

# Direct Investment Positions on a Historical-Cost Basis, 1994: Country and Industry Detail

By Jeffrey H. Lowe

**T**HIS ARTICLE presents the country and industry detail underlying the direct investment positions on a historical-cost basis—the only basis on which such detail is available.<sup>1</sup> Aggregate estimates of the investment positions on the current-cost and market-value bases are presented in the companion article “The International Investment Position of the United States in 1994” in this issue. Table 1 shows the aggregate direct investment positions on all three valuation bases.

On a historical-cost basis, the positions for both U.S. direct investment abroad (USDIA) and foreign direct investment in the United States (FDIUS) grew 9 percent in 1994.<sup>2</sup> Favorable economic conditions in the United States and in many host and investor countries abroad boosted both growth rates. Depreciation of the U.S. dollar against major foreign currencies also raised both rates, but in different ways

1. Estimates on a historical-cost basis largely reflect prices at the time of investment rather than prices of the current or any other period. Historical cost is the basis used for valuation in company accounting records in the United States and is the only basis on which companies can report data in the direct investment surveys conducted by the Bureau of Economic Analysis (BEA). (For consistency, the estimates of earnings and reinvested earnings used in analyzing changes in the historical-cost positions are also on this basis and are not adjusted to current cost; country and industry detail for these items, like the positions, are not available with such an adjustment.)

2. In general, comparisons of growth rates for the two historical-cost position series may be distorted by the effects of differing vintages of the underlying assets. In 1994, however, the growth rates for the two positions were similar even after both positions were valued on consistent bases. For direct investment estimated at current cost, the USDIA and the FDIUS positions both grew 8 percent. For direct investment estimated at market value, the USDIA position grew 3 percent, and the FDIUS position grew 2 percent.

Mark W. New—assisted by Laura A. Downey, Marie K. Laddomada, Sherry Lee, Leila Morrison, Gary M. Solomon, and Dwayne Torney—conducted the survey from which the data for the U.S. direct investment position abroad were drawn; Smith W. Allnut III programmed the tables. Gregory G. Fouch—assisted by Peter J. Fox, Nancy F. Halvorson, Tracy K. Leigh, Beverly E. Palmer, and Linden L. Webber—conducted the survey from which the data for the foreign direct investment position in the United States were drawn; Karen Sellami programmed the tables.

for USDIA and FDIUS. For USDIA, dollar depreciation resulted in positive currency-translation adjustments and higher reinvested earnings. For FDIUS, dollar depreciation stimulated acquisitions of U.S. businesses by foreigners by reducing their foreign-currency costs.

Capital flows, the major component of the change in the positions, were about the same amounts for USDIA and FDIUS—\$47.7 billion and

**Table 1.—Alternative Direct Investment Position Estimates, 1993 and 1994**  
[Millions of dollars]

Valuation method	Position at year-end 1993 <sup>r</sup>	Changes in 1994 (decrease (-))			Position at year-end 1994 <sup>r</sup>
		Total	Capital flows	Valuation adjustments	
<b>U.S. direct investment abroad:</b>					
Historical cost .....	559,733	52,376	47,698	4,678	612,109
Current cost .....	706,636	54,344	49,370	4,974	760,980
Market value .....	1,021,744	26,657	49,370	-22,713	1,048,401
<b>Foreign direct investment in the United States:</b>					
Historical cost .....	464,110	40,292	50,066	-9,774	504,401
Current cost .....	535,805	44,698	49,448	-4,750	580,503
Market value .....	759,462	11,628	49,448	-37,820	771,090

<sup>p</sup> Preliminary.

<sup>r</sup> Revised.

**Table 2.—U.S. Direct Investment Position Abroad and Foreign Direct Investment Position in the United States on a Historical-Cost Basis, 1982–94**  
[Millions of dollars]

Yearend	U.S. direct investment position abroad	Foreign direct investment position in the United States
1982 .....	207,752	124,677
1983 .....	<sup>r</sup> 212,150	137,061
1984 .....	<sup>r</sup> 218,093	164,583
1985 .....	<sup>r</sup> 238,369	184,615
1986 .....	<sup>r</sup> 270,472	220,414
1987 .....	<sup>r</sup> 326,253	263,394
1988 .....	<sup>r</sup> 347,179	314,754
1989 .....	381,781	368,924
1990 .....	430,521	394,911
1991 .....	467,844	<sup>r</sup> 419,108
1992 .....	<sup>r</sup> 502,063	<sup>r</sup> 427,566
1993 .....	<sup>r</sup> 559,733	<sup>r</sup> 464,110
1994 .....	<sup>p</sup> 612,109	<sup>p</sup> 504,401

<sup>p</sup> Preliminary.

<sup>r</sup> Revised.

\$50.1 billion, respectively. However, the composition and purpose of the flows differed. For USDIA, the majority of the flows consisted of reinvested earnings, which were primarily used to finance the ongoing operations of foreign affiliates. For FDIUS, the majority of the flows consisted of equity capital, a major portion of which appears to have been used to finance acquisitions of new U.S. affiliates.

### U.S. Direct Investment Abroad

The U.S. direct investment position abroad valued at historical cost—the book value of U.S. direct investors' equity in, and net outstanding loans to, their foreign affiliates—was \$612.1 billion at yearend 1994 (tables 2 and 3 and chart 1).<sup>3</sup> The positions in the United Kingdom—at \$102.2 billion, or 17 percent of the total—and in Canada—at \$72.8 billion, or 12 percent of the total—remained by far the largest of any country (chart 2).

In 1994, the position increased \$52.4 billion, or 9 percent, somewhat less than the 11-percent increase in 1993, but more than the 7-percent increase in 1992. The following table shows the change in position in 1994 by the type of capital flow and valuation adjustment:<sup>4</sup>

3. A foreign affiliate is a foreign business enterprise in which a single U.S. investor owns at least 10 percent of the voting securities, or the equivalent.

4. Valuation adjustments to the historical-cost position are made to reflect differences between changes in the position, measured at book value, and capital flows, measured at transactions value. (For the position on a historical-cost basis, there are no valuation adjustments due to price changes, because prices are held at historical levels.)

[Billions of dollars]

Total .....	52.4
Capital outflows .....	47.7
Equity capital .....	11.7
Intercompany debt .....	3.0
Reinvested earnings .....	33.0
Valuation adjustments .....	4.7
Currency translation .....	8.0
Other .....	-3.3

The increase in the 1994 position reflected several factors. First, sustained economic growth in the emerging economies of Asia and Latin America and pickups in growth in Canada and many European countries encouraged U.S. parents to continue to invest in these areas. Second, record profits by affiliates in some countries provided the affiliates with readily available financing in the form of reinvested earnings, and increases in profits in the United States strengthened U.S. parents' ability to provide funds to their affiliates. Finally, the position was boosted by the appreciation of major European currencies and

Currency-translation adjustments to the position are made to reflect changes in the exchange rates that are used to translate affiliates' foreign-currency-denominated assets and liabilities into U.S. dollars. The precise effects of currency fluctuations on translation adjustments depend on the value and currency composition of affiliates' assets and liabilities. Depreciation of foreign currencies in relation to the dollar usually results in negative translation adjustments, because it tends to lower the dollar value of foreign-currency-denominated net assets. Similarly, appreciation of foreign currencies in relation to the dollar usually results in positive adjustments, because it tends to raise the dollar value of foreign-currency-denominated net assets.

Examples of "other" valuation adjustments include differences between the proceeds from the sale or liquidation of affiliates by U.S. parents and the book values of the affiliates that are sold or liquidated, differences between the purchase prices and the book values of affiliates that are acquired by U.S. parents, writeoffs resulting from uncompensated expropriations of affiliates, and capital gains and losses of affiliates.

CHART 1

#### The Direct Investment Positions on a Historical-Cost Basis, 1982–94

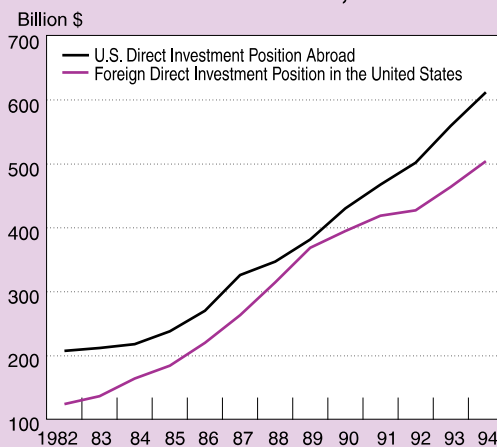
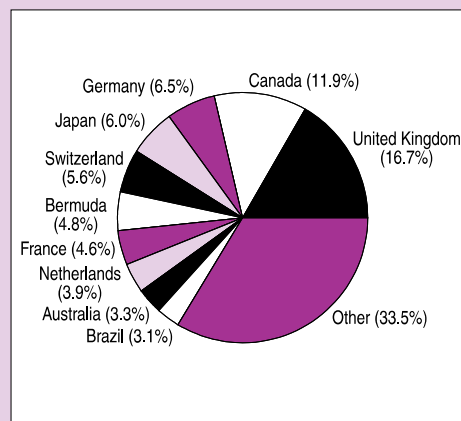


CHART 2

#### U.S. Direct Investment Position Abroad, 1994: Host Country Shares of the Total



U.S. Department of Commerce, Bureau of Economic Analysis

Table 3.—U.S. Direct Investment Position Abroad on a Historical-Cost Basis at Yearend

[Millions of dollars]

	1993								1994							
	All industries	Petroleum	Manufacturing	Wholesale trade	Banking	Finance (except banking), insurance, and real estate	Services	Other industries	All industries	Petroleum	Manufacturing	Wholesale trade	Banking	Finance (except banking), insurance, and real estate	Services	Other industries
<b>All countries</b> .....	<b>559,733</b>	<b>63,536</b>	<b>194,336</b>	<b>57,084</b>	<b>27,129</b>	<b>168,964</b>	<b>19,691</b>	<b>28,993</b>	<b>612,109</b>	<b>65,711</b>	<b>220,328</b>	<b>67,303</b>	<b>29,529</b>	<b>175,045</b>	<b>22,994</b>	<b>31,200</b>
<b>Canada</b> .....	<b>69,612</b>	<b>8,668</b>	<b>33,592</b>	<b>6,939</b>	<b>821</b>	<b>11,061</b>	<b>3,163</b>	<b>5,369</b>	<b>72,808</b>	<b>8,553</b>	<b>35,037</b>	<b>7,006</b>	<b>792</b>	<b>12,159</b>	<b>3,509</b>	<b>5,751</b>
<b>Europe</b> .....	<b>280,506</b>	<b>25,267</b>	<b>95,883</b>	<b>30,983</b>	<b>12,121</b>	<b>96,123</b>	<b>13,052</b>	<b>7,077</b>	<b>300,177</b>	<b>25,344</b>	<b>108,655</b>	<b>36,435</b>	<b>13,380</b>	<b>94,004</b>	<b>14,813</b>	<b>7,547</b>
Austria .....	1,333	210	593	226	( <sup>D</sup> )	124	156	( <sup>D</sup> )	1,611	192	834	245	( <sup>D</sup> )	212	( <sup>D</sup> )	( <sup>D</sup> )
Belgium .....	11,488	183	5,710	1,631	218	2,395	1,244	107	13,966	318	7,108	1,816	245	3,175	1,260	43
Denmark .....	1,740	( <sup>D</sup> )	175	196	( <sup>D</sup> )	351	421	70	1,993	( <sup>D</sup> )	298	190	( <sup>D</sup> )	380	533	14
Finland .....	419	( <sup>D</sup> )	206	145	( <sup>D</sup> )	1	7	( <sup>D</sup> )	602	( <sup>D</sup> )	217	270	( <sup>D</sup> )	( <sup>D</sup> )	14	( <sup>D</sup> )
France .....	24,281	976	12,750	4,348	361	3,573	1,361	912	27,894	1,177	14,521	4,810	387	4,724	1,407	867
Germany .....	36,879	2,407	20,823	2,806	2,230	6,038	1,080	1,494	39,886	2,020	22,131	4,049	2,283	6,716	946	1,741
Greece .....	410	( <sup>D</sup> )	127	61	( <sup>D</sup> )	18	( <sup>D</sup> )	0	446	( <sup>D</sup> )	124	( <sup>D</sup> )	( <sup>D</sup> )	32	( <sup>D</sup> )	0
Ireland .....	9,224	( <sup>D</sup> )	4,782	139	( <sup>D</sup> )	3,579	501	54	10,337	( <sup>D</sup> )	5,766	273	( <sup>D</sup> )	3,729	487	54
Italy .....	12,750	369	7,397	2,165	221	1,861	549	188	14,998	422	8,582	2,034	315	2,263	1,180	203
Luxembourg .....	5,376	28	1,260	166	187	3,682	( <sup>D</sup> )	( <sup>D</sup> )	5,730	24	1,374	( <sup>D</sup> )	232	3,956	( <sup>D</sup> )	( <sup>D</sup> )
Netherlands .....	20,945	1,393	7,859	2,942	131	6,571	1,416	634	24,150	1,484	8,908	3,494	149	7,959	1,291	866
Norway .....	3,768	2,553	575	205	85	157	22	172	4,286	3,089	592	197	100	174	21	114
Portugal .....	1,260	( <sup>D</sup> )	349	276	259	128	145	( <sup>D</sup> )	1,458	( <sup>D</sup> )	438	361	( <sup>D</sup> )	126	190	( <sup>D</sup> )
Spain .....	6,734	142	3,830	867	1,090	325	357	123	8,048	135	4,512	824	1,349	665	413	149
Sweden .....	2,428	3	1,219	418	( <sup>D</sup> )	698	59	( <sup>D</sup> )	2,719	48	1,279	481	( <sup>D</sup> )	778	103	( <sup>D</sup> )
Switzerland .....	32,782	797	2,465	9,822	1,753	16,584	1,259	101	34,485	726	2,858	11,409	1,974	15,996	1,414	108
Turkey .....	997	( <sup>D</sup> )	582	41	98	( <sup>D</sup> )	( <sup>D</sup> )	( <sup>D</sup> )	1,084	( <sup>D</sup> )	693	19	110	( <sup>D</sup> )	( <sup>D</sup> )	( <sup>D</sup> )
United Kingdom .....	104,313	14,731	24,298	4,326	4,687	49,649	4,199	2,423	102,244	14,320	27,247	5,564	4,983	42,494	5,034	2,602
Other .....	3,378	513	884	204	603	388	60	726	4,241	517	1,172	229	744	707	90	783
<b>Latin America and Other Western Hemisphere</b> .....	<b>101,601</b>	<b>6,079</b>	<b>27,523</b>	<b>4,897</b>	<b>7,602</b>	<b>48,373</b>	<b>739</b>	<b>6,387</b>	<b>114,985</b>	<b>6,264</b>	<b>31,932</b>	<b>6,574</b>	<b>7,404</b>	<b>53,615</b>	<b>885</b>	<b>8,311</b>
<b>South America</b> .....	<b>31,457</b>	<b>3,703</b>	<b>16,661</b>	<b>1,321</b>	<b>2,245</b>	<b>4,495</b>	<b>272</b>	<b>2,759</b>	<b>37,972</b>	<b>4,146</b>	<b>19,331</b>	<b>1,884</b>	<b>2,726</b>	<b>5,057</b>	<b>396</b>	<b>4,433</b>
Argentina .....	4,331	555	1,732	420	551	821	73	181	5,666	773	2,467	530	627	756	92	422
Brazil .....	16,822	773	12,513	183	1,085	1,917	96	255	18,977	768	13,681	402	1,399	2,258	129	340
Chile .....	2,847	( <sup>D</sup> )	236	197	356	1,271	( <sup>D</sup> )	545	4,457	( <sup>D</sup> )	376	262	364	1,590	( <sup>D</sup> )	1,570
Colombia .....	3,075	1,279	759	140	( <sup>D</sup> )	326	( <sup>D</sup> )	( <sup>D</sup> )	3,442	1,318	994	230	( <sup>D</sup> )	( <sup>D</sup> )	13	( <sup>D</sup> )
Ecuador .....	549	392	98	38	( <sup>D</sup> )	0	0	0	728	546	129	40	( <sup>D</sup> )	0	0	( <sup>D</sup> )
Peru .....	628	( <sup>D</sup> )	14	51	( <sup>D</sup> )	55	8	( <sup>D</sup> )	836	( <sup>D</sup> )	49	50	( <sup>D</sup> )	0	9	613
Venezuela .....	2,419	246	1,228	200	( <sup>D</sup> )	70	( <sup>D</sup> )	627	2,978	212	1,536	295	( <sup>D</sup> )	85	( <sup>D</sup> )	772
Other .....	786	199	81	93	125	36	8	244	889	244	98	76	158	( <sup>D</sup> )	11	( <sup>D</sup> )
<b>Central America</b> .....	<b>28,317</b>	<b>1,066</b>	<b>10,085</b>	<b>1,366</b>	<b>98</b>	<b>12,786</b>	<b>352</b>	<b>2,564</b>	<b>31,321</b>	<b>1,154</b>	<b>11,513</b>	<b>1,955</b>	<b>(<sup>D</sup>)</b>	<b>13,934</b>	<b>396</b>	<b>2,396</b>
Costa Rica .....	315	( <sup>D</sup> )	328	47	0	5	( <sup>D</sup> )	( <sup>D</sup> )	584	( <sup>D</sup> )	355	( <sup>D</sup> )	0	( <sup>D</sup> )	6	( <sup>D</sup> )
Guatemala .....	137	27	101	( <sup>D</sup> )	6	7	3	3	133	37	88	( <sup>D</sup> )	2	8	( <sup>D</sup> )	4
Honduras .....	213	( <sup>D</sup> )	144	6	1	23	0	( <sup>D</sup> )	198	( <sup>D</sup> )	174	( <sup>D</sup> )	5	24	0	( <sup>D</sup> )
Mexico .....	15,229	( <sup>D</sup> )	9,349	872	( <sup>D</sup> )	2,045	250	2,419	16,375	( <sup>D</sup> )	10,697	994	( <sup>D</sup> )	1,982	261	2,335
Panama .....	12,190	715	150	442	( <sup>D</sup> )	10,706	( <sup>D</sup> )	( <sup>D</sup> )	13,775	806	168	663	( <sup>D</sup> )	11,915	122	( <sup>D</sup> )
Other .....	233	144	12	4	( <sup>D</sup> )	4	( <sup>D</sup> )	59	256	157	29	5	( <sup>D</sup> )	4	( <sup>D</sup> )	( <sup>D</sup> )
<b>Other Western Hemisphere</b> .....	<b>41,828</b>	<b>1,310</b>	<b>777</b>	<b>2,210</b>	<b>5,259</b>	<b>31,092</b>	<b>115</b>	<b>1,065</b>	<b>45,693</b>	<b>964</b>	<b>1,089</b>	<b>2,736</b>	<b>4,706</b>	<b>34,624</b>	<b>93</b>	<b>1,482</b>
Bahamas .....	3,564	71	( <sup>D</sup> )	121	2,250	1,209	( <sup>D</sup> )	( <sup>D</sup> )	3,260	56	7	150	1,890	1,214	( <sup>D</sup> )	68
Barbados .....	466	95	7	197	0	93	( <sup>D</sup> )	0	488	98	7	225	( <sup>D</sup> )	( <sup>D</sup> )	0	( <sup>D</sup> )
Bermuda .....	28,696	( <sup>D</sup> )	( <sup>D</sup> )	870	0	27,606	118	105	29,232	( <sup>D</sup> )	5	1,097	0	28,014	91	187
Dominican Republic .....	1,047	( <sup>D</sup> )	228	5	( <sup>D</sup> )	3	( <sup>D</sup> )	( <sup>D</sup> )	1,196	( <sup>D</sup> )	206	3	( <sup>D</sup> )	3	( <sup>D</sup> )	( <sup>D</sup> )
Jamaica .....	1,053	( <sup>D</sup> )	158	( <sup>D</sup> )	( <sup>D</sup> )	4	22	( <sup>D</sup> )	1,272	( <sup>D</sup> )	161	( <sup>D</sup> )	( <sup>D</sup> )	5	23	24
Netherlands Antilles .....	32	( <sup>D</sup> )	13	8	4	45	( <sup>D</sup> )	( <sup>D</sup> )	2,007	( <sup>D</sup> )	9	( <sup>D</sup> )	0	2,048	( <sup>D</sup> )	( <sup>D</sup> )
Trinidad and Tobago .....	693	469	( <sup>D</sup> )	0	5	63	1	3	817	511	0	( <sup>D</sup> )	0	11	1	( <sup>D</sup> )
United Kingdom Islands, Caribbean .....	5,638	27	63	( <sup>D</sup> )	2,920	2,102	65	( <sup>D</sup> )	6,667	76	421	( <sup>D</sup> )	2,698	2,845	70	( <sup>D</sup> )
Other .....	638	603	48	4	( <sup>D</sup> )	( <sup>D</sup> )	( <sup>D</sup> )	( <sup>D</sup> )	753	311	56	4	( <sup>D</sup> )	( <sup>D</sup> )	( <sup>D</sup> )	( <sup>D</sup> )
<b>Africa</b> .....	<b>5,473</b>	<b>3,129</b>	<b>1,093</b>	<b>184</b>	<b>185</b>	<b>556</b>	<b>84</b>	<b>241</b>	<b>5,472</b>	<b>2,669</b>	<b>1,274</b>	<b>248</b>	<b>224</b>	<b>698</b>	<b>86</b>	<b>274</b>
Egypt .....	1,463	1,186	87	26	( <sup>D</sup> )	( <sup>D</sup> )	36	( <sup>D</sup> )	1,360	1,017	85	79	135	( <sup>D</sup> )	34	( <sup>D</sup> )
Nigeria .....	544	( <sup>D</sup> )	48	( <sup>D</sup> )	( <sup>D</sup> )	( <sup>D</sup> )	5	0	402	( <sup>D</sup> )	81	( <sup>D</sup> )	( <sup>D</sup> )	( <sup>D</sup> )	0	( <sup>D</sup> )
South Africa .....	903	( <sup>D</sup> )	481	88	0	( <sup>D</sup> )	6	32	1,044	( <sup>D</sup> )	623	84	0	6	39	( <sup>D</sup> )
Other .....	2,563	1,234	477	( <sup>D</sup> )	( <sup>D</sup> )	533	37	( <sup>D</sup> )	2,666	1,168	485	( <sup>D</sup> )	( <sup>D</sup> )	647	( <sup>D</sup> )	( <sup>D</sup> )
<b>Middle East</b> .....	<b>6,573</b>	<b>2,223</b>	<b>2,054</b>	<b>208</b>	<b>341</b>	<b>1,191</b>	<b>316</b>	<b>239</b>	<b>6,727</b>	<b>2,390</b>	<b>1,853</b>	<b>211</b>	<b>469</b>	<b>1,143</b>	<b>441</b>	<b>219</b>
Israel .....	1,604	( <sup>D</sup> )	( <sup>D</sup> )	25	0	163	165	( <sup>D</sup> )	1,350	( <sup>D</sup> )	930	( <sup>D</sup> )	0	( <sup>D</sup> )	155	47
Saudi Arabia .....	2,618	( <sup>D</sup> )	27	0	( <sup>D</sup> )	102	( <sup>D</sup> )	( <sup>D</sup> )	2,717	157	920	( <sup>D</sup> )	( <sup>D</sup> )	( <sup>D</sup> )	159	103
United Arab Emirates .....	524	287	10	152	( <sup>D</sup> )	31	21	58	589	( <sup>D</sup> )	3	156	( <sup>D</sup> )	( <sup>D</sup> )	39	45
Other .....	1,827	1,746	( <sup>D</sup> )	4	( <sup>D</sup> )	10	18	28	2,070	1,897	( <sup>D</sup> )	( <sup>D</sup> )	18	( <sup>D</sup> )	88	25
<b>Asia and Pacific</b> .....	<b>92,561</b>	<b>17,243</b>	<b>34,190</b>	<b>13,873</b>	<b>6,059</b>	<b>11,660</b>	<b>2,337</b>	<b>7,200</b>	<b>108,402</b>	<b>19,144</b>	<b>41,577</b>	<b>16,829</b>	<b>7,259</b>	<b>13,426</b>	<b>3,259</b>	<b>6,907</b>
Australia .....	19,054	3,020	6,707	1,834	1,274	2,273	633	3,313	20,504	2,942	8,002	2,152	1,717	2,056	1,126	2,510
China .....	933	221	524	140	( <sup>D</sup> )	( <sup>D</sup> )	( <sup>D</sup> )	( <sup>D</sup> )	1,699	675	765	131	( <sup>D</sup> )	( <sup>D</sup> )	( <sup>D</sup> )	38
Hong Kong .....	10,177	496	1,624	3,370	1,016	2,781	414	475	11,986	552	1,902	4,209	1,094	3,013	698	517
India .....	611	( <sup>D</sup> )	242</													

### Revisions to Estimates of the U.S. Direct Investment Position Abroad for 1983–88

The estimates of the U.S. direct investment position abroad and the related estimates of income receipts, capital outflows, and services transactions for 1983–88 have been revised to incorporate information from BEA's 1989 benchmark survey, or census.

The position was revised up for all years. In dollar terms, the revisions ranged from \$4.9 billion for 1983 to \$11.3 billion for 1988. In percentage terms, they ranged from 2 percent for 1983 to 4 percent for 1986. A complete set of tables containing the revised estimates for 1983–88 for all U.S. direct investment abroad accounts will be published later this year. For additional details about the revisions, see page 73 in "U.S. International Transactions, Revised Estimates for 1983–94" in this issue.

the Japanese yen against the U.S. dollar (see footnote 4).

Capital outflows for U.S. direct investment abroad were \$47.7 billion in 1994, compared with \$71.4 billion in 1993. Over two-thirds, or \$33.0 billion, of the 1994 outflows were accounted for by reinvested earnings, which were \$2.8 billion higher than in 1993. The strength in reinvested earnings in 1994 reflected robust affiliate profits—boosted by dollar depreciation—and a high reinvestment ratio. The reinvestment ratio—the portion of affiliate earnings that is reinvested—was 0.52 in both 1994 and 1993, well above the average of 0.35 for the prior decade. The remainder of the 1994 outflows was accounted for by equity capital outflows of \$11.7 billion and intercompany debt outflows of \$3.0 billion. Both equity capital outflows and intercompany debt outflows were down sharply from record levels in 1993. The dropoff in equity capital outflows reflected smaller outflows for establishing or acquiring new affiliates in 1994 than in 1993, especially in Europe. The dropoff in intercompany debt outflows was more than accounted for by British finance affiliates, and it may have reflected a need for funds in the United States to help finance a surge in lending by U.S. banks and to take advantage of higher U.S. interest rates.

### Changes in the position by country

The \$52.4 billion increase in the U.S. direct investment position abroad was spread among most major geographic areas. The largest increases were in Europe, Asia and Pacific, and Latin America and Other Western Hemisphere.

The following table shows major changes in the positions in 1994 by area and country:

[Billions of dollars]

All countries .....	52.4
Europe .....	19.7
<i>of which:</i>	
France .....	3.6
Netherlands .....	3.2
Germany .....	3.0
Belgium .....	2.5
United Kingdom .....	-2.1
Asia and Pacific .....	15.8
<i>of which:</i>	
Japan .....	5.8
Singapore .....	2.1
Hong Kong .....	1.8
Australia .....	1.5
Latin America and Other Western Hemisphere .....	13.4
<i>of which:</i>	
Brazil .....	2.2
Netherlands Antilles .....	2.0
Chile .....	1.6
Panama .....	1.6
Argentina .....	1.3
Mexico .....	1.1
Canada .....	3.2

Europe accounted for more than one-third of the increase in the overall position. However, the position in Europe grew at a slower pace than the positions in Asia and Pacific and in Latin America and Other Western Hemisphere. The increase in Europe resulted from capital outflows of \$15.3 billion and from currency-translation adjustments of \$7.4 billion, which reflected widespread appreciation of European currencies against the U.S. dollar. Within Europe, the largest increase in the position was in France; increases were also sizable in the Netherlands, Germany, and Belgium. By contrast, the position declined in the United Kingdom.

Nearly one-half of the increase in France resulted from equity capital outflows to acquire interests in new affiliates and to make capital contributions to affiliates in finance. Much of the remainder of the increase resulted from large positive currency-translation adjustments related to the appreciation of the French franc against the U.S. dollar.

In the Netherlands, the increase was widespread by industry but was largest in finance and manufacturing; reinvested earnings and large positive currency-translation adjustments boosted the position. In Germany, about two-thirds of the increase consisted of positive currency-translation adjustments; most of the remainder resulted from numerous small equity capital contributions to manufacturing affiliates and from acquisitions in "other" industries and manufacturing. In Belgium, the increase was about evenly split among equity capital, rein-

vested earnings, and positive currency-translation adjustments.

The United Kingdom, the country in which the U.S. position was largest, was the only major country in Europe where the position decreased. The decrease mostly reflected intercompany debt inflows to U.S. parents, mainly from finance affiliates. The decrease occurred even though equity capital outflows to the United Kingdom were the largest of any country, and the reinvested earnings of British affiliates were large.

In Asia and Pacific, nearly one-half of the increase in the position resulted from reinvested earnings; most of the remainder resulted from positive valuation adjustments and intercompany debt outflows. The position grew at double-digit rates in most major countries. The largest dollar increase was in Japan, where the position was boosted by positive currency-translation adjustments related to the appreciation of the yen against the U.S. dollar; there were also large reinvested earnings, concentrated in manufacturing, and intercompany debt outflows, concentrated in finance. Large increases in Singapore, Hong Kong, and Australia primarily resulted from reinvested earnings and reflected continued robust economic growth in the area.

In Latin America and Other Western Hemisphere, the largest increases were in Brazil, the Netherlands Antilles, Chile, Panama, and Argentina. In Brazil, the increase was more than accounted for by the reinvested earnings of manufacturing affiliates. (Brazil had the largest reinvested earnings of any country worldwide, reflecting the strong earnings of affiliates.) Partly offsetting the reinvested earnings were large negative "other" valuation adjustments resulting from capital losses from currency translation.<sup>5</sup> In the Netherlands Antilles, the increase mainly reflected repayments by U.S. parents of loans from their finance affiliates. In Chile and Argentina, the increases reflected reinvested earnings and acquisitions in several industries. In Panama, the increase reflected reinvested earnings and capital gains of finance affiliates.

The increase in the position in Mexico reflected large reinvested earnings and intercompany debt outflows to manufacturing affiliates, particularly

in transportation equipment and food products, and equity capital outflows to partially finance an earlier acquisition. Offsetting these large capital outflows were large negative translation adjustments resulting from the sharp depreciation of the peso against the U.S. dollar.

The increase in the position in Canada reflected the largest total capital outflows to any country; the outflows resulted from reinvested earnings, mainly of manufacturing affiliates, and numerous small-to-medium-sized acquisitions in many industries. However, the increase in position was dampened by sizable negative valuation adjustments due to depreciation of the Canadian dollar against the U.S. dollar.

### Foreign Direct Investment in the United States

The foreign direct investment position in the United States valued at historical cost was \$504.4 billion at the end of 1994 (tables 2 and 4, and chart 1). The United Kingdom had the largest position—\$113.5 billion, or 23 percent of the total. Japan's position was the second largest—\$103.1 billion, or 20 percent—and the Netherlands' position was the third largest—\$70.6 billion, or 14 percent (chart 3).<sup>6</sup>

In 1994, the position increased \$40.3 billion, or 9 percent, about the same rate as in 1993. The increases in the last 2 years follow an unusually low growth rate of 2 percent in 1992. The following table shows the change in position in 1994 by the type of capital flow and valuation adjustment:

[Billions of dollars]

Total.....	40.3
Capital inflows.....	50.1
Equity capital.....	32.4
Intercompany debt.....	9.5
Reinvested earnings.....	8.2
Valuation adjustments.....	-9.8
Currency translation.....	(*)
Other (capital losses).....	-9.8

\* Between \$0 and -\$50 million.

The strong increase in the 1994 position, as well as that in 1993, resulted from stepped-up economic activity both in the United States and abroad that increased foreign investors' ability and incentive to invest in the United States. Their ability to invest was strengthened by the continued improvement in business conditions in certain major investor countries, such as the

5. In a highly inflationary economy, such as Brazil's in 1994, capital gains or losses resulting from changes in the exchange rates used to translate affiliates' assets and liabilities from the currency of the country into U.S. dollars are carried through to the income statement, in accordance with U.S. generally accepted accounting principles, specifically FASB-52, and these gains and losses affect the position through "other" valuation adjustments rather than through translation adjustments. In less inflationary economies, those gains or losses are taken directly to the translation-adjustment account in the owners' equity section of the balance sheet and affect the position through currency-translation adjustments.

6. Japan had the largest position at yearend 1992. Preliminary data published in June 1994 indicated that Japan also had the largest position at yearend 1993. However, based on new information received subsequent to June 1994, the United Kingdom, not Japan, had the largest position at yearend 1993.



United Kingdom, which raised the earnings of foreign parents in those countries. Their incentive to invest was enhanced by the continued growth of the U.S. economy, which increased the profitability of potential acquisition targets. In addition, some investment in 1994 may have been prompted by dollar depreciation against several major currencies. The impact of these factors can also be seen in the total outlays by foreign investors to acquire or establish U.S. businesses: In 1994, these outlays, including those financed by equity capital inflows, rose 80 percent, following a 71-percent increase in 1993.<sup>7</sup>

Capital inflows for foreign direct investment in the United States were \$50.1 billion in 1994, compared with \$41.7 billion in 1993. Equity capital inflows were \$32.4 billion, up from \$26.7 billion; to a large extent, the increase reflected the step-up in acquisitions and establishments of U.S. busi-

7. For a discussion of these and other relevant factors, see "Foreign Direct Investment in the United States: New Investment in 1994 and Affiliate Operations in 1993," *SURVEY OF CURRENT BUSINESS* 75 (May 1995): 57-81. Preliminary data from BEA's survey of new foreign direct investments, summarized in that article, indicate that total outlays to establish or acquire U.S. businesses were \$47.4 billion in 1994, up sharply from \$26.2 billion in 1993. These figures differ from those on changes in the foreign direct investment position presented here largely because they cover only transactions involving acquisitions and establishments of new U.S. affiliates and because they include financing other than that from the foreign parent, such as local borrowing by existing U.S. affiliates. In contrast, changes in the position reflect transactions of both new and existing U.S. affiliates—but only if the transactions are with the foreign parent or other members of the foreign parent group—and valuation adjustments.

Notwithstanding these differences, the two types of data are related. Any outlays to acquire or establish U.S. businesses that are funded by foreign parents (or other members of the foreign parent group) are part of capital inflows, a component of the change in the position. Data on the sources of funding of outlays to acquire or establish new U.S. affiliates indicate that foreign parent groups funded \$28.7 billion, or 61 percent, of such outlays in 1994, compared with \$11.9 billion, or 45 percent, in 1993.

nesses by foreigners. Reinvested earnings, which had been negative since 1989, shifted \$16.9 billion, to a positive \$8.2 billion. The shift reflected the return to profitability of U.S. affiliates for the first time since 1989. By contrast, intercompany debt inflows were \$9.5 billion, down from \$23.7 billion in 1993. The decrease resulted from a sharp decline in inflows on U.S. affiliates' payables.

### *Changes in the position by country*

Just under two-thirds of the \$40.3 billion increase in the position in 1994 was accounted for by European investors, whose position rose 9 percent. Within Europe, parents in the United Kingdom had by far the largest increase in dollars, followed by parents in Germany, France, and Switzerland. Outside Europe, the largest increases were by parents from Japan and Canada.

The following table shows the major changes in the positions in 1994 by area and country:

[Billions of dollars]

All countries .....	40.3
Europe .....	25.8
<i>of which:</i>	
United Kingdom .....	11.2
Germany .....	4.7
France .....	4.1
Switzerland .....	3.2
Japan .....	3.9
Canada .....	3.1

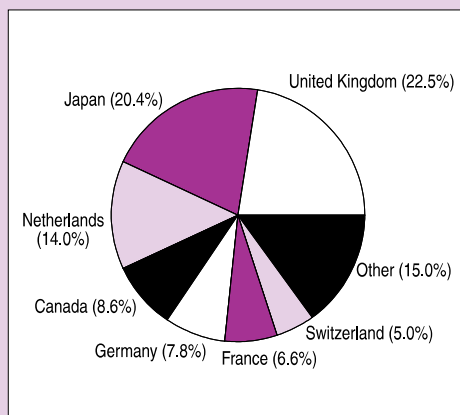
The increase in the position of British parents mainly resulted from equity capital inflows, which were the largest of any country. By industry, the largest increases in position were in manufacturing, especially in chemicals and "other manufacturing," and in "other" industries. In chemicals, the increase resulted from reinvested earnings and from intercompany debt inflows related to acquisitions. In "other manufacturing" and in "other" industries, the increases resulted from equity capital inflows and largely reflected acquisitions.

The largest increases in the position of German parents were in manufacturing, especially in "other manufacturing" and chemicals, and in finance. In "other manufacturing" and chemicals, the increases partly reflected several acquisitions. In finance, the increase resulted from loans by foreign parents to their affiliates. However, the increase in the position of German parents was dampened by large capital losses, particularly in petroleum and chemicals.

Over one-half of the increase in the position of French parents was in manufacturing

### CHART 3

#### Foreign Direct Investment Position in the United States, 1994: Parent Country Shares of the Total



U.S. Department of Commerce, Bureau of Economic Analysis

and was due mostly to loans made to affiliates. The remainder of the increase resulted from the repayment by foreign parents of loans made by affiliates in finance and from equity capital inflows, which were widespread by industry.

The increase in the position of Swiss parents was concentrated in manufacturing and finance. In manufacturing, more than one-half of the increase reflected acquisitions. In finance, the increase resulted from loans to affiliates.

The increase in the position of Japanese parents was more than accounted for by equity

capital inflows, mainly to existing affiliates. By industry, the increase in the position was widespread; the largest increases were in finance and manufacturing—particularly machinery. In finance, the increase was more than accounted for by intercompany debt inflows, as affiliates borrowed from their parents. In manufacturing, the increase partly reflected an equity capital contribution that was used to finance an acquisition. However, the increase in the position of Japanese parents was held down by large capital losses in wholesale trade and banking and by negative

**Table 4.—Foreign Direct Investment in the United States on a Historical-Cost Basis at Yearend**  
(Millions of dollars)

	1993									1994								
	All industries	Petroleum	Manufacturing	Trade	Banking	Finance, except banking	Insurance	Real estate	Other industries	All industries	Petroleum	Manufacturing	Trade	Banking	Finance, except banking	Insurance	Real estate	Other industries
<b>All countries</b> .....	<b>464,110</b>	<b>31,740</b>	<b>166,397</b>	<b>72,808</b>	<b>33,543</b>	<b>34,357</b>	<b>40,376</b>	<b>28,391</b>	<b>56,499</b>	<b>504,401</b>	<b>34,048</b>	<b>184,484</b>	<b>79,542</b>	<b>36,734</b>	<b>34,678</b>	<b>41,370</b>	<b>28,389</b>	<b>65,158</b>
<b>Canada</b> .....	<b>40,143</b>	<b>2,455</b>	<b>15,306</b>	<b>2,787</b>	<b>2,166</b>	<b>3,451</b>	<b>4,717</b>	<b>3,283</b>	<b>5,977</b>	<b>43,223</b>	<b>2,585</b>	<b>16,911</b>	<b>3,290</b>	<b>2,405</b>	<b>3,439</b>	<b>5,057</b>	<b>3,040</b>	<b>6,497</b>
<b>Europe</b> .....	<b>287,084</b>	<b>24,396</b>	<b>124,454</b>	<b>28,307</b>	<b>16,829</b>	<b>15,504</b>	<b>31,391</b>	<b>11,937</b>	<b>34,267</b>	<b>312,876</b>	<b>25,818</b>	<b>136,804</b>	<b>33,150</b>	<b>19,198</b>	<b>13,299</b>	<b>31,895</b>	<b>11,800</b>	<b>40,911</b>
Austria .....	602	(D)	173	141	(D)	1	(*)	1	16	886	0	213	160	(D)	(D)	(D)	1	15
Belgium .....	3,852	(P)	1,729	1,011	(D)	131	(*)	61	9	3,606	679	2,264	1,243	-342	(D)	(D)	55	90
Denmark .....	1,066	5	701	(D)	238	(D)	0	0	(D)	1,908	5	893	(D)	257	(D)	0	0	525
Finland .....	1,649	104	1,289	24	107	(D)	146	(D)	(D)	1,806	(D)	1,623	21	(D)	(D)	0	15	6
France .....	29,420	44	17,749	2,123	1,888	803	2,062	79	4,671	33,496	46	19,887	2,514	1,972	1,708	2,233	83	5,052
Germany .....	34,849	(D)	17,903	7,383	2,300	388	4,505	1,048	(D)	39,550	118	21,321	7,809	2,395	1,520	3,988	1,172	1,226
Ireland .....	4,894	(D)	369	2,738	(D)	2,738	(D)	128	(D)	4,641	(D)	758	(D)	1,459	(D)	202	(D)	(D)
Italy .....	2,014	207	470	598	1,068	-477	(D)	(D)	-75	2,437	(D)	704	610	1,020	(D)	0	77	-193
Liechtenstein .....	-16	-6	25	47	1	-33	0	-38	-11	-35	-7	39	47	2	-38	0	-62	-17
Luxembourg .....	1,136	(P)	839	(D)	-5	199	(D)	139	-236	2,067	(D)	1,768	(D)	-5	137	0	182	-255
Netherlands .....	72,172	12,067	23,286	7,443	3,925	3,081	8,064	5,628	8,678	70,645	12,770	19,881	7,574	4,484	2,348	8,674	5,325	9,588
Norway .....	1,039	35	377	(D)	(D)	-3	(D)	(D)	330	1,686	49	408	(D)	28	-3	(D)	(D)	903
Spain .....	1,217	(P)	59	162	1,683	(D)	191	(D)	20	1,781	-1	166	175	1,799	(D)	202	(D)	(D)
Sweden .....	8,244	(P)	5,290	774	158	-443	(D)	430	388	9,112	(D)	5,467	1,798	114	1,035	429	(D)	(D)
Switzerland .....	22,161	365	11,337	1,496	1,571	1,194	4,303	-48	1,945	25,330	420	13,111	1,284	1,810	2,753	4,170	-32	1,814
United Kingdom .....	102,351	9,963	42,783	6,340	2,438	9,523	10,404	4,373	16,527	113,504	10,906	48,190	8,623	3,611	5,255	11,088	4,378	21,452
Other .....	433	(P)	76	117	183	(D)	0	13	7	457	(D)	111	148	185	0	12	(D)	1
<b>Latin America and Other Western Hemisphere</b> .....	<b>20,148</b>	<b>1,278</b>	<b>4,273</b>	<b>2,617</b>	<b>2,339</b>	<b>3,535</b>	<b>3,249</b>	<b>1,428</b>	<b>1,430</b>	<b>24,022</b>	<b>1,311</b>	<b>6,466</b>	<b>3,094</b>	<b>2,719</b>	<b>3,724</b>	<b>3,311</b>	<b>1,606</b>	<b>1,790</b>
South and Central America .....	6,106	-571	719	-32	1,952	736	(D)	221	(D)	6,749	-667	1,138	-126	2,218	707	(D)	286	(D)
Brazil .....	760	(P)	-78	34	723	-1	(D)	7	(D)	785	(D)	-99	8	847	4	(D)	7	(D)
Mexico .....	1,214	(*)	355	-14	169	362	0	51	291	2,187	(D)	1,155	2	190	331	(*)	77	(D)
Panama .....	3,985	(D)	414	7	(D)	343	(D)	114	176	3,603	-15	80	-27	(D)	369	(D)	158	(D)
Venezuela .....	-345	(D)	46	-9	(D)	-1	0	21	(D)	-277	-47	-10	201	1	0	19	36	(D)
Other .....	492	(P)	-19	-52	559	33	(P)	29	-1	452	(D)	-46	-97	2	3	25	-7	(D)
Other Western Hemisphere .....	14,042	1,850	3,554	2,650	386	2,798	(D)	1,207	(D)	17,273	1,978	5,328	3,220	501	3,017	(D)	1,320	(D)
Bahamas .....	1,272	(D)	5	0	817	0	144	0	144	1,120	(D)	14	0	618	0	88	145	(D)
Bermuda .....	775	6	-546	423	(D)	(D)	160	195	156	1,156	25	-147	477	(D)	367	147	253	(D)
Netherlands Antilles .....	7,527	1,609	3,393	1,403	195	540	(D)	141	(D)	8,401	1,690	4,224	1,610	194	360	(D)	150	(D)
United Kingdom Islands, Caribbean .....	3,658	(D)	679	530	(D)	1,192	7	575	321	6,365	(D)	1,211	(D)	285	2,046	9	1,010	851
Other .....	811	(P)	23	(D)	(*)	(D)	(P)	187	(P)	231	-11	26	(D)	(P)	(P)	(P)	-74	22
<b>Africa</b> .....	<b>902</b>	<b>(P)</b>	<b>(D)</b>	<b>(D)</b>	<b>18</b>	<b>(D)</b>	<b>0</b>	<b>79</b>	<b>(D)</b>	<b>866</b>	<b>0</b>	<b>291</b>	<b>0</b>	<b>(D)</b>	<b>0</b>	<b>99</b>	<b>160</b>	<b>(D)</b>
South Africa .....	-8	(D)	6	(D)	(D)	0	0	(*)	(D)	-19	0	-3	(D)	-3	0	0	(*)	(D)
Other .....	910	(P)	(D)	(D)	(D)	(D)	0	79	(D)	885	(D)	294	(D)	(D)	0	99	(D)	(D)
<b>Middle East</b> .....	<b>5,221</b>	<b>(P)</b>	<b>(D)</b>	<b>(D)</b>	<b>880</b>	<b>(D)</b>	<b>3</b>	<b>1,034</b>	<b>(D)</b>	<b>5,579</b>	<b>(D)</b>	<b>579</b>	<b>952</b>	<b>(D)</b>	<b>(D)</b>	<b>26</b>	<b>1,071</b>	<b>108</b>
Israel .....	1,854	0	372	(D)	667	(D)	0	-3	(D)	2,159	0	532	(D)	629	414	0	-3	(D)
Kuwait .....	1,551	(P)	(D)	(D)	(D)	(D)	3	1,069	(D)	1,581	(D)	-4	(D)	(D)	(D)	(D)	1,117	(D)
Lebanon .....	-35	(D)	0	0	0	0	-44	0	0	-42	0	0	0	0	0	0	-51	0
Saudi Arabia .....	1,622	(D)	(D)	(D)	(D)	19	0	21	(D)	1,704	(D)	(D)	13	(D)	-1	16	(D)	(D)
United Arab Emirates .....	105	-3	-3	(*)	0	0	0	1	(D)	80	-1	-1	4	(D)	0	1	(D)	(D)
Other .....	125	2	-2	4	137	4	0	-10	-9	97	(P)	(*)	-4	117	5	-9	(D)	(D)
<b>Asia and Pacific</b> .....	<b>110,612</b>	<b>1,919</b>	<b>21,694</b>	<b>38,228</b>	<b>11,312</b>	<b>11,300</b>	<b>1,015</b>	<b>10,630</b>	<b>14,514</b>	<b>117,835</b>	<b>2,714</b>	<b>23,433</b>	<b>39,055</b>	<b>11,554</b>	<b>13,534</b>	<b>1,081</b>	<b>10,772</b>	<b>15,692</b>
Australia .....	6,296	1,539	2,578	(D)	131	(D)	224	175	1,561	7,884	(D)	2,946	768	33	-283	233	(D)	1,409
Hong Kong .....	1,629	7	261	539	280	329	1	233	-21	1,723	8	215	822	313	181	-3	224	-37
Japan .....	99,208	359	17,571	36,957	10,042	11,285	719	9,788	12,487	103,120	275	18,691	36,832	10,223	12,778	776	9,773	13,770
Korea, Republic of .....	849	6	-88	(D)	146	(D)	0	13	176	1,158	7	66	(D)	186	(D)	14	168	(D)
Malaysia .....	291	0	48	116	(D)	-1	0	3	(D)	451	(D)	233	50	(D)	-2	0	3	(D)
New Zealand .....	102	0	103	(D)	(D)	-27	29	15	(P)	158	-1	112	22	(D)	-25	31	10	(D)
Philippines .....	59	0	3	(D)	50	0	(D)	-2	(*)	86	0	9	(D)	60	0	(D)	-3	(*)
Singapore .....	267	10	433	105	76	(D)	-1	358	(D)	1,135	(D)	595	7	87	43	(*)	373	(D)
Taiwan .....	1,329	-1	558	186	296	(D)	(D)	49	167	1,438	-2	425	397	322	(D)	0	53	(D)
Other .....	581	-2	228	73	257	(D)	(D)	-3	(D)	683	-5	141	197	304	(D)	(D)	(D)	5
<b>Addenda:</b>																		
European Union <sup>1</sup> .....	253,052	23,591	105,885	25,561	14,660	14,800	25,420	11,568	31,567	273,732	24,934	115,839	29,510	16,774	10,725	26,471	11,453	38,027
OPEC <sup>2</sup> .....	3,050	927	74	(D)	334	(D)	3	1,120	151	3,214	1,013	83	(D)	403	(D)	26	1,162	109

<sup>1</sup> Less than \$500,000 (±).  
<sup>2</sup> Suppressed to avoid disclosure of data of individual companies.  
1. Prior to 1993, the European Union was known as the European Communities (12). Through 1994, it consisted of Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, and the

United Kingdom. At the beginning of 1995, the Union was enlarged to include Austria, Finland, and Sweden, but data for these countries are not included in this line.  
2. OPEC is the Organization of Petroleum Exporting Countries. Its members are Algeria, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.

reinvested earnings in most industries—especially real estate and services.

More than one-half of the increase in the position of Canadian parents was in manufacturing; much of the remainder was in wholesale trade

and “other industries.” In manufacturing and “other industries,” the increases reflected equity capital inflows and reinvested earnings; in wholesale trade, the increase reflected new loans to affiliates. 