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FOREIGN DIRECT INVESTMENT IN THE UNITED STATES IN 1974

The foreign direct investment position in the United States increased \$3.5 billion in 1974, to \$21.7 billion, according to the Commerce Department's Bureau of Economic Analysis. The position is the book value at yearend of foreign direct investors' net equity in and outstanding loans to U.S. affiliates. The increase was due to net capital inflows of \$2.2 billion, reinvested earnings of \$1.6 billion, and valuation adjustments of -\$0.3 billion. Highlights of 1974 foreign direct investment in the United States are:

*Equity investments were \$1.5 billion, down slightly from the 1973 record. Of the total, \$0.4 billion came from Canada and \$0.3 billion came from the United Kingdom and Japan.

*Other capital inflows were \$0.7 billion, a \$0.4 billion decline from 1973. Most of the decline was due to transactions between Japanese parents and their U.S. trade affiliates.

*There were extraordinary increases in both adjusted earnings--the return on the direct investment position--and balance of payments income. (Adjusted earnings consists of the foreign parents' share in earnings of their U.S. affiliates, less withholding taxes on dividends, plus interest payments on intercompany accounts; balance of payments income consists of interest and dividend payments, and earnings of unincorporated U.S. affiliates.) Adjusted earnings more than tripled, to \$7.0 billion, and balance of payments income increased fourfold, to \$5.4 billion. The increases principally reflected a petroleum-producing country's share in the earnings of a major U.S.-incorporated petroleum company in which it has a participation.

*Excluding these unusual increases, adjusted earnings rose 11 percent in 1974, and balance of payments income remained at about the 1973 level.

*With similar exclusions, the rate of return on the foreign direct investment position was 9.5 percent in 1974, a slight decrease from 1973.

Full details are scheduled for publication in "Foreign Direct Investment in the United States in 1974," in the October issue of the Survey of Current Business, the monthly magazine of the Bureau of Economic Analysis. The Survey is available from district offices of the Department of Commerce, or from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, at an annual subscription price of \$48.30, including weekly supplements; single copy \$3.00.

Foreign Direct Investment in the United States, 1973 and 1974

(Millions of dollars)

Area and Industry	Direct investment position <u>1/</u>		Net capital inflows						Reinvested earnings		Balance of payments income <u>2/</u>		Adjusted earnings <u>3/</u>		Earnings <u>4/</u>	
	1973r	1974p	1973r			1974p			1973r	1974p	1973r	1974p	1973r	1974p	1973r	1974p
			Total	Increases in equity <u>5/</u>	Other <u>6/</u>	Total	Increases in equity <u>5/</u>	Other <u>6/</u>								
Total.....	18,284	21,746	2,656	1,581	1,075	2,224	1,477	747	1,025	1,554	955	5,435	1,980	6,989	2,008	6,991
By Area:																
Canada.....	4,044	4,806	386	256	130	489	390	99	203	304	96	98	299	402	302	402
Europe.....	12,504	14,098	1,133	708	425	1,250	805	445	531	602	546	531	1,077	1,132	1,067	1,083
United Kingdom.....	5,649	6,126	589	326	263	348	333	14	248	329	263	274	511	603	497	586
European Economic Community (6).....	4,549	5,380	307	271	35	717	321	396	224	115	155	166	379	281	392	274
Belgium and Luxembourg.....	602	693	259	127	132	9	2	7	35	75	5	7	40	83	40	80
France.....	533	726	146	78	68	137	111	27	18	58	31	34	49	92	48	86
Germany.....	795	1,076	-168	17	-185	267	80	187	89	16	10	11	98	27	109	27
Italy.....	105	113	6	1	5	10	3	7	-13	-1	8	5	-5	4	-5	5
Netherlands.....	2,514	2,771	63	49	15	294	125	168	96	-34	101	109	197	75	199	77
Other Western Europe.....	2,306	2,591	238	111	127	185	150	35	59	158	128	90	187	248	178	223
Sweden.....	286	354	26	6	20	57	68	-10	8	17	13	8	20	25	19	23
Switzerland.....	1,889	2,103	222	105	117	121	73	48	48	142	112	79	159	221	151	197
Other.....	131	134	-10	(*)	-10	6	9	-3	4	-1	4	3	8	2	8	2
Japan.....	259	480	287	104	184	130	277	-146	117	95	22	10	138	105	173	159
Latin American Republics and other Western Hemisphere..	438	548	78	3	76	45	1	44	57	93	28	34	85	126	84	125
Other.....	1,039	1,814	771	511	260	309	5	304	118	461	263	4,763	382	5,224	382	5,222
By Industry:																
Petroleum.....	4,649	5,928	1,120	693	427	649	306	343	257	563	385	4,874	642	5,437	639	5,447
Manufacturing.....	8,559	10,305	748	369	378	1,010	729	281	464	717	301	332	765	1,049	754	996
Trade.....	934	1,156	238	119	119	164	173	-9	142	51	-7	10	135	61	178	114
Insurance.....	2,854	2,726	137	---	137	111	---	111	---	---	132	20	132	20	132	20
Other finance.....	7/	7/	74	66	8	114	126	-11	93	57	126	168	219	226	219	221
Other.....	1,289	1,631	339	333	6	176	144	32	69	166	17	31	87	197	86	194

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

1. Same as "book value at yearend" used in previous press releases on foreign direct investment in the United States.
2. Consists of interest, dividends, and earnings of unincorporated affiliates paid or credited to the account of foreign parents.
3. Consists of foreign parents' share in earnings of their U.S. affiliates less withholding taxes on dividends plus interest payments on intercompany accounts.
4. Consists of foreign parents' share in earnings of their U.S. affiliates.
5. Relates only to incorporated affiliates and consists of capital inflows to establish or acquire a new company in the United States, the acquisition cost of additional shares of existing U.S. affiliates, capital contributions to existing U.S. affiliates, and the capitalization of intercompany accounts.
6. Consists of decreases in foreign equity in, and changes in intercompany accounts of, incorporated U.S. affiliates plus changes in accounts of unincorporated U.S. affiliates with their foreign parents.
7. Included in "insurance".