17,499	22,722	27,849	35,394	8,402	9,087	10,808	12,626	16,338	20,336	25,272
29	Trade.....	2,658	2,827	3,161	3,853	4,626	5,467	6,675	2,001	2,189	2,446	3,013	3,619	4,071	5,066
30	Other industries.....	699	(D)	(D)	(D)	(D)	(D)	(D)	594	829	851	807	1,023	1,422	(D)
	<b>Other Europe:</b>														
31	All industries.....	6,874	7,579	8,644	10,145	12,048	13,848	16,384	4,440	5,049	5,739	6,514	7,745	9,128	10,705
32	Mining and smelting.....	38	(D)	(D)	(D)	(D)	(D)	(D)	8	11	12	13	16	9	(D)
33	Petroleum.....	1,667	1,903	2,050	2,148	2,341	2,777	3,021	1,490	1,713	1,830	1,942	2,103	2,497	2,693
34	Manufacturing.....	2,007	2,307	2,780	3,355	3,979	4,771	5,809	1,544	1,735	2,387	2,969	3,485	4,208	4,208
35	Trade.....	2,798	2,805	3,156	3,755	4,675	4,969	5,894	1,102	1,147	1,277	1,562	1,859	2,102	2,510
36	Other industries.....	363	(D)	(D)	(D)	(D)	(D)	(D)	296	444	524	610	797	1,036	(D)
	<b>Japan:</b>														
37	All industries.....	2,080	2,768	2,952	3,807	4,123	5,461	7,630	1,997	2,626	2,798	3,622	3,881	5,204	7,302
38	Mining and smelting.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0
39	Petroleum.....	1,153	1,626	1,534	2,087	1,977	2,664	3,332	1,151	1,623	1,530	2,081	1,963	2,652	3,315
40	Manufacturing.....	720	926	1,153	1,405	1,756	1,988	3,075	651	801	1,018	1,241	1,551	1,769	2,789
41	Trade.....	173	172	219	241	282	482	863	163	161	206	229	265	460	842
42	Other industries.....	33	44	47	74	108	327	360	32	41	43	70	102	323	356
	<b>Australia, New Zealand, and S. Africa:</b>														
43	All industries.....	5,184	5,387	6,079	6,843	7,933	9,773	10,803	4,800	4,959	5,517	6,135	7,026	8,730	9,428
44	Mining and smelting.....	270	283	340	472	648	657	736	139	142	142	223	279	256	231
45	Petroleum.....	980	1,060	1,167	1,225	1,419	1,699	1,866	971	1,050	1,148	1,221	1,402	1,681	1,850
46	Manufacturing.....	3,145	3,362	3,677	4,087	4,639	5,588	6,192	2,983	3,175	3,446	3,798	4,290	5,192	5,592
47	Trade.....	441	248	409	477	580	671	733	411	216	378	447	540	691	691
48	Other industries.....	349	434	477	582	648	1,158	1,276	295	375	402	447	515	966	1,063
	<b>Latin America:</b>														
49	All industries.....	14,264	16,141	17,466	19,511	20,698	23,852	26,283	9,559	11,391	12,560	13,699	15,320	17,774	19,587
50	Mining and smelting.....	1,519	1,598	1,586	1,964	1,698	1,384	1,524	(D)	224	247	279	291	265	254
51	Petroleum.....	4,186	4,786	5,079	5,189	5,542	6,545	6,820	2,123	2,834	2,975	2,924	3,093	3,414	3,567
52	Manufacturing.....	5,861	6,734	7,518	8,784	9,589	11,038	12,517	5,499	6,315	7,124	8,039	9,062	10,468	11,837
53	Trade.....	1,765	1,861	2,037	2,062	2,358	2,735	3,015	1,102	1,153	1,263	1,341	1,517	1,829	1,963
54	Other industries.....	933	1,162	1,246	1,513	1,729	2,150	2,406	(D)	865	953	1,115	1,356	1,798	1,967
	<b>Other Africa:<sup>3</sup></b>														
55	All industries.....	1,883	2,598	3,295	3,547	3,953	4,638	5,058	844	1,624	1,992	2,063	2,325	2,920	3,034
56	Mining and smelting.....	66	52	60	59	65	66	66	(D)	9	9	(D)	15	15	14
57	Petroleum.....	1,551	2,208	2,831	3,049	3,385	3,974	4,277	(D)	1,345	1,676	1,730	1,920	2,434	2,454
58	Manufacturing.....	84	117	140	170	202	240	304	82	99	102	113	144	180	229
59	Trade.....	77	89	105	115	130	147	164	73	86	101	110	124	139	155
60	Other industries.....	106	131	151	154	171	212	248	(D)	86	105	(D)	122	153	182
	<b>Middle East:<sup>3</sup></b>														
61	All industries.....	4,015	4,362	4,777	5,365	5,770	8,917	11,293	1,100	813	867	932	970	1,828	2,041
62	Mining and smelting.....	(D)	2	2	2	2	2	2	(D)	2	2	2	2	2	2
63	Petroleum.....	3,820	3,978	4,415	4,992	5,414	8,355	10,439	(D)	440	519	576	635	1,292	1,226
64	Manufacturing.....	48	58	61	70	84	156	202	41	50	50	56	66	135	170
65	Trade.....	17	18	22	19	20	31	45	(D)	17	19	16	16	27	39
66	Other industries.....	(D)	305	277	282	251	373	604	128	305	277	282			

by Area and Industry of Affiliate, 1966-72

of dollars]

Export to the United States							Export to other foreign countries							Line
1966	1967	1968	1969	1970	1971	1972	1966	1967	1968	1969	1970	1971	1972	
6,300	7,572	8,623	10,009	10,352	12,519	14,637	18,093	19,786	23,083	27,233	32,494	40,282	48,240	1
1,260	1,451	1,514	1,555	1,632	1,414	1,486	1,236	1,413	1,559	1,787	1,858	1,817	2,174	2
1,491	1,722	1,731	1,869	1,935	3,151	3,763	6,715	7,608	9,290	10,175	12,549	16,489	19,353	3
2,679	3,318	4,098	5,346	5,514	6,383	7,694	6,138	6,702	7,809	9,766	11,575	13,715	16,929	4
504	577	729	611	701	945	1,109	3,596	3,597	4,005	4,593	5,604	7,087	8,153	5
367	505	551	628	570	626	585	408	466	420	962	908	1,223	1,601	6
2,926	3,641	4,573	5,532	5,873	7,129	8,399	1,008	1,473	1,689	1,862	2,142	2,871	2,894	7
614	823	888	800	1,031	820	(D)	302	463	562	528	809	786	(D)	8
170	(D)	281	318	410	848	1,034	7	(D)	31	31	43	22	39	9
1,961	2,327	3,046	3,964	3,912	4,754	5,670	438	725	804	943	875	1,324	1,156	10
153	195	(D)	326	401	1,235	750	257	260	(D)	337	394	(D)	791	11
29	(D)	(D)	124	119	(D)	(D)	4	(D)	(D)	23	21	(D)	(D)	12
758	1,128	1,266	1,327	1,525	1,698	1,985	8,884	8,885	10,173	12,615	16,294	19,371	23,393	13
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	14
(D)	(D)	(D)	73	104	189	185	(D)	(D)	(D)	1,464	2,445	3,183	3,214	15
465	668	794	1,055	1,235	1,291	1,567	5,145	5,283	6,079	7,524	9,421	11,088	14,086	16
101	116	164	79	85	97	109	2,425	2,357	2,568	3,059	3,903	4,364	5,147	17
(D)	95	(D)	(D)	(D)	(D)	(D)	(D)	220	(D)	(D)	(D)	(D)	(D)	18
236	423	400	483	470	505	605	2,452	2,343	2,514	2,998	3,696	4,673	4,833	19
0	0	(*)	(D)	(*)	0	0	0	0	(*)	(D)	(*)	0	0	20
(D)	(D)	(D)	(D)	(D)	7	(D)	(D)	(D)	(D)	(D)	(D)	1,132	(D)	21
173	327	326	423	384	434	529	1,920	1,821	1,915	2,315	2,879	3,148	3,402	22
(D)	22	28	21	24	30	30	(D)	154	109	85	141	167	233	23
15	(D)	(D)	(D)	(D)	35	(D)	79	(D)	(D)	(D)	(D)	226	(D)	24
302	414	546	520	667	850	1,014	4,218	4,303	5,074	6,310	8,683	10,322	13,248	25
0	(D)	(*)	(*)	(D)	(*)	(D)	0	(D)	(D)	(D)	(D)	(D)	(D)	26
(D)	(D)	(D)	(D)	(D)	138	(D)	(D)	(D)	(D)	(D)	(D)	(D)	1,816	27
205	212	337	423	560	648	808	2,849	3,018	3,612	4,445	5,824	6,865	9,314	28
(D)	28	47	28	46	50	59	(D)	610	669	812	961	1,347	1,550	29
14	(D)	(D)	(D)	(D)	15	(D)	91	(D)	(D)	(D)	189	(D)	362	30
220	291	320	324	388	343	366	2,214	2,230	2,585	3,306	3,916	4,376	5,313	31
(D)	1	(D)	1	(D)	(D)	1	(D)	(D)	(D)	(D)	(D)	(D)	(D)	32
(D)	34	37	23	45	44	44	(D)	157	182	183	(D)	236	285	33
88	129	131	204	202	210	231	376	443	553	764	718	1,076	1,370	34
61	65	89	30	16	18	20	1,635	1,593	1,790	2,162	2,800	2,850	3,364	35
(D)	62	(D)	67	59	(D)	70	(D)	(D)	(D)	(D)	(D)	(D)	(D)	36
23	13	23	19	26	30	32	60	129	131	167	216	227	296	37
0	0	0	0	0	0	0	0	0	0	0	0	0	0	38
(D)	(*)	(D)	(D)	(*)	(*)	1	(D)	3	(D)	(D)	14	12	15	39
18	5	14	11	19	19	19	51	120	120	153	186	200	268	40
(D)	(D)	(D)	(D)	4	7	8	(D)	(D)	(D)	(D)	13	15	13	41
1	(D)	3	(D)	4	4	4	(*)	(D)	(*)	(D)	8	3	(*)	42
78	81	118	142	158	146	126	307	347	445	565	748	897	1,249	43
(D)	(D)	(D)	(D)	(D)	(D)	72	(D)	(D)	(D)	(D)	(D)	(D)	433	44
(D)	(D)	(D)	(D)	1	(*)	(*)	(D)	(D)	(D)	(D)	15	17	16	45
16	21	25	30	40	33	23	145	166	206	260	309	362	570	46
(D)	(D)	(D)	5	6	(D)	8	(D)	(D)	(D)	25	34	(D)	34	45
(D)	(*)	(D)	32	(D)	38	23	(D)	59	(D)	104	(D)	154	190	48
1,793	1,722	1,776	1,945	1,854	2,334	2,465	2,912	3,027	3,128	3,867	3,523	3,744	4,230	49
(D)	557	544	655	495	488	489	(D)	816	794	1,030	695	631	782	50
779	673	707	795	818	1,328	1,402	1,284	1,279	1,397	1,469	1,631	1,804	1,851	51
129	147	147	152	214	170	208	233	273	247	592	313	400	473	52
161	170	197	140	150	146	161	502	538	578	581	690	760	891	53
(D)	175	181	203	178	203	206	(D)	121	112	195	195	149	233	54
99	85	100	120	93	123	177	940	889	1,203	1,364	1,535	1,594	1,847	55
(D)	20	19	(D)	(D)	(D)	(D)	(D)	23	32	26	(D)	(D)	(D)	56
(D)	22	26	52	(D)	46	91	908	841	1,129	1,267	(D)	1,494	1,732	57
0	(*)	(*)	(*)	(*)	(*)	(*)	(D)	14	(D)	54	56	(D)	(D)	58
(D)	39	(D)	(D)	(D)	(*)	42	(D)	4	(D)	5	6	8	8	59
253	295	221	337	218	294	447	2,663	3,254	3,689	4,097	4,582	6,794	8,806	61
0	0	0	0	0	0	0	(*)	(*)	(*)	(*)	(*)	(*)	(*)	62
(D)	295	221	336	217	293	444	2,656	3,244	3,675	4,080	4,561	6,770	8,769	63
0	(*)	(*)	(*)	(*)	(*)	(*)	(D)	8	(D)	13	18	(D)	(D)	64
0	(*)	(*)	(*)	(*)	(*)	(*)	(D)	2	(D)	3	3	(D)	(D)	65
211	265	216	282	302	459	682	610	703	975	1,066	1,327	2,273	3,065	67
0	(*)	(*)	(D)	(D)	(D)	(D)	0	(*)	(*)	(*)	(D)	(D)	(D)	68
(D)	59	80	92	280	401	(D)	(D)	503	507	635	(D)	1,187	1,845	69
88	144	57	131	94	103	184	120	115	309	228	396	271	285	70
56	63	79	58	53	62	(D)	(D)	82	158	202	216	763	(D)	71
(D)	(*)	(*)	(D)	(D)	(D)	(*)	(D)	4	1	(*)	(D)	(D)	56	72
160	341	331	306	303	306	324	710	1,080	1,649	1,680	2,124	2,512	2,460	73
(D)	207	201	203	207	168	203	(D)	704	1,230	1,220	1,696	2,000	1,900	74
22	21	19	(*)	(*)	(*)	1	323	326	375	371	345	387	406	77
(D)	114	112	103	96	138	120	(D)	50	44	89	82	125	154	78

existing affiliates and establishment or acquisition of many new affiliates.

Lowering of internal tariff barriers within the European Economic Community was another reason for increased sales abroad by foreign affiliates. U.S. firms supplying the EEC market through exports faced relatively high tariffs compared with firms located inside the market. Establishment of production facilities within the market enabled U.S. firms to avoid such tariff disadvantages.

Another factor spurring affiliate sales was the increase in world-wide energy consumption, which encouraged the exploration for, and development of, petroleum resources and the expansion of refining and transporting capacity. More than one-fourth of the total increase in sales from 1966 to 1972 was accounted for by petroleum affiliates.

Since the sales estimates presented here are in current dollars, part of the increase in affiliate sales undoubtedly resulted from inflation. No attempt has been made in this article to quantify the effect of rising prices on the estimates.

Upward revaluation of a number of foreign currencies against the U.S. dollar during 1971, formalized by the Smithsonian Agreement in December of that year, also affected the sales estimates. The value of sales carried on affiliates' books in revalued foreign currencies would be higher in dollar terms when translated at the new exchange rates. The magnitude of these effects on the sales estimates is unknown. Some affiliates' books are denominated in U.S. dollars, not in foreign currencies; the value of sales by such affiliates is not affected by revaluation.

Furthermore, it is not clear whether the major impact of the 1971 revaluations appears in the sales estimates for 1971 or for 1972. If sales are translated into U.S. dollars monthly or quarterly, or if they are translated at the rates prevailing when the sales are made, a large part of 1971 affiliate sales valued in foreign currencies would have been translated at prerevaluation rates since most of the rate changes took place in the last part of the year. Thus, the major impact of the exchange rate changes would have been on the 1972

NOTE.—Details may not add to totals because of rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Table 4.—Sales by Majority-Owned Foreign Manufacturing Affiliates of U.S. Companies, by Destination and

[Millions]

Line	Affiliate area and industry	Total sales						Local sales <sup>1</sup>							
		1966	1967	1968	1969	1970	1971	1972	1966	1967	1968	1969	1970	1971	1972
<b>All areas:</b>															
1	Manufacturing, total.....	47,374	52,372	59,583	67,739	77,000	92,604	110,404	38,557	42,352	47,676	52,627	59,911	72,504	85,781
2	Food products.....	5,644	6,172	6,286	6,907	7,624	9,850	11,238	4,978	5,500	5,587	6,167	6,829	8,904	10,168
3	Chemicals and allied products.....	7,421	8,635	10,006	11,039	12,615	15,130	18,516	6,396	7,353	8,431	9,207	10,320	12,389	15,019
4	Primary and fabricated metals.....	3,904	4,473	4,907	5,763	7,221	7,818	8,697	3,516	3,580	4,039	4,477	5,985	6,575	7,297
5	Machinery <sup>2</sup> .....	10,902	12,145	13,519	16,183	19,244	22,995	27,319	8,412	9,544	10,584	12,082	14,164	17,572	20,776
6	Transportation equipment.....	11,156	11,551	13,804	16,135	16,708	20,203	24,118	8,457	8,508	9,784	10,936	11,332	13,317	15,735
7	Other <sup>3</sup> .....	8,348	9,396	11,061	11,712	13,588	16,607	20,516	6,798	7,867	9,251	9,758	11,281	13,747	16,787
<b>Canada:</b>															
8	Manufacturing, total.....	14,882	16,371	18,564	20,287	20,429	25,606	29,169	12,484	13,321	14,714	15,377	15,642	19,527	22,343
9	Food products.....	1,636	1,685	1,726	1,808	1,987	2,421	2,725	1,505	1,587	1,642	1,695	1,864	2,291	2,571
10	Chemicals and allied products.....	1,724	1,778	1,965	1,942	1,995	2,538	2,853	1,521	1,617	1,769	1,738	1,877	2,294	2,595
11	Primary and fabricated metals.....	1,597	1,701	1,778	2,100	2,205	2,324	2,455	1,545	1,558	1,649	1,843	2,068	2,154	2,276
12	Machinery <sup>2</sup> .....	2,942	3,150	3,244	3,651	3,799	4,643	5,211	2,683	2,856	2,953	3,290	3,347	4,049	4,579
13	Transportation equipment.....	3,861	4,648	5,620	6,539	5,999	7,921	9,097	2,852	2,921	3,225	3,584	2,739	3,961	4,598
14	Other <sup>3</sup> .....	3,121	3,409	4,232	4,247	4,557	5,759	6,828	2,378	2,782	3,477	3,457	3,747	4,778	5,726
<b>United Kingdom:</b>															
15	Manufacturing, total.....	8,275	9,173	9,583	10,635	11,958	13,569	15,687	6,182	7,025	7,342	7,896	8,695	9,988	11,757
16	Food products.....	907	924	887	962	1,045	1,221	1,322	840	867	806	883	948	1,117	1,218
17	Chemicals and allied products.....	1,365	1,537	1,595	1,724	1,883	2,208	2,533	1,152	1,265	1,311	1,380	1,436	1,718	1,957
18	Primary fabricated metals.....	781	1,049	1,130	1,275	1,385	1,538	1,691	636	712	833	916	1,044	1,149	1,287
19	Machinery <sup>2</sup> .....	(D)	2,424	2,563	3,052	3,553	3,960	4,539	(D)	1,740	1,858	2,110	2,318	2,560	2,946
20	Transportation equipment.....	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)
21	Other <sup>3</sup> .....	1,214	(D)	(D)	(D)	(D)	(D)	(D)	1,023	(D)	(D)	(D)	(D)	(D)	(D)
<b>European Economic Community: (6)<sup>4</sup></b>															
22	Manufacturing, total.....	11,456	12,317	14,756	17,499	22,722	27,849	35,394	8,402	9,087	10,808	12,626	16,338	20,336	25,272
23	Food products.....	1,081	1,283	1,393	1,603	1,840	2,643	3,155	940	1,119	1,160	1,330	1,601	2,254	2,699
24	Chemicals and allied products.....	1,733	2,246	2,800	3,181	4,007	4,828	6,205	1,309	1,658	2,007	2,248	2,673	3,264	4,080
25	Primary and fabricated metals.....	648	811	926	1,112	2,214	2,429	2,846	557	645	756	852	1,815	2,133	2,464
26	Machinery <sup>2</sup> .....	3,645	3,949	4,613	5,561	7,238	8,884	11,030	2,465	2,698	3,234	3,822	4,854	6,351	7,780
27	Transportation equipment.....	2,747	(D)	2,853	3,564	4,310	5,390	6,862	1,911	(D)	1,999	2,430	2,976	3,466	4,250
28	Other <sup>3</sup> .....	1,602	(D)	2,170	2,478	3,113	3,675	5,296	1,220	(D)	1,653	1,944	2,420	2,869	3,999
<b>Other Europe:</b>															
29	Manufacturing, total.....	2,007	2,307	2,780	3,355	3,979	4,771	5,809	1,544	1,735	2,096	2,387	2,969	3,485	4,208
30	Food products.....	206	268	280	320	378	505	592	182	239	242	291	333	458	536
31	Chemicals and allied products.....	319	410	484	569	676	884	1,114	263	327	382	454	535	740	939
32	Primary and fabricated metals.....	191	223	297	399	413	433	481	164	101	161	136	212	205	228
33	Machinery <sup>2</sup> .....	(D)	548	645	843	1,144	1,352	1,606	(D)	407	470	531	761	966	1,170
34	Transportation equipment.....	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)
35	Other <sup>3</sup> .....	412	(D)	(D)	(D)	(D)	(D)	(D)	303	(D)	(D)	(D)	(D)	(D)	(D)
<b>Japan:</b>															
36	Manufacturing, total.....	720	926	1,153	1,405	1,756	1,988	3,075	651	801	1,018	1,241	1,551	1,769	2,789
37	Food products.....	44	63	72	84	95	106	129	44	63	72	84	95	106	129
38	Chemicals and allied products.....	302	398	438	557	659	702	1,417	286	284	376	478	573	596	1,283
39	Primary and fabricated metals.....	(D)	1	1	1	1	1	1	(D)	1	1	1	1	1	
40	Machinery <sup>2</sup> .....	304	446	550	685	875	1,020	1,324	265	386	490	615	775	935	1,212
41	Transportation equipment.....	(D)	2	2	3	3	3	3	(D)	2	2	3	3	3	
42	Other <sup>3</sup> .....	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)
<b>Australia, New Zealand, and South Africa:</b>															
43	Manufacturing, total.....	3,145	3,362	3,677	4,087	4,639	5,588	6,192	2,983	3,175	3,446	3,798	4,290	5,192	5,592
44	Food products.....	295	316	326	352	385	479	557	249	282	307	337	343	432	514
45	Chemicals and allied products.....	454	503	589	664	729	864	897	438	481	560	631	700	830	857
46	Primary and fabricated metals.....	(D)	124	139	143	174	217	239	(D)	122	138	142	186	206	229
47	Machinery <sup>2</sup> .....	494	576	632	692	812	1,013	1,092	452	523	546	580	680	881	941
48	Transportation equipment.....	(D)	(D)	1,589	1,569	1,768	1,817	2,043	(D)	1,267	1,347	1,511	1,979	1,702	1,745
49	Other <sup>3</sup> .....	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)
<b>Latin America:</b>															
50	Manufacturing, total.....	5,861	6,734	7,518	8,784	9,589	11,038	12,517	5,499	6,315	7,124	8,039	9,062	10,468	11,837
51	Food products.....	1,281	1,418	1,383	1,552	1,684	2,245	2,504	1,081	1,191	1,202	1,383	1,469	2,044	2,275
52	Chemicals and allied products.....	1,291	1,526	1,695	1,885	2,102	2,433	2,725	1,210	1,444	1,609	1,794	1,994	2,312	2,587
53	Primary and fabricated metals.....	337	370	426	507	600	647	729	331	360	413	493	584	629	707
54	Machinery <sup>2</sup> .....	736	870	941	1,351	1,338	1,567	1,858	718	825	907	981	1,258	1,471	1,751
55	Transportation equipment.....	1,019	1,199	1,393	1,750	1,882	1,931	2,175	1,010	1,178	1,378	1,735	1,862	1,911	2,119
56	Other <sup>3</sup> .....	1,198	1,351	1,680	1,729	1,975	2,214	2,526	1,147	1,304	1,615	1,633	1,894	2,101	2,397
<b>Other Africa:<sup>5</sup></b>															
57	Manufacturing, total.....	84	117	149	170	202	240	304	82	99	102	113	144	180	229
58	Food products.....	(D)	9	9	10	17	25	(D)	8	9	9	10	17	25	
59	Chemicals and allied products.....	25	31	30	33	45	55	69	25	30	29	33	45	52	65
60	Primary and fabricated metals.....	10	24	53	62	63	64	78	10	7	8	(D)	8	(D)	
61	Machinery <sup>2</sup> .....	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	
62	Transportation equipment.....	(D)	7	(D)	(D)	9	11	12	(D)	7	(D)	(D)	9	11	
63	Other <sup>3</sup> .....	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	
<b>Middle East:<sup>5</sup></b>															
64	Manufacturing, total.....	48	58	61	70	84	156	202	41	50	50	56	66	135	170
65	Food products.....	(D)	4	4	4	4	5	5	(D)	3	4	3	4	5	
66	Chemicals and allied products.....	17	25	22	28	30	44	65	(D)	19	16	20	21	33	
67	Primary and fabricated metals.....	(D)	0	0	0	0	0	0	(D)	0	0	0	0	0	
68	Machinery <sup>2</sup> .....	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	
69	Transportation equipment.....	(D)	0	0	0	0	0	0	(D)	0	0	0	0	0	
70	Other <sup>3</sup> .....	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	
<b>Other Asia and Pacific:</b>															
71	Manufacturing, total.....	896	1,003	1,342	1,450	1,642	1,799	2,054	639	745	977	1,090	1,153	1,425	1,585
72	Food products.....	182	201	208	204	185	206	224	126	153	169	181	161	179	196
73	Chemicals and allied products.....	191	242	388	447	487	574	638	(D)	228	373	431	466	550	608
74	Primary and fabricated metals.....	150	170	158	164	166	166	177	84	74	80				



by Area and Industry of Affiliate, 1966-72

of dollars]

Export to the United States							Export to other foreign countries							Line
1966	1967	1968	1969	1970	1971	1972	1966	1967	1968	1969	1970	1971	1972	
2,679	3,318	4,098	5,346	5,514	6,383	7,694	6,138	6,702	7,809	9,766	11,575	13,715	16,929	1
188	197	181	197	261	235	240	478	474	518	542	534	711	830	2
171	138	165	169	162	205	211	853	1,144	1,409	1,636	2,133	2,536	3,287	3
47	421	293	549	335	396	431	340	472	575	739	900	846	969	4
444	313	435	578	864	680	1,177	2,045	2,288	2,498	3,523	4,217	4,743	5,365	5
(D)	1,637	2,357	3,138	3,225	4,097	4,778	(D)	1,406	1,664	2,061	2,150	2,789	3,605	6
(D)	612	667	715	667	770	858	(D)	918	1,144	1,238	1,641	2,090	2,872	7
1,961	2,327	3,046	3,964	3,912	4,754	5,670	438	725	804	943	875	1,324	1,156	8
46	(D)	36	68	76	73	86	85	(D)	48	45	47	57	68	9
118	86	91	98	75	121	121	85	75	106	106	43	124	138	10
27	62	(D)	128	82	115	119	25	82	(D)	130	55	55	60	11
186	(D)	(D)	239	337	225	513	74	(D)	(D)	121	115	368	118	12
948	1,480	2,116	2,856	2,821	3,608	4,186	62	247	279	329	326	352	313	13
636	520	557	575	521	612	646	107	107	197	212	289	368	459	14
173	327	326	423	384	434	529	1,920	1,821	1,915	2,315	2,879	3,148	3,402	15
18	18	(D)	(D)	9	(D)	(D)	49	39	(D)	(D)	87	(D)	(D)	16
(D)	3	7	4	17	6	7	(D)	269	277	339	431	484	570	17
9	179	141	226	174	186	199	135	159	156	133	166	203	205	18
83	42	55	69	78	101	137	719	641	650	871	1,156	1,299	1,456	19
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	20
(D)	(D)	34	41	(D)	43	(D)	(D)	(D)	258	(D)	(D)	389	(D)	21
205	212	337	428	560	648	808	2,849	3,018	3,612	4,445	5,824	6,865	9,314	22
10	(D)	9	10	(D)	(D)	(D)	132	(D)	224	263	(D)	(D)	(D)	23
13	9	22	21	29	28	34	411	579	772	912	1,305	1,535	2,092	24
(D)	1	5	15	2	2	4	89	(D)	165	245	397	294	378	25
(D)	86	134	164	254	186	268	(D)	1,165	1,246	1,574	2,129	2,346	2,982	26
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	27
(D)	(D)	(D)	(D)	22	(D)	(D)	(D)	(D)	(D)	(D)	671	(D)	(D)	28
88	129	131	204	292	210	231	376	443	553	764	718	1,076	1,370	29
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	30
(D)	4	5	6	5	9	10	(D)	79	96	109	135	135	165	31
8	75	62	99	76	83	88	18	47	74	164	125	145	165	32
(D)	31	41	75	96	81	79	(D)	111	135	237	287	306	357	33
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	34
(D)	(D)	(D)	18	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	35
18	5	14	11	19	19	19	51	120	120	153	186	200	268	36
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	37
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	38
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	39
(D)	2	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	40
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	41
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	42
16	21	25	30	40	33	23	145	166	206	260	309	362	576	43
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	44
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	45
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	46
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	47
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	48
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	49
129	147	147	152	214	170	208	233	273	247	592	313	400	473	50
(D)	87	79	74	115	87	93	(D)	140	102	34	109	114	136	51
(D)	29	30	33	31	31	30	30	53	56	67	90	108	136	52
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	11	12	12	(D)	20	20	53
(D)	24	(D)	(D)	(D)	(D)	(D)	(D)	23	(D)	364	(D)	81	81	54
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	55
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	56
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	57
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	58
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	59
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	60
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	61
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	62
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	63
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	64
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	65
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	66
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	67
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	68
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	69
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	70
88	144	57	131	94	103	184	120	115	309	228	396	271	285	71
(D)	24	27	17	(D)	19	17	(D)	24	12	5	(D)	7	11	72
(D)	3	4	4	(D)	5	5	(D)	11	11	12	(D)	18	25	73
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	74
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	75
(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	76
27	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	77

NOTE.—Details may not add to totals because of rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

estimates and, therefore, on the change in sales from 1971 to 1972. If total 1971 affiliate sales valued in foreign currencies were translated at the rates prevailing at yearend 1971, the major effect would have been on the 1971 data and on the change in sales from 1970 to 1971. The unusually large increase in affiliate sales in 1971 indicates that the revaluations had at least some impact on the estimates for that year. Regardless of the method of translation, 1972 sales for affiliates in many countries would have been translated at rates higher than those prevailing in 1966, thus raising the average annual increase in sales from 1966 to 1972.

Devaluation of foreign currencies against the dollar, of course, would tend to lower the value of sales when translated to dollars at post-devaluation rates. Thus, devaluation of the British pound in 1967 may partly explain the small rise in sales from 1967 to 1968 by affiliates located in the United Kingdom.

Manufacturing

Sales by affiliates in manufacturing rose at an average annual rate of 15 percent from 1966 to 1972, reaching \$110.4 billion (table 1). Growth was considerably stronger in 1971 and 1972 compared with earlier years.

Within manufacturing, affiliates in each of the nine industries examined registered substantial sales increases. The average annual rates of growth ranged from 10 percent for rubber products to 21 percent for paper and allied products. The rates of growth in the other industries were clustered closely around the 15 percent average rate for all manufacturing. In terms of dollar sales, affiliates in transportation equipment accounted for the largest share of manufacturing sales, followed by those in chemicals and nonelectrical machinery.

In both developed and developing areas, manufacturing sales rose at about the same rate from 1966 to 1972 so that there was virtually no change in the proportion of the total accounted for by each area (tables 5A-5G). Sales in the developed areas were about 85 percent and in the developing areas 15 percent of total manufacturing sales

over the period. The larger share of developed areas reflects the concentration of manufacturing affiliates there—because of such factors as large and diversified markets, availability of a skilled workforce, production conditions

similar to the United States, and political stability.

Sales growth by manufacturing affiliates was very strong in continental Europe. Manufacturing affiliates located in the EEC(6) more than tripled

their sales, to \$35.4 billion. German affiliates, with sales of \$14.7 billion in 1972, showed the largest dollar gains.

Sales by manufacturing affiliates in continental European countries outside the EEC(6) totaled \$5.8 billion in

Table 5A.—Total Sales by Majority-Owned Foreign Affiliates of U.S. Companies for 1966, by Country and Industry

[Millions of dollars]

Area or country	All industries	Mining and smelting	Petroleum	Manufacturing										Trade	Other industries
				Total	Food products	Paper and allied products	Chemicals and allied products	Rubber products	Primary and fabricated metals	Machinery (except electrical)	Electrical machinery	Transportation equipment	Other manufacturing		
<b>All countries</b> .....	97,782	3,321	27,457	47,374	5,644	1,885	7,421	1,815	3,904	6,513	4,389	11,156	4,648	14,066	5,564
<b>Developed countries</b> .....	71,623	1,711	14,453	40,486	4,169	1,634	5,897	1,285	3,406	6,189	3,820	10,112	3,973	11,457	3,516
<b>Canada</b> .....	23,875	1,403	2,739	14,882	1,636	1,128	1,724	483	1,597	1,502	1,440	3,861	1,510	3,406	1,446
<b>Europe</b> .....	40,483	38	9,580	21,738	2,194	384	3,417	662	1,619	4,099	2,170	5,012	2,181	7,437	1,689
United Kingdom.....	13,374	0	2,400	8,275	907	89	1,365	268	781	1,479	(D)	(D)	857	1,982	627
European Economic Community (6).....	20,235	0	5,423	11,456	1,081	241	1,733	276	648	2,431	1,214	2,747	1,085	2,658	699
Belgium and Luxembourg.....	2,001	0	(D)	1,101	96	28	209	61	63	248	(D)	(D)	54	498	(D)
France.....	5,264	0	(D)	3,114	282	60	475	104	154	810	(D)	(D)	335	686	(D)
Germany.....	7,687	0	2,018	4,795	429	61	464	(D)	207	903	(D)	(D)	446	737	136
Italy.....	3,165	0	1,192	1,542	150	54	316	29	172	333	303	63	123	270	162
Netherlands.....	2,118	0	593	904	125	39	269	(D)	53	138	34	(D)	127	467	153
Other Europe.....	6,874	38	1,667	2,007	206	55	319	118	191	189	(D)	(D)	239	2,798	363
Denmark.....	545	0	285	114	17	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	122	24
Ireland.....	193	(D)	(D)	100	(D)	0	24	(*)	5	7	(D)	0	21	8	(D)
Norway.....	384	(D)	(D)	124	(D)	0	(D)	0	(D)	6	(D)	0	(D)	99	(D)
Spain.....	694	0	19	469	105	16	122	(D)	44	24	(D)	4	21	146	60
Sweden.....	802	0	240	315	(D)	(D)	68	(D)	11	124	(D)	0	13	208	39
Switzerland.....	2,806	0	(D)	607	(D)	(D)	33	(*)	(D)	20	29	(D)	116	1,890	(D)
Other.....	1,450	34	(D)	278	16	(D)	46	53	11	(D)	32	55	56	324	(D)
<b>Japan</b> .....	2,080	0	1,153	720	44	(D)	302	(D)	(D)	265	39	(D)	54	173	33
<b>Australia, New Zealand, and South Africa</b> .....	5,184	270	980	3,145	295	(D)	454	(D)	(D)	323	171	(D)	228	441	349
Australia.....	3,468	(D)	549	2,207	226	(D)	349	(D)	130	249	127	810	178	223	(D)
New Zealand.....	425	0	(D)	181	16	(D)	20	(D)	(D)	0	(D)	(D)	4	101	(D)
South Africa.....	1,291	(D)	(D)	758	53	43	85	(D)	47	73	(D)	319	46	116	38
<b>Developing Countries</b> .....	23,456	1,610	11,182	6,889	1,475	252	1,523	530	498	323	569	1,044	674	2,244	1,532
<b>Latin America</b> .....	14,264	1,519	4,186	5,861	1,281	237	1,291	394	337	275	461	1,019	567	1,765	933
<b>Latin American Republics</b> .....	12,926	1,225	(D)	5,758	1,271	(D)	1,232	394	(D)	(D)	459	1,019	545	1,607	(D)
Argentina.....	1,766	(D)	(D)	1,302	286	(D)	226	(D)	57	38	66	396	116	150	(D)
Brazil.....	2,189	(D)	566	1,283	198	(D)	273	(D)	110	117	135	185	101	274	(D)
Chile.....	903	(D)	(D)	94	36	(D)	20	0	(D)	0	11	(D)	5	40	(D)
Colombia.....	598	(D)	176	305	51	(D)	89	35	23	(D)	23	(D)	33	77	(D)
Mexico.....	1,992	84	27	1,548	327	(D)	405	73	94	105	141	(D)	125	269	64
Panama.....	483	0	58	6	2	0	4	0	0	0	0	0	(*)	269	92
Peru.....	924	340	(D)	263	87	(D)	3	(D)	13	(D)	0	(D)	15	112	(D)
Venezuela.....	3,242	(D)	2,088	729	186	(D)	112	45	16	(D)	68	152	115	234	(D)
Other Central America.....	467	(D)	130	126	59	(D)	41	(D)	7	0	5	0	7	34	(D)
Other and unallocated.....	361	22	70	101	40	0	23	0	(D)	7	0	0	28	90	79
<b>Other Western Hemisphere</b> .....	1,338	294	(D)	103	10	(D)	59	0	(D)	(D)	2	0	21	158	(D)
Bahamas.....	157	0	39	22	1	0	0	0	0	0	0	0	(D)	51	45
Bermuda.....	120	0	(D)	4	(D)	0	0	0	0	0	0	0	(D)	(D)	(D)
Jamaica.....	275	(D)	(D)	26	5	(D)	0	0	0	(D)	0	0	10	(D)	17
Other and unallocated.....	787	(D)	(D)	52	(D)	(D)	38	0	(D)	0	(D)	0	2	(D)	29
<b>Other Africa</b> .....	1,883	66	1,551	84	(D)	0	25	(D)	10	(D)	(D)	(D)	(D)	77	106
Liberia.....	101	(D)	(D)	(D)	0	0	0	(D)	0	0	0	0	0	(D)	48
Libya.....	969	0	954	(D)	0	0	(D)	0	0	0	0	0	0	(D)	(D)
Nigeria.....	147	(D)	(D)	28	(*)	0	(D)	0	(D)	(D)	(D)	0	(D)	6	10
Other and unallocated.....	666	(D)	488	53	(D)	0	17	(D)	0	(D)	(D)	(D)	3	61	(D)
<b>Middle East</b> .....	4,015	(D)	3,820	48	(D)	(D)	17	(D)	0	(D)	(D)	0	(D)	17	(D)
Iran.....	584	(D)	547	19	(D)	0	4	(D)	0	0	(D)	0	0	5	(D)
Other and unallocated.....	3,432	0	3,272	28	(D)	(D)	13	(D)	0	(D)	(*)	0	(D)	13	118
<b>Other Asia and Pacific</b> .....	3,294	(D)	1,626	896	182	(D)	191	(D)	160	43	105	(D)	87	385	(D)
India.....	780	0	(D)	274	(D)	0	78	(D)	(D)	31	(D)	(D)	(D)	(D)	50
Indonesia.....	458	0	453	0	0	0	0	0	0	0	0	0	0	(D)	(D)
Philippines.....	763	(D)	236	336	161	(D)	58	34	13	(D)	(D)	(D)	(D)	(D)	(D)
Other and unallocated.....	1,293	(D)	(D)	287	(D)	(D)	56	(D)	(D)	(D)	47	(D)	39	204	281
<b>International and unallocated</b> .....	2,703	-----	1,822	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	365	561

\*Less than \$500,000.

D Suppressed to avoid disclosure of data for individual reporters.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

1972 and their rate of growth in the 1966-72 period was close to that of EEC(6) affiliates. Sales by manufacturing affiliates in the United Kingdom, on the other hand, grew at the relatively slow pace of 11 percent per year to \$15.7 billion in 1972.

Canadian manufacturing affiliates increased their sales at an average annual rate of 12 percent to \$29.2 billion in 1972, a level higher than that for any other country. The Canadian market's proximity to the United States and its similarity to the U.S. business environ-

ment has encouraged substantial U.S. manufacturing investment there.

Within manufacturing in Canada, affiliates in the transportation equipment industry predominate, with 1972 sales totaling \$9.1 billion. This largely reflects the impact of the 1965 U.S.-

Table 5B.—Total Sales by Majority-Owned Foreign Affiliates of U.S. Companies for 1967, by Country and Industry

[Millions of dollars]

Area or country	All industries	Mining and smelting	Petroleum	Manufacturing										Trade	Other industries
				Total	Food products	Paper and allied products	Chemicals and allied products	Rubber products	Primary and fabricated metals	Machinery (except electrical)	Electrical machinery	Transportation equipment	Other manufacturing		
<b>All countries</b> .....	108,966	3,682	31,549	52,372	6,172	2,100	8,635	1,782	4,473	7,488	4,657	11,551	5,514	13,877	7,487
<b>Developed countries</b> .....	79,153	2,010	16,729	44,458	4,540	1,808	6,812	1,277	3,909	7,039	4,054	10,327	4,692	11,126	4,830
<b>Canada</b> .....	26,730	1,694	3,266	16,371	1,685	1,192	1,778	490	1,701	1,653	1,497	4,648	1,727	3,309	2,090
<b>Europe</b> .....	44,266	32	10,777	23,797	2,476	485	4,192	(D)	2,083	4,602	2,319	(D)	2,625	7,398	2,261
United Kingdom.....	14,559	0	2,838	9,173	924	93	1,537	(D)	1,049	1,719	705	(D)	1,013	1,766	781
European Economic Community (6).....	22,128	(D)	6,035	12,317	1,283	(D)	2,246	267	811	2,645	1,304	(D)	1,327	2,827	(D)
Belgium and Luxembourg.....	2,397	0	(D)	1,367	156	(D)	333	60	116	258	(D)	(D)	77	529	(D)
France.....	5,557	0	(D)	3,121	340	(D)	618	112	178	869	389	(D)	360	843	(D)
Germany.....	8,136	0	2,183	5,026	458	90	629	47	(D)	978	426	(D)	602	746	181
Italy.....	3,666	(D)	1,336	1,836	186	59	398	29	222	416	318	64	144	295	(D)
Netherlands.....	2,372	0	732	968	143	44	268	19	(D)	124	(D)	(D)	144	415	258
<b>Other Europe</b> .....	7,579	(D)	1,903	2,307	268	(D)	410	122	223	238	310	(D)	286	2,805	(D)
Denmark.....	637	0	372	113	17	(D)	(D)	1	(D)	9	9	(D)	5	123	29
Ireland.....	302	1	(D)	184	54	0	28	(D)	51	(D)	17	0	26	9	(D)
Norway.....	415	(D)	(D)	128	1	(D)	(D)	0	43	7	(D)	0	(D)	101	21
Spain.....	814	0	27	544	127	13	163	18	32	33	(D)	(D)	(D)	167	76
Sweden.....	904	0	258	396	22	86	44	17	153	17	(D)	0	16	200	49
Switzerland.....	2,888	0	225	604	(D)	13	39	1	48	23	(D)	(D)	131	1,883	176
Other.....	1,620	23	761	338	23	6	65	56	31	4	31	55	76	321	177
<b>Japan</b> .....	2,768	0	1,626	926	63	(D)	338	(D)	1	394	52	2	61	172	44
<b>Australia, New Zealand, and South Africa</b> .....	5,387	283	1,060	3,362	316	(D)	503	147	124	390	186	(D)	279	248	434
Australia.....	3,577	(D)	588	2,391	243	(D)	381	(D)	85	297	141	872	219	(D)	348
New Zealand.....	436	0	(D)	164	15	(D)	23	(D)	7	0	6	(D)	6	(D)	38
South Africa.....	1,375	(D)	(D)	808	58	41	99	59	31	93	39	334	54	116	48
<b>Developing countries</b> .....	26,644	1,672	12,674	7,913	1,632	292	1,823	505	564	448	603	1,223	822	2,384	2,001
<b>Latin America</b> .....	16,141	1,598	4,786	6,734	1,418	274	1,526	377	370	346	524	1,199	700	1,861	1,162
Latin American Republics.....	14,616	1,194	4,078	6,622	1,408	(D)	1,453	(D)	367	346	522	1,199	686	1,702	1,021
Argentina.....	1,720	12	276	1,202	290	17	207	73	48	43	58	330	137	146	83
Brazil.....	2,793	(D)	702	1,663	212	43	368	121	77	170	148	377	148	300	(D)
Chile.....	814	(D)	(D)	118	41	(D)	19	0	8	0	13	24	(D)	145	(D)
Colombia.....	722	(D)	203	387	73	43	119	(D)	32	11	27	(D)	39	85	(D)
Mexico.....	2,341	122	25	1,825	367	(D)	483	76	135	116	184	(D)	163	283	85
Panama.....	525	0	57	26	2	(D)	23	0	0	0	0	0	(D)	333	108
Peru.....	1,064	357	(D)	278	107	(D)	43	(D)	9	2	3	53	13	(D)	100
Venezuela.....	3,524	(D)	2,200	848	194	31	122	54	49	5	75	176	141	270	(D)
Other Central America.....	631	(D)	(D)	163	85	14	42	(*)	8	(D)	8	0	(D)	(D)	203
Other and unallocated.....	484	30	138	111	38	(D)	26	0	2	(D)	5	0	33	93	112
<b>Other Western Hemisphere</b> .....	1,524	403	708	113	10	(D)	73	(D)	4	1	2	0	14	159	141
Bahamas.....	175	0	49	15	(D)	0	(D)	0	0	0	0	0	8	54	57
Bermuda.....	145	0	60	4	1	0	0	0	0	0	0	0	2	55	26
Jamaica.....	318	198	73	22	5	(D)	(D)	(D)	0	1	(D)	0	2	(D)	(D)
Other and unallocated.....	886	205	526	72	(D)	6	57	0	4	0	0	0	2	(D)	(D)
<b>Other Africa</b> .....	2,598	52	2,208	117	9	0	31	(D)	24	2	(D)	7	31	89	131
Liberia.....	118	(D)	7	(D)	0	0	0	(D)	0	0	0	0	4	7	62
Libya.....	1,579	0	1,564	(D)	0	0	(D)	0	0	0	0	0	0	2	(D)
Nigeria.....	193	(D)	132	39	(*)	0	(D)	0	3	1	(D)	0	24	8	(D)
Other and unallocated.....	708	(D)	504	72	9	0	20	(D)	21	1	(D)	7	3	72	(D)
<b>Middle East</b> .....	4,362	2	3,978	58	4	8	25	(D)	0	2	(D)	0	3	18	305
Iran.....	760	2	701	24	2	0	7	(D)	0	0	(D)	0	0	5	29
Other and unallocated.....	3,602	0	3,277	34	2	8	18	(D)	0	2	(D)	0	3	14	276
<b>Other Asia and Pacific</b> .....	3,543	21	1,701	1,003	201	10	242	103	170	98	72	17	89	415	403
India.....	692	0	(D)	240	5	0	79	52	34	30	(D)	(D)	11	35	(D)
Indonesia.....	463	0	(D)	0	0	0	0	0	0	0	0	0	0	(*)	(D)
Philippines.....	859	(D)	(D)	391	168	(D)	85	38	16	8	(D)	(D)	37	148	(D)
Other and unallocated.....	1,530	(D)	598	372	29	(D)	78	13	121	60	24	(D)	40	232	(D)
<b>International and unallocated</b> .....	3,168		2,147											366	656

\*Less than \$500,000.

<sup>D</sup> Suppressed to avoid disclosure of data for individual reporters.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Canadian automotive agreement, which encouraged U.S. companies to produce automobiles and related parts in Canada, especially for sale to the U.S. market. Even though the level of sales by Canadian affiliates in this industry was

already substantial in 1966, sales growth from 1966 to 1972 was above the average for all manufacturing affiliates in Canada.

In Japan, manufacturing sales grew at the fastest average annual rate

among developed areas—27 percent—but totaled only \$3.1 billion by 1972.

Sales by manufacturing affiliates located in developing areas reached \$15.1 billion in 1972. They were largely concentrated in Latin America, particu-

Table 5C.—Total Sales by Majority-Owned Foreign Affiliates of U.S. Companies for 1968, by Country and Industry

(Millions of dollars)

Area or country	All industries	Mining and smelting	Petroleum	Manufacturing										Trade	Other industries
				Total	Food products	Paper and allied products	Chemicals and allied products	Rubber products	Primary and fabricated metals	Machinery (except electrical)	Electrical machinery	Transportation equipment	Other manufacturing		
<b>All countries</b> .....	120,366	3,982	33,844	59,583	6,286	3,036	10,006	1,916	4,907	8,410	5,109	13,804	6,109	15,295	7,663
<b>Developed countries</b> .....	87,702	2,310	17,724	50,513	4,682	2,660	7,872	1,367	4,271	7,810	4,437	12,363	5,050	12,239	4,916
<b>Canada</b> .....	29,982	1,922	3,642	18,564	1,726	1,842	1,965	521	1,778	1,655	1,589	5,620	1,869	3,621	2,233
<b>Europe</b> .....	48,689	40	11,381	27,119	2,559	659	4,879	687	2,353	5,240	2,582	5,352	2,807	7,989	2,159
United Kingdom.....	14,688	(*)	2,839	9,583	887	102	1,595	(D)	1,130	1,860	703	(D)	1,063	1,672	594
European Economic Community (6).....	25,357	(D)	6,492	14,756	1,393	473	2,800	291	926	3,073	1,540	2,853	1,406	3,161	(D)
Belgium and Luxembourg.....	2,793	0	(D)	1,697	151	33	419	(D)	137	356	146	(D)	122	597	(D)
France.....	6,679	0	(D)	4,064	378	143	799	(D)	208	957	391	(D)	417	960	(D)
Germany.....	8,924	0	2,291	5,629	491	127	773	(D)	232	1,073	609	(D)	559	813	192
Italy.....	4,123	(D)	1,519	2,053	196	98	434	31	255	461	345	85	147	350	(D)
Netherlands.....	2,837	0	863	1,315	176	72	375	(D)	98	226	50	(D)	161	441	219
<b>Other Europe</b> .....	8,644	(D)	2,050	2,780	280	84	484	(D)	297	307	338	(D)	338	3,156	(D)
Denmark.....	673	0	404	110	(D)	(D)	(D)	(D)	1	(D)	9	(D)	5	125	35
Ireland.....	292	(D)	(D)	181	53	0	33	(*)	42	7	17	0	29	9	11
Norway.....	453	(D)	(D)	140	1	7	(D)	0	52	(D)	0	0	(D)	105	(D)
Spain.....	996	0	28	712	126	(D)	195	20	33	34	(D)	132	30	165	91
Sweden.....	1,107	0	276	562	18	24	102	45	89	213	(D)	0	(D)	217	52
Switzerland.....	3,364	0	258	677	(D)	16	45	1	54	31	36	(D)	164	2,226	207
Other.....	1,759	28	397	28	12	82	51	27	27	4	46	67	80	308	210
<b>Japan</b> .....	2,952	0	1,534	1,153	72	(D)	438	(D)	1	482	68	2	72	219	47
<b>Australia, New Zealand, and South Africa</b> .....	6,079	349	1,167	3,677	326	(D)	589	(D)	139	433	199	1,389	302	409	477
Australia.....	4,236	(D)	689	2,673	254	(D)	453	(D)	94	323	151	985	240	206	(D)
New Zealand.....	375	0	(D)	149	13	(D)	23	(D)	8	0	5	(D)	7	73	(D)
South Africa.....	1,468	(D)	(D)	855	58	(D)	113	61	36	109	43	(D)	56	130	55
<b>Developing countries</b> .....	29,688	1,672	14,235	9,069	1,603	376	2,134	549	636	600	672	1,441	1,059	2,642	2,069
<b>Latin America</b> .....	17,466	1,586	5,079	7,518	1,383	350	1,695	403	426	370	571	1,393	927	2,037	1,246
<b>Latin American Republics</b> .....	15,853	1,261	4,246	7,393	1,373	(D)	1,620	(D)	422	369	568	1,393	909	1,863	1,091
Argentina.....	1,916	15	252	1,363	283	18	228	78	57	48	66	380	205	177	109
Brazil.....	3,061	67	767	1,795	213	50	392	121	88	162	162	442	163	358	75
Chile.....	813	(D)	(D)	104	23	(D)	19	0	8	0	14	(D)	6	28	169
Colombia.....	787	10	162	474	79	58	158	42	37	14	33	(D)	(D)	104	37
Mexico.....	2,744	135	26	2,186	386	89	541	82	171	138	192	306	279	309	90
Panama.....	544	0	82	30	2	(D)	27	0	0	0	0	0	(D)	325	107
Peru.....	950	415	(D)	232	64	(D)	42	(D)	10	1	4	37	12	100	(D)
Venezuela.....	3,830	(D)	2,430	893	196	37	134	59	29	6	81	194	156	305	(D)
Other Central America.....	664	(D)	(D)	182	81	17	52	(D)	(D)	(*)	10	(*)	9	48	208
Other and unallocated.....	545	31	154	135	45	(D)	26	0	(D)	(*)	6	0	37	109	116
<b>Other Western Hemisphere</b> .....	1,613	325	833	125	10	(D)	75	(D)	4	1	3	0	18	175	155
Bahamas.....	283	0	140	(D)	(D)	0	(D)	0	0	0	0	0	(D)	(D)	64
Bermuda.....	148	0	61	4	1	0	0	0	0	0	0	0	2	56	27
Jamaica.....	307	138	116	(D)	5	(D)	(D)	(D)	0	1	(D)	0	6	(D)	24
Other and unallocated.....	875	187	515	77	(D)	9	59	0	4	0	0	0	(D)	54	41
<b>Other Africa</b> .....	3,295	60	2,831	149	9	0	30	(D)	53	2	(D)	(D)	32	105	151
Liberia.....	116	37	9	4	0	0	0	1	0	0	0	0	3	8	59
Libya.....	2,175	0	2,160	(D)	0	0	(D)	0	0	0	0	0	0	0	11
Nigeria.....	184	(*)	126	(D)	(*)	0	(D)	0	3	1	(D)	0	26	(D)	14
Other and unallocated.....	819	23	536	103	8	0	20	(D)	50	(*)	3	(D)	3	90	67
<b>Middle East</b> .....	4,777	2	4,415	61	4	(D)	22	(D)	0	3	(D)	0	3	22	277
Iran.....	759	2	701	20	2	0	(D)	(D)	0	(*)	(D)	0	0	5	31
Other and unallocated.....	4,018	0	3,714	41	2	(D)	(D)	1	0	3	(D)	0	3	17	246
<b>Other Asia and Pacific</b> .....	4,150	24	1,911	1,342	208	(D)	388	122	158	225	92	(D)	97	478	397
India.....	731	0	(D)	283	5	0	90	67	34	37	(D)	(D)	12	(D)	(*)
Indonesia.....	578	(*)	571	0	0	0	0	0	0	0	0	0	0	0	6
Philippines.....	967	(D)	(D)	444	168	(D)	98	41	19	8	29	(D)	42	167	45
Other and unallocated.....	1,875	(D)	636	615	35	3	200	14	105	181	(D)	(D)	43	(D)	345
<b>International and unallocated</b> .....	2,976	-----	1,885	-----	-----	-----	-----	-----	-----	-----	-----	-----	414	677	-----

\*Less than \$500,000.

<sup>D</sup> Suppressed to avoid disclosure of data for individual reporters.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

larly in Brazil and Mexico where sales growth was strong throughout the period.

### Petroleum

Sales by affiliates in petroleum rose at an average annual rate of 14 percent

a year to \$61.1 billion in 1972. The rate of increase was about the same in the three major areas examined—the developed areas (composed largely of refining and marketing affiliates in Europe), developing areas (affiliates primarily

engaged in extraction), and the international and unallocated category (tanker operations).

In the Middle East, sales by petroleum affiliates rose an average 18 percent per year to \$10.4 billion in 1972.

Table 5D.—Total Sales by Majority-Owned Foreign Affiliates of U.S. Companies for 1969, by Country and Industry

[Millions of dollars]

Area or country	All industries	Mining and smelting	Petroleum	Manufacturing										Trade	Other industries
				Total	Food products	Paper and allied products	Chemicals and allied products	Rubber products	Primary and fabricated metals	Machinery (except electrical)	Electrical machinery	Transportation equipment	Other manufacturing		
<b>All countries</b> .....	134,651	4,355	36,632	67,739	6,907	2,998	11,039	2,190	5,763	10,321	5,862	16,135	6,524	17,039	8,886
<b>Developed countries</b> .....	98,618	2,304	19,369	57,266	5,138	2,596	8,636	1,589	5,030	9,349	5,133	14,329	5,466	13,905	5,774
<b>Canada</b> .....	32,468	1,789	3,894	20,287	1,308	1,682	1,942	600	2,100	1,903	1,748	6,539	1,965	4,008	2,491
<b>Europe</b> .....	55,500	43	12,163	31,488	2,894	732	5,474	819	2,786	6,391	3,064	6,218	3,112	9,179	2,625
United Kingdom.....	16,064	(*)	3,114	10,635	962	121	1,724	(D)	1,275	2,233	819	(D)	1,140	1,571	742
European Economic Community (6).....	29,291	(D)	6,902	17,499	1,603	519	3,181	379	1,112	3,792	1,769	3,564	1,580	3,853	(D)
Belgium and Luxembourg.....	3,346	0	(D)	2,119	225	(D)	542	105	197	485	163	(D)	90	687	(D)
France.....	7,540	0	(D)	4,494	427	165	818	(D)	218	1,137	473	(D)	430	1,236	(D)
Germany.....	10,639	0	2,412	7,100	533	(D)	921	(D)	264	1,370	661	(D)	807	921	207
Italy.....	4,739	(D)	1,706	2,260	216	102	419	40	280	545	406	113	139	517	(D)
Netherlands.....	3,027	0	796	1,527	203	86	480	(D)	152	256	66	(D)	115	492	213
<b>Other Europe</b> .....	10,145	(D)	2,148	3,355	329	91	569	(D)	399	367	476	(D)	392	3,755	(D)
Denmark.....	842	0	459	186	25	(D)	23	(D)	(D)	16	62	(D)	3	155	41
Ireland.....	335	1	98	207	45	0	(D)	(D)	65	9	17	0	31	11	18
Norway.....	549	(D)	(D)	160	1	7	(D)	0	64	8	(D)	0	(D)	152	(D)
Spain.....	1,254	0	29	873	160	25	242	22	44	41	(D)	153	(D)	240	105
Sweden.....	1,255	0	295	674	(D)	25	114	50	146	236	(D)	0	8	231	55
Switzerland.....	3,954	0	266	778	(D)	16	50	1	53	32	42	(D)	219	2,569	340
Other.....	1,956	(D)	(D)	476	32	(D)	93	65	(D)	25	51	73	99	396	251
<b>Japan</b> .....	3,807	0	2,087	1,405	84	(D)	557	(D)	1	585	100	3	52	241	74
<b>Australia, New Zealand, and South Africa</b> .....	6,843	472	1,225	4,087	352	(D)	664	(D)	143	471	221	1,569	338	477	582
Australia.....	4,772	411	710	2,944	275	(D)	515	(D)	108	347	168	1,075	268	236	471
New Zealand.....	422	0	(D)	172	16	(D)	25	12	9	0	7	(D)	7	88	(D)
South Africa.....	1,649	61	(D)	971	60	(D)	124	64	26	124	46	(D)	62	153	(D)
<b>Developing countries</b> .....	33,045	2,051	15,402	10,472	1,769	402	2,403	601	733	972	728	1,806	1,058	2,739	2,380
<b>Latin America</b> .....	19,511	1,964	5,189	8,784	1,552	373	1,895	447	507	750	601	1,750	909	2,062	1,513
<b>Latin American Republics</b> .....	17,552	1,475	4,214	8,652	1,542	(D)	1,817	(D)	503	750	598	1,750	890	1,881	1,330
Argentina.....	2,553	15	268	1,938	354	22	265	91	63	375	53	477	233	191	140
Brazil.....	3,422	73	872	2,092	228	49	428	121	110	206	182	598	170	308	77
Chile.....	970	(D)	(D)	139	19	(D)	22	0	8	0	(D)	60	5	25	198
Colombia.....	887	(D)	199	527	90	65	171	49	34	(D)	31	(D)	45	93	(D)
Mexico.....	2,987	156	28	2,354	430	107	614	92	212	145	211	332	209	339	111
Panama.....	566	0	69	33	2	(D)	20	0	0	0	0	0	(D)	335	128
Peru.....	888	463	21	215	49	(D)	45	(D)	10	3	(D)	0	11	83	106
Venezuela.....	3,978	(D)	2,370	1,013	242	38	155	66	37	7	87	214	167	338	(D)
Other Central America.....	725	(D)	(D)	201	90	18	56	(D)	8	0	11	(*)	(D)	50	264
Other and unallocated.....	566	38	138	141	38	(D)	32	0	16	(D)	(D)	0	40	119	131
<b>Other Western Hemisphere</b> .....	1,959	489	974	131	10	(D)	78	(D)	4	1	3	0	19	181	133
Bahamas.....	313	0	157	20	(D)	0	(D)	0	0	0	0	0	8	62	74
Bermuda.....	152	0	67	(D)	1	0	0	0	0	0	0	0	(D)	28	(D)
Jamaica.....	451	236	153	(D)	(D)	(D)	(D)	(D)	0	1	(D)	0	7	26	(D)
Other and unallocated.....	1,043	253	598	74	(D)	9	55	0	4	0	(D)	0	(D)	62	55
<b>Other Africa</b> .....	3,547	59	3,049	170	9	0	33	(D)	62	2	(D)	(D)	32	115	154
Liberia.....	112	37	(D)	(D)	0	0	0	(D)	0	0	0	0	1	9	54
Libya.....	2,142	0	2,127	(D)	0	0	(D)	0	0	0	0	0	0	(D)	(D)
Nigeria.....	373	0	(D)	44	(*)	0	(D)	0	3	1	(D)	0	28	(D)	(D)
Other and unallocated.....	920	22	604	121	9	0	21	(D)	60	1	(D)	(D)	4	98	73
<b>Middle East</b> .....	5,365	2	4,992	70	4	(D)	28	(D)	0	4	(D)	0	4	19	282
Iran.....	1,024	2	957	26	2	0	(D)	(D)	0	(*)	(D)	0	0	6	33
Other and unallocated.....	4,342	0	4,035	44	2	(D)	(D)	(*)	0	4	(D)	0	4	14	249
<b>Other Asia and Pacific</b> .....	4,621	26	2,172	1,450	204	(D)	447	128	164	216	114	(D)	114	543	431
India.....	761	0	(D)	313	5	0	105	69	34	40	(D)	(D)	15	(D)	(*)
Indonesia.....	723	(D)	716	0	0	0	0	0	0	0	0	0	0	(*)	(D)
Philippines.....	1,020	(D)	(D)	461	153	(D)	106	43	22	8	34	(D)	48	(D)	(D)
Other and unallocated.....	2,117	(D)	738	675	46	4	236	16	109	168	(D)	(D)	52	325	(D)
<b>International and unallocated</b> .....	2,988		1,862										394		731

\*Less than \$500,000.

D Suppressed to avoid disclosure of data for individual reporters.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Growing worldwide energy demand and the rise in posted prices of Middle East crude oil were contributing factors. Posted prices are official prices set, primarily for tax purposes, by some of the oil producing countries and are used by petroleum affiliates in those countries

to determine the value of sales. Such prices rose more than 35 percent from 1966 to 1972, with much of the increase occurring in 1971. This partly explains the rapid increase in petroleum affiliate sales in the Middle East, and in all areas combined, in 1971.

Development of petroleum resources in Africa and in the Far East accounted for rapid sales growth in those areas. In Latin America, where U.S. petroleum investments are more mature, affiliate sales rose more slowly.

Table 5E.—Total Sales by Majority-Owned Foreign Affiliates of U.S. Companies for 1970, by Country and Industry

[Millions of dollars]

Area or country	All industries	Mining and smelting	Petroleum	Manufacturing										Trade	Other industries
				Total	Food products	Paper and allied products	Chemicals and allied products	Rubber products	Primary and fabricated metals	Machinery (except electrical)	Electrical machinery	Transportation equipment	Other manufacturing		
<b>All countries</b> .....	154,415	4,678	42,340	77,000	7,624	3,383	12,615	2,434	7,221	11,950	7,294	16,708	7,771	20,183	10,214
<b>Developed countries</b> .....	114,803	3,093	22,982	65,484	5,731	2,910	9,950	1,805	6,392	11,107	6,315	14,776	6,498	16,585	6,659
<b>Canada</b> .....	34,805	2,398	4,492	20,429	1,987	1,754	1,995	664	2,205	1,900	1,899	5,886	2,139	4,660	2,826
<b>Europe</b> .....	67,941	47	15,095	38,659	3,263	909	6,566	957	4,012	7,888	4,047	7,119	3,897	11,064	3,077
United Kingdom.....	18,190	(*)	3,629	11,958	1,045	(D)	1,883	356	1,385	2,668	885	(D)	1,367	1,763	840
European Economic Community (6).....	37,704	(D)	9,124	22,722	1,840	666	4,007	450	2,214	4,687	2,551	4,310	1,997	4,626	(D)
Belgium and Luxembourg.....	4,739	0	1,184	2,754	238	(D)	726	134	245	645	242	(D)	125	726	74
France.....	8,298	0	(D)	5,111	546	208	859	144	253	1,304	563	807	432	1,279	(D)
Germany.....	14,581	0	3,280	9,880	617	(D)	1,132	87	989	1,715	1,175	(D)	1,117	1,177	244
Italy.....	6,045	(D)	2,066	2,836	224	127	568	46	338	709	496	148	179	857	(D)
Netherlands.....	4,041	0	(D)	2,142	215	(D)	723	38	389	314	75	(D)	144	587	(D)
<b>Other Europe</b> .....	12,048	(D)	2,341	3,979	378	(D)	676	151	413	533	611	(D)	532	4,675	(D)
Denmark.....	924	0	513	182	26	(D)	26	(D)	2	(D)	49	(D)	6	176	53
Ireland.....	359	1	110	211	42	0	40	1	51	23	17	0	37	11	26
Norway.....	590	(D)	(D)	188	1	(D)	(D)	0	62	(D)	(D)	0	16	136	(D)
Spain.....	1,581	0	36	1,090	207	31	308	24	44	71	(D)	158	(D)	301	155
Sweden.....	1,456	0	319	814	25	31	126	60	130	330	(D)	0	(D)	255	67
Switzerland.....	4,914	0	300	914	46	20	(D)	(D)	60	42	74	(D)	311	3,302	398
Other.....	2,225	(D)	(D)	581	31	15	115	63	65	36	66	68	123	496	282
<b>Japan</b> .....	4,123	0	1,977	1,756	95	(D)	659	(D)	1	755	120	3	(D)	282	108
<b>Australia, New Zealand, and South Africa</b> .....	7,933	648	1,419	4,639	385	(D)	729	(D)	174	564	248	1,768	(D)	580	648
Australia.....	5,510	587	850	3,273	300	(D)	559	(D)	131	404	186	1,205	278	283	516
New Zealand.....	482	0	(D)	212	17	(D)	32	12	10	0	8	(D)	(D)	94	(D)
South Africa.....	1,941	61	(D)	1,155	67	102	139	(D)	34	160	54	(D)	88	202	(D)
<b>Developing countries</b> .....	35,786	1,586	16,717	11,517	1,893	473	2,665	629	829	844	979	1,932	1,273	3,226	2,741
<b>Latin America</b> .....	20,698	1,481	5,542	9,589	1,694	434	2,102	483	600	535	803	1,882	1,058	2,358	1,729
<b>Latin American Republics</b> .....	18,500	985	4,475	9,444	1,684	(D)	2,020	(D)	596	534	798	1,882	1,035	2,126	1,472
Argentina.....	2,412	18	289	1,747	358	25	288	97	73	57	138	458	254	214	145
Brazil.....	3,981	92	982	2,407	243	53	511	141	145	291	199	631	194	394	86
Chile.....	513	(D)	(D)	178	21	(D)	23	0	8	0	17	86	(D)	33	(D)
Colombia.....	1,106	6	315	619	110	73	164	56	44	(D)	42	(D)	56	103	63
Mexico.....	3,334	153	27	2,646	472	131	684	94	235	158	266	352	(D)	382	128
Panama.....	617	0	74	37	3	(D)	32	0	0	0	0	0	(D)	362	144
Peru.....	948	472	23	232	45	(D)	47	(D)	12	(D)	5	(D)	12	92	128
Venezuela.....	4,121	(D)	2,370	1,150	274	46	167	64	51	8	111	254	174	329	(D)
Other Central America.....	804	(D)	(D)	250	120	21	67	(D)	9	0	0	(*)	12	63	264
Other and unallocated.....	683	40	128	178	39	(D)	37	0	19	(*)	(D)	0	69	154	183
<b>Other Western Hemisphere</b> .....	2,198	498	1,066	145	10	(D)	83	(D)	4	1	4	0	23	232	258
Bahamas.....	330	0	126	23	2	0	13	0	0	0	0	0	8	94	87
Bermuda.....	188	0	89	4	1	0	0	0	0	0	0	0	2	(D)	(D)
Jamaica.....	576	256	212	37	(D)	(D)	13	(D)	0	1	0	0	7	(D)	(D)
Other and unallocated.....	1,104	243	639	81	(D)	11	57	0	4	0	(D)	0	5	71	70
<b>Other Africa</b> .....	3,953	65	3,385	202	10	0	45	(D)	63	1	(D)	9	38	130	171
Liberia.....	116	37	(D)	(D)	0	0	0	(D)	0	0	0	0	0	(D)	50
Libya.....	2,267	0	2,251	(D)	0	0	(D)	0	0	0	0	0	0	(D)	11
Nigeria.....	482	0	(D)	(D)	(*)	0	(D)	0	3	1	(D)	0	32	7	18
Other and unallocated.....	1,089	28	715	142	10	0	26	(D)	60	0	(D)	9	5	111	93
<b>Middle East</b> .....	5,770	2	5,414	84	4	16	30	(D)	0	5	(D)	0	4	20	251
Iran.....	1,112	2	1,037	27	2	0	(D)	(D)	0	(D)	(D)	0	0	7	39
Other and unallocated.....	4,658	0	4,376	57	2	16	(D)	1	0	(D)	(D)	0	4	14	212
<b>Other Asia and Pacific</b> .....	5,365	38	2,377	1,642	185	23	487	119	166	302	146	41	173	718	590
India.....	836	0	(D)	360	(D)	0	111	63	34	45	(D)	6	(*)	(D)	(D)
Indonesia.....	855	(D)	(D)	(*)	0	0	0	0	0	0	0	0	(*)	(*)	(D)
Philippines.....	1,006	23	304	411	124	(D)	102	40	19	8	(D)	(D)	53	204	63
Other and unallocated.....	2,668	(D)	802	871	(D)	(D)	274	17	113	249	76	(D)	64	(D)	514
<b>International and unallocated</b> .....	3,826		2,640											372	814

\*Less than \$500,000.

D Suppressed to avoid disclosure of data for individual reporters.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

**Mining**

Mining affiliates increased sales from \$3.3 billion in 1966 to \$4.7 billion in 1972, an average rate of 6 percent a year—the lowest of all major industry categories. Their sales also showed large year-to-year fluctuations, both globally

and by area. These fluctuations and the relatively low overall growth rate were, at least in part, the result of political uncertainties in Latin America, and unstable worldwide production and demand conditions.

In Latin America, sales by mining

affiliates were virtually the same in 1972 as in 1966. This stagnation primarily reflects the fact that in 1967, and again in 1970, U.S. ownership in certain Chilean copper mining affiliates was reduced to a minority position under Chilean pressure for domestic

**Table 5F.—Total Sales by Majority-Owned Foreign Affiliates of U.S. Companies for 1971, by Country and Industry**

[Millions of dollars]

Area or country	All industries	Mining and smelting	Petroleum	Manufacturing										Trade	Other industries
				Total	Food products	Paper and allied products	Chemicals and allied products	Rubber products	Primary and fabricated metals	Machinery (except electrical)	Electrical machinery	Transportation equipment	Other manufacturing		
<b>All countries</b> .....	190,231	4,271	54,916	92,604	9,850	4,398	15,130	2,707	7,818	13,857	9,138	20,203	9,502	24,620	13,821
<b>Developed countries</b> .....	139,592	2,769	28,307	79,370	7,376	3,856	12,024	2,022	6,941	13,000	7,873	18,220	8,059	19,976	9,170
<b>Canada</b> .....	42,864	2,073	5,314	25,606	2,421	2,430	2,538	743	2,324	2,477	2,166	7,921	2,586	6,359	3,512
<b>Europe</b> .....	81,495	40	18,631	46,188	4,370	1,113	7,919	1,078	4,399	9,012	5,184	8,478	4,635	12,464	4,172
United Kingdom.....	21,661	0	4,916	13,569	1,221	194	2,208	(D)	1,538	3,002	958	(D)	1,563	2,027	1,148
European Economic Community (6).....	45,986	(D)	10,937	27,849	2,643	796	4,828	528	2,429	5,438	3,446	5,390	2,351	5,467	(D)
Belgium and Luxembourg.....	5,701	0	(D)	3,314	329	71	824	148	157	695	556	421	114	876	(D)
France.....	10,650	0	(D)	6,578	870	239	1,000	169	291	1,512	775	1,133	590	1,663	(D)
Germany.....	17,325	0	3,847	11,848	793	(D)	1,414	(D)	1,181	2,034	1,458	(D)	1,288	1,294	335
Italy.....	7,114	(D)	2,256	3,578	293	(D)	763	(D)	365	852	556	(D)	217	895	(D)
Netherlands.....	5,197	0	1,538	2,530	358	130	827	(D)	435	345	101	(D)	142	739	390
<b>Other Europe</b> .....	13,848	(D)	2,777	4,771	505	122	884	(D)	433	571	781	(D)	721	4,969	(D)
Denmark.....	955	0	533	197	39	(D)	32	(D)	(D)	(D)	44	(D)	6	185	70
Ireland.....	438	1	(D)	265	68	0	52	1	55	27	17	0	45	14	(D)
Norway.....	701	(D)	278	207	1	(D)	12	0	57	(D)	0	0	14	159	(D)
Spain.....	1,870	0	43	1,294	239	32	421	27	(D)	63	(D)	134	24	344	189
Sweden.....	1,805	0	483	937	(D)	33	168	61	137	309	(D)	(D)	19	285	100
Switzerland.....	5,506	0	380	1,201	(D)	22	66	2	64	66	87	(D)	503	3,434	491
Other.....	2,541	23	(D)	670	33	19	133	74	69	72	90	70	109	549	(D)
<b>Japan</b> .....	5,461	0	2,664	1,988	106	52	702	(D)	1	887	133	3	(D)	482	327
<b>Australia, New Zealand, and South Africa</b> .....	9,773	657	1,699	5,588	479	261	864	(D)	217	625	388	1,817	(D)	671	1,158
Australia.....	6,863	601	1,042	3,958	384	(D)	663	(D)	172	410	261	1,278	560	286	975
New Zealand.....	607	0	(D)	288	20	(D)	40	12	11	9	9	(D)	(D)	116	(D)
South Africa.....	2,303	55	(D)	1,361	76	129	161	82	34	(D)	118	(D)	151	269	(D)
<b>Developing countries</b> .....	44,636	1,502	22,071	13,234	2,473	542	3,106	685	877	857	1,265	1,984	1,443	4,231	3,599
<b>Latin America</b> .....	23,852	1,384	6,545	11,038	2,245	504	2,433	522	647	618	949	1,931	1,188	2,735	2,150
Latin American Republics.....	21,101	868	5,094	10,891	2,233	(D)	2,356	(D)	644	617	944	1,931	1,166	2,421	1,827
Argentina.....	2,482	33	229	1,829	397	27	294	93	91	80	177	431	239	253	138
Brazil.....	4,437	85	1,088	2,765	308	61	536	167	156	330	261	721	225	391	108
Chile.....	524	(D)	(D)	164	28	(D)	26	0	(D)	0	17	32	12	36	274
Colombia.....	1,224	(D)	342	769	182	91	193	57	51	(D)	17	(D)	69	65	(D)
Mexico.....	3,778	144	28	3,013	664	131	717	107	237	175	250	399	333	416	180
Panama.....	1,051	0	240	80	3	(D)	74	0	0	0	7	(D)	0	545	187
Peru.....	1,033	393	11	381	77	(D)	192	(D)	15	1	7	(D)	(*)	78	169
Venezuela.....	4,809	(D)	2,698	1,411	410	59	201	65	56	10	154	258	197	377	(D)
Other Central America.....	969	(D)	(D)	277	125	27	80	(D)	(D)	0	14	(*)	(D)	95	301
Other and unallocated.....	794	38	129	202	43	(D)	43	0	21	(D)	10	0	80	167	259
<b>Other Western Hemisphere</b> .....	2,751	516	1,451	147	13	(D)	78	(D)	4	1	5	0	22	314	323
Bahamas.....	579	0	287	14	(D)	0	(D)	0	0	0	0	0	8	159	120
Bermuda.....	223	0	114	4	1	0	0	0	0	0	0	0	2	70	36
Jamaica.....	770	265	377	43	(D)	(D)	(D)	0	0	1	0	0	8	3	82
Other and unallocated.....	1,179	252	674	87	(D)	14	60	0	4	0	(D)	0	3	81	85
<b>Other Africa</b> .....	4,638	64	3,974	240	17	0	55	(D)	64	5	(D)	11	44	147	212
Liberia.....	134	37	(D)	(D)	0	0	0	(D)	0	0	0	0	0	(D)	60
Libya.....	2,612	0	2,596	(D)	0	0	(D)	0	0	0	0	0	0	(D)	(D)
Nigeria.....	609	0	(D)	67	(*)	0	20	0	3	(D)	(D)	0	37	14	(D)
Other and unallocated.....	1,283	27	849	169	17	0	(D)	(D)	61	(D)	25	11	6	120	117
<b>Middle East</b> .....	8,917	2	8,355	156	5	16	44	(D)	0	7	(D)	6	5	31	373
Iran.....	1,586	2	1,484	39	2	0	16	(D)	0	(D)	5	0	0	12	49
Other and unallocated.....	7,331	0	6,871	117	4	16	29	1	0	(D)	(D)	0	5	19	324
<b>Other Asia and Pacific</b> .....	7,230	51	3,196	1,799	206	22	574	133	166	228	223	42	206	1,318	865
India.....	974	0	(D)	439	5	0	144	68	34	59	(D)	(D)	75	(*)	1
Indonesia.....	1,362	0	1,333	(D)	0	0	0	0	0	0	0	0	(*)	(D)	(D)
Philippines.....	1,127	(D)	(D)	127	11	116	116	43	19	8	(D)	26	55	234	(D)
Other and unallocated.....	3,767	(D)	1,020	925	73	(D)	314	22	113	161	147	(D)	76	(D)	(D)
<b>International and unallocated</b> .....	6,003		4,538										413	1,052	

\*Less than \$500,000.

D Suppressed to avoid disclosure of data for individual reporters.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

control of natural resources. These affiliates, therefore, were eliminated from BEA's sample of majority-owned foreign affiliates when their U.S. ownership fell below 50 percent. In 1971, U.S. copper interests in Chile were fully expropriated, but since the most im-

portant of the affected affiliates had already been removed from the sample data, this had little further effect on the sales estimates.

Sales by Canadian mining affiliates rose at an average annual rate of 8 percent to \$2.2 billion in 1972. Changes

in worldwide production and demand conditions were partly responsible for large year-to-year shifts in dollar sales. For example, in 1970, total Canadian nickel production rose rapidly as facilities were expanded. But, because of an apparent worldwide surplus of nickel

Table 5G.—Total Sales by Majority-Owned Foreign Affiliates of U.S. Companies for 1972, by Country and Industry

[Millions of dollars]

Area or country	All industries	Mining and smelting	Petroleum	Manufacturing										Trade	Other industries
				Total	Food products	Paper and allied products	Chemicals and allied products	Rubber products	Primary and fabricated metals	Machinery (except electrical)	Electrical machinery	Transportation equipment	Other manufacturing		
<b>All countries</b> .....	220,953	4,662	61,098	110,404	11,238	5,898	18,516	3,234	8,697	16,459	10,860	24,118	11,384	29,179	15,610
<b>Developed countries</b> .....	164,105	2,994	31,521	95,326	8,480	5,282	15,019	2,439	7,713	15,473	9,329	21,889	9,702	24,024	10,240
<b>Canada</b> .....	48,673	2,221	5,927	29,169	2,725	2,983	2,853	857	2,455	2,791	2,420	9,097	2,988	7,527	3,829
<b>Europe</b> .....	97,000	37	20,397	56,890	5,068	1,919	9,852	1,371	5,018	10,880	6,296	10,746	5,739	14,902	4,774
United Kingdom.....	24,431	0	5,159	15,687	1,322	(D)	2,533	391	1,691	3,418	1,121	(D)	1,797	2,333	1,250
European Economic Community (6).....	56,186	(D)	12,216	35,394	3,155	1,530	6,205	795	2,846	6,777	4,253	6,862	2,971	6,675	(D)
Belgium and Luxembourg.....	7,270	0	(D)	4,344	395	87	1,103	178	189	902	702	571	217	1,152	(D)
France.....	13,257	0	(D)	8,399	1,130	302	1,258	190	350	1,868	1,005	1,524	770	2,110	(D)
Germany.....	20,866	0	4,229	14,683	920	237	1,813	(D)	1,417	2,585	1,801	(D)	1,609	1,555	398
Italy.....	8,140	(D)	2,487	4,157	316	200	935	68	413	982	619	379	245	1,061	(D)
Netherlands.....	6,653	0	1,643	3,811	394	703	1,096	(D)	478	439	126	(D)	129	797	397
<b>Other Europe</b> .....	16,384	(D)	3,021	5,809	592	(D)	1,114	185	481	684	922	(D)	972	5,894	(D)
Denmark.....	1,067	0	530	240	48	(D)	51	(D)	(D)	43	43	(D)	8	209	88
Ireland.....	495	1	152	302	77	0	67	1	59	27	17	0	53	17	23
Norway.....	811	(D)	299	251	1	(D)	14	0	(D)	(D)	(D)	0	21	180	(D)
Spain.....	2,429	0	(D)	1,680	286	40	536	(D)	65	84	(D)	229	40	472	(D)
Sweden.....	2,042	0	510	1,052	(D)	38	199	59	130	374	(D)	(D)	18	336	145
Switzerland.....	6,513	0	432	1,474	62	28	85	2	76	(D)	105	(D)	707	3,990	617
Other.....	3,028	18	(D)	811	(D)	(D)	162	90	80	83	117	86	125	691	(D)
<b>Japan</b> .....	7,630	0	3,332	3,075	129	69	1,417	(D)	1	1,149	175	4	(D)	863	360
<b>Australia, New Zealand, and South Africa</b> .....	10,803	736	1,866	6,192	557	311	897	(D)	239	654	438	2,043	(D)	733	1,276
Australia.....	7,583	675	1,158	4,351	448	149	681	(D)	190	(D)	280	1,430	641	320	1,080
New Zealand.....	732	0	(D)	339	22	4	48	12	12	(D)	18	(D)	(D)	140	(D)
South Africa.....	2,487	61	(D)	1,502	87	158	167	(D)	37	225	140	(D)	171	272	(D)
<b>Developing countries</b> .....	51,369	1,668	25,672	15,078	2,758	616	3,497	795	985	986	1,531	2,229	1,681	4,724	4,227
<b>Latin America</b> .....	26,283	1,524	6,820	12,517	2,504	564	2,725	587	729	747	1,111	2,175	1,375	3,015	2,406
<b>Latin American Republics</b> .....	23,218	907	5,310	12,344	2,491	(D)	2,634	(D)	726	747	1,104	2,175	1,348	2,653	2,004
Argentina.....	2,245	26	189	1,662	452	23	247	85	90	62	133	373	196	283	125
Brazil.....	5,491	93	1,241	3,536	351	74	668	199	164	449	361	980	291	470	152
Chile.....	479	(*)	(D)	117	26	(D)	31	0	8	0	21	(D)	14	30	(D)
Colombia.....	1,305	8	356	834	197	100	210	64	52	(D)	64	(D)	75	65	42
Mexico.....	4,329	165	31	3,455	709	140	800	122	291	202	306	448	437	475	202
Panama.....	1,165	0	270	88	4	(D)	81	0	0	0	0	0	(D)	607	200
Peru.....	1,132	422	14	419	77	(D)	218	(D)	18	1	8	(*)	(*)	91	186
Venezuela.....	5,194	(D)	2,751	1,660	474	72	227	83	63	11	184	320	226	455	(D)
Other Central America.....	1,071	(D)	(D)	341	152	32	108	(D)	11	0	15	(*)	(D)	99	338
Other and unallocated.....	807	35	148	232	49	(D)	43	0	28	(D)	12	0	94	128	265
<b>Other Western Hemisphere</b> .....	3,065	617	1,511	173	14	(D)	91	(D)	4	1	7	0	26	362	402
Bahamas.....	671	0	340	17	(D)	0	(D)	0	0	0	0	0	12	184	131
Bermuda.....	326	0	145	4	1	0	0	0	0	0	0	0	2	81	96
Jamaica.....	790	327	328	52	(D)	(D)	(D)	(D)	0	1	(D)	0	10	4	80
Other and unallocated.....	1,277	291	697	101	(D)	17	71	0	4	0	(D)	0	2	93	95
<b>Other Africa</b> .....	5,058	66	4,277	304	25	0	69	(D)	78	4	(D)	12	59	164	248
Liberia.....	158	37	(D)	(D)	0	0	0	(D)	0	0	0	0	0	14	66
Libya.....	2,553	0	2,537	(D)	0	0	(D)	0	0	0	0	0	0	(D)	(D)
Nigeria.....	825	0	(D)	76	(*)	0	24	0	3	(D)	(D)	0	43	(D)	(D)
Other and unallocated.....	1,522	29	997	224	24	0	(D)	20	75	(D)	31	12	15	128	145
<b>Middle East</b> .....	11,293	2	10,439	202	5	20	65	(D)	0	12	(D)	0	7	45	604
Iran.....	1,759	2	1,632	44	2	0	19	(D)	0	(D)	6	0	0	18	63
Other and unallocated.....	9,534	0	8,808	158	4	20	46	1	0	(D)	(D)	0	7	27	541
<b>Other Asia and Pacific</b> .....	8,735	77	4,135	2,054	224	32	638	170	177	223	307	42	241	1,499	969
India.....	1,094	0	(D)	519	6	0	170	94	34	70	(D)	(D)	85	(D)	1
Indonesia.....	2,100	0	2,054	(D)	0	(D)	0	0	0	0	0	0	(D)	(*)	(D)
Philippines.....	1,264	(D)	(D)	133	0	11	136	44	22	8	(D)	23	(D)	(D)	83
Other and unallocated.....	4,277	(D)	1,151	1,064	85	(D)	332	32	122	145	235	(D)	91	1,152	(D)
<b>International and unallocated</b> .....	5,477		3,905											431	1,142

\*Less than \$500,000.

(D)Suppressed to avoid disclosure of data for individual reporters.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.



in 1971, some higher cost underground Canadian nickel mines were closed. Total production dropped from the high 1970 levels, and sales by all Canadian mining affiliates fell from \$2.4 billion in 1970 to \$2.1 billion in 1971.

#### *Trade and other industries*

Affiliates engaged in trade increased their sales at a 13 percent average annual rate to \$29.2 billion in 1972. Growth was particularly strong in continental Europe, where sales by manufacturing affiliates also rose rapidly. The similar area distribution of increases in sales by trading and manufacturing affiliates reflects a major role of trading affiliates as distributors of the products of foreign manufacturing affiliates of the same U.S. company.

Sales by affiliates in all other industries—including agriculture, public utilities, transportation, contract construction, finance, and other services—almost tripled from 1966 to 1972, reaching \$15.6 billion.

#### **Destination of Sales**

Sales by majority-owned foreign affiliates can be grouped into three destination categories: local sales, exports to the United States, and exports to other foreign countries. *Local sales* refers to the value of goods an affiliate sold, or services it rendered, in its own country. *Exports to other foreign countries* refers to the value of goods sold or services rendered in any country other than the United States or the affiliate's own country.

Tables 2, 3, and 4 cross-classify affiliate sales in the three destination categories by industry and area of location of affiliate or both. In table 2, such sales are cross-classified first by area and then by industry of affiliate for 1966 and 1972; in table 3, they are cross-classified by area by major industry of affiliate for 1966-72, and in table 4, by area by selected industries within manufacturing for 1966-72.<sup>6</sup>

6. Tables showing local sales, exports to the United States, and exports to other foreign countries further disaggregated by area and industry of affiliate (43 countries by 13 industries) for each of the years 1966-72 are available from: International Investment Division BE-50, Bureau of Economic Analysis, U.S. Department of Commerce, Washington, D.C. 20230.

Where estimates for individual countries have been aggregated into broader area groups, such as the EEC(6), sales to a given destination are summations of the sales to that destination for each country in the group. Therefore, *local sales* by affiliates located in the EEC(6), as shown in tables 2-4, refers only to the sum of sales by each of these affiliates *in its own country*; it excludes the value of their export sales to other countries in the EEC(6), which are classified as *exports to other foreign countries*. Thus, *local* refers only to an affiliate's own country, not to an area group.

From 1966 to 1972, the distribution of affiliate sales by destination was rather stable. Local sales remained the largest portion of the total—75 percent in 1966 and 72 percent in 1972 (table 2). Exports to the United States accounted for about 7 percent of the total throughout the period. The portion of total sales exported to other foreign countries rose somewhat, from 19 percent in 1966 to 22 percent in 1972.

#### *Manufacturing*

Foreign manufacturing affiliates are established primarily to serve local markets. This is reflected in the fact that 78 percent of total 1972 sales by manufacturing affiliates were to customers in the countries of location of the affiliates (tables 2 and 4). In fact, the share of local sales in the total would have been considerably higher except for special factors affecting two important manufacturing industries. In transportation equipment, Canadian affiliates had large exports to the United States, resulting from the 1965 automotive trade agreement. Affiliates manufacturing nonelectrical machinery, including computers, had unusually large exports to other foreign countries, partly reflecting the relatively large fixed capital investment needed to build productive facilities and the desirability of servicing customers in all areas from a small number of strategically located plants.

Exports to the United States by all majority-owned foreign manufacturing affiliates rose from \$2.7 billion in 1966 to \$7.7 billion in 1972, largely reflecting the impact of the U.S.-Canadian auto-

motive agreement. Exports to the United States by affiliates manufacturing transportation equipment in Canada were \$4.2 billion in 1972, up from \$0.9 billion in 1966. All other manufacturing affiliates registered \$3.5 billion of exports to the United States in 1972, compared with \$1.7 billion in 1966.

Exports to other foreign countries by manufacturing affiliates were \$16.9 billion, or 15 percent of total manufacturing sales, in 1972, up from \$6.1 billion, and 13 percent, in 1966. In 1972, European affiliates accounted for 83 percent of such exports.

#### *Petroleum*

In 1972, affiliates in petroleum sold 62 percent of their products locally, 6 percent to customers in the United States, and 32 percent to customers in other foreign countries (tables 2 and 3). Exports to the United States were chiefly from affiliates in Canada and Latin America.

Estimates for petroleum affiliates' local sales and exports to other foreign countries should be interpreted carefully. Producing affiliates, usually located in developing countries, sell crude oil to refining affiliates of the same U.S. parent, which are often located near the final market. Thus, sales by producing affiliates are largely to other foreign countries, and those by refining affiliates are largely to local customers. This gives rise to some duplication in the sales data: sales of crude petroleum may be reported by producing affiliates (as exports to refining affiliates in other foreign countries), and sales of refined products made from that crude oil may be reported by those refining affiliates (mostly as local sales).

#### *Mining, trade and other industries*

The portion of total sales made locally by mining affiliates was the smallest for any industry, only 25 percent in 1972. Exports to the United States accounted for 32 percent, or \$1.5 billion, of mining affiliate sales in 1972, primarily from Canada and Latin America. This distribution of sales by

destination is largely due to the fact that these affiliates must be located near natural resources that they export to customers elsewhere. Unlike petroleum affiliates engaged in extraction, mining affiliates' sales to foreigners are mainly to unaffiliated rather than affiliated customers.

Affiliates engaged in trade made 68 percent of their sales locally in 1972, 28 percent were exported to third countries, and 4 percent were exported to the United States. The relatively greater importance of export sales to other foreign countries by trading affiliates, compared with manufacturing affiliates,

is due to the fact that many trading affiliates act as international distributors for manufacturing affiliates of the same U.S. parent company.

Affiliates in all other industries, largely engaged in providing services, made 86 percent of their 1972 sales to local customers.

(Continued from page 24)

9. *Fees and royalties* are net receipts by a U.S. direct investor from its foreign affiliates for professional, administrative, and management services and for use of tangible and intangible property or rights (patents, techniques, trademarks, copyrights, etc.)

10. *Adjusted earnings* are earnings less foreign withholding taxes plus interest.

11. *Reinvested earnings* are net earnings of foreign-incorporated affiliates less gross dividends on common stock.

12. *Balance of payments income* is adjusted earnings less reinvested earnings, or the sum of dividends, preferred dividends, and interest credited to the account of U.S. direct investors (all net of foreign withholding taxes) plus branch earnings after foreign taxes. (In previous articles in this annual series "interest, dividends, and branch earnings" was used for this category.)

13. *Balance of payments receipts* are balance of payments income plus fees and royalties. (In previous articles in this annual series, "balance of payments income" was used for this category.)

14. *Direct investor's ownership benefits* are adjusted earnings plus fees and royalties.

**Table 13.—Earnings, Related Items and Measures of Return: Derivation and Relationship**

[Millions of dollars]	
	1973 amount and source
1. Net earnings of foreign-incorporated affiliates.	13,407 reported.
2. Net earnings of foreign branches . . .	4,088 reported.
3. Earnings . . . . .	17,495 = 1+2.
4. Gross dividends (on common stock).	5,283 = 5+6.
5. Foreign withholding tax (on common stock dividends).	690 reported.
6. Dividends (on common stock) . . . . .	4,593 reported.
7. Preferred dividends . . . . .	17 reported.
8. Interest . . . . .	717 reported.
9. Fees and royalties . . . . .	2,838 reported.
10. Adjusted earnings . . . . .	17,539 = 3-5+7+8.
11. Reinvested earnings . . . . .	8,124 = 1-4 or 3-2-4.
12. Balance of payments income . . . . .	9,415 = 2+6+7+8 or 10-11.
13. Balance of payments receipts . . . . .	12,254 = 9+12.
14. Direct investor's ownership benefits.	20,377 = 9+10.

NOTE. Figures are preliminary estimates derived from sample data. Estimates may not add to totals because of rounding.

#### **Revisions to petroleum branch earnings**

Branch earnings of U.S. petroleum affiliates abroad and U.S. balance of

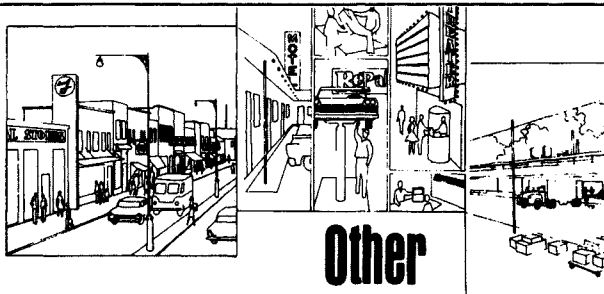
payments income have been revised for the period 1966-1973 to eliminate overstatements that occurred because earnings of some foreign producing affiliates were computed on the basis of "posted" prices, which in the past usually exceeded realized prices. (Posted prices are used as a basis for computing tax liabilities and royalty payments to some host governments.) The annual amount of the downward revisions are given in the accompanying table.

**Table 14.—Revisions to Earnings of Petroleum Branches Abroad, 1966-73**

[Millions of dollars]	
Year	Downward revisions
1966 . . . . .	338
1967 . . . . .	385
1968 . . . . .	484
1969 . . . . .	584
1970 . . . . .	671
1971 . . . . .	910
1972 . . . . .	1,130
1973 . . . . .	1,747

NOTE.—These revisions were applied in the June 1974 *Survey* to balance of payments income from petroleum branches abroad. By area, the adjustments were made to figures for "other Africa" and the Middle East (tables 10A and 10B). These revisions are not a measure of total trading losses, as some U.S. direct investors already had been reporting their earnings after adjustment for trading losses.

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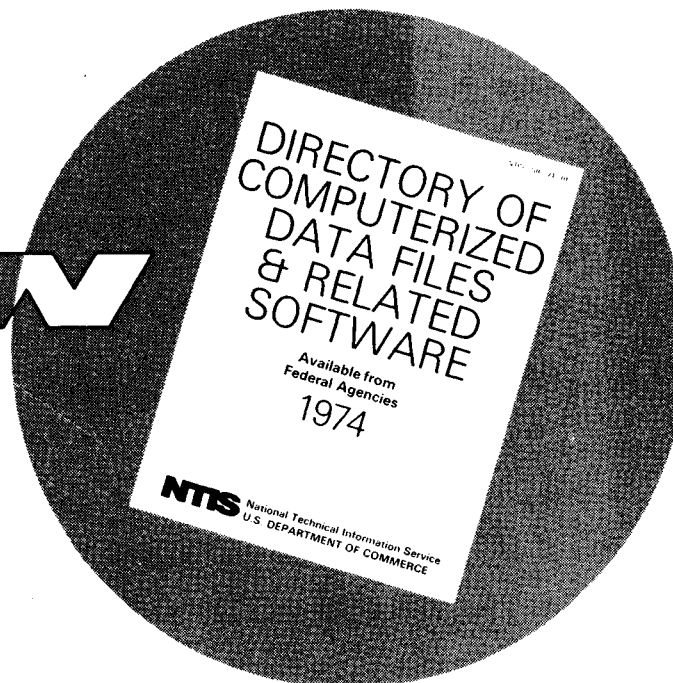


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