

U.S. Direct Investment Abroad

Operations of U.S. Parent Companies and Their Foreign Affiliates

Preliminary 2004 Estimates

U.S. DEPARTMENT OF COMMERCE
Carlos M. Gutierrez, Secretary



BUREAU OF ECONOMIC ANALYSIS
J. Steven Landefeld, Director
Rosemary D. Marcuss, Deputy Director

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Introduction

This publication presents preliminary data on the financial structure and operations of nonbank U.S. multinational companies (MNCs) and their nonbank foreign affiliates from the 2004 benchmark survey of U.S. direct investment abroad, conducted by the Bureau of Economic Analysis (BEA).

Benchmark surveys are BEA's most comprehensive surveys of U.S. direct investment abroad in terms of both coverage of companies and subject matter. The 2004 survey covered virtually the entire universe of U.S. direct investment abroad in terms of value. The preliminary results presented in this report are based on reported or estimated data for 2,267 nonbank U.S. parent companies and for 23,928 nonbank foreign affiliates (of which, 22,279 were majority owned by their U.S. parents). The survey collected detailed information on the financial structure and operations of U.S. parent companies and their foreign affiliates and on the transactions and positions between parents and their affiliates (which are not included in this report). A forthcoming comprehensive final report on the 2004 benchmark survey will include data on transactions and positions between affiliates and parents as well as data on the overall operations of affiliates and parents.

For nonbank U.S. parents and foreign affiliates, the financial and operating data from the benchmark survey extend annual estimates that begin with the year 1982 and that are derived from both annual and benchmark surveys. In addition, the benchmark data will be used in preparing annual estimates of the operations of nonbank U.S. MNCs in subsequent non-benchmark years; these estimates are derived by extrapolating forward the benchmark survey data by the data reported in BEA's annual sample surveys of U.S. direct investment abroad.

The industry classifications used in the 2004 benchmark survey is based on the 2002 North American Industry Classification System (NAICS). For most industries, the classifications under this new system are identical to those in the NAICS-based industry classification system used in the benchmark and annual surveys for 1999–2003. (In the surveys of U.S. MNC operations before 1999, the industry classification

system was based on the Standard Industrial Classification.) The major change under the new classification system is the addition of several new industries in the information sector.

Except for the change in industrial classification, the concepts and definitions that underlie these estimates are very similar to those used for BEA's 1999 benchmark surveys. They are described in *U.S. Direct Investment Abroad: Final Results from the 1999 Benchmark Survey*.

Benchmark survey reports were required for any foreign affiliate with total assets, sales, or net income of more than \$10 million and for the affiliate's U.S. parent(s). Affiliates that were too small to meet one of these criteria and the parents that had only such affiliates were required to file an exemption form that provided a few major data items (including assets, sales, and employment) for each affiliate and for the U.S. parent. These data were included in the estimates presented in this article and were also used as a basis for estimating other items covered by the survey.

To reduce the reporting burden of small enterprises, the exemption level for the 2004 benchmark survey was raised to \$10 million from the exemption level of \$7 million for the 1999 benchmark survey. This change has virtually no effect on the published totals, because the amounts involved are negligible.

To further reduce the burden on respondents, detailed reports were required only for U.S. parents and foreign affiliates with assets, sales, or net income of more than \$150 million. Less detailed reports were required for smaller parents and affiliates; for these entities and for the exempt foreign affiliates and the parents that had only such affiliates, BEA prepared estimates of the items that appear only on the detailed reports, so that the published results are presented in the same detail for all parents and affiliates.

Beginning with the 2004 benchmark survey, the nonbank units of U.S. banks (including bank and financial holding companies) were consolidated in the reports of the banks that owned them; previously, these units were required to file separate reports. Because BEA's annual time series on the operations of U.S. multinational companies currently cover only

nonbank U.S. parent companies and their nonbank foreign affiliates, the nonbank foreign affiliates of these nonbank units of U.S. banks were dropped out of the data on foreign affiliate sales and other measures of operations. The change in reporting requirements reduced the measured 2003–2004 increase in value added of nonbank U.S. MNCs in 2004 by about 1 percentage point.

The scheme that is used for the titles of the tables

for 2004 is similar to that used for the tables for 1999–2003. To aid in making comparisons between these years, see the guide below that provides cross references for the table titles for 2004 and those for 1999–2003.

For additional information about the preliminary 2004 data, call Ray Mataloni of the Research Branch of the International Investment Division at 202–606–9867 or send e-mail to raymond.mataloni@bea.gov.

**The Numbering Scheme for the Financial and Operating Data Tables for Nonbank U.S. Parents
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For the 2004 tables	For the 1999 to 2003 tables
Foreign Affiliates	
Group A. Selected Data	
II.A 1 and II.A 2	II.A 1 and II.A 2
Group B. Balance Sheet	
II.B 5 and II.B 6 II.B 13	II.B 5 and II.B 6 II.B 13
Group E. Income Statement	
II.E 3 and II.E 4 II.E 6 and II.E 7 II.E 9	II.E 3 and II.E 4 II.E 6 and II.E 7 II.E 9
Group H. Employment and Compensation of Employees	
II.H 3 and II.H 4 II.H 5 and II.H 6 II.H 10	II.H 3 and II.H 4 II.H 5 and II.H 6 II.H 10
Group I. U.S. Trade in Goods	
II.I 3 and II.I 4 II.I 11 and II.I 12	II.I 5 and II.I 6 II.I 19 and II.I 20
U.S. Parents	
Group M. Selected Data	
II.M 1	II.M 1
Group M. Balance Sheet	
II.N 1–2	
Group P. Income Statement	
II.P 1	
Group Q. Sales	
II.Q 1 and II.Q 2	II.Q 1 and II.Q 2
Group R. Value Added	
II.R 1	II.R 1
Group S. Employment and Employee Compensation	
II.S 1	
Group T. U.S. Trade in Goods	
II.T 1 and II.T 2	II.T 1 and II.T 4
Group U. Technology	
II.U 1	
Majority-Owned Foreign Affiliates	
Group A. Selected Data	
III.A 1 and III.A 2	III.A 1 and III.A 2
Group B. Balance Sheet	
III.B 1–2 and III.B 3–4 III.B 5–III.B 7 III.B 11–12 III.B 13	III.B 1–2 and III.B 3–4 III.B 5–III.B 7 III.B 11–12 III.B 13

**The Numbering Scheme for the Financial and Operating Data Tables for Nonbank U.S. Parents
and their Nonbank Foreign Affiliates in 2004 and in 1999–2003—Table Ends**

For the 2004 tables	For the 1999 to 2003 tables
Group C. External Financing	
III.C 1–III.C 4	III.C 1–III.C 4
Group D. Property, Plant, and Equipment	
III.D 1–III.D3 III.D 6–III.D 8	III.D 6–III.D 8
Group E. Income Statement	
III.E 1–III.E 9	III.E 1–III.E 9
Group F. Sales	
III.F 1–III.F 4 III.F 7–III.F 9 III.F 10 III.F 13–III.F 16 III.F 18 III.F 20 III.F 22	III.F 1–III.F 4 III.F 7–III.F 9 III.F 13–III.F 16 III.F 18 III.F 20 III.F 22
Group G. Value Added	
III.G 1–III.G 9	III.G 1–III.G 9
Group H. Employment and Compensation of Employees	
III.H 1–III.H 2 III.H 3 and III.H 4 III.H 5 and III.H 6 III.H 10	III.H 3 and III.H 4 III.H 5 and III.H 6 III.H 10
Group I. U.S. Trade in Goods	
III.I 1 and III.I 2 III.I 3 and III.I 4 III.I 5 III.I 6–III.I 7 III.I 11 and III.I 12 III.I 13	III.I 1 and III.I 2 III.I 5 and III.I 6 III.I 9 III.I 19 and III.I 20 III.I 23
Group J. Research and Development	
III.J 1 III.J 2 III.J 3 III.J 5	III.J 3
Group K. Other Financial and Operating Data	
III.K 1 and III.K 2	III.K 1 and III.K 2

General Notes to the Tables

- The estimates are on a fiscal year (FY) basis; an affiliate's fiscal year is defined as the financial reporting year that ended in that calendar year. Unless otherwise specified, all balances are as of the close of FY 2004.
- Detail may not add to totals because of rounding.
- An asterisk “(*)” indicates a value between -\$500,000 and +\$500,000, or fewer than 50 employees, as appropriate.
- A “(D)” indicates that the data in the cell have been suppressed to avoid disclosure of data of individual companies.
- A “U.S. parent company” is the person, resident in the United States, that owns or controls 10 percent or more of the voting securities of an incorporated foreign business enterprise or an equivalent interest in an unincorporated foreign business enterprise. “Person” is broadly defined to include any individual, branch, partnership, associated group, association, estate, trust, corporation or other organization (whether or not organized under the laws of any state), or any government entity. If incorporated, the U.S. parent is the fully consolidated U.S. enterprise consisting of (1) the U.S. corporation whose voting securities are not owned more than 50 percent by another U.S. corporation, and (2) proceeding down each ownership chain from that U.S. corporation, any U.S. corporation (including Foreign Sales Corporations located within the United States) whose voting securities are more than 50 percent owned by the U.S. corporation above it. A U.S. parent comprises the domestic (U.S.) operations of a U.S. multinational company.
- A “foreign affiliate” is a foreign business enterprise in which there is U.S. direct investment, that is, in which a U.S. person owns or controls 10 percent of the voting securities or the equivalent. Foreign affiliates comprise the foreign operations of a U.S. multinational company over which the U.S. parent is presumed to have a degree of managerial influence.
- A “majority-owned nonbank affiliate” (MOFA) is a foreign affiliate in which the combined direct and indirect ownership interest of all U.S. parents exceeds 50 percent.
- The tables cover only nonbank parents and affiliates. Nonbank parents (affiliates) exclude parents (affiliates) classified as depository institutions, which consist of commercial banks, savings institutions, and credit unions.
- The designation “by country” in a table title indicates that data are disaggregated by country of foreign affiliate.
- Unless otherwise specified, the designation “by industry” in a table title indicates that the data are disaggregated by industry of foreign affiliate.
- Not all tables show each country in a group, such as “Other Europe,” or each industry in a group, such as “Other industries.” For these countries, see table II.A 1 or III.A 1. For the industries, see table II.A 2 or III.A 2; see also BEA's *Guide to Industry and Foreign Trade Classifications for International Surveys*.
- The European Union (15) comprises Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.
- OPEC is the Organization of Petroleum Exporting Countries. Its members are Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.
- All footnotes follow the last table.