

Direct Investment for 2009–2012

Detailed Historical-Cost Positions and Related Financial and Income Flows

By Marilyn Ibarra-Caton

THIS article presents detailed statistics on direct investment positions at historical cost (book value) and related financial and income flows for U.S. direct investment abroad—or “outward direct investment”—and for foreign direct investment in the United States—or “inward direct investment.” Summary statistics on services transactions with foreign affiliates and foreign parent companies are also presented.¹ (For definitions, see the box “Key Terms.”) These direct investment statistics complement the statistics presented in two articles in the July 2013 *SURVEY OF CURRENT BUSINESS* by providing more detail by country, industry, and account.² The statistics for outward investment incorporate the results of BEA’s most recent benchmark survey of U.S. direct investment abroad. For 2010–2012, the statistics for both inward and outward investment reflect the incorporation of new or revised data from

BEA’s quarterly surveys of transactions between parents (both U.S. and foreign) and their affiliates and its annual surveys of financial and operating data of U.S. parent companies and their foreign affiliates and of U.S. affiliates of foreign parent companies.

The statistics in this article differ from some of the counterpart statistics in the international investment position and international transactions accounts.³

- They are presented at historical cost, which is the only valuation method for which detailed statistics by country and industry are available. The aggregate statistics on the direct investment position in the international investment position accounts are presented at current cost and at market value in addition to historical cost.
- They are presented without a current-cost adjustment. In contrast, the statistics on direct investment income (in the current account) and direct investment financial flows (in the financial account) in the U.S. international transactions accounts are presented with a current-cost adjustment.

1. Global totals (all countries and all industries) for royalties and license fees and other private services are shown in table 2 (for outward direct investment, see page 201 and for inward direct investment, see page 202). Breakdowns by country and by industry are not included in this presentation. Country detail and detail by type of service or intangible asset will be available in the October *SURVEY* article on U.S. international services.

2. See Kevin B. Barefoot and Marilyn Ibarra-Caton, “Direct Investment Positions for 2012: Country and Industry Detail,” *SURVEY* 93 (July 2013): 26–42 and Barbara H. Berman and Jeffrey R. Bogen, “Annual Revision of the U.S. International Transactions Accounts,” *SURVEY* 93 (July 2013): 43–54.

3. See Elena L. Nguyen, “The International Investment Position of the United States at Yearend 2012,” *SURVEY* 93 (July 2013): 14–25 and Sarah P. Scott, “U.S. International Transactions: First Quarter of 2013,” *SURVEY* 93 (July 2013): 64–71.

Direct Investment Tables

Following this article, two sets of tables are presented—one for outward direct investment (tables 1–16) and one for inward direct investment (tables 1–17). In each set, tables 1–15 present comparable data.

- Table 1 shows the direct investment positions and rates of return at historical cost, current cost, and market value.
- Table 2 presents the positions and related financial, income, and services flows for 2001–2012 at historical cost and as they are presented in the international investment position accounts and international transactions accounts with adjustments for current-period prices.
- Tables 3–16 present direct investment positions and international transactions by country of foreign affli-

ate or foreign parent, by industry of affiliate, and by account. For outward direct investment, table 16 presents statistics that are classified by industry of affiliate and by industry of U.S. parent. For inward direct investment, table 16 presents statistics that are classified by country of foreign parent and by country of ultimate beneficial owner (UBO).

- Table 17 (for inward direct investment) provides a breakdown of the foreign direct investment position in the United States by industry of the UBO of the U.S. affiliate. It shows the value of investments owned by private entities (businesses and individuals, estates, and trusts) and the value owned by foreign governments and government-related entities.

Revisions

Outward direct investment

The revised statistics on the U.S. direct investment position abroad at yearend, on financial flows, and on income reflect the incorporation of revised data from quarterly surveys of transactions between U.S. parents and their foreign affiliates and information from benchmark and annual surveys of financial and operating data of foreign affiliates.

As noted in the July 2013 SURVEY article on direct investment positions, the total outward direct investment position at historical cost for all areas was revised

upward \$46.4 billion for 2009, was revised downward \$49.0 billion for 2010, was revised downward \$70.9 billion for 2011, and was revised upward \$34.9 billion for 2012 (table A). The upward revision for 2009 affected both valuation adjustments and financial flows, primarily in equity investment. The downward revision for 2010 mainly affected valuation adjustments and to a lesser extent, financial flows, primarily in reinvested earnings. For 2011, the downward revision affected both valuation adjustments and financial flows. The upward revision for 2012 mainly affected financial flows and was equally divided between reinvested earnings and intercompany debt.

Table A. U.S. Direct Investment Abroad: Comparison of Previously Published and Revised Estimates by Area, 2009–2012

[Millions of dollars]

By area	Direct investment position on a historical-cost basis			Financial outflows without current-cost adjustment (inflows (-))			Income without current-cost adjustment		
	Previously published	Revised	Revision	Previously published	Revised	Revision	Previously published	Revised	Revision
2009									
All areas	3,518,655	3,565,020	46,364	266,955	287,901	20,946	335,297	340,039	4,742
Canada.....	265,326	274,807	9,481	10,170	14,342	4,172	15,409	15,145	-264
Europe.....	1,987,278	1,991,191	3,913	159,387	165,064	5,677	175,828	179,279	3,451
<i>Of which:</i>									
United Kingdom.....	487,604	495,382	7,778	27,638	28,940	1,303	29,329	30,122	792
Latin America and Other Western Hemisphere.....	695,754	718,478	22,724	60,596	63,420	2,824	76,665	76,771	106
Africa.....	43,018	43,941	923	9,447	10,417	969	5,409	5,297	-112
Middle East.....	35,004	33,776	-1,228	4,870	4,025	-846	4,988	4,932	-56
Asia and Pacific.....	492,275	502,826	10,551	22,484	30,635	8,151	56,998	58,615	1,617
2010									
All areas	3,790,918	3,741,910	-49,008	304,399	277,779	-26,620	420,566	417,605	-2,961
Canada.....	289,535	295,206	5,671	28,398	17,594	-10,804	30,326	25,253	-5,074
Europe.....	2,102,834	2,034,559	-68,276	186,857	175,995	-10,862	209,893	216,892	6,999
<i>Of which:</i>									
United Kingdom.....	514,887	501,247	-13,641	47,087	38,839	-8,247	28,182	28,607	425
Latin America and Other Western Hemisphere.....	747,784	752,788	5,004	44,533	42,157	-2,376	91,843	87,054	-4,789
Africa.....	53,412	54,816	1,404	9,281	7,442	-1,840	7,221	6,903	-318
Middle East.....	34,739	34,431	-308	-276	-305	-29	9,224	8,959	-265
Asia and Pacific.....	562,613	570,111	7,498	35,606	34,895	-711	72,059	72,545	486
2011									
All areas	4,155,551	4,084,659	-70,892	396,656	386,724	-9,932	457,562	456,523	-1,039
Canada.....	318,964	331,666	12,703	40,410	46,680	6,270	40,729	34,920	-5,809
Europe.....	2,307,697	2,247,345	-60,352	224,295	227,219	2,925	212,760	223,221	10,460
<i>Of which:</i>									
United Kingdom.....	549,399	515,991	-33,409	36,799	27,081	-9,718	31,798	31,841	43
Latin America and Other Western Hemisphere.....	831,151	807,362	-23,789	84,540	75,161	-9,379	99,603	95,649	-3,954
Africa.....	56,632	57,230	597	5,127	5,380	253	8,520	8,277	-244
Middle East.....	35,905	34,881	-1,024	846	312	-534	15,226	15,090	-136
Asia and Pacific.....	605,202	606,174	973	41,439	31,972	-9,467	80,723	79,366	-1,357
2012 ¹									
All areas	4,418,409	4,453,307	34,897	328,869	366,940	38,071	439,091	448,880	9,789
Canada.....		351,460		29,882	26,304	-3,577	34,698	32,130	-2,569
Europe.....		2,477,040		164,272	188,484	24,212	217,213	226,417	9,204
<i>Of which:</i>									
United Kingdom.....		597,813		43,070	46,815	3,745	35,518	36,191	673
Latin America and Other Western Hemisphere.....		869,268		78,954	89,954	11,000	89,806	90,967	1,161
Africa.....		61,381		4,707	3,706	-1,001	7,858	7,587	-271
Middle East.....		42,853		8,274	8,261	-14	14,683	14,850	167
Asia and Pacific.....		651,305		42,779	50,230	7,451	74,833	76,930	2,097

1. The only accounts for which 2012 statistics were previously available by country were financial outflows without current-cost adjustment and income without current-cost adjustment. The preliminary

estimates of the direct investment position for 2012 were first published in the April 2013 SURVEY OF CURRENT BUSINESS and were revised in the July 2013 SURVEY.

Income without current-cost adjustment was revised upward \$4.7 billion for 2009, was revised downward \$3.0 billion for 2010, was revised downward \$1.0 billion for 2011, and was revised upward \$9.8 billion for 2012. For all 4 years, the revisions were attributable to revised affiliate earnings.

Inward direct investment

The revised statistics on the foreign direct investment position in the United States at yearend, on financial flows, and on income reflect the incorporation of revised data from the quarterly surveys of transactions between U.S. affiliates and their foreign parents and information from annual surveys of financial and operating data of U.S. affiliates.

As noted in the July 2012 SURVEY article on direct investment positions, the total inward direct investment position at historical cost for all areas was revised upward \$15.7 billion for 2010 and was revised downward

\$45.2 billion for 2011 and \$58.6 billion for 2012 (table B). The revisions for all 3 years were attributable to revised valuation adjustments.

Income without current-cost adjustment was revised upward for all 3 years—\$6.9 billion for 2010, \$10.3 billion for 2011, and \$4.9 billion for 2012. The revisions for all 3 years were attributable to revised affiliate earnings.

Data Availability

Detailed statistics on the outward direct investment position and related financial and income flows for 1982–2012 and on the inward direct investment position and related financial and income flows for 1980–2012 are available on BEA's Web site at www.bea.gov under "International" and "Direct Investment and Multinational Companies."

Table B. Foreign Direct Investment in the United States: Comparison of Previously Published and Revised Estimates by Area, 2010–2012

[Million of dollars]

By area	Direct investment position on a historical-cost basis			Financial inflows without current-cost adjustment (outflows (-))			Income without current-cost adjustment		
	Previously published	Revised	Revision	Previously published	Revised	Revision	Previously published	Revised	Revision
2010									
All areas	2,264,385	2,280,044	15,659	197,905	198,049	144	138,223	145,088	6,865
Canada.....	188,350	192,463	4,113	5,522	7,357	1,835	11,636	10,932	-704
Europe.....	1,652,599	1,659,774	7,175	150,286	151,055	769	101,751	109,274	7,524
<i>Of which:</i>									
United Kingdom.....	387,163	400,435	13,272	23,931	30,069	6,138	24,978	29,545	4,567
Latin America and Other Western Hemisphere.....	59,638	62,130	2,492	14,545	13,424	-1,122	2,983	2,341	-641
Africa.....	2,265	2,265	-1	1,081	1,085	4	117	117	(*)
Middle East.....	16,452	16,808	356	-295	-1,747	-1,452	-18	-40	-22
Asia and Pacific.....	345,080	346,605	1,525	26,766	26,875	109	21,754	22,463	709
2011									
All areas	2,547,828	2,502,628	-45,201	226,937	223,759	-3,177	151,508	161,778	10,270
Canada.....	210,864	210,792	-72	18,661	20,543	1,882	11,082	11,333	250
Europe.....	1,811,875	1,768,150	-43,724	132,568	127,800	-4,768	112,027	123,365	11,339
<i>Of which:</i>									
United Kingdom.....	442,179	461,701	19,523	46,799	48,900	2,101	27,507	33,778	6,271
Latin America and Other Western Hemisphere.....	85,695	89,135	3,439	18,373	17,989	-384	4,518	2,766	-1,753
Africa.....	4,281	4,285	4	2,060	2,101	41	512	506	-7
Middle East.....	25,363	20,753	-4,610	9,098	8,973	-126	1	56	56
Asia and Pacific.....	409,749	409,512	-237	46,176	46,354	178	23,368	23,753	385
2012 ¹									
All areas	2,709,419	2,650,832	-58,587	167,620	160,569	-7,051	166,038	170,905	4,867
Canada.....	.....	225,331	.....	12,485	16,460	3,975	13,565	12,646	-920
Europe.....	.....	1,876,240	.....	113,204	105,187	-8,017	120,645	124,588	3,943
<i>Of which:</i>									
United Kingdom.....	.....	486,833	.....	20,198	20,547	349	30,338	30,931	594
Latin America and Other Western Hemisphere.....	.....	95,642	.....	7,252	5,897	-1,355	8,463	8,040	-423
Africa.....	.....	5,338	.....	815	607	-208	171	47	-123
Middle East.....	.....	20,603	.....	901	626	-275	-623	-295	329
Asia and Pacific.....	.....	427,679	.....	32,963	31,792	-1,171	23,818	25,879	2,061

1. The only accounts for which 2012 estimates were previously available by country were financial inflows without current-cost adjustment and income without current-cost adjustment. The estimates of the direct invest-

ment positions for 2012 were first published in the April 2013 SURVEY OF CURRENT BUSINESS and were revised in the July 2013 SURVEY.

Methodology for Incorporating Outward Benchmark Survey Data

The statistics on the outward direct investment position, on financial flows, and on income for 2009–2012 incorporate the results of the Bureau of Economic Analysis 2009 Benchmark Survey of U.S. Direct Investment Abroad; the previous benchmark survey provided data for 2004. The detailed annual statistics for 2009 forward and the quarterly statistics on financial flows and income that underlie these annual statistics are now based on the 2007 North American Industry Classification System (NAICS); the statistics for 2004–2008 are based on the 2002 NAICS. The revisions to the statistics for 2009–2012 also reflect the incorporation of new or revised data from quarterly and annual surveys of U.S. direct investment abroad.

Benchmark surveys are conducted every 5 years and cover virtually every business enterprise abroad that is, or was, a foreign affiliate of a U.S. direct investor in terms of value.⁴ In the 2009 survey, reports with information on affiliate direct investment positions and related financial and income flows were required for all foreign affiliates with total assets, sales, or net income (loss) greater than \$25 million in their 2009 fiscal year. To ensure that the statistics cover the universe of U.S. direct investment abroad, estimates for smaller foreign affiliates for the direct investment position and related financial and income flows are based on information on their operations that was reported on a less detailed survey form. This shorter reporting form collects data on their total assets, total liabilities, sales, net income, number of employees, and debt with their U.S. parent. In the 2009 benchmark survey, affiliates who reported on the shorter form accounted for a very small share of the data for all foreign affiliates in terms of value: 0.1 percent of net income, 0.6 percent of total assets, 1 percent of the investment position, and 2 percent of sales.

For nonbenchmark years, the statistics on the direct investment position and related financial and income flows are derived from data reported quarterly for all foreign affiliates above a size-based exemption level (currently, sales, assets, or net income or loss greater than \$60 million) and from estimates for the smaller foreign affiliates. The estimates for foreign affiliates that are not reported in the quarterly surveys are derived by extrapolating forward the data collected from the most recent benchmark survey or from a previous quarterly survey using changes in the data for a matched sample of foreign affiliates that are reported in both the previous and the current quarterly surveys.

4. For a detailed description of the methodology, see *U.S. Direct Investment Abroad: 2009 Revised Benchmark Data* on BEA's Web site at www.bea.gov.

Benchmarking the 2009 quarterly survey data

The benchmarking procedures primarily compare the data reported in the 2009 quarterly surveys of U.S. direct investment abroad with the data reported in the 2009 benchmark survey. For foreign affiliates that reported in both surveys, the data from the quarterly surveys were reconciled with the data from the benchmark survey. Significant discrepancies were investigated and resolved, usually in favor of the benchmark survey data, which are generally considered more accurate because they are reported later and in more detail, than the quarterly survey data. The additional time and detail enable more thorough editing of the benchmark survey data. As part of this reconciliation process, timing differences sometimes had to be resolved between the data from the benchmark survey, which are reported on a fiscal year basis, and the data from the quarterly surveys, which are presented on a calendar year basis, for compiling the U.S. international transactions accounts and the international investment position of the United States. Foreign affiliates whose fiscal year coincided with the calendar year accounted for nearly 75 percent of the direct investment position; thus, for most affiliates, no reconciliation for timing differences was necessary.

For foreign affiliates whose fiscal year did not coincide with the calendar year, the sum of the quarterly survey data for the four quarters of the foreign affiliate's 2009 fiscal year was reconciled with the fiscal year total reported in the benchmark survey. The calendar year estimates for these foreign affiliates were derived as the sum of (1) the reconciled quarterly data for the quarters that were included in both fiscal year and calendar year 2009 and (2) the data from the quarterly survey for the calendar quarters that were not covered by the benchmark survey. The fiscal year data for the direct investment position, financial flows, and income are available in the publication of the results of the 2009 benchmark survey.⁵

For foreign affiliates that did not report in the benchmark survey but reported in the quarterly surveys, the data were not affected by the benchmarking process and continue to be included in the quarterly statistics. For foreign affiliates that reported in the benchmark survey but did not report in the quarterly surveys, the data from the benchmark survey replaced the quarterly estimates. For these affiliates, the data from the benchmark survey for fiscal year 2009 were used as the estimates for calendar year 2009 and in general were distributed evenly across the four

5. The revised results from the 2009 benchmark survey are available on BEA's Web site at www.bea.gov under "International," "Methodologies" tab, and "Direct Investment and MNCs" tab.

calendar quarters of the year. For foreign affiliates that the benchmark survey indicated had either left the direct investment universe or had been consolidated with other affiliates since the 2004 benchmark survey and whose exit or consolidation had not already been captured by BEA's quarterly and annual surveys, the

estimates were removed from the quarterly statistics. For foreign affiliates that the benchmark survey indicated had entered the direct investment universe since the 2004 benchmark survey and whose entrance had not already been captured by BEA's quarterly and annual surveys, estimates were added to the quarterly

Key Terms—Continues

For a more detailed discussion of the terms in this box, see the methodologies in *Foreign Direct Investment in the United States: Final Results From the 2007 Benchmark Survey* and *U.S. Direct Investment Abroad: 2009 Revised Benchmark Data* available on BEA's Web site at www.bea.gov. Under "International," click on the "Methodologies" tab, then click on the "Direct Investment and MNCs" tab.

Direct investment is investment in which a resident (in the broad legal sense, including a person or company) of one country obtains a lasting interest in, and a degree of influence over, the management of a business enterprise in another country. In the United States and in the international statistical guidelines, the criterion used to define direct investment is ownership of at least 10 percent of the voting securities of an incorporated business enterprise or the equivalent interest in an unincorporated business enterprise. **U.S. direct investment abroad (outward direct investment)** represents the ownership or control, directly or indirectly, by one U.S. resident, the **U.S. parent**, of at least 10 percent of a foreign business enterprise, which is called a **foreign affiliate**. **Foreign direct investment in the United States (inward direct investment)** represents the ownership or control, directly or indirectly, by one foreign resident, the **foreign parent**, of at least 10 percent of a U.S. business enterprise, which is called a **U.S. affiliate**. Foreign direct investment includes equity and net debt investments by the foreign parent, and net debt investment by any other members of the **foreign parent group**. The foreign parent group consists of (1) the foreign parent, (2) any foreign person (including a company), proceeding up the foreign parent's ownership chain, that owns more than 50 percent of the person below it, up to and including the **ultimate beneficial owner (UBO)**, and (3) any foreign person, proceeding down the ownership chain(s) of each of these members, that is owned more than 50 percent by the person above it.

The **UBO** of a U.S. affiliate is the first person, proceeding up the affiliate's ownership chain, beginning with the foreign parent, which is not more than 50 percent owned by another person. The **UBO** ultimately owns or controls the affiliate and derives the benefits and assumes the risks associated with ownership or control. Unlike the foreign parent, the **UBO** of a U.S. affiliate may be located in the United States.

The international transactions accounts measure economic transactions between U.S. and foreign residents and consist of

three major accounts: the current account, which covers transactions in goods, services, income, and unilateral transfers, the financial account, which covers changes in financial claims and liabilities, and the capital account, covers changes in the stock of non-produced nonfinancial assets of an economy and changes in other capital transfers.

Direct investment current-account flows measure receipts and payments between parents and affiliates for the use of capital or the provisions of goods or services. The receipts and payments between parents and affiliates shown in this article fall into three categories: direct investment income, royalties and license fees, and charges for other services. Statistics on trade in goods between parents and affiliates are available in other BEA publications.¹ **Direct investment income (without current-cost adjustment)** is the return on the direct investment position. It consists of (1) earnings, that is, the parents' shares in the net income from the operations of their affiliates, and (2) net interest received by parents (or foreign parent groups) from affiliates from outstanding loans and trade accounts. In the international transactions accounts, direct investment income includes a **current-cost adjustment** that reflects current-period prices. The current-cost adjustment (1) converts depreciation charges to a current-cost, or replacement-cost, basis, (2) adds charges for depletion of natural resources back to income and reinvested earnings because these charges are not treated as production costs in the national income and product accounts, and (3) reallocates expenses for mineral exploration and development across periods so that they are written off over their economic lives rather than all at once. **Services transactions** are receipts and payments between parents and their affiliates for services provided by one to the other. They consist of **royalties and license fees** for the use, distribution, or sale of intangible property or rights (including patents, trademarks, copyrights, and other intangible assets) and **other private services** (consisting of service charges, including management fees and allocated expenses, and rentals for tangible property).

Direct investment financial-account flows (**financial flows**) measure funds that parent companies provide to their affiliates, net of funds that affiliate provide to their parents during a given period. They result from transactions that change financial

1. See Jeffrey H. Lowe, "An Ownership-Based Framework of the U.S. Current Account, 2000–2011," *SURVEY* 93 (January 2013): 40–44.

statistics. Also removed were data for affiliates that were estimated for 2009 based on prior year's reports but that did not file information on either the benchmark survey or quarterly surveys for 2008 and 2009.

Statistics for 2010 forward

Universe statistics on the direct investment position and related financial and income flows for 2010–2012 were derived from (1) the data reported in the quarterly surveys for a given year by foreign affiliates that also reported in the 2009 benchmark survey, (2) the data reported in

Key Terms

claims (assets) and liabilities between U.S. parents and their foreign affiliates or between U.S. affiliates and their foreign parents. Financial **outflows** result from transactions that increase U.S. assets or decrease U.S. liabilities. Financial **inflows** result from transactions that decrease U.S. assets or increase U.S. liabilities. Direct investment financial flows consist of equity investment, intercompany debt investment, and reinvested earnings.

Equity investment is the difference between equity increases and decreases. Equity increases result from parents' (1) establishments of new affiliates, (2) payments to unaffiliated parties for the purchase of capital stock or other equity interests when they acquire an existing business, (3) payments to acquire additional ownership interests in their existing affiliates, and (4) capital contributions to their existing affiliates. Equity decreases are the funds parents receive when they reduce their equity interests in their affiliates.

Intercompany debt investment results from changes in outstanding loans between parents (or for inward investment, other foreign parent group members) and their affiliates, including loans by parents to affiliates and loans by affiliates to parents.

Reinvested earnings (without current-cost adjustment) are the parents' share of the current-period operating earnings of their affiliates, less distributions of earnings that affiliates make to their parents. In the international transactions accounts, reinvested earnings include a **current-cost adjustment** that reflects current-period prices.

In contrast to the current- and financial-account items discussed above, which measure flows during a given period of time, the **direct investment position** (also referred to as the "position") is a stock item. As such, it measures the total outstanding level of direct investment at a given point in time. It is the value of direct investors' equity in, and net outstanding loans to, their affiliates. The direct investment position may be viewed as the direct investors' net financial claims on their affiliates. BEA reports statistics on the positions for outward direct investment and inward direct investment at historical cost, current cost, and market value. This article features the **historical-cost** measure, which is principally derived from the financial accounting records of affiliates and generally reflects the acquisition cost of the investments, cumulative reinvested earnings,

and cumulative depreciation of fixed assets. For additional information, see the box "[Alternative Measures of the Direct Investment Positions](#)" in Barefoot and Ibarra-Caton, 27.

The year-to-year change in the position is the sum of direct investment financial flows, discussed above, and valuation adjustments. Valuation adjustments are broadly defined to include all changes in the position other than financial outflows. **Valuation adjustments** are made to account for differences between changes in historical-cost positions, which are measured at book value, and direct investment financial flows, which are measured at transaction value. Unlike the positions on current-cost and market-value bases, the historical-cost position is not usually adjusted to account for changes in the replacement cost of the tangible assets of affiliates or in the market value of parent companies' equity in affiliates. Valuation adjustments to historical-cost positions consist of translation adjustments, capital gains and losses, and "other" valuation adjustments.

Translation adjustments result from changes in exchange rates used to translate the foreign-currency-denominated assets and liabilities of affiliates into U.S. dollars.

Capital gains and losses include gains and losses resulting from: the sale or disposition of assets, excluding inventories; certain holding gains and losses on financial assets; goodwill impairment; writedowns and writeoffs of assets and liabilities associated with restructuring; disposals of discontinued operations; extraordinary, unusual, and infrequently occurring items that are material, including losses from accidental damages or natural disasters after insurance reimbursement; and changes in accounting principles.

"Other" valuation adjustments include (1) differences between the transaction values given or received for equity interests in affiliates and their book values and (2) the reclassification of investment positions between direct investment and other investment. In addition, if an affiliate's industry classification changes, offsetting "other" valuation adjustments are made to move the position from the former to the current industry. Offsetting adjustments are also made when the political boundaries of a country changes and results in a change in the country of the affiliate, and, for inward direct investment, when transactions between foreign residents result in a change in the country of the foreign parent.

the quarterly surveys for a given year by foreign affiliates that entered the direct investment universe since the 2009 benchmark survey and that met the reporting criteria for the quarterly survey, and (3) estimates for affiliates that did not report in the quarterly surveys for a given year.

Statistics on the direct investment position and related financial and income flows ideally represent the universe of foreign affiliates. To ensure coverage in nonbenchmark years that is as complete as that in the 2009 benchmark survey, estimates were prepared both for foreign affiliates that reported in the 2009 benchmark survey and for those whose 2009 data were estimated on the basis of quarterly reports if these affiliates did not report in the quarterly surveys for 2010–2012, either because they were exempt from reporting or because they failed to report after 2009. The estimates for foreign affiliates that did not report after 2009 were derived by extrapolating forward the data that were previously reported or estimated for 2009. Extrapolations were based on changes in the data reported in the subsequent quarters for a matched sample of foreign affiliates. Information from other external sources was also used occasionally in preparing the estimates. The universe statistics were derived

by adding the estimates for these foreign affiliates to the data for the foreign affiliates that reported in the quarterly survey. On average, 5 percent of the universe measured by position was estimated for 2010, 2011, and 2012.

This imputation procedure was used for all data items except intercompany debt investment and equity investment increases and decreases. BEA does not impute intercompany debt flows for nonreporters, because intercompany debt flows can be infrequent, can switch from inflows to outflows, and can vary considerably in size from quarter-to-quarter and thus, do not provide a good basis for imputation. The equity increases and decreases of nonreporting foreign affiliates were estimated at the global level by using a ratio of current-quarter reported increases and decreases to the preceding-quarter equity position of all affiliates that reported in the current quarter. This ratio was multiplied by the equity position in the preceding quarter for foreign affiliates that did not report in the current quarter. The result was added to the current quarter's reported flows to derive total equity increases and decreases. The estimated equity increases and decreases were then allocated to the countries and industries with the largest positions.

Acknowledgments

Overall supervision of the process for collecting and estimating the direct investment statistics was provided by Barbara K. Hubbard, Chief of the Direct Transactions and Positions Branch.

The statistics on the U.S. direct investment position abroad are based largely on data from BEA's quarterly survey of transactions between U.S. parent companies and their foreign affiliates. The survey was conducted under the supervision of Jessica M. Hanson, who was assisted by Iris Branscome, Marie K. Laddomada, Sherry Lee, Louis C. Luu, Leila C. Morrison, Elizabeth A. Ocalan, James Y. Shin, and Dwayne Torney. Computer programming for data estimation and tabulation was provided by Marie Colosimo and Kevin R. Smith.

The statistics on the foreign direct investment position in the United States are based largely on data from BEA's quarterly survey of transactions between U.S. affiliates of foreign companies and their foreign parents. The survey

was conducted under the supervision of Peter J. Fox, who was assisted by Susan M. LaPorte, Robert L. Rosholt, and Helen P. Yiu. Computer programming for data estimation and tabulation was provided by Karen E. Poffel and Paula D. Brown.

The statistics on royalties and license fees and other private services (table 2) are based largely on data from BEA's Quarterly Survey of Transactions in Selected Services and Intellectual Property with Foreign Persons (BE-125). The survey was conducted under the supervision of Mark Xu, who was assisted by Pamela Aiken, Suhail Ally, Felix Anderson, Stacey Ansell, Damon C. Battaglia, Annette Boyd, Faith M. Brannam, Jamela Des Vignes, Hope R. Jones, Eddie L. Key, and Steven J. Muno. Computer programming for data estimation and tabulation was provided by Gregory Tenentes. Jeffrey Bogen, Omar Kebbeh, and John Sondheimer were also involved in the preparation of the estimates.