

## **PROPOSED CHANGES FOR THE 2010 BE-11 ANNUAL SURVEY OF U.S. DIRECT INVESTMENT ABROAD**

The proposed changes to the annual survey are mostly changes that would bring the BE-11 forms and instructions into conformity with the 2009 BE-10, Benchmark Survey of U.S. Direct Investment Abroad. These changes include changes in survey form design and reporting thresholds and changes in the data items collected. The proposed changes also include a change in the reporting criteria for foreign affiliates that are owned between 10 and 20 percent by their U.S. Parent (U.S. Reporter). The changes are discussed below.

### **1. Changes in survey form design and reporting criteria**

- A. Discontinue the use of separate forms for foreign affiliates that are owned by U.S. Reporters that are banks—Annual survey Form BE-11B(FN) would be discontinued. (Separate forms for banks were discontinued for the 2009 BE-10 benchmark survey.) All foreign affiliates, regardless of industry, would be filed on one of the foreign affiliate forms listed below:
- 1) Form BE-11B—report for majority-owned foreign affiliates with total assets, sales or gross operating revenues, or net income greater than \$60 million, positive or negative (affiliates with assets, sales, or net income greater than \$300 million, positive or negative, would file additional items).
  - 2) Form BE-11C—report for minority-owned foreign affiliates with total assets, sales or gross operating revenues, or net income greater than \$60 million, positive or negative.
  - 3) Form BE-11D—schedule for foreign affiliates established or acquired by the U.S. Reporter during the current reporting year with total assets, sales or gross operating revenues, or net income greater than or equal to \$25 million, positive or negative, but for which no one of these items is greater than \$60 million, positive or negative.
  - 4) Form BE-11E—report for foreign affiliates selected by DID to be reported on this form in lieu of Form BE-11B.
- B. Change the reporting requirements for foreign affiliates that are owned between 10 and 20 percent by their U.S. Parent (U.S. Reporter)—Direct investment is defined using the ownership criteria of 10 percent by a single investor. For all direct investment surveys except the BE-11 annual survey, the reporting criteria are consistent with the definition of direct investment. Historically, for the BE-11 annual survey, nonbank foreign affiliates owned between 10 and 20 percent have only been required to be reported in the third year following a benchmark survey. DID proposes to require these affiliates to be reported for all years. Although the U.S. ownership percentages in these affiliates are low, some of the affiliates are very large and have a sizable impact on the statistics. The ownership criteria used for reporting on the BE-11 annual survey were set in conjunction with the first annual survey, which was conducted for the year 1983. The reporting exception for affiliates owned between 10 percent and 20 percent was primarily to reduce reporting burden of the

survey. Since the 1983 annual survey, DID has made considerable strides in reducing the burden for all respondents. Thresholds for reporting have been raised significantly and statistical sampling procedures have been introduced to further reduce respondent burden. About 250 foreign affiliates fall in this ownership range; of those, about 175 would be required to be reported.

C. Change the survey forms as follows:

- 1) Form BE-11A (report for U.S. Reporter) exemption level for reporting only selected items would increase from \$225 million to \$300 million—In addition to certain identification items, U.S. Reporters with total assets, sales or gross operating revenues, and net income less than or equal to \$300 million, positive or negative, would report only the following items on Form BE-11A: total assets, total liabilities, sales or gross operating revenues, net income (loss), number of employees, and exports and imports. Of the roughly 1,800 U.S. Reporters that are expected to file Form BE-11A, DID estimates 200 would be below and 1,600 would be above the \$300 million level.
- 2) Form BE-11B would replace the 2008 annual survey Forms BE-11B(LF), BE-11B(SF), and 11B(FN) for reporting majority-owned foreign affiliates—DID proposes a threshold of \$60 million for reporting foreign affiliates on Form BE-11B, unchanged from 2008. A complete Form BE-11B would be required to be filed for majority-owned foreign affiliates with total assets, sales or gross operating revenues, or net income greater than \$300 million, positive or negative. For majority-owned foreign affiliates with assets, sales, and net income less than or equal to \$300 million, fewer items would be required to be reported. (For 2008, this threshold was \$250 million.) Of the roughly 15,500 majority-owned foreign affiliates that are expected to be reported on Form BE-11B in the annual survey, DID estimates that 10,000 will be below and 5,500 will be above the \$300 million level. (DID would continue to use Form BE-11C for collecting data for minority-owned foreign affiliates. DID proposes a threshold of \$60 million for reporting on the BE-11C form, the same threshold used for 2008. About 1,100 minority-owned foreign affiliates are expected to be reported on Form BE-11C.)
- 3) Form BE-11D, a schedule type form, would replace the 2008 BE-11A Supplement A schedule for reporting the small majority- and minority-owned foreign affiliates that were established or acquired by the U.S. Reporter during the current reporting year. The threshold for reporting would increase from \$10 million to \$25 million. Based on recent annual survey data, affiliates with assets, sales, and net income below \$25 million comprised a small percentage of the data for affiliates established or acquired during a year.
- 4) Form BE-11E would replace Form BE-11B(EZ) to collect a few basic indicators for non-sample affiliates, i.e., affiliates are selected to file this abbreviated form in lieu of form BE-11B.

2. Comparison of 2008 and 2010 reporting thresholds by form (thresholds are based on value of assets, sales, and net income, positive and negative).

<b>Form for 2008</b>	<b>Reporting threshold 2008</b>	<b>Form for 2010</b>	<b>Reporting threshold 2010</b>
BE-11A	U.S. reporters non-bank (abbreviated form for reporters under \$225 million)	BE-11A	U.S. reporters (abbreviated form for reporters under \$300 million)
	U.S. Reporters Bank		
BE-11B(LF)	\$225 million majority-owned affiliates	BE-11B	\$60 million majority-owned affiliates (additional items for affiliates over \$300 million)
BE-11B(SF)	\$60 million majority-owned affiliates		
BE-11B(FN)	affiliates of bank reporters	BE-11B/C/D	form according to size of affiliate
BE-11C	\$60 million minority-owned affiliates	BE-11C	\$60 million minority-owned affiliates
BE-11A Supplement A	\$10 million new minority-owned and majority-owned affiliates	BE-11D (schedule)	\$25 million new minority-owned and majority-owned affiliates
BE-11B(EZ)	report for foreign affiliates selected by BEA to be reported on this form in lieu of Form BE-11B(SF)	BE-11E	report for foreign affiliates selected by BEA to be reported on this form in lieu of Form BE-11B

### 3. Changes in data collected

#### A. Modifications

- 1) Balance sheet items (Affiliate) - cash, other current assets, other noncurrent assets, other current liabilities and long-term debt, other noncurrent liabilities will no longer be collected as separate items
  - Inventories; current trade accounts and trade receivables; property, plant, and equipment-gross; accumulated depreciation and depletion; equity investment in other foreign affiliates; other assets; total assets; current trade accounts and trade payables; other liabilities and total liabilities will continue to be collected.

#### B. Deletions

- 1) Wholesale and retail trade items: cost of goods purchased for resale and inventory of goods purchased for resale (U.S. Reporter, Affiliate)

- 2) The breakdown of number of employees and employee compensation by occupational classification (U.S. Reporter, Affiliate)
- 3) Composition of external finances (Affiliate)

C. Additions

- 1) Boxes for Ireland and Belgium in the 'Country of location' item (Affiliate)
- 2) Assets, liabilities, and interest receipts and payments related to banking activities (U.S. Reporter)
- 3) Total liabilities for minority-owned affiliates (Affiliate)
- 4) For each Form BE-11B, a list of all foreign affiliates in which the reporting foreign affiliate has a direct equity interest but which are not fully consolidated (Affiliates with total assets, sales or gross operating revenues, or net income greater than \$300 million, positive or negative)

D. Other changes

- 1) Add a question requesting permission to communicate with the U.S. Reporter by fax
- 2) Expand and clarify the instruction for 'certain gains (losses)' (U.S. Reporter, Affiliate)
- 3) Change the instructions to reference the 'Guide to Industry Classifications for International Surveys, 2007'
- 4) Expand the instruction for partnerships in the Instruction Booklet