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AMERICAN DIRECT INVESTMENTS IN FOREIGN COUNTRIES—1936

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CONTENTS

Foreword.....	Page v
Chapter I. Purpose and scope of study.....	1
Introduction.....	1
Scope of the study.....	2
Sources and methods.....	3
Terminology.....	4
Chapter II. Geographic distribution of direct investments.....	5
Canada and Newfoundland.....	6
Europe.....	8
United Kingdom.....	9
Germany.....	10
Other European countries.....	10
Latin America.....	11
West Indies.....	13
Central America and Mexico.....	13
South America.....	14
Africa, Asia, and Oceania.....	15
Africa.....	15
Asia.....	17
Oceania.....	17
Chapter III. Industrial distribution and structural analysis.....	18
Industrial distribution.....	18
Public utility and transportation.....	18
Investments in manufacturing.....	19
Petroleum: Producing, refining, and distribution.....	20
Mining and smelting.....	21
Agricultural enterprises.....	21
Distribution and miscellaneous enterprises.....	21
Structural analysis.....	22
Corporate organizations.....	23
Branch organizations.....	25
Miscellaneous investments in American-controlled foreign enterprises.....	25
Chapter IV. Trends since 1929.....	26
General statement of investment trends.....	26
Trends as shown by income data.....	27
Trends in new foreign investments.....	29
Canada.....	30
Other geographic areas.....	31
Trends in the disposition of old foreign investments.....	31
Time trends.....	32
Methods of disposition.....	33
APPENDIXES	
A. Methods employed in collecting and compiling data.....	35
B. The questionnaire and covering letter.....	39
C. Industrial classification.....	41
D. Exchange rates used in converting investment data when reported in foreign currencies.....	42
E. Technical problems involved in studies of foreign direct investments, with special reference to American direct investments.....	43
F. Chronological data regarding the establishment of American direct investments in foreign countries.....	47

TABLES

IN TEXT

	Page
1. American direct investments in foreign countries, by geographic areas, end of 1929 and of 1936.....	5
2. Canada and Newfoundland: American direct investments, by industrial groups, end of 1936.....	7
3. Europe: American direct investments, by countries, and by industrial groups, end of 1936.....	9
4. Latin America: American direct investments, by countries, and by industrial groups, end of 1936.....	12
5. Africa, Asia, and Oceania: American direct investments, by countries, and by industrial groups, end of 1936.....	16
6. American investments in foreign manufacturing enterprises, by geographic areas, and by commodity groups, end of 1936.....	20
7. Financial structure of American direct investments, by industrial groups, and by geographic areas, end of 1936.....	24
8. Income from American direct investments in foreign countries, 1935 and 1936.....	28
9. American foreign subsidiaries, branches, and other investments established during the period 1930 to 1936, inclusive.....	30
10. American foreign subsidiaries, branches, and other investments disposed of during the period 1930 to 1936, inclusive.....	32

IN APPENDIXES

I. Comparison of questionnaire data with data obtained from Securities and Exchange Commission registration statements.....	37
II. American direct investments, by geographic areas, by industrial groups, and by dates of establishment, up to the end of 1929.....	47

ILLUSTRATIONS

1. Geographic distribution of American direct investments, end of 1936.....	5
2. Industrial distribution of American direct investments, end of 1936.....	19
3. Financial structure of American direct investments, end of 1936.....	23

FOREWORD

The direct investments by American corporations and business men in foreign enterprises and properties at the end of 1936 totaled \$6,691,000,000, as compared with \$7,528,000,000 at the end of 1929, reflecting a net decline of approximately 10 percent in value during the intervening period. Direct investments in Canada of \$1,936,000,000 not only exceeded those of any other country but were larger than those of any other important geographic area. The totals for South America and Europe, which followed in order, were \$1,466,000,000 and \$1,245,000,000, respectively. Direct investments in other areas ranked in the following order: West Indies, Central America and Mexico, Asia, Oceania, and Africa. Cuba's share in the total value of American foreign direct investments, which amounted to \$660,000,000, was second to that of Canada, while, among the other more important countries, Chile, Mexico, and the United Kingdom followed in the order named.

The principal industrial group among the total direct investments abroad at the end of 1936 was that comprising public utility and transportation investments. These investments totaled \$1,640,000,000 and were confined largely to the Western Hemisphere. Manufacturing investments, which amounted to \$1,441,000,000, were concentrated largely in Canada and Europe. The remaining important groups were in the raw-material branch of industry, with investments in the following amounts: Petroleum, \$1,075,000,000; mining and smelting, \$1,035,000,000; agricultural investments, \$480,000,000.

The American direct investments in foreign countries at the end of 1936 were, in most instances, lower than at the end of 1929. The largest declines were found in the investments in agricultural enterprises in Cuba and Central America (including those in Mexico) and in petroleum properties in Mexico. Although the world depression was the principal influence in the downward adjustment of foreign investments, other specific factors are found in sales of properties to foreign investors, exchange fluctuations, nationalization of properties and industries in several countries, and the exhaustion of the natural resources upon which certain enterprises were largely dependent.

This report is based on an exhaustive questionnaire survey undertaken a year ago by the Finance Division of this Bureau. The analysis of the data and the text of the bulletin were prepared by Paul D. Dickens of the Finance Division, with the assistance of Robert L. Zellman of the same Division. The data relating to insurance investments were prepared by August Maffry, also of the Finance Division. The arrangement of the statistical material and of the text follows closely the order of the Finance Division's previous bulletin which appeared in 1930, under the same title, as Trade Information Bulletin No. 731. Since the earlier bulletin, which was also prepared by Dr. Dickens, was based on data pertaining to the end of 1929, special value attaches to the present study. Statistics relating to this class of American investments abroad are now for the first time available for two important dates.

This study is the third of a series recently inaugurated in the Finance Division under the direction of Amos E. Taylor, Assistant Chief of the Finance Division, with a view to improving the available data relating to the international financial position of the United States. The original study in this series was a report published in August 1936 under the title, "Insurance Transactions in the Balance of International Payments of the United States, 1919-1935." The second, prepared by Messrs. Taylor, Dickens, Maffry, Abelson, Zellman, and other members of the Finance Division, was published in June 1937 under the title, "Foreign Investments in the United States."

In view of the intimate bearing which this study has on the international commercial and financial position of the United States, the data on American direct investments abroad should be of timely interest as well as of permanent value.

ALEXANDER V. DYE, *Director,*
Bureau of Foreign and Domestic Commerce.

MAY 1938.

AMERICAN DIRECT INVESTMENTS IN FOREIGN COUNTRIES—1936

Chapter I.—PURPOSE AND SCOPE OF STUDY

INTRODUCTION

This is the second study of the statistical aspects of American direct investments in foreign countries to be undertaken by the Department of Commerce. The first,¹ published in 1930, related to the status of the investments as of the end of 1929. The present bulletin relates to the end of 1936. While a few differences exist between the two bulletins, the sources of data and the methods of compilation and presentation are sufficiently similar to permit some analysis of the changes that took place during the intervening years.

Changes during those 7 years, in the type, value, and distribution of the investments, were numerous. One of the most important causes of change was the depression which by 1931 had become world-wide. That depression resulted in the failure or liquidation of many enterprises and in the reduction of the net worth of many others as a consequence of losses incurred. The results of the depression were not limited, however, to the direct effects upon the profits of business. There was a very significant effect on the values of foreign currencies, relative to the dollar, and upon the policies of foreign governments affecting the investments of American corporations. The changes were not confined to reductions resulting from the depression, however. For example, many new investments were made and many old ones were expanded.

The rapidity of the growth of American investments abroad, and the wide range of estimates of their aggregate value, were important factors which in 1929 caused businessmen, economists, Government officials, and the public at large to demand an accurate measure of their volume. The size and significance of the capital movement in the balance of payments were the important considerations at that time. International economic maladjustments, revealed during the course of the depression, and governmental measures intended to remedy those maladjustments, as well as the changes in the investments caused by depression, created an urgent need for up-to-date information on the subject. The problem of remitting the income from investments from the foreign country and of receiving it in the United States acquired, during the depression, a real importance for

¹ Trade Information Bulletin No. 731, American Direct Investments in Foreign Countries. Another special study of American long-term foreign investments, Trade Information Bulletin No. 767, A New Estimate of American Investments Abroad (out of print), appeared in 1931. It covered all types of long-term foreign investments as of the end of 1930. Summary estimates appeared each year in the Balance of International Payments of the United States; by-country estimates in the Balance of International Payments of the United States in 1933, pp. 53-62.

the first time in the minds of many students of our balance of international payments. A better record of the number, value, type, and location of these investments became a necessary prerequisite to any adequate understanding of the magnitude and incidence of the international income problem.

War and political problems, also, revealed the need for accurate measures of the value of American foreign investments. Among the first questions asked when armed conflict starts between two foreign countries, or a change of government or government policy occurs, are these: What American interests are affected? How large are American investments abroad, especially in the disturbed areas? But, besides answering these questions, a more exact record of direct investments permits a better understanding of the currents of trade and of the industrial relations between countries; the importance of this latter function probably transcends other considerations.

All of these developments pointed very definitely to the need for a new questionnaire study of American direct investments in foreign countries. Before entering into the technical and statistical aspects of the study, acknowledgment should be made of the assistance rendered by American businessmen. Their wholehearted cooperation, which made the completion of the study possible, is evidence of their desire to contribute toward a better understanding of the economic relationships existing between countries. Without their assistance it would have been impossible to arrive at really adequate data on the subject.

SCOPE OF THE STUDY

This is a statistical record of the international extensions of American business enterprise. Since such extensions are in a constant state of flux, this record applies only to the specific date stated, namely, the end of 1936. New investments have been made since that date that are not recorded herein and old ones have been sold or liquidated. While these constant changes may have affected the details appreciably, during any short period the net effect on the totals and on generalizations based on these data is not significant.

International extensions of American business enterprise involving the acquisition or ownership of an interest in some business or property from which a return is normally expected are called "direct" investments.² "Direct" investments, as used in this bulletin, are defined more formally as all American investments in those foreign corporations or enterprises which are controlled by a person or small group of persons (corporate or natural) domiciled in the United States, or in the management of which such person or group has an important voice. This definition bases the classification of the investment on the domicile of the control of the enterprise. Holdings of the securities of American-controlled foreign enterprises by investors who do not themselves participate in the control or management of the business, are included with direct investments.³

Included among the recorded direct investments are enterprises of almost every type found in the United States—railroad systems and steamship lines, agricultural lands and timber reserves, mining enter-

² See section, Problems of Terminology, in appendix E, p. 44.

³ These holdings are identified separately in the section, Miscellaneous Investments in American-Controlled Foreign Enterprises, ch. III.

prises, hotels, chain stores and small unit retail establishments, factories producing heavy machinery and those producing novelties, insurance companies and personal loan organizations; these are only a few.⁴

In accordance with the definition, equity and other security investments in foreign-controlled corporations and in the issues of foreign governments are classed as "portfolio" investments. The investments of American citizens domiciled in foreign countries, the properties of missionary and charitable enterprises, the foreign assets of the United States Government and its agencies, and the claims of American citizens against foreign governments are excluded entirely from the estimates of private long-term investments abroad, as well as from the direct investments.

The factor of control has been purposely emphasized in the definition, since it is considered to be the most significant basis for classifying investments. However, no hard and fast quantitative measurement of control has been devised. Minority interests have been included in these data in considerable number and volume. The reason, of course, is that the degree of control is not measured exactly by the percentage of common stock held. In no case has an investment holding of less than 10 percent been included in this category, and interests of less than 20 percent are few in number and small in value relative to the total of direct investments.

SOURCES AND METHODS

The value data shown herein were based in the main on data furnished to the Finance Division by the American corporations owning the investment. A questionnaire was sent to each corporation believed to have foreign investments, with a request that it report "the net investment of the American company in the foreign company or subsidiary as shown by the books of the foreign company."⁵ The questionnaire asked for the type of business conducted by each foreign enterprise controlled by the company and for the valuation by type of holding, namely, common stock and the surplus or deficit, preferred stock, bonds, notes, and mortgages, and advances and intercompany accounts.

The aggregate of the returns from the questionnaire should reveal the value of the American interest in foreign enterprises as shown by the balance sheets of those enterprises. Such a value does not fluctuate as rapidly as market value. Since balance-sheet values are frequently written down, and less frequently written up, in recognition of changed economic conditions and inasmuch as a period of downward revisions had just been experienced, it is probable that the estimates given herein are based on conservative values. The average rate of earnings of foreign direct investments, that is 6.1 and 7.4 percent in 1935 and 1936, respectively,⁶ which compare favorably with the earnings of domestic enterprises is, in fact, a good indication of the conservative character of these values.

The replies to the questionnaire were classified by countries and industries and then recorded on tabulation sheets in such a way that

⁴ See Industrial Classification, appendix C.

⁵ See appendix A, Methods Employed in Collecting and Compiling Data, and appendix E, Technical Problems Involved in Studies of Foreign Direct Investments, for a more complete analysis of this method of valuation and alternative methods. In appendix B, a copy of the covering letter and questionnaire is given.

⁶ See ch. V, Section on Trends as Shown by Income Data.

aggregates could be compiled while the investments of individual concerns were not identified. All questionnaire returns were then destroyed.

In tabulating the data the first objective was to ascertain the total direct investment in each foreign country. The second objective was to distribute that investment by industries, the third was to learn something about the form and structure of the investments, and the fourth to make a start in the analysis of the origin and the life history of direct investments. The chapters that follow are devoted to accomplishing those objectives to the extent that the available data and the space limitations of a bulletin of this kind permit. Much more needs to be done on the third and fourth objectives, to which this bulletin is only an introduction.

The geographic distribution is subject to some errors not present in the grand total. Data were occasionally obtained relating to a subsidiary operating in more than one country, or relating to several subsidiaries operating in a group of countries—for example, the Balkan States. It then became necessary for the compiler to divide those data by countries rather arbitrarily. In general, the larger the area and the larger the aggregate investment the smaller the percentage of possible error.

TERMINOLOGY

Throughout the descriptive text which follows, certain terms are used with definite meanings. "Parent company" refers to the American company, person, or group of persons holding control, directly or through an intermediate subsidiary, of some foreign subsidiary, affiliated company, or property. "Subsidiary or affiliated company" refers to the foreign operating or holding concern.⁷ "Branch" refers to an unincorporated property or business. The "number of investments or units" refers to the number of items of investment as reported by the corporations. In general, this is equivalent to the number of subsidiaries, not plants. Occasionally, however, data were received in totals for each country regardless of the number of subsidiaries involved. In such cases, each country total was considered as one investment or unit.

The "industrial" and "commodity" groups are described in considerable detail in appendix C. The word "investment" refers to the value of the foreign companies and properties on specified dates, not to the net movement of capital involved in direct investment transactions.⁸

⁷ In some cases American companies were incorporated for the sole purpose of carrying on the operations abroad, not as holding companies but as operating companies. These were considered as foreign companies.

⁸ See appendix E, p. 44.

Chapter II.—GEOGRAPHIC DISTRIBUTION OF DIRECT INVESTMENTS

The total value of American direct investments in foreign countries, at the end of 1936, amounted to \$6,691,000,000, as compared with \$7,528,000,000 at the end of 1929, a net decline of 11 percent during the 7-year period. The 1936 estimate is shown, by geographic areas, in table 1, together with the 1929 estimates:

Table 1.—American Direct Investments in Foreign Countries, by Geographic Areas, End of 1929 and of 1936

[In millions of dollars]

Geographic areas	1929	1936	Geographic areas	1929	1936
Canada and Newfoundland.....	2,010	1,952	Asia.....	395	417
Europe.....	1,353	1,245	Australia and New Zealand.....	149	111
West Indies.....	1,054	753	International.....		26
Central America and Mexico.....	917	628	Total.....	7,528	6,691
South America.....	1,548	1,466			
Africa.....	102	93			

¹ After adding \$50,000,000 to the original estimate for investments in insurance branches and affiliates which were not included in the 1929 study.

In each geographic area, except Asia, American direct investments declined from the 1929 estimate. The increase in Asia amounted to

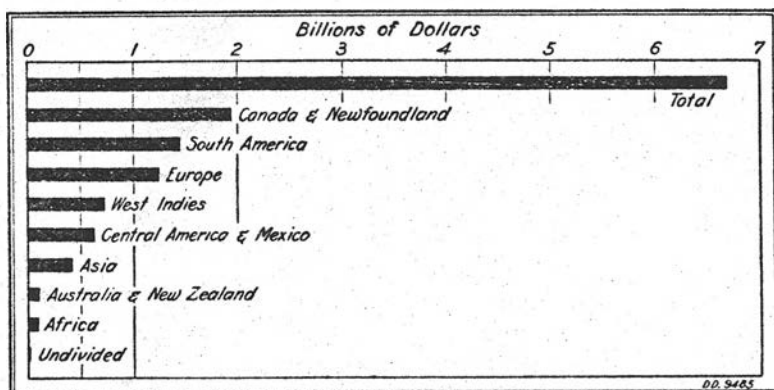


Figure 1.—Geographic Distribution of American Direct Investments, End of 1936.

only \$22,000,000, or 5 percent. It was accounted for largely by the increase in investments in petroleum enterprises. The declines in Canada, Europe, South America, and Africa were quite small—less than 10 percent. The West Indies, Central America and Mexico, and Australia showed declines of from 25 to 33 percent, due in the first two areas to drastic reorganizations and revaluations in agricultural and petroleum enterprises, and in the last-named area to more general causes.

Canada and Newfoundland, with investments amounting to \$1,952,000,000, continued to occupy first place. South America and Europe, with totals of \$1,466,000,000 and \$1,245,000,000, were second and third, respectively. The West Indies, Central America and Mexico, and Asia followed as fourth, fifth, and sixth. Oceania and Africa were definitely of minor importance, based on the total value of the American interest.

On a by-country basis, Canada far outranked all others. Cuba, Chile, Mexico, and the United Kingdom, in that order, were next in size. The only change in order among these five countries from 1929 to 1936 was that Chile rose from fifth to third place.

CANADA AND NEWFOUNDLAND

American direct investments in Canada were three times as large as those in any other single country. Their total value at the end of 1936, including Newfoundland, was \$1,952,000,000. This compares with an estimate of \$2,010,000,000 in 1929.⁹ Actually, however, there has been a net increase in direct investments in Canada, this result being obscured by the fact that a reduction of \$300,000,000 in the total for 1936, as compared with that for 1929, was accounted for entirely by technical changes in the valuation of two large items.

The increase in investments in Canada was brought about by the expansion of several large enterprises, particularly in the hydro-electric field, by an extensive increase in insurance investments, and by many entirely new manufacturing investments which were established in 1931 and 1932 as a result of the policies of the Dominion Government, including those formulated at the Ottawa Conference in 1932. In addition, the excellent studies conducted in this field by the Dominion Bureau of Statistics have added greatly to the data available and to the completeness and accuracy of estimates of foreign investments in Canada.¹⁰

Investments in manufacturing, excluding paper and wood pulp, constituted the largest industrial group and totaled \$530,000,000, or over 27 percent of all American direct investments in Canada. The whole range of manufacturing enterprise was covered by these American branch and subsidiary companies, no one commodity group accounting for as much as 20 percent of the total. Furthermore, only one group—leather—was insignificant. (See table 6, ch. III.) In 1929 the manufacture of metal products involved the largest investment, but in 1936 it was second to the chemical group. Automotives, which had been second at the earlier date, had by 1936 fallen to fifth place. The three leading groups increased in value from 1929 to 1936, while the others either declined or increased only slightly. The American interest in Canadian paper and pulp companies declined only slightly, from \$279,000,000 to \$269,000,000.

Of all the changes in investments in Canada, as shown by these data, the most striking was the increase in the number of enterprises; manufacturing units increased from 524 to 816, and all others, excluding insurance, from 500 to 652. More complete information, par-

⁹ Including \$50,000,000 for investments in insurance branches and affiliates. (See footnote, table 1.)

¹⁰ Dominion Bureau of Statistics, Internal Trade Branch, *British and Foreign Capital Invested in Canada and Canadian Capital Invested Abroad, 1929-36*, Ottawa, 1937.

ticularly regarding small companies, was an important factor in the increase recorded for manufacturing and selling enterprises. All of the net change was in these two groups. New establishments were, of course, a very significant factor in the increase in the number of manufacturing investments and had some influence on the selling and mining groups. (See table 9, ch. IV.)

Table 2.—Canada and Newfoundland: American Direct Investments, by Industrial Groups, End of 1936

[Values in thousands of dollars]

Country and industry	Number of items	Value	Country and industry	Number of items	Value
Canada:			Canada—Continued:		
Manufacturing.....	816	530,098	Petroleum.....	24	108,138
Distribution—			Public utility and transportation.....	78	519,928
Wholesale.....	271	40,309	Insurance.....	234	119,746
Retail.....	14	38,238	Miscellaneous.....	115	61,641
Total, distribution.....	285	78,547	Total, Canada.....	1,095	1,936,193
Agriculture.....	12	10,360	Newfoundland, total.....	7	15,448
Paper and wood pulp.....	31	268,897	Total, Canada and Newfoundland.....	1,702	1,951,641
Mining and smelting.....	100	238,838			

Most of the public utility and transportation investments now held originated before 1929, but some of the hydroelectric plants were greatly expanded. This latter factor accounted for the relatively small decrease in value, with almost no change in number, despite the transfer of one large item from the direct to the portfolio investment category. Of the total investment of \$520,000,000, electric and gas utilities, including hydroelectric plants, accounted for \$340,000,000. Part of this amount was composed of plants which could not in the earlier study be segregated from the investment of affiliated companies in other industrial groups. Most of the remaining \$180,000,000 was about evenly divided between American-owned railroads and communication systems. The major part of the decline in the railroad total was the result of changing the classification of the American investment in the Canadian Pacific Railway Co. from direct, as it was carried in 1929, to the portfolio category.

American capital participated in the gold-mining boom in Canada during the last 3 or 4 years. That participation took the form of the purchase of shares in established companies, and of the formation of prospecting companies and syndicates. It did not appear, however, that Americans held any larger part of the outstanding shares of Canadian mining companies than in 1929—probably because of intervening sales. Furthermore, many of the investments in established companies did not involve control and therefore were classed as portfolio investments. Investments in prospecting syndicates do not in the beginning amount to large sums and have had but little influence on the totals. Some of the gold-mining companies improved their financial position substantially since 1929 with the result that the

total investment in gold and silver mining was about the same as at the earlier date—\$65,000,000.

Copper and nickel dominated the investments in the mining field, and there were no sharp changes in the values.¹¹ Increases and decreases in the extent of American ownership were not the important factors in such changes as did take place.

In the other industrial groups the American investments were less significant. Insurance and petroleum holdings each totaled somewhat over \$100,000,000, and each increased over the 1929 estimates. Over \$78,000,000 of the insurance investment was by life-insurance companies. Retail merchandising, wholesale distribution, and the great range of miscellaneous enterprises were considerably lower.

Two classes of United States interest in Canadian industry were omitted by reason of the definition of foreign investments adopted. First, there were the very numerous and probably quite large holdings of shares and bonds of Canadian-controlled companies. It was impossible to measure the extent of these holdings. To judge from the recorded purchases and sales between the United States and Canada of a class of securities which must be composed principally of such companies' issues, that total might be quite large.¹² Second, there were the businesses owned by citizens of the United States who were domiciled in Canada. These, also, were numerous but probably fairly small in the aggregate.

EUROPE

Direct investments in Europe at the end of 1936 amounted to \$1,245,000,000, a decline of \$108,000,000 from the 1929 estimate. Manufacturing interests, amounting to \$611,000,000, accounted for 50 percent of the total. Petroleum was second with 22 percent, or \$275,000,000, and distribution third with 11 percent, or \$144,000,000, as shown in table 3. Public utilities and mining and smelting were relatively unimportant, with investments aggregating \$89,000,000 and \$43,000,000, respectively. Investments in Europe were affected by many factors—for example, the depression, war, the nationalization of industries, and exchange fluctuations. These forces and their effects are discussed more specifically by countries in the paragraphs which follow.

¹¹ The decline of \$160,000,000 in the estimates of mining investments was chiefly the result of technical changes in the classification and valuation of certain companies.

¹² During the first 9 months of 1937 sales by Canada to the United States of Canadian common and preference stocks amounted to \$58,000,000 and purchases of the same type of securities from the United States to \$80,000,000. Dominion Bureau of Statistics, *Sales and Purchases of Securities Between Canada and Other Countries*, vol. 3, No. 9, table 3A. Data regarding transactions in foreign securities between the United States and Canada may be obtained in *Statistics of Capital Movements between the United States and Foreign Countries and Purchases and Sales of Foreign Exchange in the United States*, Report No. 3, Third Quarter, 1937, U. S. Treasury Department, Division of Research and Statistics.

Table 3.—Europe: American Direct Investments, by Countries, and by Industrial Groups, End of 1936

[Values in thousands of dollars]

Country	Manufacturing		Distribution		Petroleum		Miscellaneous		Total	
	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value
Austria.....	6	1,657	9	995	(1)	(1)	6	3,086	21	5,738
Belgium.....	22	18,394	25	1,642	9	14,374	9	480	65	34,890
Czechoslovakia.....	7	1,008	8	439	(1)	(1)	5	3,278	20	4,725
Denmark.....	8	5,943	17	2,250	4	5,474	6	111	35	13,778
Finland.....	4	305	4	245	(1)	(1)	5	1,093	13	1,643
Other Baltic States ¹			(1)	(1)	4	1,312	3	389	7	1,701
France.....	77	77,458	55	13,609	7	40,463	25	14,153	164	145,683
Germany.....	87	151,480	30	20,393	11	49,993	23	5,951	151	227,817
Greece.....			6	5,961	(1)	(1)	5	2,547	11	8,508
Hungary.....	4	5,492	4	102	(1)	(1)	5	3,712	13	9,306
Irish Free State.....	(1)	(1)	(1)	(1)	(1)	(1)	7	315	7	315
Italy.....	26	20,435	18	3,969	(1)	(1)	13	45,777	57	70,181
Netherlands.....	15	9,211	16	2,627	7	6,824	5	174	43	18,836
Norway.....	9	13,648	9	1,143	(1)	(1)	8	11,890	26	26,681
Poland.....	4	101	7	1,426	(1)	(1)	10	31,973	21	33,500
Portugal ³	(1)	(1)	9	442	(1)	(1)	9	5,277	18	5,719
Rumania and Bulgaria.....	5	1,579	6	1,253	(1)	(1)	10	41,120	21	43,952
Spain ⁴	23	16,328	12	1,441	6	1,373	14	61,390	55	80,532
Sweden.....	7	14,108	12	2,318	5	8,272	8	795	32	25,493
Switzerland.....	10	4,085	13	1,690	(1)	(1)	6	2,859	29	8,634
United Kingdom.....	224	270,745	124	81,486	11	60,572	52	61,327	411	474,130
Yugoslavia.....	(1)	(1)	(1)	(1)	(1)	(1)	10	3,190	10	3,190
Grand total ⁵	543	611,383	393	144,223	96	274,944	198	214,402	1,230	1,244,952

¹ Included under "Miscellaneous."² Danzig, Estonia, Latvia, and Lithuania.³ Including Azores and Madeira Islands.⁴ Including Canary Islands.⁵ The column totals include number and value for those items covered by footnote 1—which items are not, of course, included in the total for "Miscellaneous."

UNITED KINGDOM

Again, as in 1929, investments in the United Kingdom comprised more than one-third of the direct investments in Europe, and more than one-half of the British total was in the manufacturing field. Distribution companies, of which nearly 50 percent in value were retail merchandising enterprises, constituted a larger part of the United Kingdom total than did similar enterprises in any other major country. The only very large increase over the 1929 estimates was in the petroleum group, as a result of the acquisition of some new refining and distributing subsidiaries.

England repurchased previously American-owned enterprises to a greater extent than any other country. Beginning about 1932 such transactions became quite prominent. The sums involved in several of these transactions ranged between \$10,000,000 and \$25,000,000, while a number of them involved over \$1,000,000. Sometimes these repurchases resulted in the complete withdrawal of Americans from the enterprises. For example, the public-utility acquisition mentioned in the 1929 study as a recent development has since been sold back to the British. At other times British syndicates or investors became partners in the English companies through the purchase of part of the common or preferred stock issues, as when a large automotive concern and a merchandising company made public offerings of some of the ordinary stock of their English subsidiaries.

Whereas in most of the European countries there was a decline in the number of investments from 1929 to 1936, England showed an increase confined largely to the manufacturing group. This increase pointed to a sharp decline in the average size of the manufacturing investments. A number of new enterprises were established in the United Kingdom after 1929, as is shown in chapter IV, but, also, some old but relatively small investments were uncovered since the previous bulletin was published. On the other hand, a number of the larger units were sold during the intervening years, and the available evidence indicates that those investments which were in existence throughout the period increased somewhat in value.

On a commodity basis, the various factors of change were brought into bolder relief. Automotive investments, for example, increased considerably in value although but every little in number. This result was to be expected, however, in view of the known expansion of some of the larger units. The American interest in machinery and in metal-products concerns increased substantially in value, although only the machinery group increased in number. On the other hand, chemical investments declined in value but increased in number. One large drug concern was among those repurchased, while a number of branches and subsidiaries for the manufacture of pharmaceutical products were newly established. The changes in the foodstuffs and rubber groups were rather small.

GERMANY

Investments in Germany, totaling \$228,000,000, were second in value among the European countries. Germany was one of the few countries showing an increase, but in this case that result was brought about by the change in the rate of exchange used to convert mark investments into dollars. In 1929 the rate used was 1 mark=\$0.238 and in 1936 it was 1 mark=\$0.402. This factor of increase is not applicable to the total estimated investments in Germany because many companies undoubtedly converted at the old rate without stating that fact.¹³

Manufacturing enterprises accounted for almost 70 percent, or \$151,000,000, of the total direct investments in Germany in 1936. This figure covered 87 establishments as against 78 in 1929. Petroleum interests were second in value and sales companies were third. The principal commodity groups among the manufacturing investments were automotives, chemicals, machinery, metal products, and electrical and telephone equipment and supplies.

OTHER EUROPEAN COUNTRIES

In France the total direct investments at the end of 1936 amounted to \$146,000,000, almost the same as in 1929. (See table 3.) There was a large decline in the total number of investments, most noticeable in the manufacturing and petroleum groups. These two groups were first and second, respectively, in value, the former amounting to \$77,000,000 and the latter to \$40,000,000. The following commodities were most prominent in the manufacturing group: Electrical and telephone equipment and supplies, machinery, metal products, and chemicals.

¹³ Investments in Germany to the extent of at least \$70,000,000 were converted at the 1936 rate.

American holdings in Italy increased in the manufacturing and petroleum groups. Investments in public utilities, which were previously carried as direct investments in the amount of \$66,000,000, were this time reclassified as portfolio investments. Of the other larger countries, increases were recorded in Rumania, Spain, and Sweden, while declines, some of them quite large, were recorded in Belgium, Poland, the Netherlands, and Austria. Although Spanish investments increased in total, the interests of petroleum companies declined as a result of the nationalization of the principal parts of the business in 1930. New enterprises substantially affected the other increases. The decline in Belgium was quite general and was only partly accounted for by the reclassification of one item. The principal factor in the change for the Netherlands, insofar as it could be explained, was the liquidation of an American company whose title to certain foreign properties reverted to its foreign parent.

LATIN AMERICA

American direct investments in Latin America amounted, at the end of 1936, to \$2,847,000,000. That total represented a decline of about 20 percent from the 1929 estimate of \$3,519,000,000. The sharp drop in the valuation of Cuban, Mexican, and Central American agricultural properties and Mexican petroleum enterprises was responsible for about three-fourths of the reduction.

The production of foodstuffs and raw materials—sugar, fruit, petroleum, minerals—accounted for 54 percent of the total investments, as is shown in table 4. Manufacturing and the distribution of manufactured goods, exclusive of petroleum, accounted for slightly less than 10 percent of the total. Public utilities constituted one-third of the direct investments in Latin America and formed the only group in which there was an increase during the 7 years from 1930 to 1936, inclusive.

Because of the distinguishing characteristics of the investments the discussion that follows has been divided into three parts—the West Indies, Central America and Mexico, and South America.

Table 4.—Latin America: American Direct Investments, by Countries and by Industrial Groups, End of 1936

[Values in thousands of dollars]

Country	Manufacturing		Distribution		Agriculture		Mining and smelting		Petroleum		Public utilities and transportation		Miscellaneous		Total	
	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value
West Indies:																
Cuba.....	26	27, 114	37	15, 157	51	264, 566	7	14, 740	8	6, 078	19	314, 797	25	23, 800	173	666, 254
Dominican Republic.....	(1)	(1)	(1)	(1)	(1)	5 32, 929	(1)	(1)	(1)	(1)	4	4, 572	6	3, 204	15	40, 705
Haiti.....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	3	3, 576	9	6, 095	12	9, 671
Other West Indies ¹	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	9	20, 534	5	726	15	15, 241	29	36, 501
Total, West Indies ¹	29	29, 068	41	15, 439	61	300, 574	10	19, 333	21	28, 793	31	323, 671	36	27, 253	229	753, 131
Central America and Mexico:																
Costa Rica.....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	7	13, 286	7	13, 286
Guatemala.....	(1)	(1)	5	832	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	12	49, 555	17	50, 387
Honduras.....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	11	36, 425	11	36, 425
Nicaragua.....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	5	4, 466	5	4, 466
Panama.....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	20	26, 688	20	26, 688
Salvador.....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	5	17, 164	5	17, 164
Mexico.....	33	8, 304	41	10, 811	17	17, 217	50	213, 373	33	69, 039	24	147, 804	17	12, 917	215	479, 465
Total, Central America and Mexico ¹	38	9, 660	51	13, 029	28	67, 597	52	215, 485	41	70, 709	41	236, 037	29	15, 364	280	627, 881
South America:																
Argentina.....	39	84, 245	36	28, 357	(1)	(1)	(1)	(1)	(1)	(1)	12	155, 496	19	80, 170	106	348, 268
Bolivia.....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	8	18, 337	8	18, 337
Brazil.....	30	50, 183	25	15, 612	(1)	(1)	(1)	(1)	4	32, 678	9	84, 411	13	11, 461	81	194, 345
Chile.....	11	4, 694	14	12, 056	(1)	(1)	9	382, 815	(1)	(1)	11	79, 728	7	4, 443	53	483, 736
Colombia.....	6	616	12	2, 438	(1)	(1)	(1)	(1)	11	58, 577	12	30, 536	9	15, 382	50	107, 549
Ecuador.....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	9	4, 941	9	4, 941
Guianas ²	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	7	7, 501	7	7, 501
Paraguay.....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	3	5, 077	3	5, 077
Peru.....	(1)	(1)	6	8, 664	(1)	(1)	6	47, 197	(1)	(1)	5	10, 033	9	30, 158	26	96, 052
Uruguay.....	4	7, 643	10	2, 876	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	5	3, 398	19	13, 917
Venezuela.....	(1)	(1)	5	833	(1)	(1)	(1)	(1)	26	174, 430	5	10, 869	4	134	40	186, 266
Total, South America ¹	96	153, 061	112	71, 528	7	23, 278	25	473, 376	55	353, 059	65	377, 417	42	14, 270	402	1, 465, 989
Total, Latin America ¹	163	191, 789	204	99, 996	96	400, 449	87	708, 194	117	452, 561	137	937, 125	107	56, 887	911	2, 847, 001

¹ Included in "Miscellaneous."² Includes Bahamas, Bermuda, Jamaica, Netherlands West Indies, Trinidad, and the French West Indies.³ The column totals include number and value for those items covered by footnote 1, which items are not, of course, included in the totals for "Miscellaneous."⁴ Including an omission estimate of \$10,000,000 for Mexican border enterprises.⁵ British and French Guiana and Surinam.

WEST INDIES

Dominant among American investments in the West Indies were those in Cuba, with \$666,000,000 out of a total of \$753,000,000. Even that total, which gave Cuba second rank among the countries of the world in the total direct investments, was \$253,000,000 below the 1929 estimate. Sugar plantations and centrals, of which one always thinks when investments in Cuba are mentioned, accounted for only \$240,000,000 of the total and were second to public utility and transportation enterprises.

As late as 1928, American interests in Cuban sugar were privately estimated, after careful study, at \$600,000,000.¹⁴ The Commerce Department's 1929 estimate of \$544,000,000 included \$55,000,000 of preferred stock and \$125,000,000 of bonds, debentures, and notes. In the process of reorganizing, which started about 1930, preferred stock was reduced to about \$25,000,000 and bonds to \$55,000,000. Furthermore, that process involved the loss of a large part of the previous equity interests. Most of the sugar companies had been reorganized by the end of 1936, and further drastic reductions in the stated value of their securities are not to be anticipated in the near future. Other investments in agriculture did not change greatly.

The increase in investments in public-utility and railroad enterprises can be accounted for on no other basis than that of a change in the basis of valuation. It is possible that the valuation used in 1929 was too low, or that the one used in 1936 was too high, or both. Manufacturing enterprises in Cuba comprised less than 5 percent of the total. The reduction from the 1929 estimate occurred largely in the manufacture of tobacco products.

American investments in the Dominican Republic and Haiti were principally agricultural and were affected by the same conditions that were noted concerning Cuba.

Another type of investment, not included in these estimates, might have been of some importance—namely, the holdings of American citizens domiciled in the West Indies. It was known that a considerable number of businesses of moderate size in Havana were of this type. No attempt was made to measure such investments, because they did not come within the definition of direct investments.

CENTRAL AMERICA AND MEXICO

Mexico was fourth in the size of American direct investments, with a total of \$479,000,000 at the end of 1936. This represented a decline of \$203,000,000, or about 30 percent, from the 1929 estimate. The sharp reductions in the value of petroleum and agricultural investments were most significant. Manufacturing and distribution were the only industrial groups that increased—and they but slightly.

Mining and smelting continued as the most important field for American direct investments in Mexico, as is shown in table 4. While the group dropped in value only \$17,000,000, to \$213,000,000 in 1936, almost half of the mining companies carried in the 1929 list were subsequently eliminated. It was the small companies that found it impossible to adjust their business to the conditions existing during the intervening years. Some of these small companies had their origin far back in the nineteenth century. Although it was impossible to make a completely accurate break-down according to the mineral

¹⁴ Jenks, Leland H., *Our Cuban Colony*, p. 284. New York, 1928.

produced, the data indicated that precious metals were the principal product of companies with interests totaling \$119,000,000. All other minerals, particularly copper, involved investments of \$94,000,000.

Public utilities and railroads were second in the value of American investments, amounting to \$148,000,000. Electric and gas utilities, railroads, and communication systems, in order of importance, entered into that total. Railroads accounted for practically all of the decline of \$16,000,000 from the 1929 total.

Direct investments in the Mexican petroleum industry at the end of 1936 amounted to \$69,000,000. The estimate as of the end of 1929 was \$200,000,000, but the latter figure included an omission estimate of \$50,000,000 which, in view of the completeness of the available data, it was not thought necessary to make in the present study. In other words, reported data in 1929 amounted to \$150,000,000 as against \$69,000,000 in 1936. This reduction apparently represented a recognition of the effect of economic and political influences on the value of the petroleum industry. The statistics of petroleum production suggest that such recognition was somewhat belated.¹⁵ The process of writing down these investments, which were at one time estimated as high as \$408,000,000,¹⁶ had, however, proceeded quite far by the end of 1936.

No other industry represented a very large proportion of the total American investments. It was thought necessary to enter an omission estimate of \$10,000,000 to represent the border investments of Americans. Information regarding these border enterprises could not be obtained by the questionnaire method, inasmuch as they are seldom owned by American corporations. The investments of American citizens domiciled in Mexico were not included in these totals.

Investments in Central America declined in all instances from the 1929 totals. (See table 4.) This was the result of adjustments to balance-sheet values during the depression, and of other technical differences in the methods employed. The sale and the liquidation of old investments had relatively little influence on these figures.

SOUTH AMERICA

At \$1,466,000,000 American direct investments in South America as of the end of 1936 had declined but little from 1929, compared with the declines noted in the West Indies, Mexico, and Central America. As in other parts of Latin America, more than half of the total was invested in the production of raw materials. Mining and smelting, petroleum, and public utilities were the first three groups in value. Manufacturing and distribution establishments were concentrated to a substantial degree in Argentina and Brazil.

Argentina, with a total of \$348,000,000, was second among the South American countries in the total of direct investments, but first as regards American manufacturing, distribution, and public-utility interests. This situation reflected the stage of development which had been reached by Argentina. The absence of large investments in raw-material production was, of course, primarily a result of the lack

¹⁵ Petroleum production in Mexico had fallen off sharply during the early 1920's and has fallen off since that time, as shown by the following statistics: 1921-25 average, 156,098,000 barrels; 1926-30 average, 57,782,000 barrels; 1929, 44,688,000 barrels; 1934, 38,172,000 barrels; 1935, 40,235,000 barrels; 1936, 40,300,000 barrels.

¹⁶ Winkler, Max. *Investments of United States Capital in Latin America*, p. 224. World Peace Foundation, Boston, 1928. Part of the differences between the estimates cited and others in current use may be accounted for by variations in the bases of valuation.

of resources currently available for mass exploitation. The very small increase in the value of manufacturing interests was the result of a substantial increase in the number of such investments, less the reduction in the reported investments in meat-packing enterprises. There was in fact a broadening of the range of commodities manufactured in Argentina, and fairly large investments were involved in some of the new plants.

Brazil, with investments totaling \$194,000,000, followed closely the pattern outlined for Argentina. Public-utility investments were first in value, followed by manufacturing. In each of these groups Brazil was second among the South American countries. Only in Uruguay did manufacturing interests comprise a larger part of the total.

American direct investments in Chile amounted to \$484,000,000. Almost four-fifths of the total was employed in mining and smelting—copper and nitrates particularly. A considerable part of the increase in this industrial group, from \$331,000,000 in 1929 to a total of \$383,000,000 in 1936, was due to the omission of one large item from the 1929 total. Investments in public-utility enterprises totaling \$80,000,000 were second among the investments in Chile.

American interests in Peru were similar in many respects to those in Chile. Mining and smelting, largely of copper, comprised one-half of the total investments in Peru. The decline in this group from the 1929 total was the result of a change brought about by the capital distributions of one large company. Enterprises for the exploitation of petroleum resources were second in value, and public utilities third.

In Colombia and Venezuela, petroleum was the most important field for American enterprise. In the latter country \$174,000,000 of the total of \$186,000,000 was invested in petroleum production and refining. This represented a considerable reduction from the 1929 estimate, not, in all probability, because of any decline in the intrinsic value of the investments but, rather, because of the elimination of several companies whose balance-sheet values in 1929 were more apparent than real. In other words, some of the very speculative ventures had disappeared by 1936. The production of petroleum in Colombia increased slowly after 1933, although it was, in 1936, still below the 1929-30 level. The Barco Concession, which will probably be important in the future, was in the process of development. Large-scale production in that area is dependent upon the construction of a pipe line to the sea. Colombia differed from Venezuela in that public utility and agricultural enterprises in the former were prominent among the American investments.

Investments in Bolivia, Ecuador, the Guianas, Paraguay, and Uruguay were quite small.

AFRICA, ASIA, AND OCEANIA

AFRICA

Direct investments in Africa totaled \$93,000,000 at the end of 1936. Sixty percent of this total was in British South Africa. Petroleum distribution and copper mining comprised the greater part of the African total and were largely concentrated in South Africa, where manufacturing and distribution investments were also located. In all other parts of Africa, with the possible exception of Egypt and Liberia, petroleum distribution comprised the sole American interest of any appreciable size. (See table 5.)

Table 5.—Africa, Asia, and Oceania: American Direct Investments, by Countries and Industrial Groups, End of 1936
[Values in thousands of dollars]

Country	Manufacturing		Distribution		Agriculture		Mining and smelting		Petroleum		Public utilities and transportation		Miscellaneous		Total	
	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value
Africa:																
Algeria, Madagascar, and Tunisia.....	(1)	(1)	(1)	(1)					(1)	(1)	(1)	(1)	7	1,032	7	1,032
British South Africa.....	12	8,757	21	7,061			(1)	(1)	8	20,994			7	18,315	47	55,127
Egypt.....	(1)	(1)	6	5,125					(1)	(1)			10	3,180	16	8,305
Portuguese Africa.....									7	10,451					7	10,451
Other Africa ¹			(1)	(1)	(1)	(1)	(1)	(1)	11	5,817			7	11,962	18	17,779
Total, Africa².....	15	10,089	34	14,354	(1)	(1)	7	18,515	31	39,517	(1)	(1)	8	10,219	95	92,694
Asia:																
Arabia and Iran.....			(1)	(1)			(1)	(1)	9	17,453			2	327	11	17,780
British Malaya.....	(1)	(1)	6	1,506	(1)	(1)	(1)	(1)	(1)	(1)			11	22,234	17	23,740
China.....	23	7,164	25	7,190					(1)	(1)	(1)	(1)	19	76,239	67	90,593
Cyprus, Iraq, Palestine, and Syria.....	(1)	(1)	5	390			(1)	(1)	8	20,911	(1)	(1)	9	8,304	22	29,605
French Indochina and Siam ³			(1)	(1)			(1)	(1)	(1)	(1)			8	3,286	8	3,286
India.....	4	9,188	17	6,844			(1)	(1)	(1)	(1)	(1)	(1)	11	13,648	32	29,680
Japan.....	21	25,561	12	5,211			(1)	(1)	(1)	(1)			13	15,922	46	46,694
Netherlands Indies.....	(1)	(1)	5	636	(1)	(1)			(1)	(1)			21	69,123	26	69,750
Philippine Islands.....	17	9,220	18	7,511	10	23,819	(1)	(1)	(1)	(1)	6	40,622	9	10,978	60	92,150
Turkey ⁴	(1)	(1)	8	9,425					(1)	(1)			4	4,281	12	13,706
Total, Asia².....	72	54,531	98	38,852	22	71,003	8	18,439	48	146,963	12	78,191	41	9,014	301	416,993
Oceania:																
Australia.....	58	38,699	20	8,290			(1)	(1)	(1)	(1)	(1)	(1)	16	42,069	94	89,028
New Zealand.....	7	3,653	8	3,808			(1)	(1)	(1)	(1)			6	14,538	21	21,999
Total, Oceania².....	65	42,352	28	12,098			3	5,107	8	42,986	(1)	(1)	11	8,514	115	111,027
International.....	4	489	2	3,000					2	8,962	1	13,739			9	26,190
Total, Africa, Asia, Oceania, and International².....	156	107,461	162	68,274	* 22	* 71,003	18	42,061	80	238,428	15	92,096	58	27,581	520	646,904

¹ Included under "Miscellaneous."

² French and Spanish Morocco, French and British West Africa, Italian Africa, and Liberia.

³ The column totals include number and value for those items covered by footnote 1—which items are not, of course, included in the totals for "Miscellaneous."

⁴ Including New Caledonia.

⁵ Including European Turkey.

⁶ Excluding the agricultural total for Africa.

ASIA

The Philippine Islands were first among the Asiatic countries in the total of American direct investments. These investments, amounting to \$92,000,000,¹⁷ were \$13,000,000 larger than in 1929. Part of this increase was due to new enterprises and part to new data regarding old ones. There was a definite expansion in the manufacturing, agricultural, and gold-mining fields. Practically all of the agricultural investments were in sugar plantations and centrals.

Investments in China dropped from \$114,000,000 in 1929 to \$91,000,000 in 1936. The major part of this decline was due to changes in valuation in cases where the compiler, in one or both years, was forced to divide by countries, rather arbitrarily, the investments of some large companies which reported totals only. Petroleum and public utilities were the two industries in which most of the American capital found employment.

American companies in China, registered under the China Trade Act, had a total capitalization of a little over \$22,000,000. Of that total, less than \$2,500,000 was held in the United States, over \$7,000,000 was held by Americans in China, and the balance by Chinese and others. Loans by Chinese banks comprised a fair proportion of that balance. Only the \$2,500,000 was included in the present study, the \$7,000,000 being excluded by reason of the definition adopted in this study, which required that the owner of the investment should be domiciled in the United States.

The Netherlands Indies, with \$70,000,000 of American capital, ranked third among Asiatic countries. Petroleum production and refining and agriculture (rubber plantations) were the largest industrial groups in the total. Japan followed and was the only country in Asia where manufacturing assumed first rank—\$26,000,000 out of \$47,000,000. The American interests in other parts of Asia, while of some importance statistically, had few distinguishing characteristics. The most notable was the rapid development of the petroleum industry in western Asia—Arabia, Iran, and Iraq. Reported investments in Palestine related only to those held by American corporations. Holdings by individuals and groups domiciled in the United States, which may be substantial, are not recorded herein because of lack of data.

OCEANIA

Australia and New Zealand combined, as shown in table 5, employed \$111,000,000 of American capital in their industries. These two British Dominions, particularly the Commonwealth of Australia, were of considerable importance in the manufacturing group, with products of fairly wide range. The number of establishments increased, even though there was a 25-percent drop in their aggregate value. The increase in number was a factor only in the manufacturing group. The decrease in value from 1929 was spread quite generally over the entire field of investment. The sale and liquidation of previously held subsidiaries was not a decisive factor in the decline.

¹⁷ As of June 30, 1935, the U. S. Tariff Commission estimated American investments in the Philippine industries at \$163,000,000. The difference between these two estimates is almost entirely accounted for by the fact that the Commission estimated the investment in the Philippine mining industry at appraised value, whereas the present estimates were based on the book value of the securities; also by the further fact that the Commission included the investments of American citizens permanently residing in the islands, whereas such investments were excluded from this study. U. S. Tariff Commission, United States Philippine Trade, with special reference to the Philippine Independence Act and other recent legislation; Report No. 118, second series, Government Printing Office, 1937, p. 191.

Chapter III.—INDUSTRIAL DISTRIBUTION AND STRUCTURAL ANALYSIS

In the discussion of American direct investments in the principal countries and areas of the world, mention was frequently made of the manner in which the outstanding industrial characteristics of those countries was reflected in the dominance of particular groups in the totals. The first section of this chapter is confined to an analysis of the investments in each major industry with a view to setting forth their principal characteristics. It will also serve as a convenient place to point out the relative importance of each group, a factor which it is desirable to emphasize in view of differing economic causes and effects. The second section is devoted to a brief analysis of the organization and structure of direct investments. It should serve as a start toward a better understanding of the relations between parent organizations and their foreign enterprises.

INDUSTRIAL DISTRIBUTION

The industrial distribution showed 43 percent of the total direct investment being used in extractive and agricultural pursuits; 25 percent in service industries (that is, utilities and transportation); 22 percent in manufacturing concerns; and the remaining 10 percent in sales and miscellaneous establishments. These data are presented graphically in figure 2.

PUBLIC UTILITY AND TRANSPORTATION

First in size among the industrial groups into which American direct investments were divided was the public-utility and transportation group. At \$1,640,000,000 there was virtually no change from the 1929 estimate. However, the division of this total into railroad transportation, \$329,000,000; electrical and gas utilities, \$964,000,000; and other utilities, including telephone and telegraph systems, \$347,000,000 represented a substantial shift. The railroad total was down almost \$260,000,000, a reduction almost wholly explained in the section about Canada.¹⁸ Electrical and telephone utilities were, in 1929, in the midst of a large foreign expansion, the results of which are evident in the figures given above.

Railroad investments were centered quite largely in nearby Canada, Cuba, Mexico, and Central America. The other types of public utilities were widespread, being located in countries from Canada to Argentina, and Spain to China. Practically every Latin American country and several European and Asiatic countries were in the public-utility list, although about 60 percent of the total was in Latin America and more than 30 percent in Canada.

¹⁸ Ch. II, p. 7.

INVESTMENTS IN MANUFACTURING

With investments totaling \$1,441,000,000 at the end of 1936, the manufacturing group was second among the various industries. Nevertheless, manufacturing investments have been more highly publicized than any other type and are often discussed as though they constituted the whole, no doubt because of the frequency of controversial issues relating to their economic causes and effects.

American capital was invested in manufacturing enterprises in Canada to a greater extent, in absolute amounts, than in any other single country. Canada itself supplied a good-sized market for manufactured goods owing to the relatively high average purchasing power of its population. However, the attractiveness of the Dominion as the location for branch and subsidiary plants of American companies was not dependent solely upon the Canadian market. There was the additional advantage of being in a preferred position to serve the

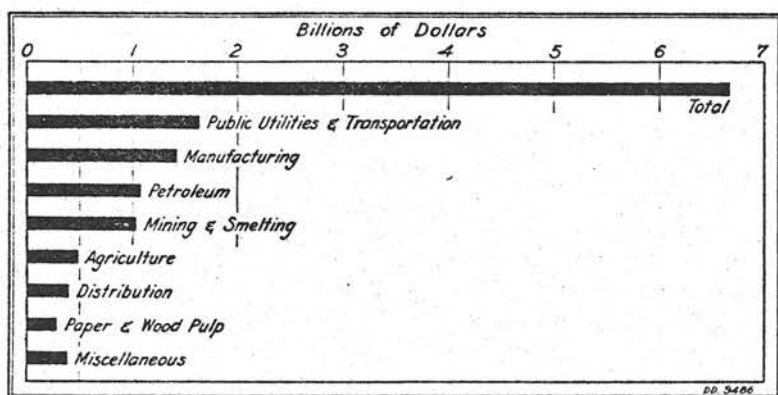


Figure 2.—Industrial Distribution of American Direct Investments, End of 1936.

British Empire market from a location near enough to permit close parent-company supervision.

To demonstrate the range of manufacturing activity in the American-controlled plants in Canada, one needs only to mention that the first six commodity groups represented among the investments were, in order of size, chemicals, metal products, foodstuffs, machinery, automobiles, and electrical and telephone equipment and supplies. (See table 6.) The first three increased considerably over their 1929 totals, while the others declined or showed relatively small changes. As to the number of enterprises there was a large increase in the total, as well as in most of the groups. This result was due to the much more extensive data available regarding the many small enterprises in which Americans were substantially interested. In this connection, it may be noted that the average value of manufacturing enterprises in Canada was considerably lower than in Europe and Latin America.

Investments in manufacturing in Europe, amounting to \$611,000,000, exceeded those in Canada, although the total for no single European country was much more than half of the Canadian total. Several factors were involved in drawing such a volume of manufacturing interests to Europe: First, the size of the market; second, the

Table 6.—American Investments in Foreign Manufacturing Enterprises, by Geographic Areas and by Commodity Groups, End of 1936

[Values in thousands of dollars]

Commodity groups	Canada		Europe		Latin America		Africa, Asia, and Oceania	
	Number	Value	Number	Value	Number	Value	Number	Value
Automotive.....	52	42,010	46	115,702	6	17,245	14	31,268
Chemical.....	165	98,971	117	70,904	64	27,209	39	7,923
Electrical.....	54	41,011	56	110,753	8	13,681	17	17,025
Foodstuffs.....	68	83,363	50	46,999	27	73,941	17	15,685
Leather.....	15	1,451	6	1,024			(1)	(1)
Lumber.....	88	38,742	26	10,404	7	925	11	3,141
Machinery.....	82	53,805	78	93,820	9	5,258	16	5,992
Metal products.....	148	96,681	80	80,234	16	5,008	12	2,968
Rubber.....	12	30,255	8	16,388	4	7,449	6	8,391
Textiles.....	63	20,542	18	3,718	10	20,201	18	9,792
Miscellaneous.....	69	23,267	58	61,437	13	20,932	6	5,273
Total.....	816	530,098	543	611,383	164	191,789	156	107,461

¹ Included with "Rubber."² Exclusive of "Paper and wood pulp," which amounted to \$269,000,000.

high stage of industrial development, which meant the presence of labor and technical supplies; and third, legal systems, which permitted foreign corporate enterprise.

It is significant, though not surprising, that more than four-fifths of this investment was in the United Kingdom, Germany, and France. The United Kingdom alone accounted for 44 percent of the total, or more than any four of the other European countries combined. This percentage applied to the number of enterprises as well as to their value.

As to the commodities produced, the range was just as great, but the distribution was not as even as in the case of Canada. Automotive equipment and accessories was the largest of the groups, followed by electrical and telephone equipment and supplies, and machinery. Lumber and foodstuffs, which, to a considerable extent, were dependent upon the presence of raw materials, were not prominent among the European investments, nor was textile manufacturing.

Latin America was not important in the manufacturing field. Argentina, Brazil, and Cuba were the only countries in which such investments were very large. The rather extensive decline from the 1929 total, from \$231,000,000 to \$192,000,000, was believed to be due principally to technical differences in the values used in the 1929 and 1936 studies. Such differences particularly affected the foodstuffs group, which declined from \$122,000,000 to \$74,000,000. The increase in the number of establishments in Latin America was much smaller than in Canada and Europe.

As for the "rest of the world," manufacturing investments were of importance only in Australia and Japan, where the automotive group was much the largest, as is shown in table 6.

PETROLEUM: PRODUCING, REFINING, AND DISTRIBUTION

American corporations had \$1,075,000,000 invested in the petroleum industry in foreign countries. This designation includes all phases of the business—production, refining, and distribution. There was

scarcely a country in which American petroleum interests were not active. The principal producing areas were northern South America, Mexico, the Netherlands Indies, the Persian Gulf area, and Rumania. Refining was carried on to some extent in most of those areas and, in addition, in some of the western European countries. Distribution was world-wide. The available data did not permit a division of the investment in this industry into its three phases.

Although petroleum interests in Latin America were larger than those in any other area, the decline in the value of the Mexican properties, coupled with the increase in other areas, greatly reduced the relative importance of the Latin American field. Producing territories more intensively exploited by American companies since 1929 included the Persian Gulf area, the Netherlands Indies, and Canada. The increase in petroleum investments in Europe from \$231,000,000 in 1929 to \$275,000,000 in 1936 was due primarily to the expansion of refining facilities in Western Europe.

MINING AND SMELTING

Gold and silver mining accounted for about one-fifth of the \$1,035,000,000 of capital invested in foreign mining and smelting enterprises. Two-thirds of the total was involved in mining industrial metals—copper, nickel, tin, iron, lead, manganese, and vanadium. The nonmetallic minerals, such as nitrates, coal, gypsum, and asbestos, constituted the remainder of the investment. There was some reduction in the grand total for this industry, due first to a technical change in the valuation of a large Canadian enterprise and, second, to the reduction in the book values of several South American copper companies. The anticipated expansion of American interests in Africa had not materialized by 1936.

American investments in the production of the precious metals were confined almost entirely to Mexico and Canada. Copper was produced largely in Chile, Mexico, Canada, and Peru, with much smaller interests in South Africa. Nickel being practically a natural monopoly of Canada, most of the nickel investments were located there. The same may be said of the natural nitrates in Chile.

AGRICULTURAL ENTERPRISES

Over \$480,000,000 was invested in agricultural properties. This total is in contrast to the estimate of \$875,000,000 in 1929. The reduction was the result of the extremely poor economic position of the sugar industry, which therefore underwent widespread reorganizations. Most of the investments in sugar plantations and centrals, totaling \$315,000,000, were in the West Indies, with smaller units in the Philippine Islands and Mexico. The production of bananas and other fruits, principally in Central America, Colombia, and the West Indies, employed over \$90,000,000 of American capital. Rubber plantations in British Malaya, the Netherlands Indies, Brazil, and Liberia, and cattle ranches and miscellaneous agricultural enterprises in Mexico and Canada, involved investments of over \$75,000,000.

DISTRIBUTION AND MISCELLANEOUS ENTERPRISES

Investments in distribution or selling organizations, exclusive of petroleum distribution, totaled \$390,000,000. This total may be subdivided into wholesale companies (largely manufacturers' sub-

sidaries), \$297,000,000, and retail merchandising units (principally chain stores), \$93,000,000. The wholesale investments were located chiefly in Latin America and Europe, followed at some distance by Canada and Asia. Retail merchandising stores were located almost exclusively in England and Canada. Approximately 10 prominent United States chain and specialized retail stores were included in the list of those having foreign investments.

American interests in the production of paper and wood pulp amounted to \$269,000,000, all of which were located in Canada and Newfoundland. This investment covered timber holdings, logging activities, hydroelectric installations, and manufacturing operations.

The largest among the miscellaneous industries was the financial group at \$190,000,000. Insurance branches and affiliates in Canada accounted for \$120,000,000,¹⁹ the major part of the total. Commercial banking and installment credit organizations in Europe, Canada, Latin America, and the Far East, in that order, totaled about \$70,000,000. The motion-picture industry had foreign interests totaling \$55,000,000—more than one-half in Europe and one-third in Canada. Holdings of real estate, ocean shipping companies, docks and ocean terminals, and other enterprises comprised the remainder of the miscellaneous group.

STRUCTURAL ANALYSIS

The corporate form of organization was employed in 94 percent of American direct investments in foreign countries at the end of 1936. Direct ownership, usually taking the form of unincorporated branches, comprised the other 6 percent. From the point of view of the holder of the investment, it was found that 1,480 American corporations controlled 91 percent of the total direct investments, while American individuals or groups of individuals controlled 9 percent of the total through 270 foreign corporations.

Two-thirds of the individual holdings were in Canada. Mexico, Cuba, and the Philippine Islands, which followed in size, were each far in excess of the totals for any of the countries other than Canada. Most important in value were the holdings in large foreign companies that were well known in the United States and that had listed their securities on a stock exchange in this country. Quite important in number were the cases in which an American individual, or group of individuals, organized a foreign corporation. Frequently these individuals were the officers or stockholders of an American company and the foreign company either used the patents in manufacturing operations or distributed the products of the American company in the foreign country. Occasionally, when the location of the business was near the border, the owner and manager of the foreign company maintained his domicile in the United States.

Of the 1,750 American corporations²⁰ which had direct investments in foreign countries, a relatively small number controlled more than three-quarters of the total. Whereas the foreign holdings of the 1,750 corporations averaged under \$4,000,000, there were several which exceeded \$100,000,000. Generally the companies with large

¹⁹ Of this total, over \$78,000,000 was in life insurance and \$29,000,000 in fire and marine insurance branches. Casualty and fraternal benefit companies were also represented.

²⁰ Includes the 270 foreign corporations controlled by American individuals or groups of individuals.

foreign investments operated in many parts of the world. Although there were some individual foreign units that exceed \$100,000,000, the average value was about \$1,500,000.

All of the very large foreign units were in the mining, petroleum, and public-utility groups. Furthermore, manufacturing companies comprised only a minority of the group of American parent companies which held the large total investments. In other words, the raw-material and the service industries were, in general, those in which the American direct investments were concentrated. The ownership of the other industries was much more widely distributed.

CORPORATE ORGANIZATIONS

Of the direct investments which were organized in the form of corporations—94 percent of the total—data were available, by types of

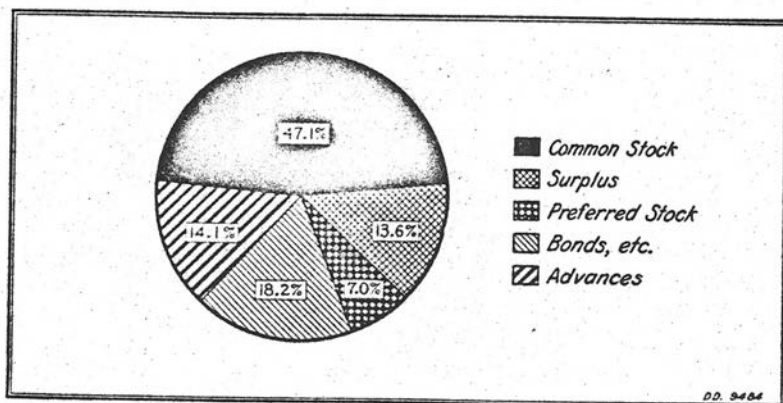


Figure 3.—Financial Structure of American Direct Investments, End of 1936.

securities, covering \$4,400,000,000, or 70 percent of the total value. Reports available regarding the other 30 percent revealed the total investment only. Table 7 and figure 3, relating to the financial structure of American direct investments under the corporate form of organization, were based on this 70 percent sample.

More than 47 percent of the investment in foreign corporations was represented by common stock, and an additional 13.6 percent was in the form of net surplus accounts. Bonds and notes, comprising 18.2 percent, and advances and intercompany accounts, 14.1 percent, exceeded surplus, while preferred stock was a relatively small part of the total.

Advances and intercompany accounts²¹ partook of the nature of short- as well as long-term investments. In fact, many times advances were probably reported on the questionnaire as demand loans or notes, and vice versa. Such advances might have been made for additions to plant and equipment or for new acquisitions. Intercompany accounts might have been considered as short-term investments. However, some of these accounts, such as those which were connected with the financing of inventory, became a permanent part of the working capital of the business. This category embracing

²¹ Although advances and intercompany accounts were listed as separate items on the questionnaire, they have been combined in this bulletin because those terms were not uniformly interpreted.

advances and intercompany accounts was, of course, subject to changes of considerable scope depending upon the conditions of business and the stage of development of the individual enterprises.

Common stock comprised between 50 and 60 percent of the investment in five of the seven industrial groups. Only in the distribution group and the public-utility and transportation groups was common stock of secondary importance. In the distribution group, advances constituted the largest category—42 percent—while surplus accounts were approximately equal to the common stock. Public utilities were financed to a large extent by bonds and notes, some of which were actually secured advances. The petroleum and agricultural groups had net deficits. In the former case advances and intercompany accounts were very large, and in the latter, the agricultural group, bonds were quite important and constituted a heavy fixed charge during the period of unfavorable business conditions.

Table 7.—Financial Structure of American Direct Investments, by Industrial Groups, and by Geographic Areas, End of 1936

[In millions of dollars]

Groups and geographic areas	Organized as corporations						Organized as branches		
	Common stock	Surplus ¹ or deficit	Preferred stock	Bonds, notes, and mortgages	Advances and intercompany accounts	Total	Fixed assets	Current assets	Total
Industrial groups:									
Manufacturing ²	587	288	56	103	79	1,113	31	33	64
Distribution.....	59	57	4	1	88	209	8	40	48
Petroleum.....	207	(1)	12	14	143	375	29	42	71
Mining and smelting.....	485	183	14	99	18	799	49	10	59
Agriculture.....	201	(18)	28	76	42	329	27	4	31
Public utility and transportation.....	463	79	184	487	218	1,431	13	1	14
All other.....	70	11	7	20	35	143	3	6	9
Total.....	2,072	599	305	800	623	4,399	160	136	296
Geographic areas:									
Canada and Newfoundland.....	510	255	93	303	74	1,235	33	23	56
Europe.....	414	134	14	14	149	725	6	21	27
Latin America.....	898	137	183	455	331	2,004	85	32	117
Rest of world.....	250	73	15	28	69	435	36	60	96
Total.....	2,072	599	305	800	623	4,399	160	136	296

¹ Part of these amounts are capital and appraisal surplus. The importance of earned surplus is indicated in the section on Trends as Shown by Income Data, ch. IV.

² Including paper and wood pulp.

NOTE.—This table relates only to those investments regarding which the break-down by type of holding was available.

The data given in table 7, by geographic areas, did not reveal any striking differences in financial structures. Such differences as were indicated were, in the main, determined by the characteristics of the dominant industry. For example, in Latin America, where the public-utility total was large, common stock was low and bonds high, relative to other areas. Certain differences were noted in the basic data, however. Surpluses in the manufacturing and mining industries in Canada were much more important than in any other area. The bond category in Canada was high because of the ratio of bonds to total investments in the paper and pulp and public-

utility groups, both of which contain several large companies that were only partially owned in the United States but were well known and able to borrow in this country by means of bond issues. In Europe, common stock was, as a rule, a larger part of the total than in the other areas, particularly with respect to manufacturing investments.

BRANCH ORGANIZATIONS

Direct branch operations comprised \$400,000,000, or only 6 percent, of the total direct investments. For three-fourths of the investments in branches, a division between fixed assets and current assets was reported, fixed assets accounting for 54 percent of the total and current assets for 46 percent. An excess of fixed over current assets occurred in the mining and smelting, agricultural, and public-utility groups. The largest excess of current assets was shown by distribution and petroleum branches. The assets of manufacturing branches were fairly evenly divided.

Branch operations were used to a great extent by the petroleum and manufacturing industries; the former particularly in the Far East and the latter in Canada. The principal area in which such operations were prominent was Latin America, especially in the mining and smelting industry. It might have been expected that the investment in distribution branches would predominate, but as a matter of fact many so-called selling branches entail little or no investment.

MISCELLANEOUS INVESTMENTS IN AMERICAN-CONTROLLED FOREIGN ENTERPRISES

The holdings of the securities of direct investment companies by noncontrolling investors were for all practical purposes limited to the preferred stock and bond categories and to Canada and Latin America. Such investments in the Canadian companies amounted to \$25,000,000 of preferred stock and \$250,000,000 of bonds. In Latin American companies the totals were \$50,000,000 and \$125,000,000, respectively. The total of these miscellaneous holdings comprised less than 7 percent of all American direct investments.

Chapter IV.—TRENDS SINCE 1929

A comparison of the 1929 and 1936 valuations of identical foreign investments, item for item, would be desirable. Unfortunately that could not be done for several reasons: First, because the 1929 returns were destroyed; second, because the available by-country and by-industry data for the 2 years included different sets of companies, some of the old ones having been sold or liquidated and some new ones having been formed; and third, because the methods of valuation were not comparable in many cases.²²

GENERAL STATEMENT OF INVESTMENT TRENDS

Available data indicated that foreign manufacturing investments which were in existence in both 1929 and 1936 were only slightly lower in value at the later date. Apparently operating losses were approximately balanced by undistributed operating profits and by new capital supplied by the parent companies. Quite general declines in the estimated totals were due to the failure of new investments to offset the sales of several large, and the liquidation of many small and medium-sized, investments. In the manufacturing group the inclusion of old investments concerning which there had been little or no information previously available tended to keep the 1936 total fairly close to that recorded in the earlier bulletin.

Wholesale distribution, on the other hand, declined considerably in value in most countries. This decline represented the reduction in the value of such enterprises as were in actual operation on both dates, plus the value of the large number that were entirely liquidated, less, of course, the value of new enterprises. In addition it was noted that several subsidiaries originally formed for distribution purposes had become manufacturing units, or vice versa, during the period. Retail merchandising companies, which in 1929 were included in the miscellaneous group, had increased slightly in value.

Probably the most severe of all declines from the 1929 values was that experienced by the agricultural investments. Cuban sugar plantations were particularly affected. Equity interests existing in 1929 were in numerous instances wiped out entirely, and, in addition, the nominal value of the senior securities was greatly reduced. Some other agricultural enterprises, which did not have heavy fixed charges to meet and were not forced into receivership, readjusted their capital structure downward to conform to the new conditions. Many of the Mexican cattle ranches and other agricultural properties owned by individuals or small companies in the United States were either seized by the Mexican Government in connection with the agrarian program of breaking up large estates into small farms, or were abandoned by the owners.

Petroleum investments were subject to many cross-currents. In Mexico the reported investment was less than half that reported in

²² A comparison of the methods of valuation used in the two studies is given in appendix A

1929. This reduction may have been due to the depletion of some of the fields as well as to the effect of Government policies. Or, it may have been due in part to writing down the asset values in accordance with conservative business policies. There was a decline in the reported value of petroleum investments in Venezuela, also. This decline may be accounted for by the failure or disappearance of several companies with unproven but highly capitalized concessions. On the other hand, the presence of new sources of supply was discovered, or the development of already proven fields was extended, in the Near East, Canada, Colombia, and the Netherlands Indies. It was not alone in the production phase of the industry that expansion occurred. Investments in Europe, which, with one notable exception, were confined to refining and distribution, increased by about 20 percent.

Some of the decline in mining and smelting investments, especially in Canada and South Africa, resulted from differences in methods of valuation—for instance, from the use of market values in 1929 and equity values in 1936, particularly with reference to a few cases of partial ownership. There was a considerable revival of interest in Canadian gold-mining enterprises after 1932, but most of the resultant increase was in the "portfolio" rather than "direct" investment category. In South Africa there was a consolidation of the American interest, in some cases resulting in American-controlled companies, whereas previously the investments were primarily minority interests in British concerns. Several South American companies paid dividends during the depression out of previously earned surpluses, or made capital distributions. Substantial reductions in book value resulted from these practices. In Mexico the depression, combined with Government labor and tax policies, caused many of the smaller mining companies to abandon their properties entirely.

The year 1929 was about the peak of a remarkable expansion of American public-utility investments in South America. The amounts involved in the acquisition of properties since 1929 were not large in comparison with the amounts involved in previous years, but they were sufficient, along with the necessary modernization and improvement expenditures since acquisition, to bring about an increase in total investments in electrical and telephone utilities. The same trend did not exist with regard to railway investments, which were lowered by a succession of operating deficits after 1929, by the abandonment of some properties, and by a change in the classification of one foreign company from the direct to the portfolio category.

TRENDS AS SHOWN BY INCOME DATA

The rate of income²³ from American direct investments in foreign countries should in general follow the course of business activity. However, geographic and industrial variations from the general trend, which are more pronounced among foreign than among domestic investments, indicated the need for exhaustive research in this field. Such research is important not only because it provides balance-of-payments data and indexes of the profitability of foreign investments,

²³ A description of the sources and methods used, as well as the problems involved, in estimating the income from direct investments will be found in the Balance of International Payments of the United States in 1936, pp. 35-37.

but, also, because the reinvestment of earnings has a significant effect on the investment totals.

Beginning with 1934 sufficient data became available to estimate the total income, for balance-of-payments purposes, on the basis of actual earnings and dividends,²⁴ although the 37 percent sampling for that year was not sufficient to allow a comparison with 1935 and 1936 in the same detail that is furnished in table 8 for the more recent years. Even in 1935 and 1936, the sample varied from 10 percent for Oceania to 63 percent for Asia, and for one area, Central America and Mexico, it rose from 36 percent in 1935 to 57 percent in 1936. Notwithstanding the lack of comparability of parts of the sample, a brief analysis of the available data is presented in this section. As additional data are accumulated over a period of years, more detailed analysis will be possible.

Table 8.—Income From American Direct Investments in Foreign Countries, 1935 and 1936

Items	1935	1936
Common dividends.....	\$163,250,000	\$178,392,000
Preferred dividends.....	3,768,000	3,536,000
Interest.....	26,726,000	27,750,000
Other cash income.....	8,931,000	6,600,000
Total cash receipts.....	202,675,000	216,278,000
Percent of total direct investments to which the above data applied.....	Percent 56	Percent 63
Average rate of return.....	5.4	5.2

The average rates of return, given in table 8, as well as those mentioned in the text, are based on cash receipts and 1936 investment values. The indicated rates of 5.4 percent for 1935 and 5.2 percent for 1936 are evidence of profitable operations on the basis of the valuations reported for use in this survey.

Direct investment yields during 1935 and 1936 were highest in Asia, Canada, and Europe, in the order named. An industrial analysis for the same 2 years indicated that the petroleum enterprises produced the highest returns, manufacturing and distribution being second, and mining third. Each of these leading geographical and industrial groups, except mining, reflected the small decline shown in the average rates of return in the preceding table. The income from mining enterprises rose slightly on the whole but varied greatly as between countries. Investments in the West Indies continued to reveal the low earning power of the sugar companies. Agricultural enterprises as a whole, together with public utilities, yielded the smallest return. Data for other areas and industries were too limited or fluctuated too widely from 1935 to 1936 for one to identify trends with accuracy.

The income trend when measured only by dividends on common stock (that is, after eliminating preferred dividends, liquidating dividends, capital distributions, interest, and special receipts of various kinds) revealed an upward course from 1934 through 1936. For the 3 years, the estimated rates of return were 3.9 percent, 5 percent, and 5.3 percent. Other receipts, particularly interest and preferred divi-

²⁴ The principal source of the additional data was the registration statements filed with the Securities and Exchange Commission, especially under the Securities Exchange Act of 1934.

dends, together with the investment they represented, were a minor factor in the returns from direct investments.²⁵

The trend of earnings applicable to common stock was also a rising one during this period, but the rate of increase from 1935 to 1936 was much greater than it was for dividends. Computed on the same basis as the dividends discussed in the preceding paragraph, earnings were at the rate of 4.9 percent for 1934, 6.1 percent for 1935, and 7.4 percent for 1936. It was apparent, therefore, that the amount and percentage of earnings reinvested was about the same for 1934 and 1935 when both earnings and dividends increased in about the same proportion. However, in 1936 dividends remained almost stationary while earnings showed a rapid advance. In other words, more than 80 percent of the earnings were paid out in common-stock dividends during the first 2 years and 70 percent during the last one. The indicated reinvestment of earnings was approximately \$50,000,000 in 1934, \$50,000,000 in 1935, and \$100,000,000 in 1936.

TRENDS IN NEW FOREIGN INVESTMENTS²⁶

Chronological data regarding the establishment of American direct investments in foreign manufacturing enterprises, through 1929, were published in 1930.²⁷ At that time the number of new American enterprises in foreign countries established each year had reached a high point, particularly in Europe. Data collected in connection with the present study showed that the movement reached its peak in 1928-29. Those data also showed that, from 1930 to 1936 inclusive, manufacturing enterprises comprised a large part of the total new direct investments in Canada and to a smaller extent in Europe. Trading, while not equaling manufacturing, was more important in Europe than in any other area. As is shown in table 10, mining, petroleum, public-utility, and miscellaneous enterprises included a greater part of the total in Latin America, Africa, Asia, and Oceania than elsewhere.

²⁵ See ch. III, fig. 3, for the relative importance of the investments in common stock, bonds, and preferred stock.

²⁶ The data in this section relate to the number of investments or units, not to the amount of capital involved.

²⁷ Trade Information Bulletin No. 731, pp. 36-50. Regarding other industrial groups, some of the unpublished data collected in connection with that study are given in tabular form in appendix F.

Table 9.—American Foreign Subsidiaries, Branches, and Other Investments Established During the Period 1930 to 1936, Inclusive¹

Regions and years	Manu- facturing	Distrib- ution	Agricul- ture	Mining and smelting	Petro- leum	Public utility and trans- portation	Miscel- laneous	Total
Canada:								
1930.....	35	15	—	5	1	1	4	61
1931.....	48	12	—	2	1	—	3	66
1932.....	48	13	—	3	3	—	1	68
1933.....	28	12	—	9	—	—	1	50
1934.....	15	8	—	2	—	—	3	28
1935.....	24	9	—	5	3	—	1	42
1936.....	11	7	1	5	2	—	1	27
Total.....	209	76	1	31	10	1	14	342
Europe:								
1930.....	24	14	—	1	—	2	4	45
1931.....	13	13	—	—	3	1	1	31
1932.....	17	13	—	—	—	—	2	32
1933.....	5	4	—	—	—	—	9	18
1934.....	5	11	—	—	1	—	2	19
1935.....	16	8	—	—	—	—	4	28
1936.....	16	7	—	—	1	—	1	25
Total.....	96	70	—	1	5	3	23	198
Latin America:								
1930.....	7	3	1	2	1	2	3	19
1931.....	7	7	—	2	—	4	6	26
1932.....	3	4	1	—	—	1	2	11
1933.....	8	3	1	1	—	—	2	15
1934.....	5	6	—	2	2	—	1	16
1935.....	7	1	2	3	3	—	—	16
1936.....	6	7	1	1	2	—	4	21
Total.....	43	31	6	11	8	7	18	124
Africa, Asia, Oceania:								
1930.....	8	4	1	4	1	1	1	20
1931.....	7	2	—	—	1	1	2	13
1932.....	4	3	—	1	—	1	6	15
1933.....	5	4	1	—	1	—	2	13
1934.....	6	4	—	—	—	—	3	13
1935.....	4	4	—	1	—	—	1	10
1936.....	8	5	—	—	—	—	—	13
Total.....	42	26	2	6	3	3	15	97

¹ These data relate only to the number of investments still in existence at the end of 1936, regarding which the dates of original establishment were reported. Undated reports were numerous enough to affect any conclusions which might be drawn from this table if their chronological or industrial distribution were to prove greatly at variance with the above results.

CANADA

Contrary to what is expected in periods of declining business, new American investments in Canada continued at a very high level through 1933, especially in the manufacturing and trading groups. The growth of manufacturing investments established from 1930 to 1933, inclusive, was presumably influenced by the policies of the Dominion Government and by the Ottawa Conference of 1932.

Of the new Canadian manufacturing branches or subsidiaries, 24 percent were engaged primarily in the production of chemicals, 14 percent in the production of electrical and telephone equipment and supplies, and 12 percent in the production of machinery and other metal products. Foodstuffs, automobile accessories, lumber and wood products, and textiles were also well represented in the list.

The reason for the increase in the number of distribution enterprises established in Canada was not evident. In only one other industry, mining and smelting, was there a large number of new investments.

The expansion in this group was encouraged, of course, by the high price of gold.

Starting in 1933 and reaching a low in 1936 there was a very noticeable downward trend in the number of new investments in Canada. This trend was particularly prominent in the manufacturing, public-utility, and trading groups.

OTHER GEOGRAPHIC AREAS

The largest drop in the number of new investments occurred in Europe. The movement began in 1930 and continued through 1934, thus following quite closely the course of business activity. In 1935 and 1936 the number of new enterprises rose somewhat to about one-fifth of the number established in 1928 and 1929. (See appendix F.) The increase in 1935 and 1936 was in the manufacturing group and applied especially to England.

Throughout the 7 years about one-third of the new investments in manufacturing enterprises were in the chemical field, principally pharmaceutical and medicinal specialties. The other important commodity groups were electrical and telephone equipment and supplies, foodstuffs, and textile products, each of which accounted for about 10 percent.

The number of new sales units did not decline to the same degree as the manufacturing units, nor show a comparable recovery in 1935 and 1936.

Extensions of American manufacturing and trading enterprises into Latin America declined sharply in 1930 and continued at a low level throughout the next 6 years. Such new investments as occurred in the petroleum industry were concentrated during the years 1934-36, while those in the public-utilities field occurred from 1930 to 1932, inclusive.

In Africa, Asia, and Oceania, new American investments followed about the same course as in Latin America, except that the decline in 1930 was not as abrupt. The interest displayed by American concerns in South African copper mines had, by 1931, reached the stage of consolidations, mergers, and additions to the properties of existing concerns. The period of rapid expansion in that field occurred from 1927 to 1930, inclusive.

TRENDS IN THE DISPOSITION OF OLD FOREIGN INVESTMENTS²⁸

Foreign industrial enterprises are subject to all of the risks affecting domestic industry, plus a few more. It was not surprising, therefore, that the number of establishments that were liquidated, sold, or otherwise disposed of during the years 1930-36 was rather large.

Some of the data in table 10 were reported by the corporations in their replies to the questionnaire, while other data were obtained after special letters had been sent asking why certain previously held subsidiaries had not been included in the report received. Still other data were obtained as a result of the research which has been carried on continuously by the Finance Division in this general field.

A large proportion of the data received did not supply either the date or the method of disposal. This record cannot be considered as

²⁸ The data in this section relate to the number of investments, not to the amount of capital involved.

complete or as anything more, therefore, than an indication of the methods used to dispose of foreign investments.

In this discussion, "liquidated or out of business" included all units reported as abandoned, bankrupt, dissolved, or discontinued. Some of the dates probably related to the time of legal dissolution. Sales to foreigners related to the transfer of title to a going business. Where the American company reported "no foreign investments," nothing is known as to the manner in which the disposal of previous investments was effected.

Table 10.—American Foreign Subsidiaries, Branches, and Other Investments Disposed of During the Period 1930 to 1936, Inclusive¹

Regions and years	Liquidated or out of business	Sold to foreigners	American company reported "No foreign investments"	Withdrawn for miscellaneous reasons	Total
Canada:					
Undated.....	49	22	124	67	262
1930.....	3				3
1931.....	7	5			12
1932.....	9	8			17
1933.....	11	8			19
1934.....	14	9		4	27
1935.....	10	9		4	23
1936.....	18	15		3	36
Total.....	121	76	124	78	399
Europe:					
Undated.....	8	2	21	5	36
1930.....	2	4			6
1931.....	1	2			3
1932.....	2	2			4
1933.....	5	13		2	20
1934.....	10	7			17
1935.....	6	10			16
1936.....	8	9			17
Total.....	42	49	21	7	119
Latin America:					
Undated.....	30	2	23	40	95
1930.....	3			1	4
1931.....	3				3
1932.....	3	1			4
1933.....	4	4			8
1934.....	4	2			6
1935.....	8	4			12
1936.....	8	2			10
Total.....	63	15	23	41	142
Africa, Asia, Oceania:					
Undated.....	6		8	5	19
1930.....	1				1
1931.....	1	1			2
1932.....	2	2			4
1933.....	1				1
1934.....	1	6			7
1935.....	2				2
Total.....	14	9	8	5	36

¹ Only data regarding companies in existence in 1929, or known to have been established since that date, were included in this table.

TIME TRENDS

Time trends were rather unsatisfactory because so large a proportion of the Canadian and Latin American data was undated. Table 10 showed a considerable increase in liquidations as the depression period continued. It was difficult to account for the number liquidated in 1935 and 1936, however, unless they represented the rather belated recognition of a condition of insolvency which the revival of business had not been able to correct. There may have been a tendency on the part of corporations not to report the exact year of dissolution except in the case of recently discontinued enterprises.

It has not been possible, from the available data, to construct a mortality table for direct investments. However, 16 of the 121 Canadian investments that were liquidated between 1930 and 1936, and 7 of the 77 that were sold to foreigners, were originally established before 1915. Also, 26 of the investments liquidated and 16 of those sold were originally established between 1930 and 1936. Of the European investments 5 of 52 liquidated and 7 of 50 sold during the 7 years under review were established before the World War. Very few of those established from 1930 to 1936 were disposed of during those years. Of the 63 Latin American investments liquidated, 13 originated before 1915. This large proportion was dominated by the abandonment of Mexican mining properties, several of which might actually have ceased operations before 1929.

METHODS OF DISPOSITION

It is apparent that liquidation of foreign investments was the most important method of disposal, measured in terms of numbers of units. In terms of value, sales were undoubtedly first in rank. The enterprises liquidated were in general quite small, whereas several of those that were sold were valued at a million dollars or more. Only in Europe did the number of sales exceed the number of liquidations. Nationalism was a factor in the disposal of American direct investments in several countries; for instance in Spain, where the petroleum industry was nationalized, and in Mexico, where large estates were seized by the Government in connection with its agrarian program. Many small mining companies in Mexico reported that the labor and tax policies of the Government were such that they could not continue in operation, and that their properties were reverting to the Government.

Sales to foreigners were more numerous after 1932. The peak in Europe, dominated by England, was reached in 1933. By that year England had built up a supply of capital available for investment, while at the same time the restriction of foreign lending and the dearth of acceptable borrowers limited the demands for capital. Under such circumstances English investors turned to the repurchase of part or all of the foreign interest in their own enterprises. Such transactions continued in important volume, with the approval of the authorities, through 1936.

In Canada the repurchases of American direct investments appeared more as a natural trend. For years there had been a gradual repatriation to Canada of the title to its industry. In the opinion of some of its closest observers, Canada is no longer dependent upon foreign countries for the capital to develop its resources and to finance its government projects, only a certain amount of refunding capital being required. In fact, the Canadian balance of payments for several years has shown a net export of capital.

APPENDIXES

A. METHODS EMPLOYED IN COLLECTING AND COMPILING DATA

PREPARATION OF THE MAILING LIST

The first important step in the conduct of this investigation was the preparation of a mailing list. It was thought to be neither necessary nor desirable to send questionnaires to all corporations in the United States, because only a small proportion have business dealings outside of this country and a still smaller proportion have investments in foreign countries. However, in the preparation of the mailing list care was exercised to include all companies that were thought to have such investments.

The task of preparing the mailing list was simplified by reason of the accumulation of data resulting from years of study of the subject by the Finance Division. A questionnaire study of American direct investments abroad was made in 1929-30. The list of companies circularized at that time was based primarily on the detailed inquiries of the foreign officers of the Departments of Commerce and State. This list was corrected to a considerable extent by means of data obtained currently during the intervening years from newspapers, financial journals, corporation manuals, and reports from foreign offices.

Registration statements filed with the Securities and Exchange Commission under the 1933 and 1934 acts were very useful. Those reports were examined in detail for any data relating to foreign investments. The information obtained thereby relating to new investments, old investments not previously uncovered, and old investments sold, liquidated, or otherwise disposed of, was invaluable for the purposes of the present survey. It not only facilitated the work of correcting the mailing list, but also the equally important task of checking the replies received from the corporations. This check concerned itself with omissions from the replies arising out of the misunderstanding or misinterpretation of the questionnaire. For example, corporations frequently omitted Canadian subsidiaries and foreign subsidiaries that were held through domestic subsidiaries. Supplementary inquiries were made in such cases. Investment values were available at the Securities and Exchange Commission for about 50 percent of the total. However, those value data, for the purposes of this study, were subject to serious limitations. (See pp. 36-38.)

Questionnaires¹ were mailed to about 3,000 American companies. In addition, special letters were sent to about 500 Canadian, Cuban, and Mexican companies which were reported as owned or controlled in the United States but not connected with any American company. Replies were received from about 2,500 of the American companies and 200 of the foreign companies. More than half of those replying reported investments in foreign countries. Practically all of the corporations with large foreign investments cooperated in the survey by sending in detailed replies to the questionnaire.

Data regarding the foreign investments of the relatively few corporations that did not send in replies were obtained from various sources such as corporation manuals, registration statements filed with the Securities and Exchange Commission, and reports from the foreign offices of this Department. The information obtained from corporation manuals was confined to those cases where balance sheets were given; investments in some of the Cuban sugar companies were obtained in this manner. An analysis of the data gathered from the records of the Securities and Exchange Commission is given later in this appendix.

The returns from the corporations and the data obtained as stated above were then tabulated in such form as to make identification of individual investments impossible, and yet permit the data to be compiled by countries and industries. The returns themselves were then destroyed.

¹ See appendix B for copy of the questionnaire and the covering letter.

The extent to which the various sources of value data were used in this study was: (1) Questionnaire returns, 73 percent; (2) registration statements filed with the Securities and Exchange Commission, 5 percent; (3) corporation manuals, 15 percent; (4) foreign offices, 5 percent; and (5) estimates by the compilers, 2 percent. The estimates were based on data collected from many sources during the last 7 years of study. It is believed that more complete data would prove the estimates low rather than high.

METHOD OF VALUATION

The problem of valuation required very careful attention. Inasmuch as there were several possibilities, the questionnaire had to be definite as to the approach that should be used. The valuation requested had to be one that could be obtained readily and, at the same time, furnish the most significant data.²

The valuation adopted was based on the books of the foreign company. The aim was to arrive at the *net investment of Americans in the foreign company as shown on the books of that foreign company*.³ To that end the American companies were requested to supply data regarding the value of their interest in the common stock, surplus or deficit, preferred stock, bonds, notes, and mortgages, and advances and intercompany accounts (net). Companies having unincorporated foreign properties or businesses were asked to state the net value of such properties or businesses, as carried on their books.

The questionnaire asked that the rate of exchange be stated when conversions were made from foreign currencies. Some of the returns were in dollars, and many of them indicated the rate of exchange used in conversions. Care was taken, in all cases where it was possible, to convert the values into dollars at the average rate of exchange for the month of December 1936. The rates used are given in appendix D.

In order to arrive at the total direct investments, it was necessary to obtain data under three classifications: First, the holdings of American corporations; second, the investments of individuals in the securities of the foreign enterprises included in the first classification; and third, such holdings of individuals as involve direct control of foreign companies.

It was not possible in all cases to obtain the values which the questionnaire was designed to produce, since the corporations reacted differently to the respective questions. It was occasionally noted in the returns that joint owners of a foreign subsidiary reported their interest in the subsidiary in amounts which did not conform to their respective interests. Apparently there was a tendency, regardless of the specific request of the questionnaire, to think of the investments in terms of cost, or in terms of the value shown on the American company's books.

In those cases where data were taken from corporation manuals, the results usually conformed quite closely to the questionnaire standard of valuation.

Value data obtained from registration statements on file with, and available for public use at, the Securities and Exchange Commission, were used to the extent of \$323,000,000, thereby constituting about 5 percent of total foreign direct investments. In order to determine the extent to which this figure was comparable with the results obtained from the questionnaire, and in order to throw additional light on the questionnaire values, a detailed study was made of all foreign investments concerning which information was available both from the questionnaire returns and from the registration statements. The resulting analysis, embracing 37 percent of the total foreign direct investments, is presented in table I.

It was immediately evident that the questionnaire figures were, in total, substantially in excess of those obtained at the Securities and Exchange Commission, the former being about 25 percent higher than the latter. There were two reasons for this difference: First, the questionnaire data were more complete; and second, the Securities and Exchange Commission data which were available represented preponderantly the book value of investments as carried in the accounts of the parent corporation rather than the equity in such investments as required by the questionnaire. The Securities and Exchange Commission schedules were not designed to reveal the foreign investments of the corporate registrants. Undoubtedly, in the great majority of cases, the value of foreign investments as carried in the consolidated financial statements submitted by the registrants was approximately the same as the value reported on the questionnaires, but unfortunately the unconsolidated financial statements, and the schedules pertaining thereto, were those in which the foreign investments could most often be successfully segregated from domestic assets.

¹ For a discussion of the various types of valuation that were considered, see appendix E, Technical Problems Involved in Studies of Foreign Direct Investments.

² See copy of questionnaire in appendix B.

The preceding paragraph will be better understood by a closer examination of table I. The groupings therein were made on the basis of the type and extent of the data which were available in the registration statements; in those cases where a particular item could have been classed in any one of two or more groups it was included in the group which most closely conformed to the requirements of the questionnaire.

Table I.—Comparison of Questionnaire Data with Data Obtained From Securities and Exchange Commission Registration Statements

[In thousands of dollars]

Comparative groups, based on available Securities and Exchange Commission data	Number of foreign enterprises	Securities and Exchange data, total	Questionnaire data					Total
			Common stock	Surplus or deficit	Preferred stock	Bonds, notes, and mortgages	Advances and intercompany accounts	
I. Companies reporting their total investment in foreign enterprises.....	462	975,974	519,827	118,876	109,139	191,799	203,363	1,143,004
II. Companies reporting their investment in the securities of individual foreign affiliates.....	356	548,703	506,258	115,187	13,827	7,620	147,672	790,564
III. Companies reporting their advances and/or intercompany accounts in addition to their investment in the securities of individual foreign affiliates.....	69	111,942	40,173	12,065	114	179	69,506	97,907
IV. Companies reporting their equity in their foreign affiliates.....	105	142,193	75,472	56,047	17,868	2,013	18,560	169,960
V. Other companies reporting to the Securities and Exchange Commission on a basis making possible a comparison with questionnaire returns.....	65	191,285	169,130	7,366	8,838	50,582	21,300	257,216
Total.....	1,048	1,970,097	1,310,863	285,411	149,786	252,193	460,401	2,458,651

¹ Of which \$60,578,000 represents advances and/or intercompany accounts.

² Deficit.

Group I was composed of 29 relatively large American companies which reported in their registration statements a total value for all their foreign investments. Indicating the type of company here included, group I accounted for 462 foreign subsidiaries, affiliates, and branches, an average of 15.9 for each company, whereas the 278 companies comprising all other groups represented investments in 586 foreign enterprises, an average of only 2.1 units. The total foreign investments of the 29 companies, as obtainable from the Securities and Exchange Commission registration statements, was \$975,994,000, or 85 percent of the comparable figure of \$1,143,004,000 computed from questionnaire returns. The principal reason for the discrepancy was that the foreign investments, as they could be segregated in the Securities and Exchange Commission records, referred in many instances only to the investments in the securities of foreign enterprises, and therefore the exact amount of advances, intercompany accounts, and surpluses or deficits which were applicable could not be determined.

In group II were summarized the foreign investments of those companies which reported to the Securities and Exchange Commission in such form as to make available only their investments in the securities of their foreign enterprises. In other words the limitations of group I were here more pronounced, since it was definitely known that for all of group II advances and intercompany accounts could not be segregated for use. The results confirmed this conclusion, as the total of Securities and Exchange Commission data was \$548,703,000, or only 69 percent of the sum of \$790,564,000 compiled from questionnaires.

Those companies brought together as group III reported their advances and/or intercompany accounts in addition to their investments in the securities of their subsidiaries and affiliates, and it was noteworthy that only in this group did the total obtained from registration statements exceed that computed from questionnaire returns. It was found that the foreign enterprises of this group showed

large net deficits which were not capable of segregation in the Securities and Exchange Commission records. Evidently the deficits created the necessity for large advances, and the advances, being large, were more apt to be shown separately in the registration statements. The total obtained for this group from Securities and Exchange Commission records was \$111,942,000 as against \$97,907,000 computed on the basis of questionnaire replies.

The corporations in group IV reported their equity in the securities of their foreign affiliates and subsidiaries, thereby giving effect to the surpluses or deficits of their foreign enterprises. However, they did not for the most part detail their advances and intercompany accounts. The total from Securities and Exchange Commission records for this group was 84 percent of the questionnaire data, the amounts being \$142,193,000 and \$169,960,000, respectively.

Group V comprised all other companies reporting to the Securities and Exchange Commission on a basis which made a comparison with questionnaire data of value. Securities and Exchange Commission figures for this group were 74 percent of the questionnaire total, and thus most closely approximated the results for group II. The exact figure was \$191,285,000 as against \$257,216,000 compiled from questionnaire returns.

On the basis of the above analysis the items which cannot be segregated in the Securities and Exchange Commission records were, in the order of their importance, first, the advances and intercompany accounts, and, second, the surpluses or deficits. These were not, however, the only differences making a comparison with the questionnaire returns difficult. The nonequity securities of foreign subsidiaries and affiliates were often grouped with other investments, appreciation surpluses due to revaluation of foreign assets could not always be accurately identified, and the exchange rates used in the conversion of foreign assets were often not sufficiently detailed. Furthermore, the figures given for "investments in securities of affiliates" were variously based on cost, equity, or the par value of securities given in exchange therefor. All these limitations applied to those companies whose registration statements gave some indication of the value of their foreign enterprises. Other companies having foreign investments, perhaps equally extensive, reported no details whatever which could be successfully segregated and used.

Table I indicated that the data obtained from the Securities and Exchange Commission and used in the present study could justifiably have been increased about 25 percent, or \$81,000,000. This minor adjustment was not made because of the limited extent to which it was necessary to resort to Securities and Exchange Commission data and because of the difficulties which would have attended its geographical and industrial distribution.

Although Securities and Exchange Commission data were used for only 5 percent of total direct investments, that percentage does not indicate the actual worth of the detailed examination which was made of the thousands of registration statements. The correct interpretation of questionnaire returns and a better understanding of corporate procedure were among the more important results of that analysis.

COMPARISON OF 1936 AND 1929 VALUATIONS

The method of valuation adopted in this study and described above differs in some particulars from that used in the 1929 survey. The earlier questionnaire requested the book value of wholly owned investments without specifying whether the records of the parent or of the foreign subsidiary should be used, and the market or fair value of partially owned investments. In the present survey, on the other hand, both partially and wholly owned investments were valued on one basis.

It is to be presumed that the type of value most often reported in reply to the 1929 questionnaire was book value as shown by the parent company's books. In order to be able to compare such a value with that shown by the books of the subsidiary, the 1936 questionnaire contained the request that significant differences between these two values be stated. This request was complied with by 55 parent companies with regard to 99 subsidiaries, involving about \$200,000,000 of investment. While many differences were found to exist, no definite conclusions could be drawn therefrom because of the inadequacy of the sample. Reserves and adjustments made by the parent company only, the exclusion of goodwill or other intangible assets, and the omission of the appraisal surplus of foreign subsidiaries, tended to lower the values as carried by the parent corpora-

tion. To what extent unrecorded surpluses and deficits offset these factors cannot be measured.

The use of market values for partially owned foreign companies tended to increase the estimated total of direct investments as of the end of 1929. This rule did not apply to many investments nor to any large percentage of the total value, although in a few cases it was the cause of a large percentage change in investments in certain industries and countries.

RULES OF GEOGRAPHICAL AND INDUSTRIAL DISTRIBUTION

An attempt was made to allocate the investment to the countries in which the properties were located regardless of the place of incorporation. Occasionally the data were received in such a way as to make accuracy in this procedure difficult—for instance, when the investments in subsidiaries of foreign subsidiaries were not given. Frequently subsidiaries in Argentina also operated in Uruguay and Paraguay, or Canadian companies had subsidiaries in England, or companies in England or Belgium operated directly or through subsidiaries throughout the Continent. The distribution of such investments, when not furnished by the reporting corporations, could only be estimated by the compilers. Accordingly the by-country figures contain possibilities of error not present in the totals.

The geographic break-down of the estimates is not quite complete because it was necessary at times to combine several small countries or areas in order that no individual investments could be ascertained.

Investments in shipping were allocated to the country of incorporation. No account was taken of the country of registry nor of the points to which and from which the vessels sailed.

Investments were classified into industrial groups and subdivided by commodities and services. Because of the confidential character of the information requested of the American corporations and the pledge of confidence given by the Department, the commodity and service groups were intentionally broad and inclusive.⁴

No attempt was made to differentiate between the manufacturing and wholesaling activities of foreign subsidiaries, the entire investment being classified as manufacturing. Servicing units were classified as distribution investments. Mining and smelting were considered as one group. Sugar plantations and centrals were classed as agricultural enterprises. Assembling was considered as manufacturing. Because of the nature of the data received from some of the larger oil companies, as well as because of the nature of the business, no attempt has been made to identify separately the producing, refining, and distributing activities.

B. THE QUESTIONNAIRE AND COVERING LETTER

DEPARTMENT OF COMMERCE

BUREAU OF FOREIGN AND DOMESTIC COMMERCE

WASHINGTON

In reply refer to 24

Mr. JOHN DOE, *Secretary,*

Doe Products Corporation, 100 100th Street, New York, N. Y.

MY DEAR MR. DOE: In 1929, with the splendid cooperation of American businessmen, our Finance Division completed a study of "American Direct Investments in Foreign Countries" (Department of Commerce, Trade Information Bulletin No. 731). This study has been widely used by businessmen and others interested in international financial developments.

Many changes affecting such investments have taken place during the years since 1929. This is particularly the case as regards the new relationships existing between the various currencies of the world. Without a thorough revision of these estimates, the determination of business and government policies relating to foreign trade and international relations will have to be based on inadequate knowledge.

To make a thorough revision, it is again necessary to have the cooperation of American businessmen. We shall therefore appreciate your supplying us with

⁴ See appendix C for the detailed industrial and commodity classification.

data regarding the foreign investments of your corporation and its subsidiaries prepared along the lines indicated by the enclosed form.

For the purposes of this study, a break-down by countries and industries is highly important. Consequently, a separate form should be filled in for each foreign subsidiary, whether directly or indirectly held, that operates in a country or in an industry different from that in which its parent company operates.

All data received from you will be considered as *strictly confidential*. The statistics submitted by individual corporations will be used solely for the preparation of aggregate data. I am sure that in view of the importance of the subject we shall receive your full cooperation.

Yours very truly,

ALEXANDER V. DYE,
Director.

SURVEY OF THE FOREIGN INVESTMENTS OF AMERICAN CORPORATIONS

Name of American parent company-----
 Address-----
 Name of foreign company or subsidiary----- (See note below)
 Location (city and country):
 Head office-----
 Properties-----
 Chief type of business engaged in-----
 (Manufacturing, assembling, trading, public utility,
 mining, agriculture, etc.)
 Principal products or type of service-----
 (Automobiles, telephone service, gold mining, etc.)
 Year operations began-----

VALUATION

It is desired to ascertain, as of the end of 1936 or the nearest balance sheet date thereto, "the net investment of the American company in the foreign company or subsidiary as shown by the books of the foreign company." Please identify and explain any substantial differences between the valuation requested herein and that shown on the books of the American company.

Valuation data may be set up in the following manner: (If conversions have been made from foreign currencies, state the rate used.)

Date of balance sheet-----

Class of security or liability	Percent owned by American company	Value of American company's interest
Common (ordinary) stock-----	-----	-----
Surplus or deficit (including appropriated surplus and undistributed earnings)-----	-----	-----
Preferred stock-----	-----	-----
Bonds, notes, mortgages-----	-----	-----
Advances (net)-----	-----	-----
Intercompany accounts (net)-----	-----	-----

In the case of unincorporated foreign properties or businesses, state their value as carried on the books of the American company, making a division between the net fixed and current assets which comprise such investment.

Fixed assets-----
 Current assets-----

NOTE.—A separate form should be filled in for each foreign subsidiary that operates in a country or in an industry different from that in which its parent company operates. *Canadian investments should be included.*

Copies of this form will be supplied upon request. Kindly address replies and inquiries to Amos E. Taylor, Assistant Chief, Finance Division, Bureau of Foreign and Domestic Commerce, Department of Commerce, Washington, D. C.

C. INDUSTRIAL CLASSIFICATION ⁵

I. Manufacturing:

A. Motor vehicles and accessories—

1. Accessories (including windshield wipers, storage and other batteries, spark plugs, etc.).
2. Passenger cars and trucks.
3. Other vehicles (including bicycles, airplanes, and airplane motors).

B. Chemical—

1. Medicinal and pharmaceutical products (including sulphur, patent medicines, etc.).
2. Dyes, paints, and varnishes (including carbon black, shoe polish and dyes).
3. Soaps and toilet preparations (including cleaning preparations, face powder, facial creams, shaving soap, etc., dental pastes and powders).
4. Other chemicals (including fire extinguishers, matches, industrial chemicals, fertilizers, explosives, and welding compounds).

C. Electrical—Electrical machinery and supplies and telephone equipment (including bulbs, fuses, insulators, connections, dry-cell batteries, radio products, etc.).

D. Foodstuffs—

1. Cereals and cereal products.
2. Confections, tobacco, and tobacco products.
3. Beverages.
4. Other foodstuffs (including oils, starches, dairy products, meat, etc.).

E. Leather and leather products (including trunks, tanning supplies, etc.).

F. Lumber and wood products, building materials, furniture, fiber furniture, etc.

G. Machinery—

1. Agricultural and industrial machinery (including, among others, incubators, cream separators, barn equipment, elevators, contractors' equipment, mining machinery, locomotives, pumps, oil-well supplies, steam boilers, spraying machinery, etc.).
2. Other machinery (including lifting jacks, scales, carpet sweepers, vacuum cleaners, washing machines, typewriters, cash registers, motion-picture and talking-picture equipment, etc.).

H. Metal products—

1. Iron and steel (including structural steel, pig iron, etc.).
2. Hardware (including firearms, plumbing supplies, radiators, small tools).
3. Gold and silver ware, etc.
4. Other metal products (including asbestos goods, aluminum products, springs, stampings, bronze plates, office equipment and supplies, steel rails, etc.).

I. Rubber products (including novelties, footwear, rainproof clothing, automobile tires, etc.).

J. Stone, clay, and glass products (including cement).

K. Textiles and other fibers and their products—

1. Clothing.
2. Other textiles and textile products (including cotton and wool piece goods, embroidery, carpets, linoleum and other floor coverings, vulcanized fiber, silk and rayon, hemp, jute, and sisal).

L. Miscellaneous manufactures, including fountain pens, athletic equipment, pencils, safety razors, watches, brushes, photographic supplies, scientific and professional instruments, and musical instruments).

II. Distribution:

- A. Sales subsidiaries.
- B. Merchandising (retail).

III. Agricultural:

- A. Cattle ranches.
- B. Fruit plantations.
- C. Rubber plantations.
- D. Sugar centrals.

⁵ Holding companies for which only consolidated figures were available were classed according to the major activity of the subsidiaries.

III. Agricultural—Continued.

- E. Timberlands.
- F. Tobacco farms.
- G. Other agriculture.

IV. Paper and wood pulp.

V. Fishing fleets and packing.

VI. Mining and smelting:

- A. Precious metals (including gold, silver, platinum).
- B. Nonmetallic minerals (including asbestos, granite, coal, asphalt, precious stones, nitrates, potash).
- C. Other metals (including copper, iron, lead, magnesite, tin, chrome ores, etc.).

VII. Petroleum:

- A. Producing.
- B. Refining.
- C. Distributing.

VIII. Public utility:

- A. Communication (including radio stations, cables, telephone, and telegraph).
- B. Electric and gas service (including light, heat, and power).
- C. Railroad (steam).
- D. Railway (street, electric).
- E. Other utilities (including ferries, bridges, airways and airdromes, waterworks).

IX. Miscellaneous enterprises:

- A. Advertising.
- B. Amusement (including distribution of films, theatres, etc.).
- C. Banking and financial facilities.
- D. Professional (including educational, engineering, etc.).
- E. Real estate (including hotels).
- F. Ocean shipping and forwarding services.
- G. Docks and terminal port facilities.
- H. Grain elevators.
- I. Printing and publishing.
- J. All others not elsewhere covered.

D. EXCHANGE RATES USED IN CONVERTING INVESTMENT DATA WHEN REPORTED IN FOREIGN CURRENCIES

The data given below are the average of noon buying rates for cable transfers in New York, for the month of December 1936, per unit of foreign currency. Except where noted, the source was the Federal Reserve Bulletin.

	Rate		Rate
Argentina.....	\$0. 327	Italy.....	\$0. 053
Australia.....	3. 909	Japan.....	. 285
Austria.....	. 187	Latvia.....	1. 168
Belgium.....	. 169	Luxembourg.....	1. 042
Brazil.....	. 059	Mexico.....	. 277
British India.....	. 371	Netherlands.....	. 546
Bulgaria.....	. 013	New Zealand.....	3. 939
Canada.....	1. 000	Norway.....	. 247
Chile.....	1. 040	Panama.....	1. 000
China.....	. 295	Peru.....	1. 252
Colombia.....	1. 574	Poland.....	. 189
Cuba.....	. 999	Portugal.....	. 045
Czechoslovakia.....	. 035	Rumania.....	. 007
Denmark.....	. 219	South Africa.....	4. 853
Ecuador.....	1. 096	Spain.....	. 077
Egypt.....	5. 032	Straits Settlements.....	. 575
Finland.....	. 022	Sweden.....	. 253
France.....	. 047	Switzerland.....	. 230
Germany.....	. 402	Turkey.....	. 802
Greece.....	. 009	United Kingdom.....	4. 908
Guatemala.....	1. 000	Uruguay.....	1. 544
Hong Kong.....	. 305	Venezuela.....	1. 240
Hungary.....	. 198	Yugoslavia.....	. 023

¹ Source: Finance Division.

E. TECHNICAL PROBLEMS INVOLVED IN STUDIES OF FOREIGN DIRECT INVESTMENTS, WITH SPECIAL REFERENCE TO AMERICAN DIRECT INVESTMENTS

The classifications of foreign investments as adopted by students of the subject in the various countries of the world are usually determined by the conditions under which the investments are held, by the sources from which the necessary data can be obtained, and by the desirability of certain classifications for analytical purposes. A brief discussion of the classifications adopted (1) by the Dominion Bureau of Statistics regarding foreign investments in Canada and Canadian investments abroad, (2) by Sir Robert Kindersley regarding British investments abroad, and (3) by the Department of Commerce regarding American investments abroad and foreign investments in the United States, will be illustrative of the influence of these factors.

Foreign investments in Canada⁶ fall primarily into two classes: First, foreign holdings of Government bonds, and second, foreign holdings of the securities of Canadian companies. Accordingly the published estimates of foreign investments in Canada distinguish between holdings of the various classes of Government bonds and the total investments in corporate securities, divided into several industrial groups. The data for the estimates of the latter type of investment come from two sources: (1) the census of industry which calls for data regarding the total capital employed by each company, and (2) the census of capitalization which shows the extent to which common and preferred stocks are held by foreigners. For certain analytical purposes only, the foreign holdings of corporate securities are divided into two types, direct and portfolio. The principal problem has been to ascertain the extent of foreign holdings of Canadian bonds. So far, original distribution has been the main criterion. Canadian investments abroad are divided into bank holdings, insurance company holdings, industrial investments, and miscellaneous investments. The classifications adopted by the Dominion Bureau of Statistics are determined by the sources of the data.

British investments in foreign countries are of many types. First, there are the extensive holdings of the bonds of overseas governments. Second, there are very large investments by English corporations operating in foreign countries. To a considerable extent these corporations, although they have their head offices in England and most of their securities are listed on the London Stock Exchange, have properties only in foreign countries. A third type is composed of companies which, while controlled by the British, are organized and operated exclusively in foreign countries. The securities of these companies are usually, but not always, traded in on the Stock Exchange. Fourth, and last, there are substantial holdings of foreign securities not listed on the Stock Exchange. Sir Robert Kindersley, who has made the studies of British foreign investments,⁷ obtained his data regarding holdings of government bonds from the London fiscal agents for the issues. The estimates regarding the second and third types of investments are based principally on the Stock Exchange records. The fourth is estimated on the basis of scattered data. "Nominal values" are used throughout, but it is not known definitely whether surpluses and deficits are included with the estimates regarding the so-called share capital, or equity securities.

Estimates of British long-term foreign investments are consequently given under the following heads:

1. Dominion, colonial, and foreign government loans.
2. Companies organized in Great Britain but operating wholly or partly overseas.
3. Companies organized and operating overseas but largely owned in Great Britain.
4. Other miscellaneous securities.

The Department of Commerce (Finance Division), in its studies of American long-term investments in foreign countries, uses two main classes—"direct" and "portfolio." *Direct* investments⁸ cover all American investments in those foreign companies or enterprises in which an American or a small group of Americans

⁶ Dominion Bureau of Statistics, Internal Trade Branch, *British and Foreign Capital Invested in Canada and Canadian Capital Invested Abroad*, 1926-36, Ottawa, 1937. Also, Marshall (Herbert), Southard (Frank A.), and Taylor (Kenneth W.), *Canadian-American Industry*, pp. 19-29, New Haven, 1936.

⁷ Articles by Sir Robert Kindersley on British Foreign (Overseas) Investments appeared in the *Economic Journal* as follows: March 1929, pp. 8-24; June 1930, pp. 175-183; September 1931, pp. 370-384; June 1932, pp. 177-195; June 1933, pp. 389-204; September 1934, pp. 365-379; September 1935, pp. 439-455; December 1936, pp. 645-661; and December 1937, pp. 642-662.

⁸ See definition in ch. I, p. 2.

(corporate or natural persons) possesses control, or an important voice in the management. *Portfolio* investments comprise all American investments in foreign corporate and government securities in which the element of control is unimportant or nonexistent. Practically all American portfolio investments are in foreign dollar bonds. Data regarding direct investments are obtainable, in general, only upon specific request from the American corporations, because such investments usually comprise a relatively small proportion of the total assets of individual American corporations.

PROBLEMS OF TERMINOLOGY

Direct investments may quite properly be spoken of as "extensions of American enterprise into foreign countries." It is not accurate, however, to speak of them as "migrations of capital." They usually involve the migration or export of capital in some form—machinery, goods, patent rights, or purchasing power—but not in amounts equivalent to, or in many cases even close to, the value of the investment as of particular dates. Undistributed earnings, accumulated losses, and substantial revisions of property values all tend to cause a disparity between the value of the investment and the amount of the capital movement.

These same factors make it impossible to use the difference between the estimated investments as of different dates as the measure of the net export or import of capital during the intervening period. An estimate of the annual movements of capital involved in direct investment transactions is contained in the Balance of International Payments each year. But it is likewise impossible to use the data regarding capital movements in arriving at investment estimates.

The term "foreign direct investments" is not synonymous with "migrations of industry." The latter term connotes the actual movement of production from one place to another—so it gives an inaccurate impression of this type of foreign investments. Investments in Chilean and South African copper mines, in Mexican gold and silver mines, and in Canadian nickel mines do not cause a movement of production from the United States. Certainly they have not displaced production in this country. Likewise, railroads, electric power and light companies, agricultural enterprises producing tropical products, such as bananas and rubber, do not involve any migration of industry. Such enterprises either help to supply the United States with products which would otherwise be purchased from foreign producers or perform a service within the foreign country exclusively.

In a limited sense many manufacturing investments do involve a migration of production, in that products which previously had been exported are now produced in the foreign country. On the other hand some manufacturing investments which were purchased by an American company involve only the substitution of the American products for those which were previously produced by the foreign company. Instances of the importation into the United States of the products of American-controlled foreign manufacturing enterprises are extremely rare.

Many writers, especially in popular articles, call all direct investments "branch factories." At other times that term is used in such a way as to relate only to manufacturing investments abroad. Neither use is strictly correct. Direct investments include many enterprises that are not factories; for example: Sugar plantations, railroad lines, merchandising establishments, and petroleum concessions. Nor are all direct investments branches or even subsidiaries of American companies because a large number of these foreign enterprises, particularly in Canada, are owned by individuals. Some of these individuals have very close relations with, and others are entirely unrelated to, American corporations.

The question as to whether or not the terms "direct" and "portfolio" are the best available is of secondary importance. It is of more importance to know whether or not the basis of classification as stated in the definition adopted is significant. The terms have, by years of use, become associated with investments of the general types to which they apply and have acquired a measure of acceptability.

QUESTIONS REGARDING THE DEFINITION

Three fundamental questions may be asked about the definition of a direct investment, namely: (1) When is an investment a foreign investment? (2) How is one to distinguish between a direct investment and a portfolio investment in the shares of a foreign corporation? (3) What shall be the basis of valuation of direct investments? These questions are discussed in the order named.

WHEN IS AN INVESTMENT A FOREIGN INVESTMENT?

This question divides itself into at least two sections, one relating to the owner and the other relating to the property. First, as to the owner, will nationality or residence be taken as the basis of classification? Prof. C. F. Remer in his excellent study of foreign investments in China⁹ says: "A foreigner may be defined as one who is not Chinese." He goes on to say that this definition is unusual but that it is the only one which is appropriate to the Chinese situation, especially because of the institution of extraterritoriality. The Department of Commerce has adopted the rule of the residence or domicile rather than the nationality of the owner. The residence rule is more significant and satisfactory when one is considering balance-of-payments problems; nationality is more significant when political problems arise. In a few countries there is quite a difference between the results secured by these two rules, because a large number of foreign enterprises are owned by Americans who are permanently living abroad but who retain their citizenship in the United States.¹⁰

Second, as to property, there is this question to consider: Shall the place of incorporation or the location of the property be the determining factor? American investments in Cuban sugar properties are often in the form of securities of companies organized in the United States. They are direct investments, of course, because the American company has the investment in Cuba. It was not the place of incorporation but the location of the property that determined the classification in this case. What classification is to be used, direct or portfolio, when investors in London or Paris own blocks of shares in those American companies? Also, are they foreign investments in the United States or in Cuba?

Up to the present time such questions have been of theoretical interest only. However, as a result of the study of foreign investments in the United States,¹¹ they become of practical importance. The questions in the previous paragraphs can be answered by reference to the definition, which made the domicile of the controlling owner the governing factor. Assuming for example that the British or French holdings are relatively small, the property in Cuba represents an American direct investment, and the foreign holdings may be considered as investments in the United States. The reasons for this decision are several: First, purchases and sales of the securities of these companies are made in the New York, not the Cuban, market; second, dividends are remitted to Europe through the United States, not directly from Cuba; third, the difficulties of valuation are minimized, for as investments in the United States they can be carried at market value, rather than as a very small percentage of the net equity value of the American corporation's investment in Cuba; and, fourth, the net debtor or creditor position of the United States is not greatly altered by this classification, except as between countries.

Assuming, on the other hand, that control is held by the British or French, the investments may well be considered as foreign direct investments either in Cuba or in the United States. If in Cuba, then the American investments may be treated as an investment in England. If in the United States, then the American ownership of the shares serves only to reduce the total of the foreign investment in this country. However, if treated as a foreign direct investment in the United States, the entire property must be considered as an American direct investment in Cuba in order that the net debtor or creditor position of the United States may be correct. This problem becomes extremely complicated when considering certain companies with far-flung foreign properties and world-wide distribution of their own shares.

WHEN IS A FOREIGN INVESTMENT A DIRECT INVESTMENT?

How is one to distinguish, in many cases, between a direct investment and a portfolio investment in the shares of a foreign corporation? The distinction could be put on a quantitative basis—that is, on the basis of 50 percent or more of the voting shares—but to do so would be to miss its qualitative aspect. In other words, the quantitative basis fails to measure accurately the vital ties and connections between American and foreign corporations. The qualitative measure may also lead one into some errors because it is difficult to gauge the force of character and leadership of the individuals associated with the enterprises and the contractual relationships between companies; either of these factors may be

⁹ Remer, C. F., *Foreign Investments in China*, p. 63; New York, 1933.

¹⁰ See ch. II (China, Canada, Cuba, Central America, and Mexico).

¹¹ Department of Commerce, *Foreign Investments in the United States*, Government Printing Office, 1937.

more important than the actual shareholdings. Nevertheless, when an American corporation owns a substantial minority interest in the shares of a foreign corporation, and the majority interest is widely distributed, the American corporation has a substantial voice in the management and the enterprise may be treated as a direct investment. On the other hand, if a score or more of Americans own only a small minority of the shares of a foreign corporation, their investment clearly constitutes a portfolio investment.

After the investment in a foreign company has been classified as direct, what will be the best way to classify other smaller holdings of the shares of that foreign company—holdings that are not a part of those of the controlling group? According to the definition, they can be included with direct investments. It is logical that they should be so included because they are additional investments in companies which are controlled by Americans and therefore classified as direct investments. Furthermore, those additional investments may have been made because of the fact of American control.

HOW SHALL DIRECT INVESTMENTS BE VALUED?

There is considerable variation in the methods of valuation used by estimators of foreign investments. Sir Robert Kindersley in his estimates of British foreign investments has used nominal value but has not fully defined that term. The Dominion Bureau of Statistics, which obtains its data through its census of industry and census of capitalization, arrived at a valuation called "capital employed." This method of valuation yields results not greatly different from those used by the Department of Commerce. (See appendix A.)

Because of their theoretical and practical advantages and disadvantages, the following methods of valuation merit consideration: Market values, capitalized earnings, and book values. Market values are rejected for the reason that such values are not available for at least 60 percent of the total direct investments. The lack of market values results from the fact that most direct investments are wholly owned and comprise only a small part of the assets of the parent corporations.

Valuations based on capitalized earnings might be suitable, provided adequate records of the earnings experience of foreign investments were available. With such records covering a period of years, it might be possible to arrive at a reasonably accurate rate of earnings to be used as the basis of capitalization. However, since slight errors in the rate cause such large errors in the capitalized totals, this type of valuation is not satisfactory.

Book values present another possible basis of valuation. This type may, in turn, be divided into two classes—values shown on the unconsolidated statements of the parent company, and values shown on the books of the foreign company. Each type has some characteristics that are undesirable. First, the American parent companies often carry their foreign investments at: (a) Original cost, unadjusted for later changes; (b) arbitrary figures which are the result of writing the investment up or down for various purposes often entirely unrelated to the value of the company as a going concern; or (c) cost plus or minus surplus or deficit. Only the last method provides a satisfactory basis for valuation, and even it is apt to exclude very large advances and intercompany accounts. These characteristics apply primarily to the unconsolidated statements of the parent company; the consolidated statements may include all desired adjustments, but the segregation of net foreign assets is extremely difficult. (See, also, appendix A, pp. 36-38.)

The book value as shown on the books of the foreign company may grossly overvalue or undervalue the assets of the concern. Overvaluation occurs most frequently in promotional ventures which may have been capitalized at a figure measuring the anticipated or hoped-for value. Later developments may show the value was either excessive or too conservative. Such ventures are a very small part of the total foreign investments existing at any particular time, a fact which becomes obvious when one considers that a majority (at least 75 percent) of the direct investments were established prior to 1930—many of them in the nineteenth century. Undervaluation may result in many cases from overly conservative depreciation and depletion practices.

Both classes of book value are subject to some identical limitations; for example, the depreciation and depletion policies of corporations differ greatly. Certain general reserves set up by the parent company only in anticipation of foreign-exchange losses, or for other reasons prompted by economic conditions or political uncertainties, would of course be eliminated by the use of foreign company data.

Inasmuch as the net amount of undistributed earnings is a very large item, and since earnings and losses are always recorded on the books of the foreign company, and may or may not be taken up by the parent, the value as shown on the books of the foreign company more accurately represents the actual worth of American direct investments in foreign countries.

F. CHRONOLOGICAL DATA REGARDING THE ESTABLISHMENT OF AMERICAN DIRECT INVESTMENTS IN FOREIGN COUNTRIES

Table II.—American Direct Investments, by Geographic Areas, by Industrial Groups, and by Dates of Establishment, up to the End of 1929¹

CANADA

Year	Manu- factur- ing	Distri- bution	Agri- culture	Paper and wood pulp	Min- ing and smelt- ing	Petro- leum	Public utility and trans- porta- tion	Miscel- lane- ous	Total
Before 1900	15	1		2	3		4	2	27
1900-1904	16	5		2	6		8		37
1905-9	38	8		3	11	1	3	11	75
1910	15	3							18
1911	16	5	2	3	3			2	31
1912	19	3				1			23
1913	12						1	1	14
1914	16	3	1	1	2				23
1915	9	3			4		2	1	19
1916	11	2		3				1	17
1917	9	1			3		1	1	15
1918	10	1	1		1		2	2	17
1919	15	6	2		3			3	29
1920	19	2	2	5	3			4	35
1921	15	3		2	3	2		2	27
1922	24	3		1	2			3	33
1923	19	3			7	1	2	1	33
1924	24	5		3	6		4	4	46
1925	16	3	1	1	6		1	2	30
1926	15	7	1	3	1	3	5	1	36
1927	14	6		5	5	1	7	4	42
1928	20	10		6	6	2	5	5	54
1929	50	6		2	7	1	12	11	89

¹ These data were collected and compiled at the time of the 1929 survey but were only partially printed in Trade Information Bulletin No. 731. They do not cover all investments, being limited to those in existence in 1929 and those for which dates of establishment were available at that time.

Table II.—American Direct Investments, by Geographic Areas, by Industrial Groups, and by Dates of Establishment, up to the End of 1929—Continued

EUROPE

Year	Manu- factur- ing	Trad- ing	Agri- culture	Paper and wood pulp	Min- ing and smelt- ing	Petro- leum	Public utility	Miscel- lane- ous	Total
Before 1900.....	21	17	—	—	—	7	—	4	49
1900-1904.....	22	31	—	—	—	10	—	2	65
1905-9.....	27	24	—	—	1	2	—	1	55
1910.....	6	2	—	—	—	—	—	1	9
1911.....	6	7	—	—	—	1	—	—	14
1912.....	8	10	—	—	—	—	—	1	19
1913.....	7	5	—	—	—	—	1	3	16
1914.....	10	11	—	—	—	—	—	—	21
1915.....	8	—	—	—	—	—	—	1	9
1916.....	5	4	—	—	—	1	—	4	14
1917.....	4	—	—	—	—	1	—	—	5
1918.....	2	—	—	—	—	2	—	—	4
1919.....	11	11	—	—	—	3	—	5	30
1920.....	21	26	—	—	—	9	—	8	64
1921.....	12	10	—	—	—	3	—	6	31
1922.....	19	22	—	—	—	6	—	8	55
1923.....	13	9	—	—	—	4	—	8	34
1924.....	14	10	—	—	—	3	1	10	38
1925.....	21	17	—	—	1	3	2	14	58
1926.....	30	24	—	—	2	2	1	14	73
1927.....	30	18	—	—	—	6	—	17	71
1928.....	54	21	—	—	1	28	21	11	136
1929.....	53	32	—	—	—	7	9	37	138

LATIN AMERICA

Year	Manu- factur- ing	Trad- ing	Agri- culture	Paper and wood pulp	Min- ing and smelt- ing	Petro- leum	Public utility	Miscel- lane- ous	Total
Before 1900.....	12	8	13	—	11	—	1	1	46
1900-1904.....	4	8	9	—	14	9	6	3	53
1905-9.....	4	8	17	—	17	3	4	1	54
1910.....	4	2	3	—	11	3	2	—	25
1911.....	1	1	9	—	2	3	—	—	15
1912.....	4	4	6	—	2	2	3	1	22
1913.....	1	2	—	—	3	1	—	1	7
1914.....	6	2	2	—	1	1	1	1	14
1915.....	6	5	5	—	3	6	—	—	25
1916.....	2	11	3	—	6	4	2	3	31
1917.....	3	3	2	—	1	8	1	1	16
1918.....	2	3	4	—	2	4	3	2	18
1919.....	7	3	3	—	6	11	3	3	37
1920.....	1	10	7	—	1	2	2	—	26
1921.....	6	1	—	—	8	9	3	5	30
1922.....	3	7	6	—	3	5	3	5	32
1923.....	3	4	7	—	12	7	5	5	43
1924.....	1	7	7	—	8	14	3	14	54
1925.....	10	8	3	—	6	10	3	8	48
1926.....	16	14	6	—	3	6	6	5	55
1927.....	9	13	6	—	1	7	11	4	52
1928.....	12	9	10	—	4	9	14	13	71
1929.....	18	12	3	—	5	4	15	12	69

Table II.—American Direct Investments, by Geographic Areas, by Industrial Groups, and by Dates of Establishment, up to the End of 1929—Continued

AFRICA, ASIA, OCEANIA

Year	Manu- factur- ing	Trad- ing	Agri- culture	Paper and wood pulp	Min- ing and smelt- ing	Petro- leum	Public utility	Miscel- laneous	Total
Before 1900	3	6						1	10
1900-1904	5	3	1			13		2	24
1905-1909	5	3			2	4	3	3	20
1910		1							1
1911	2	1							10
1912		3	2			5			5
1913		2	2			5			3
1914	1	4			1				5
1915	3	3	1						7
1916		8	1			1			10
1917	2	8	5		1			1	17
1918	2							1	3
1919	6	5						2	13
1920	4	2	1		1			8	16
1921	4	6				1		3	14
1922	3	6						4	13
1923	3	8			2	1		2	16
1924	3	8			1	2		3	16
1925	4	7	1					4	17
1926	10	9					3	4	27
1927	6	6			2	7	1	8	34
1928	10	9			5	2	1	5	28
1929	9	5			4	3	2	4	27