















## Key Terms

- **Direct investment** is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise resident in another economy. Ownership or control of 10 percent or more of the voting securities of an entity in another economy is the threshold for separating direct investment from other types of investment.
- A **U.S. multinational enterprise** (U.S. MNE) is composed of the U.S. parent and its foreign affiliates.
- A **foreign multinational** is composed of the foreign parent and its U.S. affiliates.
- A **foreign affiliate** is a foreign business enterprise that is at least 10 percent owned by a single U.S. person or entity.
- A **U.S. parent** is a U.S. person or entity that owns 10 percent or more of a foreign business enterprise.
- A **U.S. affiliate** is a U.S. business enterprise that is at least 10 percent owned by a single foreign person or entity.
- A **foreign parent** is the first person or entity outside the United States in a U.S. affiliate's ownership chain that has a direct investment interest in the affiliate.
- The **ultimate beneficial owner (UBO)** is the person or entity, proceeding up a U.S. affiliate's ownership chain, beginning with the foreign parent, that is not owned more than 50 percent by another entity. The UBO ultimately owns or controls, and thus ultimately derives the benefits and assumes the risks from owning or controlling, an affiliate. The country of the UBO is often the same as that of the foreign parent, but it may be a different country or the United States.
- The **direct investment position** is the value of direct investors' equity in, and net outstanding loans to, their affiliates. Changes in the position result from financial transactions and other changes, including capital gains and losses, currency-translation adjustments, and other changes in volume and valuation, such as adjustments to book value from affiliates' current sale or purchase price.
- **Income** includes income on equity—whether profits or losses and whether distributed or reinvested—and net interest on debt.

## Statistical Conventions

- BEA's direct investment statistics are primarily based on data reported in the Quarterly Survey of U.S. Direct Investment Abroad (BE-577) and the Quarterly Survey of Foreign Direct Investment in the United States (BE-605). Both surveys are conducted by BEA.
- The countries identified in this article reflect the location of the immediate counterpart, unless otherwise noted. The countries identified for the U.S. direct investment abroad position may not reflect the ultimate destination of the funds. Likewise, the countries identified for the foreign direct investment position in the United States may not reflect the ultimate source of the funds, which is often the ultimate beneficial owner.
- The direct investment positions in this article are valued at historical cost. Positions reflect the book value of direct investors' equity in, and net outstanding loans to, their affiliates. This valuation is derived principally from the accounting records of affiliates, which are primarily compiled under U.S. Generally Accepted Accounting Principles or International Financial Reporting Standards. This differs from the market value measure featured in the U.S. International Investment Position Accounts.
- This article presents statistics on a directional basis rather than the on the asset/liability basis featured in the U.S. International Transactions Accounts and the U.S. International Investment Position Accounts. On a directional basis, direct investment claims and liabilities are classified according to whether the direct investor is a U.S. resident or a foreign resident. U.S. direct investment abroad occurs between a U.S. parent and its foreign affiliates. Foreign direct investment in the United States occurs between a foreign parent and its U.S. affiliates. On an asset/liability basis, direct investment statistics are organized according to whether the investment relates to an asset or liability for U.S. parents or for U.S. affiliates of foreign parents.