AMERICAN DIRECT INVESTMENTS IN FOREIGN COUNTRIES—1940

U. S. DEPARTMENT OF COMMERCE
BUREAU OF FOREIGN AND DOMESTIC COMMERCE

U. S. DEPARTMENT OF COMMERCE
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AMERICAN DIRECT INVESTMENTS IN FOREIGN COUNTRIES—1940

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The direct investments by United States business concerns in foreign properties at the end of 1940 amounted to approximately $7,000,000,000 as compared with $7,528,000,000 at the end of 1929. Despite the decline in value during the 11-year period, this class of American investments abroad represented 66 percent of total United States "long-term" investments in foreign countries, whereas at the end of 1929 they constituted only 52 percent. These changes reflect in part the steady decline—since the virtual cessation of underwriting operations in foreign dollar bonds after 1930—in outstanding foreign dollar bonds held in this country.

Owing to a sharp expansion during the 1920's in American long-term investments in foreign countries the total investment stake of this country abroad rose to $14,416,000,000 by the end of 1929, reached approximately $15,000,000,000 by the end of 1930, and then moved steadily—although somewhat irregularly—downward to $10,600,000,000 by the end of 1940. In addition to the subsequent annual decline—through sinking fund and redemption operations—in the face value of foreign dollar bonds outstanding in the United States the amount held in this country was being steadily reduced by repatriations, often at very low quotations induced by defaults and transfer restrictions. Transfer difficulties, which often accelerated the decline in quotations and encouraged repatriation, tended to reduce the aggregate face value of outstanding bonds, whereas the same factors tended to increase the nominal value of properties representing the foreign subsidiaries of American corporations. The decline in the value of foreign dollar bonds held in this country, on the one hand, and the "involuntary" increase in foreign direct investments of American corporations, on the other, have steadily tended to enhance the relative importance of the latter class of American "long-term" investments in foreign countries.

This is the third comprehensive survey of American direct investments abroad made by the Bureau of Foreign and Domestic Commerce since the initial undertaking in 1929. Throughout this period Canada has remained distinctly the most important foreign country of "direct" investments by United States business enterprise. Moreover, the value of the investments north of the border has remained virtually unchanged at approximately $2,000,000,000, whereas the corresponding holdings in Cuba declined in value from more than $900,000,000 at the end of 1929 to approximately $560,000,000 by the end of 1940. The industrial and commercial stake of United States investments in Europe during this period increased from $1,344,000,000 to $1,420,000,000. In some countries—particularly in Germany—the expansion was, however, "involuntary" and reflected largely the restriction on the transfer of earnings to the United States.

For purposes of ready reference the principal "by-country" and "by-industry" tables include comparative data for 1929 and 1936, the respective dates of the preceding studies. In view of changing economic conditions and the complicated accounting and valuation problems arising therefrom, the report, in various instances, warns against careless generalization in the use of the compiled data. The importance of this study at a time when the United States is engaged in a world-wide conflict emphasizes the need for objectivity in the utilization of its contents.

In order that the results of the survey may be presented against the background of practical business operations abroad by American commercial and industrial enterprise, the annual reports to the public of various corporations have been freely employed as sources of investment data. Except for such public sources, however, no reference is made by name to corporations whose reported data are incorporated in the compilations and text of the report.

As in the case of the earlier studies this report is based on an exhaustive questionnaire survey. In its earlier stages the study was directed by Paul D. Dickens, formerly of the International Economics Unit, who had prepared the reports of 1929 and 1936. The analysis of the data and the text of the bulletin were prepared by Robert L. Sammons and Milton Abelson of the International Economics Unit (Division of International Economy), under the direction of Amos E. Taylor, Chief of the Unit.

CARROLL L. WILSON, *Director*,
Bureau of Foreign and Domestic Commerce.

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Chapter I.—INTRODUCTION

This is the third study dealing with the investments of United States business interests in foreign countries published by the Department of Commerce. The initial undertaking, completed in 1930,[1] was prompted by an apparent public interest in the expansion, throughout the first decade following World War I, of American commercial and industrial operations in all parts of the world. The effects of the world-wide depression during the early thirties upon the volume of trade throughout the world and the exchange difficulties which characterized the period suggested the need for a revision of the earlier data; consequently, a new survey pertaining to the end of 1936 was published by the Department in 1938.[2] The impact of political developments in many areas and the events culminating in a new European war, which soon threatened to become world-wide, provided forceful reasons by the end of 1940 for another comprehensive statistical study relating to the value of manufacturing, commercial, financial, and other properties held by United States residents and business firms in foreign countries.

It must not be assumed, of course, that the results of these respective studies provide an entirely accurate and sensitive measure of the changes which foreign properties of United States business interests underwent from one period to the next. Adjustments in the accountant's evaluation of plants, mines, agricultural properties, and other "fixed" assets can obviously not be determined by the convenient rules applicable to inventory and other current assets. Moreover, the conversion of values from one currency into another is fraught with endless difficulties which preclude the application of a common exchange denominator to the numerous properties involved.[3]

At the end of 1940, total United States investments abroad, represented by foreign dollar bonds and so-called direct investments, aggregated approximately $10,600,000,000. The latter, as computed in the present study, amounted to $7,000,000,000, or more than 65 percent of this general group of holdings abroad. The relatively high degree of return to the creditor corporations in this country, despite exchange and transfer difficulties, was reflected in an estimated income of $450,000,000 in 1940, or about 80 percent of the total estimated amount received in dollars from all United States long-term investments abroad.

Many of the factors which have operated during recent years to

1 Trade Information Bulletin No. 731, American Direct Investments in Foreign Countries. U. S. Department of Commerce, 1931.
2 Economic Series No. 1, American Direct Investments in Foreign Countries—1936. U. S. Department of Commerce, 1938.
3 For a more detailed discussion of exchange and valuation problems, see appendix A.

affect the dollar value of American-owned foreign properties were accentuated by the war, but in actual inception they antedate in most cases the outbreak of hostilities. Losses sustained through currency depreciation were in some cases aggravated by developments after the Munich crisis of 1938. The disruption of trade following the imposition of blockades, embargoes, and other wartime restrictions produced inevitable losses, but corresponding write-offs are not immediately reflected in the reported property valuations.[4] In some instances properties were damaged by bombing and other war operations, but losses due to these causes were still relatively small at the end of 1940 and in many instances, particularly in England, were covered by insurance.

SCOPE OF STUDY

"Direct" investments, as defined in this report, include all United States holdings in those foreign corporations or enterprises which are controlled by a person, or closely identified 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. Minority interests have been included in many cases where they represent an important element of control. The term has been interpreted rather liberally to include Canadian corporations whose stock is widely held in the United States even though not necessarily controlled by any group—small or large—of such stockholders. The decision relative to the inclusion of minority investments in other countries rested in many cases on the compiler's discretion, since these were at times identified with licensing and manufacturing arrangements which obscured the actual extent of common-stock ownership.

Investments specifically excluded from this study are the so-called "portfolio" investments which consist primarily of dollar securities of foreign public and corporate entities originally offered in the United States and still held here. Also falling outside the category of investments considered herein are loans due from abroad to the United States Government, claims of United States citizens against foreign governments, and interests of United States residents in foreign trusts and estates. Religious, educational, and charitable enterprises are excluded. Investments of United States citizens residing abroad as well as miscellaneous security holdings of foreign-controlled corporations held in this country also remain outside the scope of the study. On the other hand, securities of foreign enterprises controlled by corporations or investors in this country are considered as "direct" investments insofar as such securities are actually held in the United States, and they are incorporated accordingly in the data reported herein.

Certain foreign holdings of individuals, such as small business enterprises along the Canadian and Mexican borders and small agricultural properties in Mexico, Central America, Canada, and possibly elsewhere, may have escaped the census of the International Economics Unit (U. S. Department of Commerce). In relation to the total value of direct investments abroad, it is certain that the aggregate value represented by such possible omissions is unimportant.

[4] The balance sheets of the foreign subsidiaries, upon which the data in this report are largely based, do not adequately reflect the write-offs made on the books of the parent companies in this country.

TERMINOLOGY

Throughout the text the term "parent company" refers to the American company, person, or group of persons holding control—directly or through an intermediate company—of the foreign subsidiary, affiliated company, or property. "Subsidiary or affiliated" company applies to the foreign operating or holding concern,[5] and "branch" refers to an unincorporated property or business. The "number of investments or units" refers to the number of items of investments as reported by the United States corporations. In general, this is equivalent to the number of subsidiaries, including one or more plants, although in certain instances combined data were reported for each country regardless of the number of subsidiaries involved. In the latter cases each country total was considered as a single investment or unit. If a single subsidiary was found to operate in more than one country the properties in each country were considered as separate units.

The classification of direct investments by "industrial" and "commodity" groups is described in considerable detail in appendix C. Unless otherwise indicated the word "investment" refers to the value of the foreign companies and properties on specified dates and not to the net movement of capital involved in the transactions.

METHODS OF VALUATION

The values shown herein are, in general, the book values of the American equity as shown on the books of the foreign companies and reported by the American parent companies on questionnaires to the Department. Although the major portion of the data was reported in foreign currencies, and converted into dollars at rates set forth elsewhere,[6] a substantial part was reported in United States dollars. It is probable that the methods of conversion in the respective cases vary considerably, since it is a general accounting practice to convert fixed assets at rates of exchange applicable at the time of acquisition of such assets, and current assets at current rates. It can probably be assumed that most of the items reported by the companies in dollars were converted in this manner, whereas the total amount of items reported in foreign currencies was converted at the rates indicated in appendix D, which, in the main, are current rates as of December 1940. It is probable, therefore, that the totals reported herein would often be considerably higher or lower if it had been possible to apply either method of conversion consistently to all items.[7]

The data cannot be used as an accurate measure of the amount of American capital actually exported in connection with direct investment transactions. It might be assumed that capital stock and intercompany accounts represent a rough measure of the capital movement; but earnings have been capitalized and losses reflected in reductions of capital stock to such an extent that even this assumption is scarcely tenable.

[5] 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.

[6] See appendix D.

[7] See appendix A.

Chapter II.—GEOGRAPHIC DISTRIBUTION OF DIRECT INVESTMENTS

United States direct investments in foreign countries, as already indicated, were valued at $7,000,000,000 at the end of 1940, as compared with $6,691,000,000 in 1936 and $7,528,000,000 in 1929. (See table 1.)

Table 1.—American Direct Investments in Foreign Countries, by Geographic Areas, 1929, 1936, and 1940

Area and country	In thousands of dollars—			Percentage of grand total—		
	1929	1936	1940	1929	1936	1940
Canada	2, 010, 320	1, 936, 193	2, 098, 941	26. 70	28. 93	29. 98
Newfoundland	([1])	15, 448	3, 753	([1])	. 24	. 06
Total	2, 010, 320	1, 951, 641	2, 102, 694	26. 70	29. 17	30. 04
Europe:						
Austria	14, 337	5, 738	([2])	. 19	. 09	([2])
Belgium and Luxembourg	64, 246	34, 890	17, 004	. 85	. 52	. 24
Czechoslovakia	4, 875	4, 725	7, 730	. 07	. 07	. 11
Danzig, Estonia, Latvia, and Lithuania	10, 124	1, 701	1, 297	. 13	. 03	. 01
Denmark	15, 824	13, 778	19, 691	. 21	. 21	. 29
Finland	956	1, 643	5, 502	. 01	. 03	. 09
France	145, 009	145, 683	117, 199	1. 93	2. 17	1. 67
Germany	216, 514	227, 817	349, 399	2. 88	3. 41	[3] 4. 99
Greece	5, 136	8, 508	6, 012	. 07	. 13	. 09
Hungary	7, 870	9, 306	13, 069	. 11	. 13	. 19
Irish Free State	2, 129	315	2, 085	. 03	. 004	. 03
Italy	113, 216	70, 181	75, 493	1. 50	1. 05	1. 09
Netherlands	43, 224	18, 836	18, 167	. 57	. 28	. 26
Norway	22, 970	26, 681	30, 945	. 31	. 40	. 44
Poland	51, 193	33, 500	29, 019	. 68	. 51	. 41
Portugal, including Azores and Madeira Islands	11, 546	5, 719	7, 050	. 16	. 09	. 10
Rumania and Bulgaria	14, 648	43, 952	51, 233	. 20	. 66	. 73
Spain, including Canary Islands	72, 230	80, 532	73, 396	. 96	1. 21	1. 04
Sweden	19, 230	25, 493	26, 361	. 25	. 37	. 37
Switzerland	16, 804	8, 634	23, 852	. 21	. 13	. 34
United Kingdom [4]	485, 235	474, 130	540, 694	6. 44	7. 08	7. 73
Yugoslavia	6, 932	3, 190	5, 167	. 09	. 04	. 07
Total, Europe	1, 344, 248	1, 244, 952	1, 420, 365	17. 85	18. 61	20. 29
Latin America:						
West Indies:						
Cuba	918, 957	666, 254	559, 797	12. 21	9. 95	8. 00
Dominican Republic	69, 322	40, 705	41, 895	. 92	. 61	. 60
Haiti	14, 191	9, 671	12, 479	. 19	. 15	. 17
Other West Indies	51, 281	36, 501	59, 762	. 68	. 54	. 86
Total, West Indies	1, 053, 751	753, 131	673, 933	14. 00	11. 25	9. 63
Central America and Mexico:						
Costa Rica	22, 166	13, 286	24, 726	. 29	. 19	. 36
Guatemala	69, 979	50, 387	68, 224	. 93	. 76	. 97
Honduras and British Honduras	71, 485	36, 425	38, 267	. 95	. 55	. 54
Nicaragua	13, 002	4, 466	8, 858	. 17	. 07	. 13
Panama	28, 459	26, 688	36, 815	. 38	. 40	. 53
Salvador	29, 466	17, 164	11, 204	. 39	. 25	. 16
Mexico	682, 536	479, 465	357, 927	9. 07	7. 17	5. 11
Total, Central America and Mexico	917, 093	627, 881	546, 021	12. 18	9. 39	7. 80

See footnotes at end of table.

Table 1.—American Direct Investments in Foreign Countries, by Geographic Areas, 1929, 1936, and 1940—Continued

Area and country	In thousands of dollars—			Percentage of grand total—		
	1929	1936	1940	1929	1936	1940
South America:						
Argentina	331, 819	348, 268	387, 945	4. 41	5. 20	5. 54
Bolivia	61, 619	18, 337	26, 829	. 82	. 27	. 39
Brazil	193, 606	194, 345	240, 109	2. 56	2. 90	3. 43
Chile	422, 593	483, 736	413, 983	5. 62	7. 23	5. 91
Colombia	123, 994	107, 549	111, 616	1. 65	1. 62	1. 60
Ecuador	11, 777	4, 941	5, 107	. 16	. 07	. 07
Guianas (British, French, and Surinam)	5, 688	7, 501	5, 965	. 08	. 12	. 09
Paraguay	12, 615	5, 077	5, 037	. 17	. 07	. 07
Peru	123, 742	96, 052	81, 597	1. 65	1. 44	1. 16
Uruguay	27, 904	13, 917	10, 918	. 37	. 21	. 16
Venezuela	232, 538	186, 266	262, 376	3. 08	2. 78	3. 74
Total, South America	1, 547, 895	1, 465, 989	1, 551, 482	20. 57	21. 91	22. 16
Total, Latin America	3, 518, 739	2, 847, 001	2, 771, 436	46. 75	42. 55	39. 59
Africa, Asia, and Oceania:						
Africa:						
British Africa	76, 846			1. 02		
British South Africa		55, 127	72, 901		. 82	1. 04
Other British Africa		(5)	5, 014		(5)	. 07
Egypt	6, 534	8, 305	22, 753	. 09	. 13	. 33
Portuguese Africa	9, 000	10, 451	1, 745	. 12	. 16	. 03
Other Africa	9, 849	18, 811	28, 660	. 13	. 28	. 40
Total, Africa	102, 229	92, 694	131, 073	1. 36	1. 39	1. 87
Asia:						
Arabia, Bahrein Islands and Iran	1, 092	17, 780	57, 324	. 01	. 27	. 81
British Malaya, French Indo-china, and Thailand	27, 103	27, 026	[6] 26, 805	. 36	. 40	[6] . 39
China	113, 754	90, 593	46, 136	1. 51	1. 35	. 66
India	32, 676	29, 680	48, 775	. 44	. 45	. 70
Iraq, Palestine, Syria, and Cyprus [7]	13, 268	29, 605	31, 274	. 17	. 43	. 44
Japan	60, 700	46, 694	37, 671	. 81	. 70	. 54
Netherlands Indies	66, 012	69, 759	71, 275	. 88	1. 05	1. 02
Philippine Islands	79, 935	92, 150	90, 695	1. 06	1. 37	1. 30
Turkey	8, 505	13, 706	11, 990	. 12	. 21	. 17
Total, Asia	403, 045	416, 993	421, 945	5. 36	6. 23	6. 03
Oceania:						
Australia	149, 154	89, 028	97, 670	1. 98	1. 33	1. 40
New Zealand	(8)	21, 999	22, 562	(8)	. 33	. 31
Total, Oceania	149, 154	111, 027	120, 232	1. 98	1. 66	1. 71
International		26, 190	32, 597		0. 39	. 47
Total, Africa, Asia, Oceania, and International	654, 428	646, 904	705, 847	8. 70	9. 67	10. 08
Grand total	7, 527, 735	6, 690, 498	7, 000, 342	100. 00	100. 00	100. 00

1 Included in Canada.
2 Included in Germany.
3 Includes Austria.
4 Includes Gibraltar and Malta in 1929 and 1936; and in 1940 also Cyprus.
5 Included in Other Africa.
6 Includes New Caledonia.
7 Excludes Cyprus in 1940.
8 Included in Australia.

Although changes in the value of these investments since 1929 are of considerable interest, it is apparent that the values shown for the respective years are not quite comparable, inasmuch as their year-to-year changes reflect the effects of exchange fluctuations in addition to exchange restrictions, new investments, additional investments in existing enterprises, and sales and reductions of investments.

While the period 1936 to 1940 was in general far more profitable than the period 1929 to 1936, certain characteristic features of the years of the great depression continued to affect the value of investments in 1940. A renewal of widespread exchange depreciation, which began with the invasion of Austria in March 1938, continued throughout the occupation of other European countries, several of whose currencies were no longer quoted after the German invasion. Investment values in countries with depreciated currencies thus declined when converted into dollars. On the other hand, restrictions regulating the transfers of funds from many of these countries served to limit dividend and other payments, thus creating an "involuntary" addition to United States investments in these countries.

Apart from the immediate effects of depreciated exchanges (and exclusive of those companies for which data were available for 1940 but not for 1936), the value of American investments abroad was increased by $347,000,000 between 1936 and 1940. (See table 2.) The increase represented earnings in "blocked" as well as in "free" currency countries, although it is quite apparent that the volume of reinvested earnings in the former was considerably greater than it would have been if exchange transfers had not been restricted. While, in general, a part of the earnings was permitted to accumulate, the extension of the war over wider areas during 1940 encouraged withdrawals of funds from many continental European enterprises which operated in countries with limited or nonexistent exchange restrictions. The tendency in 1940 for enterprises in the United States that were directly controlled by foreigners to permit earnings to be credited to surplus rather than to make dividend payments abroad was no doubt stimulated by similar reasons.

Table 2.—Estimated Additions and Reductions in American Direct Investments Abroad, 1937–40

[In millions of dollars]

Year	New investments and net intercompany advances and accounts	Reinvested earnings	Sales and reductions in bonded indebtedness	Net additions
1937	17	150	52	+115
1938	32	54	18	+68
1939	10	140	17	+133
1940	5	[1] 43	17	+31
Total	64	387	104	+347

[1] Exclusive of continental Europe.

Sales and reductions in investments exceeded new investments, other than reinvested earnings, by $40,000,000 between 1936 and 1940, despite some development of new companies abroad during the 4-year period. More recently there have been a number of attempts to sell investments abroad. Early in 1941, the International Telephone and Telegraph Corp. sold to the Rumanian Government its operating subsidiary in that country, the United States Treasury Department licensing the Rumanian Government to utilize its blocked funds to make the purchase. In other cases licenses have been refused, particularly if Axis funds were involved.

Direct investments abroad were represented by approximately 5,000 units located in foreign countries, a net increase of about 600 over those reported in 1936. The increase, not fully reflected in table 2, was found primarily in investments not reported to the Department of Commerce in connection with the estimates for 1936. The effect of exchange-rate declines on the value of direct investments abroad appears in effect to have been balanced by an "increase" resulting from the fact that data for these companies, now included, were not available in 1936. This is indicated by the fact that the net additional investments abroad from the end of 1936 added to the estimate for that year yielded an investment figure equivalent to that shown for 1940.

By the close of 1940, it was still impossible to observe the full effects of the war itself on investment values, although the demand for matériel had made itself felt by increased production in the manufacturing plants in both Canada and Great Britain and in the extractive industries of Latin America and elsewhere that were controlled by American capital. The extent to which plants and equipment in foreign countries suffered physical damage is not generally known. Presumably, as in Great Britain, losses from such damage were covered by war-risk insurance. Losses of this type that were acknowledged by domestic parent companies in the form of investment write-downs or write-offs on their own books are obviously not included as part of the discussion of subsidiary company values that follows in this and in succeeding chapters.

Of the $7,000,000,000 total direct investments abroad in 1940, about 70 percent was located in the Western Hemisphere and 20 percent was in Europe. (See table 1 and figure 1.) The remainder was distributed throughout Africa, Asia, and Oceania.

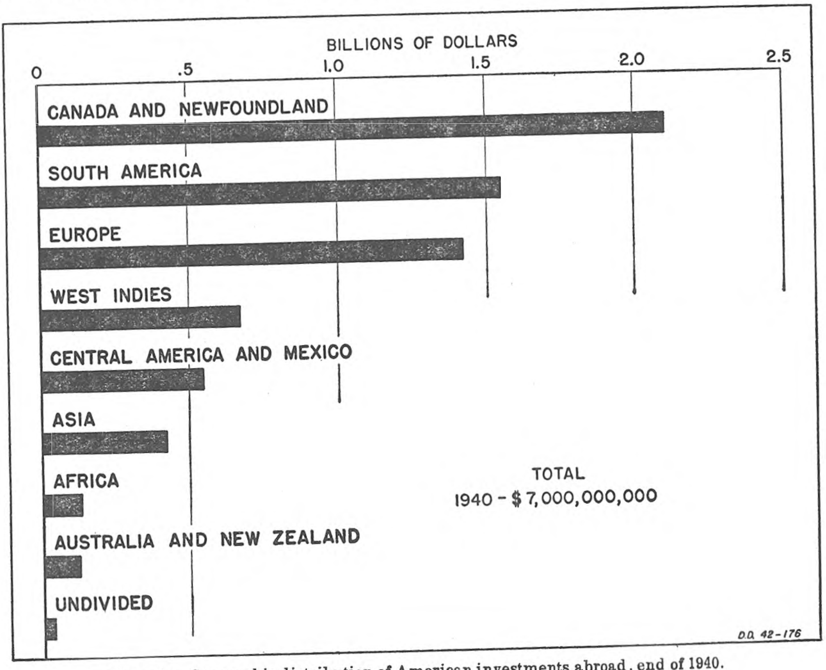

Figure 1.—Geographic distribution of American investments abroad, end of 1940.

The portion invested in the Western Hemisphere declined slightly, from 73 percent in 1929 and from 72 percent in 1936, as relative increases in investments in Canada were more than offset by declines in investments in the West Indies and Central America and Mexico. Relative increases of investments in Europe and in the rest of the world were also indicated during the 11-year period.

With approximately $2,800,000,000 invested in the 20 Latin American Republics and in foreign possessions in Latin America, the area to the south of the United States ranked first. Canada, including Newfoundland, was next in importance, followed by Europe, Asia, Africa, and Oceania.

Direct investments in seven countries comprised 67 percent of the total. Almost half of this portion was in Canada alone. Next in order of importance were Cuba, United Kingdom, Chile, Argentina, Mexico, and Germany.

CANADA AND NEWFOUNDLAND

On a country basis direct investments in Canada ranked first in importance. These investments were almost four times as large as those in any other country. Their total value, exclusive of Newfoundland, was $2,099,000,000, an increase of $163,000,000 since 1936, despite a decline of 9.1 percent in the exchange rate for the Canadian dollar during this period.[8] (See table 3.)

Table 3.—Canada and Newfoundland:[1] American Direct Investments, by Industrial Groups, End of 1940

[Values in thousands of dollars]

Industry	Number of items	Value	Industry	Number of items	Value
Manufacturing	790	635, 523	Mining and smelting	130	187, 227
Distribution:			Petroleum	24	119, 606
Wholesale	298	71, 344	Public utility and transportation	59	407, 237
Retail	17	40, 217	Insurance	218	262, 923
Total, distribution	315	111, 561	Miscellaneous	120	57, 383
Agriculture	15	10, 548			
Paper and wood pulp	34	307, 853			
Fishing fleets and packing	9	2, 833	Total	1, 714	2, 102, 694

[1] Includes the following items for Newfoundland: Manufacturing, 1; Fishing fleets and packing, 1; Mining and smelting, 2; Public utilities, 2; Miscellaneous, 4. Total investment in Newfoundland, $3,753,000.

Investments in each of the major Canadian industries, except mining and utilities, increased during this period. By number of units the net increase was only seven, indicating that the growth in total value resulted largely from expansions of existing enterprises. The additions in value to manufacturing and insurance companies totaled $105,000,000 and $143,000,000 respectively, while a decline of $114,000,000 was reported for public utility companies. This decline resulted from property sales of about $30,000,000, reorganizations, declines in the values of existing companies, and the reclassification to the paper and wood-pulp industry of a moderate-sized investment formerly included in the utility group. A techincal change was also partly responsible for the decline of $54,000,000 in the value of mining properties produc-

[8] See appendix A and table I for discussion of problems of valuation and conversion of fixed and current assets from foreign currencies to United States dollars.

ing precious and nonprecious metals and nonmetallic minerals. Petroleum and paper and wood-pulp investments were higher by $12,000,000 and $39,000,000, respectively, than at the end of 1936.

Investments in manufacturing enterprises, excluding paper and wood pulp, totaled 30 percent of direct investments in Canada and constituted the largest American industrial interest in that area. The metal products industry was the most important of the manufacturing industries, having replaced the chemical group since 1936. Investments in foodstuffs, chemicals, and machinery were next in order of importance.

Of the investment of $406,000,000 in public utilities and transportation, electric generating and gas utilities accounted for $236,000,000. Of the remainder, about $160,000,000 was almost evenly divided between railroads and communications systems owned in the United States.

EUROPE

Up to the end of 1940 the war had produced no marked change in the value of American direct investments in Europe. Relatively few plants suffered physical damage and there was no great evidence of write-offs on foreign-company books. The increase in investments from $1,245,000,000 in 1936 to $1,420,000,000 in 1940 mainly reflected changes in investments in the United Kingdom and Germany, where considerably more than half of the investments were concentrated. (See table 4.) Investments in manufacturing establishments predominated, although they represented only 45 percent of the total as compared with 49 percent in 1936. Petroleum and distribution investments were 21 percent and 17 percent, respectively, of the total.

UNITED KINGDOM

As in previous years, investments in the United Kingdom comprised more than one-third of American direct investments in Europe, and more than one-half of them were in the manufacturing field. Investments in companies engaged in distribution totaled $100,000,000, an increase of $19,000,000 over 1936. In 1938 shares of F. W. Woolworth Co., Ltd., held privately in this country were sold to the British public. The sale of these shares reduced distribution investments by about $30,000,000. However, the change was not reflected in these figures, since the holdings had not been included in previous estimates. Holdings in the petroleum industry increased by $10,000,000 as the expansion of American interests in this field continued.

In the manufacturing group, investments in the automotive industry increased by $19,000,000 over 1936. Small increases in investments in the chemical, electric, and foodstuff industries were offset by decreases in the lumber, machinery, metal-products, and rubber-products industries.

The average size of all investments in the United Kingdom, at about $1,100,000, was virtually unchanged from 1936.

Table 4.—Europe: American Direct Investments, by Countries and Industrial Groups, End of 1940

[Values in thousands of dollars

Country	Manufacturing		Distribution		Mining and smelting		Petroleum		Public utilities and transportation		Miscellaneous		Total	
	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value
Belgium and Luxembourg	24	7, 585	29	2, 625	-----	-----	11	5, 181	3	171	18	1, 442	85	17, 004
Czechoslovakia	6	1, 407	5	1, 928	-----	-----	(1)	(1)	-----	-----	9	4, 395	20	7, 730
Denmark	8	7, 549	20	2, 236	-----	-----	7	9, 626	(1)	(1)	15	280	50	19, 691
Finland	(1)	(1)	7	1, 234	-----	-----	(1)	(1)	-----	-----	13	4, 268	20	5, 502
Other Baltic States [2]	-----	-----	(1)	(1)	-----	-----	(1)	(1)	-----	-----	11	1, 297	11	1, 297
France	78	46, 480	56	15, 430	-----	-----	7	42, 682	3	423	32	12, 184	176	117, 199
Germany and Austria	82	206, 339	32	81, 008	-----	-----	10	57, 391	(1)	(1)	20	4, 661	144	349, 399
Greece	(1)	(1)	8	3, 549	-----	-----	(1)	(1)	(1)	(1)	10	2, 463	18	6, 012
Hungary	4	5, 881	4	210	-----	-----	(1)	(1)	(1)	(1)	8	6, 978	16	13, 069
Irish Free State	(1)	(1)	-----	-----	-----	-----	(1)	(1)	(1)	(1)	7	2, 085	7	2, 085
Italy	26	13, 535	16	11, 284	(1)	(1)	4	37, 759	(1)	(1)	15	12, 915	61	75, 493
Netherlands	17	9, 536	22	4, 070	-----	-----	9	4, 124	3	177	16	260	67	18, 167
Norway	9	19, 145	10	2, 004	-----	-----	(1)	(1)	(1)	(1)	14	9, 796	33	30, 945
Poland	4	212	9	4, 497	(1)	(1)	(1)	(1)	-----	-----	7	24, 310	20	29, 019
Portugal [3]	(1)	(1)	14	1, 335	(1)	(1)	4	3, 779	(1)	(1)	8	1, 936	26	7, 050
Rumania and Bulgaria	6	1, 046	10	2, 395	-----	-----	(1)	(1)	(1)	(1)	12	47. 792	28	51, 233
Spain [4]	16	11. 023	15	3, 915	-----	-----	5	1, 890	6	52. 275	16	4, 293	58	73, 396
Sweden	9	14, 423	19	3, 581	-----	-----	10	7, 181	(1)	(1)	15	1, 176	53	26, 361
Switzerland	15	18. 313	19	1, 989	-----	-----	5	2, 546	(1)	(1)	16	1. 004	55	23, 852
United Kingdom [5]	233	275, 292	140	99, 902	4	32, 496	16	71, 257	5	3, 029	73	58, 718	471	540, 694
Yugoslavia	(1)	(1)	8	1, 554	-----	-----	(1)	(1)	(1)	(1)	7	3, 613	15	5, 167
Grand total [6]	545	639, 447	[7] 443	[7] 244, 746	7	52, 655	117	305, 521	35	73. 565	287	104, 431	1, 434	1, 420, 365

[1] Included under "Miscellaneous."
[2] Danzig, Estonia, Latvia, and Lithuania.
[3] Including Azores and Madeira Islands.
[4] Including Canary Islands.
[5] Including Cyprus, Gibraltar, and Malta.
[6] The column totals include number and value for those items covered by footnote, which items are not, of course, included in the total of "Miscellaneous." See footnote 7.
[7] Excluding other Baltic States.

GERMANY

Investments in Germany (including Austria), the second largest in the European area, increased from a little over 3 percent of the world total in 1929 to 5 percent by the end of 1940. The increase in value from $234,000,000 in 1936 to $349,000,000 in 1940, while by far the sharpest rise in the value of direct investments in any of the larger European countries, appears to have been "involuntary," at least for a large number of companies. A sizable portion of the increase was reported as additions to surplus, and a fair portion as increased investment in common stock and as amounts "due to" the parent company. In view of the known restrictions on transfers of funds from Germany, it seems reasonable to suggest that earnings were either placed in surplus or paid out as stock dividends, while for a similar reason subsidiaries were unable in many cases to remit payments to parent companies for obligations incurred in the ordinary course of business. On the other hand, the value of the investment in a number of firms did decrease after 1936, either as a result of losses in operation or because of the ability to make some remittances.

Investments of $206,000,000 in manufacturing establishments represented almost 60 percent of the direct investment stake in Germany. While this was a rise of $53,000,000 over 1936, the number of units involved had declined by 11. The figure of $81,000,000 shown as the investment in distributing companies includes large holdings not previously reported. Petroleum investments rose by $7,000,000 during the 4 years. Automotive products, electrical and telephone equipment and supplies, machinery, metal products, and foodstuffs were the principal commodities manufactured by the American-owned companies in Germany.

OTHER EUROPEAN COUNTRIES

The decline in direct investments in France from $146,000,000 in 1936 to $117,000,000 in 1940 is readily explained by a drop of 57 percent in the value of the franc in this period. The effect of the fall in the franc on investment values was partly offset, however, by a sharp rise in French inventory values and by investments in a dozen new foreign units. The largest decline was in the manufacturing companies. Investments in distribution and petroleum enterprises rose slightly. Fixed assets were about two-thirds of total assets in the petroleum industry and their reported value appears not to have been affected by the fluctuation in the franc. Investments in manufacturing were concentrated in the production of machinery, electrical and telephone equipment, and metal products.

Investments in Italian industry were fourth in importance in Europe. Almost half of the total of $75,000,000 was in petroleum companies. An increase of about $7,000,000 in the value of distributing properties was offset by an equivalent decline in manufacturing.

Investments in Spain decreased by $7,000,000 between 1936 and 1940, although the peseta rose about 19 percent. Increased investments in manufacturing plants accounted for almost all of the rise shown for Switzerland and Norway. In Denmark the increase was mainly in petroleum establishments. Practically no net changes were shown in total investments in Sweden and the Netherlands. The decline in Belgium resulted mainly from technical changes in valuation. Sharp increases were reported for investments in Czechoslovakia, Hungary, and Yugoslavia. The value of the investment in these countries has, however, been relatively small.

LATIN AMERICA

Direct investments in Latin America at the end of 1940 had declined both in value and in proportion of total since 1929. (See tables 1 and 5.) The decreases during this period were owing, in large measure, to declines in investment values in Central America and in the West Indies resulting from causes other than exchange depreciation.

More than half of the total investment of $2,771,000,000 was devoted to the production of such raw materials as petroleum, nitrates, copper, sugar, and fruit. More than a third was invested in public utility operations and only 10 percent was devoted to manufacturing and distribution (other than petroleum).

WEST INDIES

Direct investments in Cuba of $560,000,000 were 83 percent of the total in the West Indies and 8 percent of the world total. Among the individual countries, Cuba ranked second as an area of American direct investment despite a decline of over $100,000,000 from 1936.

The main portion of the decrease was to be found in technical adjustments in the value at which large power and railroad investments were carried, although write-downs in the value of sugar properties were primarily responsible for a drop of $24,000,000 in agricultural investments. Other changes included a decrease of $8,000,000 in mining investments and an increase of $4,000,000 in petroleum investments. Investments in the Dominican Republic and Haiti increased both in number of units and value over 1936. No attempt was made to estimate the holdings of American citizens domiciled in the West Indies inasmuch as such investments are not defined as "direct." However, the large number of small and moderate-sized enterprises in this area, especially in Cuba, probably aggregated a fairly large investment. Investments in "Other West Indies" increased sharply.

CENTRAL AMERICA AND MEXICO

Investments in Mexico bear somewhat the same importance to total investments in Central America as investments in Cuba to the total in the West Indies. The value of investments in Mexico declined by more than $120,000,000 between 1936 and 1940 and lowered the importance of Mexico as an area of direct investments from fourth to sixth place. The decrease was distributed among all the major industries except manufacturing, and was attributable to several factors, including a decline of 26 percent in the dollar value of the peso.

In the most important industry, mining and smelting, a considerable liquidation of investment took place in the form of capital distributions. The total decrease in investment from 1936 was $45,000,000. The decline in petroleum investments from $69,000,000 in 1936 to $42,000,000 in 1940 was influenced by the Expropriation Decree of March 18, 1938, which gave the Mexican Government the right to take over certain foreign-controlled properties. One large United

Table 5.—Latin America: American Direct Investments, by Countries and Industrial Groups, End of 1940

[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	38	26,845	36	11,874	49	240,871	7	6,636	7	10,195	21	233,421	50	29,955	208	559,797
Dominican Republic	4	[1] −1,459	(2)	(2)	5	37,487	------	------	3	1,038	(2)	(2)	11	4,829	23	41,895
Haiti	------	------	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	5	3,783	10	8,696	15	12,479
Other West Indies [3]	3	430	13	711	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	35	58,621	51	59,762
Total, West Indies [4]	45	26,016	53	12,694	58	286,060	9	7,960	18	64,955	42	243,312	72	32,936	297	673,933
Central America and Mexico:																
Costa Rica	------	------	(2)	(2)	(2)	(2)	------	------	(2)	(2)	5	10,998	9	13,728	14	24,726
Guatemala	------	------	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	22	68,224	22	68,224
Honduras and British Honduras	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	24	38,267	24	38,267
Nicaragua	------	------	(2)	(2)	(2)	(2)	5	2,386	(2)	(2)	(2)	(2)	15	6,472	20	8,858
Panama	(2)	(2)	6	533	(2)	(2)	------	------	(2)	(2)	(2)	(2)	36	36,282	42	36,815
Salvador	------	------	(2)	(2)	------	------	------	------	(2)	(2)	(2)	(2)	9	11,204	9	11,204
Mexico	41	10,479	39	6,993	10	10,338	36	168,312	15	41,970	25	116,406	34	3,429	200	357,927
Total, Central America and Mexico [4]	44	10,778	62	9,266	27	61,451	44	174,909	28	50,065	53	212,816	73	26,736	331	546,021
South America:																
Argentina	54	79,075	28	24,358	------	------	(2)	(2)	(2)	(2)	12	222,106	31	62,406	125	387,945
Bolivia	(2)	(2)	(2)	(2)	------	------	(2)	(2)	(2)	(2)	(2)	(2)	14	26,829	14	26,829
Brazil	43	69,536	30	17,875	(2)	(2)	(2)	(2)	6	30,717	12	112,451	21	9,530	112	240,109
Chile	12	6,544	13	4,579	------	------	8	276,777	(2)	(2)	9	121,371	14	4,712	56	413,983
Colombia	11	1,263	14	3,263	(2)	(2)	(2)	(2)	15	75,090	11	25,788	13	6,212	64	111,616
Ecuador	(2)	(2)	(2)	(2)	------	------	------	------	------	------	(2)	(2)	10	5,107	10	5,107
Guianas (British, French, and Surinam)	(2)	(2)	(2)	(2)	------	------	(2)	(2)	(2)	(2)	(2)	(2)	12	5,965	12	5,965
Paraguay	(2)	(2)	(2)	(2)	------	------	------	------	------	------	(2)	(2)	5	5,037	5	5,037
Peru	8	4,998	9	3,040	(2)	(2)	4	20,182	(2)	(2)	5	11,097	13	42,280	39	81,597
Uruguay	8	5,705	11	2,485	------	------	------	------	4	2,429	(2)	(2)	5	299	28	10,918
Venezuela	5	498	11	2,364	------	------	(2)	(2)	21	249,679	4	8,481	8	1,354	49	262,376
Total, South America [4]	149	172,754	127	59,793	3	11,605	29	329,563	58	457,064	62	505,901	86	14,802	514	1,551,482
Total, Latin America [4]	238	209,548	242	81,753	88	359,116	82	512,432	104	572,084	157	962,029	231	74,474	1,142	2,771,436

[1] Liabilities in excess of assets."
[2] Included in "Miscellaneous.
[3] British, French, and Netherlands West Indies.
[4] The column totals include number and value for those items covered by footnote 2 which items are not included in the totals for "Miscellaneous."

States company sold to the Mexican Government its subsidiaries in that country, and values of other properties were lower in 1940. The decline in public utility and railroad investments from $148,000,000 in 1936 to $116,000,000 in 1940 reflected property sales, operating losses, and the depreciation in the value of the peso.

Investments in other Central American countries were increased by $40,000,000 between 1936 and 1940. Changes in investments in Guatemala and Salvador were largely technical and represented a different method of allocating to each country a portion of the value of a large company operating in both countries.

SOUTH AMERICA

Investments in South America totaled $1,551,000,000 at the end of 1940 and compared very favorably with 1929 and 1936. More than half of the investments were concentrated in the production of raw materials, primarily petroleum, copper, and nitrates. Investments in electric light and power facilities were, however, the largest single type of investment. Communications (radio, telephone, cables, etc.) and manufacturing investments were also large. Raw-material production was concentrated in Chile, Venezuela, and Colombia, whereas manufacturing and distribution establishments were concentrated to a substantial degree in Argentina and Brazil.

American interests were largest in Chile ($414,000,000), and almost two-thirds of this sum was employed in the production of copper and nitrates. Declines in mining investments aggregated $106,000,000 and comprised a large capital distribution, decreases in holdings of long-term obligations, and an exchange depreciation of 20 percent. Investments in public utilities were increased by 50 percent between 1936 and 1940, advancing to $121,000,000.

Investments in Argentina amounted to $388,000,000 by the end of 1940. More than half of these represented public-utility holdings and most of the remainder was in manufacturing and distributing companies. The concentration of investments in these industries was indicative of both the stage of industrial development reached by Argentina and the absence of large raw-material resources available for exploitation. As in Chile, there was a sharp increase in the value of public-utility investments despite a large drop in the rate of exchange; these were increased by $67,000,000 to a total of $222,000,000. Investments in meat-packing enterprises were little changed from 1936, but they continued to represent the most important manufacturing interest. Chemicals were next in importance, followed by cement. From 1936 the number of investment units increased from 106 to 125.

In Brazil the value of American direct investments in 1940 totaled $240,000,000 and represented an increase of $46,000,000 over 1936. About $28,000,000 of the rise was in public-utility holdings and, as in Argentina, this was the most important industry. The bulk of the remainder was in manufacturing and in distributive enterprises.

A sharp decline in the value of mining investments in Peru from $47,000,000 in 1936 to $20,000,000 in 1940 was partially offset by sizable increases in other investments. As a result, the investment decline from $96,000,000 to $82,000,000 was attributable largely to the drop of 39 percent in the dollar exchange rate of the sol during the period. Petroleum, copper mining, and public utilities were the chief enterprises.

The investment interest in Colombia and Venezuela was primarily centered in the production of petroleum. In the latter, $250,000,000 of a total investment of $262,000,000 fell into this category; in Colombia $75,000,000 out of a total of $112,000,000 was invested in petroleum properties. Although total petroleum investments in Colombia were reported to have increased since 1936, an important question in valuation methods arose in connection with the Barco concession. The exploitation of this concession was undertaken jointly by the Socony-Vacuum Oil Co., Inc., and the Texas Corporation through the Colombian Petroleum Co. and the South American Gulf Oil Co. The parent companies have publicly reported that results have been disappointing, and it has been considered necessary to reduce the estimate of crude-oil reserves thus far developed. Accordingly, they had provided contingent reserves of $32,000,000 on their own books against possible additional losses by the end of 1940. The value of petroleum investments reported in this study, on the other hand, reflected the actual losses reported by the two Colombian subsidiaries.

Petroleum holdings in Venezuela increased by $75,000,000 over 1936, mainly as a result of expansions in existing companies and an increase of 31 percent in the exchange rate. Public-utility investments in Colombia were about a third as large as those in petroleum; in 1936, however, investments in petroleum and public utilities totaled $59,000,000 and $31,000,000, respectively. Investments in Venezuela in enterprises other than petroleum were comparatively small.

For each of the remaining countries, Bolivia, Ecuador, the Guianas, Paraguay, and Uruguay, the number of units reported in 1940 increased over 1936. Investments increased in the first two, were unchanged in Paraguay, and declined in the Guianas and in Uruguay.

AFRICA, ASIA, AND OCEANIA

American direct investment, in the continental areas of Africa, Asia, and Oceania increased in both absolute and proportionate values between 1929 and 1940. (See tables 1 and 6.) Almost 40 percent of the total of $706,000,000 was placed in petroleum enterprises and 19 percent was in manufacturing. Considering the size of the area, the investment was relatively small.

AFRICA

Investments in Africa totaled $131,000,000 in 1940, an increase of $38,000,000 over 1936. The increase was fairly well distributed among the major industries, and a number of new enterprises were established in the period. The major portion of the investment in this area was in the petroleum and mining industries of British South Africa. Investments in manufacturing and distribution were also large in South Africa. In Egypt the interest was centered in distribution and in petroleum. Aside from investments in Liberia and petroleum investments in French Africa, other holdings were relatively small.

Table 6.—Africa, Asia, and Oceania: American Direct Investments, by Countries and Industrial Groups, End of 1940

[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:																
Belgian Congo			(1)	(1)			(1)	(1)	(1)	(1)			3	1, 150	3	1, 150
British South Africa	24	16, 143	23	9, 569			6	21, 816	5	24 427			5	946	63	72, 901
Other British Africa			4	1, 827	(1)	(1)			(1)	(1)			5	3, 187	9	5, 014
Egypt and Anglo-Egyptian Sudan	4	1, 435	8	11, 512					4	9, 395	(1)	(1)	8	411	24	22, 753
French Africa	(1)	(1)	5	686					8	8, 937			2	166	15	9, 789
Portuguese Africa									(1)	(1)	(1)	(1)	3	1, 745	3	1, 745
Other Africa [2]			(1)	(1)	(1)	(1)			(1)	(1)			7	17, 721	7	17, 721
Total, Africa [3]	[4] 28	[4] 17, 578	42	23, 679	(1)	(1)	[5] 6	[5] 21, 816	29	49, 935	(1)	(1)	21	18, 065	126	131, 073
Asia:																
Arabia, Bahrein Islands, and Iran			(1)	(1)			(1)	(1)	5	56, 266			5	1, 058	10	57, 324
British Malaya	(1)	(1)	11	3, 690	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	19	17, 713	30	21, 403
China	27	10, 266	32	2, 444					(1)	(1)	5	9, 547	21	23, 879	85	46, 136
French Indochina and New Caledonia			(1)	(1)			(1)	(1)	(1)	(1)	(1)	(1)	7	3, 063	7	3, 063
India	5	12, 212	23	12, 281			(1)	(1)	6	19, 478	(1)	(1)	15	4, 804	49	48, 775
Iraq, Palestine, and Syria			(1)	(1)	(1)	(1)			(1)	(1)	(1)	(1)	17	31, 274	17	31, 274
Japan	18	24, 209	17	3, 475					(1)	(1)			17	9, 987	52	37, 671
Netherlands Indies	3	3, 332	8	4, 496	10	29, 338			(1)	(1)	(1)	(1)	10	34, 109	31	71, 275
Philippine Islands	15	6, 816	36	13, 203	11	22, 540	(1)	(1)	(1)	(1)	9	35, 887	19	12, 249	90	90, 695
Thailand (Siam)			(1)	(1)					(1)	(1)	(1)	(1)	5	2, 339	5	2, 339
Turkey, Asiatic and European	(1)	(1)	(1)	(1)					(1)	(1)			13	11, 990	13	11, 990
Total, Asia [3]	70	58, 082	152	49, 018	25	63, 028	7	7, 799	31	176, 882	23	49, 853	81	17, 283	389	421, 945
Oceania:																
Australia	70	46, 456	18	6, 841			(1)	(1)	(1)	(1)	(1)	(1)	24	44, 373	112	97, 670
New Zealand	19	3, 777	7	3, 392					(1)	(1)	(1)	(1)	12	15, 393	38	22, 562
Total, Oceania [3]	89	50, 233	25	10, 233			(1)	(1)	6	49, 365	(1)	(1)	30	10, 401	150	120, 232

International	2	7, 300	2	618					4	3, 780	6	21, 032	2	*—133	16	32, 597
Total, Africa, Asia, Oceania, and International [3]	[4] 189	[4] 133, 193	221	83, 548	[6] 25	[6] 63, 028	[7] 13	[7] 29, 615	70	279, 962	[8] 29	[8] 70, 885	134	45, 616	681	705, 847

[1] Included under "Miscellaneous."
[2] Italian Africa, Liberia, and Spanish Morocco.
[3] The column totals include number and value for those items covered by footnote 1—which items are not, of course, included on the totals for "Miscellaneous." See footnotes 4 to 8.
[4] Excluding French Africa.
[5] Excluding Belgian Congo.
[6] Excluding Africa.
[7] Excluding Belgian Congo and Australia.
[8] Excluding Africa and Oceania.
*Excess of liabilities over assets.

ASIA

American interests in Asia were about as diverse as the stages of economic development and the natural resources of the various countries would permit. The production of petroleum, rubber, sugar, electric power, electrical equipment, and the distribution of domestically manufactured automobiles and other products were the main forms of activity. Over $420,000,000 was invested in this area at the end of 1940.

The largest investments in a single area were those in the Philippine Islands, valued at $91,000,000. These were concentrated in the public utilities—mainly electric power—sugar plantations and centrals, and sales organizations. Although the value of the total investment declined slightly, the number of units rose by 50 percent from 1936 to 1940.

Direct investments of the United States in the Netherlands Indies totaled $71,000,000 in 1940 or slightly more than in 1936. Investments in petroleum production and refining and in rubber plantations comprised the main part of this total.

The rapid development of the petroleum industry in the western Asiatic areas of Arabia, Bahrein Islands, and Iran was brought about by an increase in investments from $18,000,000 in 1936 to $57,000,000 in 1940. Earlier investments demonstrated the productiveness of the fields in this area.

An expansion of investments in motor-vehicle assembly, the manufacture of textiles, and the distribution of petroleum and other products increased investments in India from $30,000,000 to $49,000,000 between 1936 and 1940.

Investments in China suffered drastically from the effects of the Japanese invasion and from a currency-exchange depreciation of 81 percent during the 4-year period. At the close of 1940 these investments had been written down to $46,000,000, compared with a value of $91,000,000 in 1936, and China declined from second to fifth place in importance in our Asiatic interests. The investments in public utilities, foodstuffs, petroleum, and banking establishments, nevertheless, remained large. The direct investment in American companies in China registered under the China Trade Act totaled $1,700,000 in 1940, or $800,000 less than the total reported for 1936.

Japan was the only Asiatic country in which American direct investments in manufacturing were larger than in other enterprises. These constituted 64 percent of total investments of $38,000,000 and were concentrated in the manufacture of electrical and telephone equipment, and in the assembly of automobiles. The decline in the value of total investments since 1936 included a decrease of 18 percent in the value of the yen.

Investments in Iraq, Palestine, and Syria were primarily in the petroleum industry, and the same obtained for French Indochina. In Thailand both distribution and petroleum were important, while in British Malaya investments in rubber plantations were substantial and smaller interests were found in distribution and in tin production. Investments in Turkey were concentrated in petroleum distribution, in marketing of United States products, and in tobacco purchasing.

OCEANIA

About $120,000,000 of American capital was employed in enterprises in Australia and New Zealand in 1940. The increase of $9,000,000 from 1936 was brought about by the employment of additional capital in existing facilities and by an expansion in the number of reported units from 115 to 150. The main interest was centered in the refining and distribution of petroleum and in the manufacture and preparation of a wide range of other products. The most important among the latter were agricultural machinery, automobiles and tires, chemicals, and meat. There also were some investments in lead, zinc, and gold production.

INTERNATIONAL

The investments represented as "international" related primarily to properties for which the investment was geographically unallocable, such as oceanic cables. In addition, information regarding the location of several manufacturing and petroleum holdings was lacking and they were therefore put into this general category.

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Chapter III.—INDUSTRIAL DISTRIBUTION AND STRUCTURAL ANALYSIS

In the preceding discussion of American direct investments in the principal countries and areas of the world, frequent reference was made to the predominant industrial investments in the given locality. The first portion of this chapter contains a brief analysis of the investments in major industries throughout the world, and a later section relates to an analysis of the type or organizational structure through which these investments were held.

INDUSTRIAL DISTRIBUTION

A distribution by industrial character of American direct investment interests abroad revealed that about 36 percent was devoted to the extractive industries and agriculture; 23 percent was employed in manufacturing; 22 percent was in public utilities, including railroads; and the remainder of 19 percent was apportioned among distribution, paper and pulp, and miscellaneous enterprises. These data are graphically presented in figure 2.

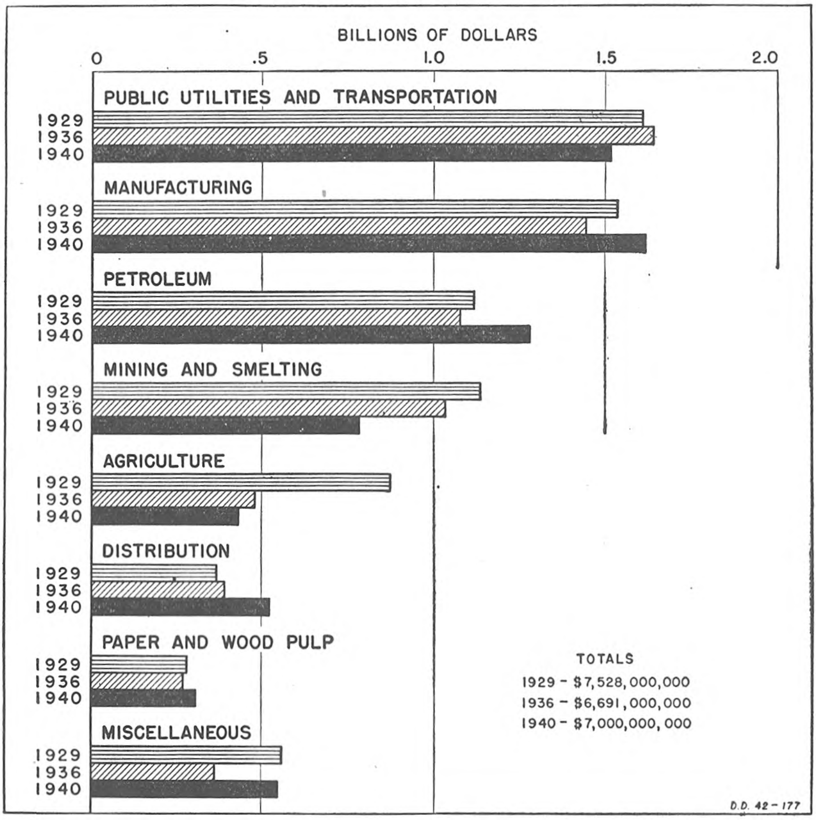

Figure 2.—Industrial distribution of American investments abroad, end of 1929, 1936, and 1940.

MANUFACTURING

Investments in manufacturing establishments were estimated at $1,535,000,000 in 1929, at $1,442,000,000 in 1936, and at $1,618,000,000 in 1940. The increase between the last two dates represented a rise in plant values in each of the major geographic areas shown in tables 7 and 8, and in figure 2.

Table 7.—American Direct Investments Abroad, by Geographic Areas and Industrial Classification, End of 1940

[Values in thousands of dollars]

Industry	Canada and Newfoundland		Europe		Latin America		Africa, Asia, and Oceania [1]		
	Number	Value	Number	Value	Number	Value	Number	Value	
Manufacturing:									
Automotive	46	61, 996	45	159, 910	9	21, 870	16	39, 347	283
Chemical	171	86, 279	130	51, 994	135	64, 457	69	17, 893	220
Electrical	56	68, 716	68	119, 755	10	7, 538	12	17, 752	[illegible]
Foodstuffs	77	109, 524	55	56, 461	33	61, 893	27	17, 212	[illegible]
Leather	10	1, 523	6	729	(2)	(2)	(2)	(2)	2
Wood products	60	24, 969	13	6, 681	7	1, 646	9	2, 689	37
Machinery	104	81, 011	87	93, 602	9	3, 970	18	14, 833	[illegible]
Metal products	119	119, 216	54	60, 927	6	3, 063	9	3, 252	[illegible]
Rubber	17	26, 753	10	15, 725	6	12, 158	6	8, 901	64
Stone, clay, and glass	27	11, 340	20	10, 062	7	21, 872	3	990	44
Textiles	50	19, 382	20	3, 862	8	6, 427	16	7, 327	36
Miscellaneous	53	24, 814	37	59, 739	8	4, 654	4	2, 997	93
Total	790	635, 523	545	639, 447	238	209, 548	189	133, 193	
Distribution:									
Wholesale	298	71, 344	407	[3] 162, 925	223	73, 567	198	77, 364	
Retail	17	40, 217	8	76, 456	3	1, 801	(4)	(4)	
Purchasing	(4)	(4)	28	5, 365	16	6, 385	23	6, 184	
Total	315	111, 561	443	244, 746	242	81, 753	221	83, 548	
Agriculture:									
Cattle ranches	-------	---------	-------	---------	3	2, 084	-------	-------	
Fruit	-------	---------	-------	---------	10	44, 712	(5)	(5)	
Rubber	-------	---------	-------	---------	5	6, 976	12	40, 940	
Sugar	-------	---------	-------	---------	60	298, 888	8	20, 269	
Timberlands	11	9, 986	-------	---------	(5)	(5)	(5)	(5)	
Tobacco	-------	---------	-------	---------	-------	---------	-------	-------	
Other	4	562	-------	---------	10	6, 456	5	1, 819	
Total	15	10, 548	-------	---------	88	359, 116	25	63, 028	
Paper and wood pulp: Total	34	307, 853	(6)	(6)	-------	---------	-------	-------	
Fishing fleets and packing: Total	9	2, 833	-------	---------	-------	---------	-------	-------	
Mining and smelting:									
Precious metals	92	51, 763	-------	---------	28	45, 031	3	4, 281	
Nonmetallic minerals	22	17, 631	(7)	(7)	9	121, 068	(7)	(7)	
Other metals	16	117, 833	7	52, 655	45	346, 333	10	25, 334	
Total	130	187, 227	7	52, 655	82	512, 432	13	29, 615	
Petroleum: Total	24	119, 606	117	305, 521	104	572, 084	70	279, 962	
Public utility:									
Communication	5	78, 890	15	64, 825	64	159, 850	8	24, 537	
Electric and gas service	27	236, 060	4	6, 626	30	574, 963	7	39, 178	
Steam railroad	13	80, 680	-------	---------	24	201, 347	(8)	(8)	
Street railway	(8)	(8)	-------	---------	(8)	(8)	-------	-------	
Other	14	11, 607	16	2, 114	39	25, 869	14	7, 170	
Total	59	407, 237	35	73, 565	157	962, 029	29	70, 885	

See footnotes at end of table.

Table 7.—American Direct Investments Abroad, by Geographic Areas and Industrial Classification, End of 1940—Continued

[Values in thousands of dollars]

Industry	Canada and Newfoundland		Europe		Latin America		Africa, Asia, and Oceania	
	Number	Value	Number	Value	Number	Value	Number	Value
Miscellaneous:								
Advertising	6	274	4	395	5	164	(6)	(6)
Amusement	12	11,621	119	44,911	76	2,519	70	9,081
Banking and finance	24	20,997	40	25,989	25	12,051	18	14,345
Insurance	218	262,923	49	4,281	64	896	19	[9]−394
Professional	22	1,889	17	2,862	8	1,173	8	765
Real estate	18	10,439	12	4,772	19	13,510	(6)	(6)
Ocean shipping	8	1,816	19	13,798	20	22,319	(6)	(6)
Port facilities	5	462	(6)	(6)	11	21,616	(6)	(6)
Grain elevators	------	------	------	------	------	------	------	------
Printing and publishing	8	3,290	12	4,450	------	------	(6)	(6)
All other	17	6,595	15	2,973	3	226	19	21,819
Total	338	320,306	287	104,431	231	74,474	134	45,616
Grand total	1,714	2,102,694	1,434	1,420,365	1,142	2,771,436	681	705,847

1 Certain items in this column have been included in "Miscellaneous: All other" to avoid disclosure. See table 6, footnotes 4 to 8.
2 Included in "Manufacturing: Rubber."
3 Excluding "Other Baltic States" which are included in "Miscellaneous: All other."
4 Included in "Distribution: Wholesale."
5 Included in "Agriculture: Other."
6 Included in "Miscellaneous: All other."
7 Included in "Mining and smelting: Other metals."
8 Included in "Public utility: Other."
9 Excess of liabilities over assets.

Concerning the investments in Canada ($636,000,000 in 1940 compared with $530,000,000 in 1936), the following is quoted from the study of American direct investments abroad in 1936.

> 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 British Empire markets 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, automotives, and electrical and telephone equipment and supplies.

With the exception of chemicals, there was a relatively large increase in the investments in each of the six commodity groups between 1936 and 1940. Investments in chemicals declined from $99,000,000 to $86,000,000.

Manufacturing investments in all of Europe totaled $639,000,000 in 1940, and were only slightly in excess of the Canadian value. The size of the European market, the standard of living, the relatively high stage of industrial production, and the general absence of legal restraints on foreign corporations had, in the past, induced the development of a large number of establishments.

Three-fourths of the investments were located in the United Kingdom and Germany (43 percent in the United Kingdom and 32 percent in Germany), and 7 percent were in France. Investments in other

European countries, while substantial, were proportionately small. Investments in the automotive industry exceeded $70,000,000 in each of the two major countries.

Manufacturing investments in South America totaled $210,000,000, the bulk of which was in Brazil and Argentina in foodstuffs, chemical, and automotive enterprises.

The value of manufacturing enterprises in other areas was very large in only Australia and Japan. The automotive industry ranked first in these countries.

Table 8.—American Direct Investments Abroad, by Geographic Areas and Industrial Classification, 1929, 1936, and 1940

Industry	Canada and Newfoundland			Europe			Latin America			Africa, Asia, Oceania		
	1929	1936	1940	1929	1936	1940	1929	1936	1940	1929	1936	1940
	IN MILLIONS OF DOLLARS											
Manufacturing	541	530	636	629	612	639	231	192	210	134	108	[1] 133
Distribution	38	79	112	139	144	[2] 245	119	100	82	72	68	83
Agriculture	15	10	10	------	------	------	817	400	359	[3] 43	[3] 71	[3] 63
Paper and wood pulp	279	269	308	([4])	([4])	([4])	------	------	------	------	------	------
Fishing fleets and packing	5	([4])	3	------	------	------	------	------	------	------	------	------
Mining and smelting	400	239	187	([4])	43	53	732	708	512	[5] 53	42	[5] 30
Petroleum	55	108	120	231	275	305	617	453	572	214	238	280
Public utility and transportation	541	520	407	145	91	74	887	937	962	36	92	[6] 71
Miscellaneous	136	197	320	209	80	104	116	57	74	94	28	46
Total	2,010	1,952	2,103	1,353	1,245	1,420	3,519	2,847	2,771	646	647	706
	PERCENTAGE OF TOTAL											
Manufacturing	26.91	27.15	30.24	46.49	49.16	45.00	6.56	6.75	7.58	20.74	16.69	[1] 18.84
Distribution	1.89	4.05	5.33	10.27	11.56	[2] 17.26	3.38	3.51	2.96	11.15	10.51	11.76
Agriculture	.75	.51	.48	------	------	------	23.22	14.05	12.95	[3] 6.66	[3] 10.97	[3] 8.92
Paper and wood pulp	13.88	13.78	14.64	([4])	([4])	([4])	------	------	------	------	------	------
Fishing fleets and packing	.25	([4])	.14	------	------	------	------	------	------	------	------	------
Mining and smelting	19.90	12.25	8.89	([4])	3.45	3.73	20.80	24.87	18.48	[5] 8.20	6.49	[5] 4.25
Petroleum	2.74	5.53	5.71	17.07	22.09	21.48	17.53	15.91	20.64	33.13	36.79	39.66
Public utility and transportation	26.91	26.64	19.35	10.72	7.31	5.21	25.21	32.91	34.72	5.57	14.22	[6] 10.06
Miscellaneous	6.77	10.09	15.22	15.45	6.43	7.32	3.30	2.00	2.67	14.55	4.33	6.51
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

1 French Africa included with "Miscellaneous."
2 Other Baltic States included with "Miscellaneous."
3 Africa included with "Miscellaneous."
4 Included in "Miscellaneous."
5 Australia included with "Miscellaneous" in 1929, and Belgian Congo and Australia included with "Miscellaneous" in 1940.
6 Africa and New Zealand included with "Miscellaneous."

PUBLIC UTILITIES AND TRANSPORTATION

Second in importance among the industrial groups into which American direct investments were divided, were the public utilities. These were valued at $1,514,000,000 at the end of 1940, a decline of $126,000,000 from 1936. (See tables 7 and 8, and figure 2.) Of the decrease, $107,000,000 occurred in electric and gas utilities and reduced their value to $857,000,000. Investments in railroads declined by $47,000,000 to $282,000,000, while the value of telephone, telegraph, and other holdings rose $28,000,000 to total $375,000,000.

Over 60 percent of the public-utility investments were in Latin America, and the majority of these were in electric and gas companies. In each general class of public-utility companies, the investments in Latin America were larger than in each of the other areas, although the holdings in Canada were also large and aggregated 27 percent of the total.

PETROLEUM: PRODUCING, REFINING, AND DISTRIBUTION

There was scarcely a country in the world in which American interests had no petroleum investments. These totaled $1,277,000,000 in 1940 and included the several phases of the business—producing, refining, and distribution. The value of the investment in 1940 was $160,000,000 higher than in 1929 and $203,000,000 higher than in 1936.

The principal producing areas in the Western Hemisphere were northern South America and Mexico, and in the Eastern Hemisphere, the Persian Gulf area, the Netherlands Indies, and Rumania. Some refining was also done in most of these areas and in western Europe. The refined products were distributed throughout the world.

Holdings in Latin America, which were clearly the most important, approximated the combined petroleum investments in Europe and the rest of the world, excluding Canada. Intensive exploitation of producing areas was continued in South America, the Persian Gulf area, and the Netherlands Indies. The increased investments in Europe took place mainly in refinery properties.

MINING AND SMELTING

Of the investments in the various industries, the value of mining properties exhibited the largest change from 1936, a decline of over $250,000,000. Almost $200,000,000 of the net decline reflected operations in Latin America. Capital distributions, write-downs, and exchange depreciations caused decreases of investments amounting to $105,000,000 in Chile, $45,000,000 in Mexico, and $27,000,000 in Peru. Almost 70 percent of the total investment was devoted to the extraction and processing of the following industrial metals: copper, tin, nickel, iron, lead, zinc, molybdenum aluminum, manganese, and vanadium. About 13 percent was invested in the production of precious metals, and the remainder was employed in the production of nonmetallic minerals, such as nitrates, coal, gypsum, and asbestos. It is no doubt apparent that the proportions indicated above are somewhat arbitrary, inasmuch as mines that produce gold and silver frequently do so as a byproduct in the production of other metals.

The investment in precious metal production was located mainly in Canada and Mexico. Copper investments were centered in Chile, Mexico, Canada, and Peru, and the interests in nickel and natural nitrates were concentrated in Canada and Chile, respectively. Close to two-thirds of the stake in mining was in Latin America.

AGRICULTURE

Holdings of agricultural properties declined by about $50,000,000 from 1936 and were valued at more than $432,000,000 at the end of 1940, or about half of their 1929 value. There was an absence of the widespread reorganizations that took place in sugar growing and milling enterprises between 1929 and 1936, although there were some property write-downs after that date. Most of the investment of $319,000,000 in sugar facilities was in the West Indies. There also were smaller investments in the Philippine Islands and Mexico.

Over $45,000,000 was devoted to the production of fruit, particularly bananas. The investments in these products were principally in Central America, Colombia, and the West Indies. Their value was not quite comparable with earlier years inasmuch as the portion of the investments in facilities relating to the raising of fruit, such as railways, power stations, and dock facilities, was not separately shown by the companies involved and was therefore estimated by the International Economics Unit, of the U. S. Department of Commerce. Investments in rubber producing, exclusive of those in Liberia, totaled $47,000,000 and represented plantations in British Malaya, the Netherlands Indies, Brazil, and several Central American counties.

DISTRIBUTION AND MISCELLANEOUS

Investments in businesses engaged in distribution and selling, exclusive of petroleum distribution, were valued at $522,000,000 in 1940, an increase of $131,000,000 over 1936. The increase was partly due to technical changes. About 47 percent of the distribution investment was located in Europe, marketing the products of American industry. About 21 percent was in Canada, and the remainder almost equally divided between Latin America and the rest of the world. An important part of the total investment was devoted to the marketing of office machinery and equipment, and sewing machines. Wholesale enterprises (chiefly manufacturers' subsidiaries) were valued at $385,000,000, and retail merchandising establishments (principally chain stores located in the United Kingdom, Canada, and Germany) had a value of $119,000,000. More than $18,000,000 was invested in purchasing agencies abroad.

American investments in paper and wood-pulp enterprises in Canada and Newfoundland rose from $269,000,000 in 1936 to $308,000,000 in 1940. The investment related to the integrated activities of logging, hydroelectric production, manufacturing, and timber holdings.

Miscellaneous holdings totaled $545,000,000, about half of which represented investments in insurance companies. Insurance branches and affiliates in Canada were valued at $120,000,000 in 1936 and at $263,000,000 in 1940. The increase was largely technical. Direct investments in commercial-banking and installment-credit organizations were valued at $73,000,000. The foreign interests of the motion-picture industry were valued at $68,000,000 in 1940. This was an increase of $13,000,000 over their value in 1936. The balance of the miscellaneous holdings was comprised of ocean shipping, real estate, docks and ocean terminals, printing and publishing, and other enterprises.

STRUCTURAL ANALYSIS

Approximately 87 percent of American investments abroad was held by domestic corporations in the form of foreign companies, 6 percent was represented by branches of domestic corporations, and the remaining 7 percent was owned by domestic individuals as foreign corporations, partnerships, or sole proprietorships. Less than 1 percent of the investments of individuals is estimated to have been held in the form of sole proprietorships or partnerships, although there were a large number of border enterprises for which no value data were available.

About 85 percent of the individual holdings were in Canada, and most of the remaining investments were in adjacent countries. A number of these were well-known foreign corporations whose securities were listed on organized security exchanges in the United States. Frequently control of a foreign corporation was maintained by a group of individual share holders of a related domestic corporation and in many cases the owner of a Canadian-border enterprise resided in the United States.

The average investment of the approximately 2,000 American corporations that had direct investments in foreign companies was \$3,500,000. The reported investment in each foreign unit averaged \$1,400,000 in 1940, compared with \$1,500,000 in 1936. The very large foreign units were concentrated in the mining, petroleum, and public-utility industries.

The character of the investments in foreign countries was included in the majority of the questionnaire returns. (See table 9 and figure 3.) Analysis of the returns reveals that the financial structure of

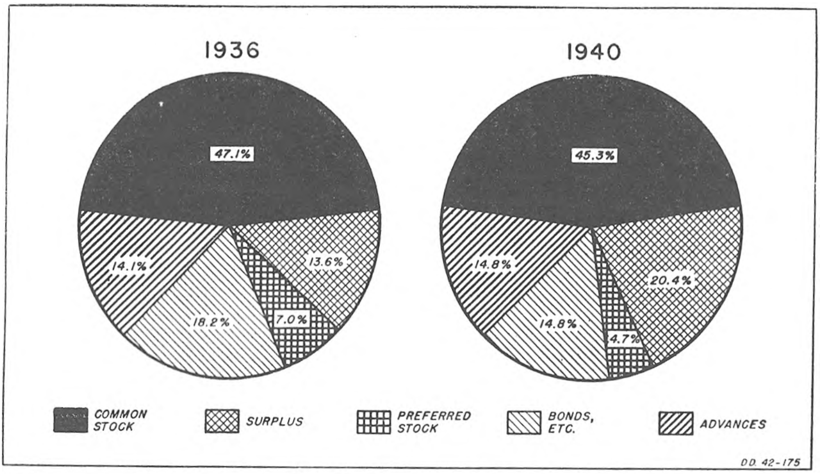

Figure 3.—Financial structure of American direct investments in foreign companies, end of 1936 and 1940.

American direct investments in foreign corporations was composed of 45 percent of common shares, 20 percent in surplus and surplus reserve accounts, 5 percent in preferred shares, 15 percent in bonds, notes, etc., and 15 percent in net intercompany accounts.

It is of interest to note that, compared with 1936, the proportion of total investment represented by common and preferred shares and bonds had declined slightly in each category. The relative declines had been absorbed by increases in surplus accounts and net advances and intercompany accounts [9] due to parent companies, and reflected at least in part, an inability to make dividend and other payments to parent companies because of exchange restrictions. The distinction between notes and intercompany advances is not precise. Some companies reported advances to subsidiaries for capital equipment as notes, while others reported them as advances. The reporting of intercompany accounts also varied according to the character of the company and of the industry.

[9] Shown in table 9, as due to or payable by American company inasmuch as both advances and intercompany accounts were frequently reported in a combined figure.

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Table 9.—Financial Structure of American Direct Investments, by Geographic Areas, and Industrial Groups, End of 1940

[In millions of dollars]

Areas and group	Organized as corporations										Organized as branches			Total only[1]
	Common stock	Capital surplus	Earned surplus or deficit	Surplus reserves	Preferred stock	Bonds, notes, etc.	Due to American company	Payable by American company	Assets in United States	Total	Fixed assets	Current assets	Total	
Geographic areas:														
Canada and Newfoundland	473	65	171	16	50	261	145	29	1	1,151	36	37	73	879
Europe	530	19	163	94	25	42	216	34	1	1,054	23	32	55	311
Latin America:														
West Indies	187	12	−8	41	64	204	52	12	6	534	19	8	27	113
Central America and Mexico	124	19	58	17	19	36	51	12	2	310	66	12	78	158
South America	575	25	7	168	52	117	306	54	37	1,159	32	43	75	317
Total	886	56	57	226	135	357	409	78	45	2,003	117	63	180	588
Rest of world:														
Africa	25	—	5	6	—	3	36	2	—	73	3	19	22	36
Asia	125	12	20	9	4	8	65	12	2	229	18	42	60	133
Oceania	27	—	9	3	3	3	11	4	—	52	—	7	7	62
International	5	—	1	—	—	—	1	—	—	7	16	—	16	9
Total	182	12	35	18	7	14	113	18	2	361	37	68	105	240
Grand total	2,071	152	426	354	217	674	883	159	49	4,569	213	200	413	2,018
Industrial groups:														
Manufacturing	643	31	291	87	41	37	184	50	3	1,261	35	47	82	275
Distribution	126	8	56	19	4	37	107	10	1	346	13	107	120	55
Agriculture	180	6	5	22	20	69	35	13	2	322	30	6	36	74
Paper and wood pulp	57	10	−14	—	16	102	29	3	—	197	2	1	3	108
Fishing fleets and packing	1	—	1	—	—	—	—	—	—	2	—	—	—	1
Mining and smelting	321	17	105	57	10	41	13	15	33	516	79	15	94	172
Petroleum	157	34	−42	84	4	3	231	45	2	424	9	19	28	825
Public utility	506	39	8	81	113	361	214	5	6	1,311	28	1	29	174
Miscellaneous	80	7	16	4	9	24	70	18	2	190	17	4	21	334
Grand total	2,071	152	426	354	217	674	883	159	49	4,569	213	200	413	2,018

[1] Questionnaire data reported to the International Economics Unit, U. S. Department of Commerce, as total value of investment abroad, without supporting details. The values shown in this column are assumed to represent investments primarily in foreign corporations.

Differences in financial structure on a geographic basis would naturally tend to reflect some of the dominant structural characteristics of industries within the area. In the West Indies, for example, the relative importance of public-utility investments in Cuba was reflected by proportionately large bond holdings. Bond holdings in Canada were mainly in the paper and wood-pulp and public-utility industries. The large proportion of common-stock investment for Europe resulted from a heavy interest in manufacturing industries, while in South America the relatively large investment in common shares was accounted for by investments in mining, as well as in manufacturing.

According to these data, the value of common shares comprised 50 percent or more of the value of the investment in only three industries—manufacturing, agriculture, and mining and smelting. Public utilities were financed to a large extent by bonds, notes, and preferred stock, and these securities were almost equal in value to the common shares. Although only about a third of the petroleum investment was available in detail, it appeared that the parent-subsidiary financial relationship was expressed primarily through intercompany accounts. Investments in common shares were 37 percent of total, and net intercompany accounts were about 43 percent.

In the paper and wood-pulp industry, slightly more than half of the investments were in the medium of long-term advances (bonds and notes). For distributing subsidiaries the proportion of intercompany accounts was relatively high, and the reverse was true for common shares. The elements of risk were reflected in the high proportion of investment in common shares in the mining industry, where surplus and surplus reserves comprised about 35 percent of the investments.

The value of branch operations abroad was slightly in excess of \$400,000,000, or 6 percent of the grand total. Investments were almost evenly divided between current and fixed assets, although the variations for the several industries were large. Most of the assets in the distribution industry were current, whereas in the mining and smelting, agriculture, and public-utility industries the converse prevailed.

Chapter IV.—INCOME FROM DIRECT INVESTMENTS

Income from direct investments in foreign countries has not only risen in absolute amount from year to year during the past decade, but has become increasingly important in relation to total income from American long-term investments abroad. Among the factors that have influenced this change may be mentioned the general business recovery resulting in an increasing rate of return on equity investments, the widespread defaults and adjustments in interest rates of foreign dollar bonds, the reduction in the outstanding amounts of the latter through sinking-fund operations and repatriations, and the practical cessation of the public flotation of foreign loans after 1931. On the other hand, new direct investments have continued, although on a much smaller scale than in the preceding decade, and the value of existing investments tends to increase through reinvested earnings.

Table 10.—Direct Investments: Income [1] and Value, 1929–40

Year	Income		Value [2]	
	Amount (millions of dollars)	Ratio to total income from long-term investments (percent)	Amount (millions of dollars)	Ratio to total long-term investments (percent)
1929	(3)	(3)	7,478	52
1930	373	47	7,966	53
1931	180	32	8,096	55
1932	85	22	8,122	58
1933	105	28	7,767	56
1934	200	48	7,818	60
1935	320	63	7,835	62
1936	380	68	6,691	59
1937	410	72	6,870	62
1938	440	77	7,022	63
1939	405	75	6,985	65
1940	450	78	7,000	66

[1] Income actually received in the United States.
[2] The estimates for the years 1930–35 and 1937–39 were made on the basis of partial data, and have not been adjusted to conform with the results of the 1936 and 1940 surveys.
[3] Not estimated.

In 1934, for the first time, sufficient data were available to estimate earnings on a sample basis, as compared with the previous practice of taking an assumed rate of return and applying it to the total value of the investments. Data from annual reports, Form 10–K, filed with the Securities and Exchange Commission, have been supplemented by data from the corporation manuals and, since 1937, by an annual questionnaire to approximately 200 American corporations. These data, in 1940, covered 73 percent of the estimated total investment and included practically all American corporations with substantial foreign interests. The results of this sampling should therefore indicate with relative accuracy the total income received.

Table 11.—Income from Direct Investments, by Areas and Industrial Groups, 1935–40

[In millions of dollars]

Areas and industrial groups	1935	1936	1937	1938	1939	1940
Areas:						
Canada and Newfoundland	115	145	108	116	139	132
Latin America	95	115	178	173	124	162
Europe	75	80	65	73	72	74
Asia, Africa, and Oceania	35	40	59	78	65	82
Total	320	380	410	440	400	450
Industrial groups:						
Manufacturing	113	127	87	119	132	131
Distribution	(1)	(1)	31	26	29	37
Agriculture	14	18	20	19	19	19
Paper and pulp	2	2	1	3	4	8
Mining	58	74	116	106	87	97
Petroleum	85	109	105	110	68	105
Public utilities	41	42	45	50	53	39
Miscellaneous	7	8	5	7	8	14
Total	320	380	410	440	400	450

1 Included in manufacturing.

Mining enterprises yielded the highest rate of return over the 6-year period for which data are presented in table 11. The practice of making large annual depletion charges until in some instances properties still producing have been completely written off, has probably resulted in an undervaluation of the investments in this field. Funds provided by these charges, if not passed on to the shareholders in the form of capital distributions, are usually invested in United States securities or loaned to the parent company, either process serving to decrease the net equity in the foreign country.

Income from petroleum investments has also continued at a relatively high rate, in spite of the fact that a substantial amount of the investment is represented by oil properties not yet in a producing stage. The small number of companies involved in this group contributes a marked influence in the data to the dividend policies of any one company. For instance, a major portion of the decline in 1939 in income from petroleum investments can be explained by the fact that the Lago Petroleum Corporation, which paid dividends of $16,000,000 in 1938, paid no dividends in 1939, and the Standard Vacuum Oil Co.'s dividend of $20,000,000 in 1939 was $10,000,000 less than that paid the previous year.

Other industrial groups show comparatively constant rates of return at varying levels of profitability. The dollar yields from agricultural and public-utility investments have been fairly constant, at low levels, while the paper and pulp industry disclosed the lowest yield of any major group. A partial explanation of the unprofitability of the last-named group is found in the fact that Abitibi Power & Paper Co., Ltd., in which American interests are prominent, has been in receivership since 1932. Manufacturing profits have been reasonably constant, except for a sharp decline in 1937, at a fairly high level. Income from sales subsidiaries does not necessarily measure the profitability of such ventures, inasmuch as it is probable that the profit allowed to the subsidiary varies from company to company and country to country. Since all the profit on a sale inures in the long run to the American parent company, the price at which goods are billed to a subsidiary may vary widely from the price offered an independent distributor.

The figures presented are estimates of the actual amount of income received in cash or its equivalent in the United States, including common and preferred dividends, interest on bonds, notes, intercompany accounts, and other obligations, and miscellaneous items, such as royalties and service charges. Income received by the investing public on securities of American-controlled foreign corporations is, of course, also included. However, this does not mean that the income received represents the actual, or even net, dollar transactions involved, either in total amount or in any given year. Most companies maintain open accounts with their subsidiaries, and dividends, when declared, are cleared through these accounts. In some cases, therefore, dividends will be reflected only in an increase in the amount due to the parent company. In other instances, earnings are transferred prior to the declaration of dividends and placed with the parent company. The declaration of a dividend then serves merely to reduce the amount owed to the foreign subsidiary by the parent company.

As stated in The Balance of International Payments of the United States in 1936: [10]

> In view of the difficulties faced in estimating the actual cash receipts on income account during any calendar year, the problem of measuring the effect of foreign direct investments on the balance of international payments may quite appropriately, and more accurately, be approached by the examination of several items which, if available, will in their net results measure the flow of funds between subsidiary and parent. These items which relate to the accounts of the foreign subsidiaries or affiliates may be tentatively identified as (1) earnings (or losses) accruing to common stock, (2) dividends declared on common stock, (3) receipts by the parent company of interest on bonds and advances and dividends on preferred stock, (4) payments received for services performed by the parent company, including royalties, and (5) net changes in advances and other intercompany accounts. These five items should provide a relatively accurate measure not only of the income received in the United States from direct investments abroad, but also of certain changes in the net amount invested.

Certain important American-owned and incorporated companies ship their products to the United States or to some foreign country, other than the country of origin, to be sold. The proceeds are then used to pay dividends, to pay expenses in the United States and, in part, remitted to the producing country to pay expenses. In these cases the operations of the company result, not in a demand for dollars to remit earnings but in a demand for local currency to pay expenses. This is particularly the case in certain countries in Latin America where large American-owned agricultural, petroleum, and mining properties exist. However, total income originating from these operations has, as far as possible, been assigned to the country where the properties are located, rather than to the one in which the products are sold.

This principle has also been followed for companies operating in more than one foreign country, either directly or through subsidiaries. For instance, an attempt has been made to allocate a portion of the dividends paid by Imperial Oil, Ltd., Canadian affiliate of the Standard Oil Co. of New Jersey, to the South American countries where certain of its subsidiaries operate.

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[10] See page 36, Balance of International Payments of the United States in 1936. U. S. Department of Commerce. 1937.

DIVIDENDS ON COMMON STOCK

Although for balance-of-payments purposes, earnings remitted to the United States are the best measure of income from foreign investments, the total income of foreign subsidiaries and branches is the more important indicator of the profitability of these enterprises. The importance of reinvested earnings as a factor in building up foreign properties is indicated by the fact that earned surplus was equal to approximately 10 percent of the total value, and 20 percent of the capital stock of all foreign companies for which a break-down by type of securities was available. Since earned surplus is frequently capitalized by the payment of stock dividends, it is probable that reinvested earnings actually represent a larger portion of the total investment than is indicated by the data.

As will be seen by reference to table 9, the reinvestment of earnings has apparently played a much larger part in mining, manufacturing, and distribution than in any of the other industrial groups. Unfortunately, data for the years prior to 1938 do not permit trustworthy estimates of dividends and earnings on common stock on any other than a global basis. However, data for the years 1938–40, by areas and industrial groups, are shown in table 12.

Table 12.—Direct Investments: Dividends and Earnings on Common Stock, 1938–40

[In millions of dollars]

Areas and industrial groups	1938		1939		1940 [1]	
	Dividends	Earnings	Dividends	Earnings	Dividends	Earnings
Areas:						
Canada and Newfoundland	96	121	118	135	109	124
Latin America	149	137	97	151	138	153
Europe	70	107	69	115	49	59
Rest of world	79	83	59	82	78	81
Total	394	448	343	483	374	417
Industrial groups:						
Manufacturing	107	140	120	140	106	123
Distribution	26	46	26	38	37	45
Agriculture	19	12	16	22	17	21
Paper and pulp	1	2	1	5	1	7
Mining	111	105	85	110	94	98
Petroleum	110	110	66	130	92	90
Public utilities	14	22	20	30	14	16
Miscellaneous	6	11	9	8	13	17
Total	394	448	343	483	374	417

[1] The 1940 data exclude continental Europe. Dividends from this area were estimated at 21 million dollars. Earnings are not known.

These data cover a period which is too brief to permit of an extended analysis. The noticeable increase during 1940 in the portion of earnings distributed is probably due largely to the unwillingness of American companies to increase their foreign holdings under present circumstances. The wide fluctuations in the mining and petroleum groups are at least in part due to the small number of companies involved, so that any change in the dividend-paying policy of a single company is noticeably reflected in the total.[11]

[11] See page 30.

INCOME BY COUNTRIES

For a selected list of countries, data were available for the years 1938–40 in sufficient quantity to permit estimates of total income received from direct investments in those countries. Although the size of the sample used varied considerably from country to country, in no case was less than 50 percent of the total investment represented. For comparative purposes, the corresponding rate of return is given in each case, based on the value of the investments at the end of 1940.

Table 13.—Income from American Direct Investments in Selected Countries, 1938–40

[Amounts in millions of dollars; rates in percent]

Country	1938		1939		1940	
	Amount	Rate	Amount	Rate	Amount	Rate
Canada and Newfoundland [1]	116	6.3	139	7.6	132	7.2
Cuba	15	2.7	15	2.7	14	2.5
Mexico	[2] 33	9.2	11	3.1	14	3.9
Argentina	16	4.1	13	3.4	16	4.1
Brazil	9	3.8	6	2.5	8	3.3
Chile	31	7.5	27	6.5	34	8.2
Peru	15	18.3	13	15.9	14	17.1
Venezuela	41	15.6	22	8.4	20	7.6
United Kingdom	44	8.1	46	8.5	50	9.2
France	7	6.0	6	5.1	8	6.8
Philippine Islands	10	11.0	13	14.3	13	14.3

[1] Excludes income from insurance investments.
[2] Includes an extraordinary distribution, in partial liquidation, by a mining company.

The variation in rates of return can generally be explained in terms of the predominant industries in each country. For instance, public utilities comprise 42 percent of the total investment in Cuba, 57 percent in Argentina, and 47 percent in Brazil, which serves partially to explain the comparatively low yields on investments in those countries. The low earning power of the Cuban sugar companies, mentioned in the 1936 study, continued to prevail through 1940, although indications are that this situation changed materially in 1941. The high rates in Chile and Peru reflect the earning power of mining companies whose properties, in some cases, have been written down considerably through large depletion charges and subsequent distributions therefrom. The extreme profitability of the Venezuelan oil enterprises is reflected in the earnings estimate for that country, which is high in spite of the fact that a substantial amount of the investment is represented by properties which are not yet in the producing stage.

APPENDIXES

A. TECHNICAL AND METHODOLOGICAL PROBLEMS

SCOPE OF SURVEY

The problem of distinguishing between direct and portfolio investments becomes rather difficult in many cases. The Department of Commerce has, in the past, adopted no definite rules of classification, preferring to decide each case on its own particular merits. Minority interests have been frequently included. When an American corporation holds a minority interest in the shares of a foreign company as a permanent investment, such holding is usually accompanied by patent or other connections which give some influence in the management of the foreign company. Because of the close financial relationships between the United States and Canada, minority interests in some Canadian corporations have been considered as direct investments, although such holdings were sometimes rather scattered. The importance of the United States interest is frequently indicated, but not necessarily measured, by the presence of one or more Americans on the board of directors.

The practice of including as direct investments securities of American-controlled companies held by United States investors other than the controlling interest has been consistently followed in the two previous publications on this subject. Since in most cases the fact of American control has undoubtedly facilitated the offering of the securities in this country, it is logical to include these items in the direct investment category.

Domestically incorporated concerns operating solely or almost solely abroad present a different problem in classification. Usually, the properties were considered as 100 percent American owned, and any foreign ownership of the shares of the company was treated as a portfolio investment in the United States. However, when the foreign interest in such a company was substantial, as in the case of Patino Mines and Enterprises Consolidated, Inc., only the portion of capital stock and surplus representing the equity of United States residents was employed.

Another case is the foreign subsidiary of a United States company which is foreign-controlled, such as the Canadian subsidiaries of the Shell Union Oil Corporation. Although there is a large United States investment in this particular concern, which would clearly justify treating the subsidiaries as American investments, there are instances where the stock of a United States corporation is 100 percent owned by foreigners, and the company in turn has foreign subsidiaries. Usually it was necessary to carry these subsidiaries as United States direct investments abroad. Although this procedure is not entirely consistent with the treatment of United States corporations whose total operations are conducted abroad, practical considerations dictated the adoption of this method in order correctly to show the net creditor-debtor position.[1]

PROBLEMS OF VALUATION

This bulletin follows closely the method of valuation used in the 1936 study (Economic Series No. 1, U. S. Department of Commerce), namely, value as shown on the books of the foreign subsidiary or affiliated company. There are, however, two other methods of valuation which might be used in measuring direct investments if, from a practical point of view, it were possible to do so. For those investments represented by securities of foreign corporations, market values may provide a reasonably accurate estimate of their actual worth. This method could be applied only to investments in companies a portion of whose shares is owned by the public, or American companies who conduct all their operations abroad.

[1] See p. 45 of the 1936 bulletin, Economic Series No. 1, U. S. Department of Commerce, for a more detailed discussion of these questions.

Market values vary considerably from day to day, since they are influenced by many factors other than the operations of the companies concerned. Such values may also be much different in the foreign country from those in the United States, especially in times of political unrest. For these reasons, as well as because of the impossibility of collecting complete data, this method of valuation is not ordinarily used.

An estimate of value based on capitalized earnings could also be employed, since it would have been possible to request from the companies statements of the earnings of their foreign properties over a period of time. However, there are several technical objections to this procedure. Exceptions would have to be made for investments in raw material properties which had not yet reached a producing stage, and consequently had reported no profits. On the other hand, mining or petroleum properties which had been profitable over past years might be just on the point of complete exhaustion. The proper value of investments showing a net loss over the sample period would also be difficult to determine.

Three quite distinct possibilities present themselves with respect to book values. In the first place, value on the books of the foreign company may be used—the method adopted for the purpose of this study. The second alternative is the carrying value on the books of the parent company including, of course, intercompany accounts as well as investment in securities of the subsidiary. For some purposes it would be proper to use this value which, in a certain sense, represents the American "investment" in the foreign company. However, the policies of corporations vary considerably in this respect. Some companies adjust the carrying value of their subsidiaries to equal their equity, including surplus or deficit. Other corporations carry subsidiaries at original cost, at cost less reserves of various types, at the par value of the subsidiary's stock, or at some purely arbitrary figure.

For those companies whose foreign subsidiaries are consolidated in their published accounts, the third possibility arises of using the net asset value carried in the consolidation. This would probably yield values not very dissimilar from those used in this survey, except in regard to the conversion of fixed assets into United States currency, a problem considered in detail below. The practices followed by some corporations, of eliminating intangible assets in consolidation and applying reserves on parent company books to reduce the value of foreign assets to which they apply, would tend to make the results based on this method less consistent than those actually achieved in connection with the estimates presented in this bulletin.

Aside from the impracticability of employing other possible methods of valuation, it is believed that the method adopted produces the most reasonable estimate of the worth of a direct investment. Although assets may be considerably overvalued or undervalued on the books of the foreign subsidiary, the enigma of correct valuation may adhere to the balance sheet of any corporation. Differences in depreciation and depletion policies, and lack of uniformity in assigning values to assets acquired in exchange for capital stock, are among the factors which make even the data based on subsidiary books not always strictly comparable. But inasmuch as they do reflect all items of the parent company's equity, either as stockholder or creditor, book values are considered the best available for measuring direct investments.

In addition to requesting a separation of capital and earned surplus, space was provided on the questionnaire for surplus reserves. For companies furnishing a detailed break-down by type of securities, this item amounted to somewhat less than 10 percent of the total equity. It was intended that companies should include reserves, built up out of earnings or by direct charges to surplus, to cover contingencies which were more or less remote, and which, usually, were not definitely allocable to any specific assets. Since the term was not defined, and is admittedly subject to a variety of interpretations, many companies probably chose to report nothing under this heading, rather than take the risk of reporting accounts outside the intended scope of the study. However, it is believed that such reserves, until losses actually occur and are charged to them, are properly included as part of the stockholders' equity.

The values shown on the questionnaires were usually expressed in foreign currencies. These figures were converted at the rates stated in appendix D which, in general, were the averages for December 1940. Thus, in effect, the book values of all assets, current and fixed, were converted to dollars at current rates.

This practice, which seemed the most feasible for present purposes, is at variance with standard accounting practice which is to convert fixed assets at their original dollar cost or, if purchased in foreign currencies, at the rates in effect at the time of acquisition. Related depreciation charges and reserves are also usually converted at the old rates. Since several major currencies have depreciated considerably since 1936, the method of conversion followed by the International Economics Unit (U. S. Department of Commerce) probably resulted in a considerably lower investment for some countries than would have been obtained if the standard accounting practice had been followed.

However, a substantial portion of the companies reported in United States dollars, and the books of many American corporations operating abroad are kept in that currency. It is probably safe to assume that for such companies, conversions were made in accordance with the usual accounting procedure.

The following table shows, for selected countries, the ratio of fixed to total assets for the total investment in each country, as well as the percentage of the total investment which was furnished to the Department in United States dollars. The former data were taken from items V. A. 9 and 10 of the questionnaire.[2] Although the answers to this portion of the questionnaire were not entirely satisfactory, it is believed that the ratios shown are approximately correct. Certain of the major companies operating in industries which ordinarily would have a high proportion of fixed assets, notably public utilities, mining, petroleum, and agriculture, reported in dollars, thus accounting for the apparent correlation between the two ratios, especially in the Latin American countries included in the table.

Table I.—Direct Investments in Selected Countries: Ratio of Fixed to Total Assets and Percentage of Total Investment Reported to Department of Commerce in United States Dollars [1]

Country	Ratio of fixed to total assets	Percentage of total investment furnished in dollars	Country	Ratio of fixed to total assets	Percentage of total investment furnished in dollars
Argentina	90	80	France	45	60
Australia	40	50	Japan	30	40
Brazil	75	70	Mexico	85	65
British India	40	70	New Zealand	50	80
British Malaya	75	25	Peru	80	90
British South Africa	50	50	Spain	45	95
Canada	50	20	United Kingdom	40	30
Chile	90	65	Venezuela	75	75
China	90	75			

[1] All figures rounded to nearest 5 percent.

More than 95 percent of the data, by value, was received from the companies or individuals involved, although in a few cases it was necessary to allocate the total reported investment somewhat arbitrarily by countries. For this reason the data for individual countries are subject to somewhat more error than the global total. Other sources relied on for data were Moody's Manuals, corporation reports to their shareholders, Petroleum Register, Mines Register, reports from foreign-service officers of the Department of State, and reports filed with the Securities and Exchange Commission and the Federal Communications Commission. Less than 1 percent of the global total was estimated by the compilers.

PROCEDURE

During the years since the first survey of direct investments was published, the Department has maintained a file containing the names of American companies and individuals holding such investments. This file is kept current through constant reference to financial services and journals, reports of foreign-service officers, contact with various industry specialists in the Bureau of Foreign and

[2] The questionnaire and the accompanying instruction sheet are reproduced in appendix B.

Domestic Commerce, annual reports to the Securities and Exchange Commission, and other sources. The mailing list was compiled from this file, with the addition of some names supplied by the foreign-service officers in response to a special request made in connection with this study. Not many additional names were thus obtained, and no new large investors were discovered. It is believed that the file maintained in the International Economics Unit (U. S. Department of Commerce) is relatively complete, with some exceptions mentioned elsewhere, and that all major American direct investments have been included. It should be noted, as indicated elsewhere, that reports were received from several major investors who did not respond at the time of the 1936 study.

Upon receipt, the questionnaires were checked with the card files to ascertain whether all foreign subsidiaries were reported. Many inquiries were made concerning apparent omissions, as well as regarding other items on the questionnaires. Each form was then classified by industry and country, the values shown were converted, if necessary, to United States dollars, and the various items were tabulated in such a way that the greatest possible detail could be shown without disclosing any information furnished to the Department in confidence. It was necessary, in some cases, to make adjustments of the items listed on the questionnaire, especially to allow for public holdings in the United States of securities of the foreign company.

ESTIMATING INCOME FROM DIRECT INVESTMENTS

Prior to 1934, earnings on direct investments abroad were estimated on the basis of comparative business conditions in the various industries and whatever indexes of dividend payments were available, the latter type of data for all practical purposes being confined to England and Canada.

However, the annual reports required by the Securities Exchange Act of 1934 contain considerable data with respect to earnings of foreign subsidiaries, as well as with respect to the investment of the parent company therein. In particular, those companies whose reports include unconsolidated profit-and-loss statements must also file supplementary schedules showing dividends received from subsidiaries, as well as the equity of the parent company in the earnings of the subsidiaries.

These data were immediately employed by the Department of Commerce in preparing estimates of income for the annual Balance of International Payments of the United States. Since not all corporations reporting to the Securities and Exchange Commission were required to submit unconsolidated profit-and-loss statements and since a few large investors did not come under the provisions of the Securities Exchange Act of 1934, it was decided to send an annual questionnaire to a selected list of companies. The first questionnaire covered the year 1937, and the response to this and later questionnaires has been excellent. The questionnaire data have been more complete than those obtained from the Securities and Exchange Commission reports, in that they include types of income other than dividends.

Data from company reports and corporation manuals were used extensively, especially for American companies operating solely abroad, such as many Cuban sugar companies and several South American mining concerns.

Another item closely related to transfers of income, as well as to movements of capital, is the intercompany account. Ordinarily most intercompany transactions are cleared through this account so that a given payment of any kind may not result in an immediate international transfer of funds and conversely any given transfer of funds cannot always be allocated to any certain transaction, such as payment for merchandise or remittance of income.

It was impossible, with the information available, to make reliable estimates of the income received from each country. For this reason, the global estimates were derived by combining all the available data by industrial groups and by areas, using the division of four major areas employed throughout this report. The total income for each division was estimated by dividing the total reported income by the percent of total investment represented in the sample. The resulting amounts were combined to get the totals by area and by industry as presented in chapter IV.

The by-country estimates were derived in a similar manner, such estimates being attempted only in the cases of countries where the sample data were considered sufficient both in number and value to ensure reasonably accurate estimates.

B. COVERING LETTER, INSTRUCTION SHEET, AND QUESTIONNAIRES

COVERING LETTER

DEPARTMENT OF COMMERCE

BUREAU OF FOREIGN AND DOMESTIC COMMERCE

WASHINGTON

In reply refer to 33

MR. JOHN DOE, *Secretary,*
Doe Products Corporation, Paterson, N. J.

MY DEAR MR. DOE: In 1929 the Finance Division (now the International Economics Unit) of this Bureau prepared a report on the investments by American companies in foreign subsidiaries, branch plants, distributing agencies, etc. This report was revised in 1936 and, as in 1929, appeared under the title, "American Direct Investments in Foreign Countries." These studies were made possible only through the cooperation of the various companies and businesses which have financial interests in foreign countries. Both reports have proven very valuable to persons and business concerns interested in export trade and international economic developments.

Because of the need for current data in connection with national defense, we are initiating a new study of this country's so-called "direct" investments abroad. We are, therefore, enclosing the usual forms together with instructions relating to the various items.

All information received from individual concerns will be considered strictly confidential. As in our previous studies, no use will be made of data submitted except for the compilation of aggregate figures.

Sincerely yours,

AMOS E. TAYLOR, *Chief,*
International Economics Unit.

Enclosures.

INSTRUCTION SHEET

SURVEY OF THE FOREIGN DIRECT INVESTMENTS OF AMERICAN CORPORATIONS AND INDIVIDUALS

I. This questionnaire is intended to cover all foreign business or real property investments held by corporations and invidivuals domiciled in the United States. If the questionnaire does not exactly fit your situation, kindly alter the form to fit or send in the pertinent data in a letter.

II. A separate form should be filled in for each foreign affiliated or subsidiary company (or property), whether directly or indirectly held, that operates in a country or in an industry different from that in which its parent company operates. (Canadian investments should be included.) If a subsidiary operates in several countries, list the countries and state the net investments in each. Operating subsidiaries organized in the United States to do business only in a foreign country or countries, shall be considered as foreign subsidiaries.

III. Be rather specific in your description of type of business and product or service. For example, manufacture: paper clips; packaging: soap powders; public utility: electric service; mining or mining and smelting: gold, silver, lead.

IV. Indicate roughly the relative importance of the domestic and principal foreign markets in the distribution of the chief products of each foreign enterprise (*a*) as of about 1938 and (*b*) as of 1940. (Domestic market refers to the country in which the foreign company operates.)

V. (*a*) It is desired to ascertain, as of the end of 1940, or the nearest balance sheet date thereto (please specify date), "the net equity of the American company or person in the foreign affiliated or subsidiary company or property as shown by the books of the foreign enterprise." Identify and explain any substantial differences between the valuation requested herein and that shown on the books of the American company or person.

(*b*) Values should be stated in the currencies in which the books of the foreign company are kept. If foreign currencies are converted into United States dollars specify the rate of exchange applying to each item.

(c) When a subsidiary holds, in the United States and in its own name, deposits and other assets not accounted for under Questions V. A. 6 and V. A. 7, enter those holdings in red under Question V. A. 8 on the form.

(d) The equity of the American company in the fixed and current assets of the foreign company should equal the "total value of the American company's interest."

(e) In the case of unincorporated foreign properties or businesses, it is desired to ascertain, as of the end of 1940, the net value as carried on the books of the American company or person, making a division between the net fixed and current assets which comprise the investment. (Question V, B.)

VI. Write your reply to this question on the back of the questionnaire to which it applies or on a separate sheet carefully identified. Your reply should cover especially the legal, managerial, and physical status of the company and property. For example, is title to the investment qualified in any way, are your managerial rights restricted, or have the physical properties suffered damage? Have any measures been taken to compensate you for the seizure or restriction of rights or for property damage?

May 1941.

INVESTMENT QUESTIONNAIRE

Survey of the Foreign Direct Investments of American Corporations and Individuals

(See Instruction Sheet)

I. Name of American parent company or person ----------------------

Address --

II. Name of foreign affiliate or subsidiary company or property ------------

----

Location (city and country)

Head office ------------------------ Plant and properties------------

Are plant and properties owned outright, leased or otherwise held? --------------------------------

III. Chief type of business engaged in and principal products or type of service

----

IV. Principal markets for products ------------------------------------

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V. Valuation data.

A. Foreign affiliated or subsidiary companies:

Class of security or liability	*Percent owned by American company*	*Value of American company's interest*
1. Common (ordinary) stock	------	------------
2. Surplus or deficit:		
a. Capital	------	------------
b. Earned	------	------------
3. Surplus reserves	------	------------
4. Preferred stock	------	------------
5. Bonds, notes, mortgages	------	------------
6. Advances:		
a. Due to American company	------	------------
b. Payable by American company	------	------------
7. Intercompany accounts:		
a. Due to American company	------	------------
b. Payable by American company	------	------------
8. ------------------------------	------	------------

Class of assets	*Total*	*Equity of American company*
9. Fixed assets	--------------	----------------------
10. Current assets	--------------	----------------------

B. Unincorporated foreign properties or businesses:

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

VI. Present status of your investment or property ----------------------

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

May 1941.

INCOME QUESTIONNAIRE

Income From American Direct Investments Abroad, 1940

The following questions relate to: (I) the income statement of foreign subsidiary or affiliated companies, (II) the income from unincorporated foreign properties, and (III) the changes in the advances and intercompany accounts outstanding between the foreign subsidiary or affiliated companies and the American company. Kindly report the total amounts applicable to your interest in foreign enterprises under the respective headings. (It would be of considerable assistance if these data could be supplied by countries, or by geographic areas, instead of in aggregates for all areas.)

These data should cover the calendar year ended December 31, 1940, or the fiscal year ended nearest that date.

I. Foreign subsidiary or affiliated companies:

A. Equity of American company in net earnings (or deficit) before payment of common dividends and before provision for unrealized exchange losses and gains---------- $--------

B. Dividends paid to American company*

a. on common stock---------- $--------

b. on preferred stock---------- $--------

C. Interest paid (on bonds, notes, and advances payable) to American company*---------- $--------

D. Other payments to American company:*

1. Royalties---------- $--------

2. Management fees, service charges, head office expenses chargeable to foreign operation, etc---------- $--------

II. Unincorporated foreign properties:

A. Net income or loss---------- $--------

III. Intercompany accounts and foreign advances:**

	Outstanding: End of 1939	Outstanding: End of 1940	Net change: Increase (+) or decrease (—)
A. Due to American company	$-------	$-------	$-------
B. Payable by American company	$-------	$-------	$-------

IV. Subsidiary surplus or reserve funds invested in United States securities or deposited or otherwise held in United States (at cost)

	Total: End of 1939	Total: End of 1940
	$----------	$----------

*Unless otherwise noted, the assumption is made that amounts paid by the foreign company and amounts received by the American company were approximately equal. Include payments made in cash, in securities, or cleared through intercompany accounts. If payment is made in stock or other securities, kindly state the amount.

**When changes are the result of the transfer of subsidiary or parent company securities, please identify the amounts involved.

Name of American Company --

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

C. INDUSTRIAL CLASSIFICATION[3]

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.).

[3] Holding companies for which only consolidated figures were available were classed according to the major activity of the subsidaries.

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).
C. Purchasing.

III. Agricultural:
A. Cattle ranches.
B. Fruit plantations.
C. Rubber plantations.
D. Sugar centrals.
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, bus lines, airways and airdromes, waterworks).

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

D. EXCHANGE RATES EMPLOYED IN CONVERTING INVESTMENT DATA REPORTED IN FOREIGN CURRENCIES

Unless otherwise indicated, the data are the average of the noon buying rates for cable transfer in New York for the month of December 1940. Data for countries other than the American Republics are from the Federal Reserve Bulletin; rates for the American Republics were compiled in the International Economics Unit.

	Rate used in 1936 study	*Rate used in 1940 study*
Argentina	$0.327	$0.2358
Australia	3.909	3.2280
Belgium	.169	[1].1674
Bolivia	-----	.0182
Brazil	.059	.0483
British India	.371	.3018
Bulgaria	.013	[2].0121
Canada	1.000	.9091
Chile	.040	.0321
China	.295	.0569
Colombia	.574	.5714
Costa Rica	-----	.1742
Cuba	.999	.9100
Czechoslovakia	.035	[2].0343
Denmark	.219	[3].1931
Ecuador	.096	.0667
Egypt	5.032	[2] 4.5463
Finland	.022	.0195
France	.047	[4].0201
French Indochina	-----	[2].2510
Germany	.402	.3998
Greece	.009	[5].0066
Guatemala	1.000	1.0000
Honduras	-----	.4902
Hong Kong	$0.305	$0.2359
Hungary	.198	.1977
Italy	.053	.0504
Jamaica	-----	4.0100
Japan	.285	.2344
Luxembourg	.042	[6].0400
Mexico	.277	.2062
Netherlands	.546	[1].5308
Netherlands Indies	-----	[2].5334
New Zealand	3.939	3.2275
Nicaragua	-----	.2000
Norway	.247	[3].2271
Palestine	-----	[2] 4.4354
Panama	1.000	1.0000
Paraguay	-----	.0120
Peru	.252	.1538
Philippine Islands	-----	.5000
Poland	.189	[2].1884
Portugal	.045	.0399
Rumania	.007	[7].0069
Salvador, El	-----	.4000
Spain	.077	.0913
Straits Settlements	.575	.4710
Sweden	.253	.2382

See footnotes on p. 43.

	Rate used in 1936 study	Rate used in 1940 study
Switzerland	$0. 230	$0. 2320
Syria	-----	[2]. 5020
Thailand	-----	[2]. 4032
Trinidad	-----	. 8400
Turkey	. 802	[2]. 8024
Union of South Africa	$4. 853	$3. 9800
United Kingdom	4. 908	4. 0350
Uruguay	. 544	. 3953
Venezuela	. 240	. 3135
Yugoslavia	. 023	. 0224

1 May 1940, average.
2 Annual average, 1939.
3 April 1940, average.
4 June 1940, average.
5 October 1940, average.
6 Official rate.
7 January 1940, average.

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