

Supporting Statement  
U.S. Department of Commerce  
Bureau of Economic Analysis  
BE-11, Annual Survey of U.S. Direct Investment Abroad:  
OMB Control Number 0608-0053

A. Justification

**1. Explain the circumstances that make the collection of information necessary.**

The BE-11 Annual Survey of U.S. Direct Investment Abroad is necessary to obtain accurate and up-to-date data on certain aspects of the operations of U.S. multinational companies and their foreign affiliates, such as balance sheets, income statements, employment, and trade that are needed in assessing the impact of direct investment on the U.S. and foreign economies. The survey is mandatory and is conducted under the International Investment and Trade in Services Survey Act (P.L. 94-472, 22 U.S.C. 3101-3108, as amended by P.L. 98-573 and P.L. 101-533), hereinafter “the Act.”

Section 4(a) of the Act (22 U.S.C. 3103(a)) requires that the President shall, to the extent he deems necessary and feasible, conduct a regular data collection program to secure current information on international capital flows and other information related to international investment and trade in services, including (but not limited to) such information as may be necessary for computing and analyzing the United States balance of payments, the employment and taxes of United States parents and affiliates, and the international investment and trade in services position of the United States.

In Section 3 of Executive Order 11961, as amended by Executive Orders 12318 and 12518, the President delegated the responsibility for performing functions under the Act as concerns direct investment to the Secretary of Commerce, who has redelegated it to the Bureau of Economic Analysis (BEA). The implementing regulations for the direct investment surveys conducted under the Act may be found in 15 CFR Part 806.

BEA proposes a number of changes to the BE-11 survey which necessitate a revision to the OMB clearance for the survey and a rule change. The proposed changes to the survey are mostly ones 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 reporting thresholds and in the data items collected. Beginning with the 2010 annual survey, BEA is proposing that all foreign affiliates, regardless of industry, be filed on one of four foreign affiliate forms—BE-11B, BE-11C, BE-11D, or BE-11E. Data for foreign affiliates of U.S. Reporters that are banks, bank holding companies, or financial holding companies would be collected on the same survey forms as data for other foreign affiliates. BEA also proposes to change the reporting requirements for foreign affiliates that are owned between 10 and 20 percent by their U.S. parent.

**2. Explain how, by whom, how frequently, and for what purpose the information will be used. If the information collected will be disseminated to the public or used to support information that will be disseminated to the public, then explain how the collection complies with all applicable Information Quality Guidelines.**

The annual survey provides a variety of measures of the overall operations of U.S. parent companies and their foreign affiliates, including total assets, sales, net income, employment and employee compensation, research and development expenditures, and exports and imports of goods. The BE-11 is a sample survey that covers selected foreign affiliates and their U.S. parent companies. The sample data are used to derive universe estimates in nonbenchmark years by extrapolating forward similar data reported in the BE-10, Benchmark Survey of U.S. Direct Investment Abroad, which is taken every five years. The data are disaggregated by country and industry of the foreign affiliate and by industry of the U.S. parent. The data from the BE-11 survey complement data from BEA's BE-577 quarterly survey of U.S. direct investment abroad, "Quarterly Survey of U.S. Direct Investment Abroad: Direct Transactions of U.S. Reporter with Foreign Affiliate." A full understanding of U.S. direct investment abroad requires an understanding of both the overall operations of parents and affiliates (covered in the BE-11) and the transactions and positions between parents and affiliates (covered in the BE-577). Some specific uses of the data to be collected are discussed in greater detail below.

(a) Compile and improve the U.S. economic accounts:

BEA uses BE-11 annual survey data on the operations of U.S. parents and foreign affiliates to derive estimates of value added in production by U.S. parents and their foreign affiliates. These estimates can be used to calculate and analyze the affiliates' share of total production in foreign host countries, the parents' share of total U.S. production, and the respective shares of parents and affiliates in the worldwide production of U.S. multinationals. In addition, data for the BE-11 annual survey provide financial statements against which data on transactions between parents and affiliates that are reported on the quarterly BE-577 survey can be checked for consistency.

(b) Support U.S. Government policy on direct investment:

The data are used by several U.S. Government agencies, including the Office of the U.S. Trade Representative, the International Trade Administration of the Commerce Department, the Departments of Treasury and State, the Council of Economic Advisers, and the Federal Reserve Board to support U.S. international economic policy. The annual survey provides detailed information, by country and industry, on assets, sales, employment, and other measures of affiliates' activities that the U.S. Government requires to assess their effects on U.S. and foreign economies.

Bilateral investment treaties (BIT's) are negotiated with interested countries to facilitate and protect U.S. investment interests. During BIT negotiations, data from this and related surveys provide important information on the level and impact of direct investment on the

U.S. economy and the economies of foreign countries. The data also help identify areas where U.S. direct investment may be restricted.

(c) Other Government uses:

Several agencies, including the Agency for International Development and the U.S. and Foreign Commercial Service (Commerce), facilitate U.S. private investment, mainly in developing countries, by providing information and assistance to investors. They use data from the annual survey for this purpose. They also use the data to examine the impact of direct investment on developing countries.

(d) Non-government uses:

International organizations and private researchers also use data from the annual survey in assessing the impact of U.S. direct investment abroad on the U.S. and foreign economies. International organizations that regularly make use of BEA data on U.S. direct investment abroad include the United Nations, International Monetary Fund, Organisation for Economic Co-operation and Development, and World Bank. Numerous private researchers use the data; use by researchers affiliated with the National Bureau of Economic Research has been among the most extensive.

The Section 515 Information Quality Guidelines apply to this information. The information is collected according to documented procedures in a manner that reflects standard practices accepted by the relevant economic/statistical communities. BEA conducts a thorough review of the survey input data using sound statistical techniques to ensure the data quality before the final statistics are released. The data are collected and reviewed according to documented procedures including the use of check lists, procedures manuals and on-going review by the appropriate supervisor or program manager. The quality of the data are validated using a battery of computerized edit checks to detect potential errors and to otherwise ensure that the data are accurate, reliable, and relevant for the estimates being made. Data are routinely revised as more complete source data become available. The collection and use of this information complies with all applicable information quality guidelines, i.e., OMB, Department of Commerce, and those of the Bureau of Economic Analysis.

**3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological techniques or other forms of information technology.**

BEA offers an electronic filing option that makes use of fillable PDF forms, its eFile system, for use in reporting the BE-11 annual survey forms as an alternative to paper forms. The eFile system enables a U.S. Reporter to download the survey forms in PDF format for each reportable business enterprise, enter the required data, and submit the forms securely to BEA. BEA has offered electronic filing to respondents when conducting recent annual surveys; currently, approximately 40 percent of the respondents take advantage of electronic filing.

In addition, BEA places all its survey forms and reporting instructions on its Web site [www.bea.gov](http://www.bea.gov), which provides an alternative and, for some, more convenient, way to access information about BEA's surveys.

The data from the annual surveys are published and analyzed in BEA's monthly journal, the *Survey of Current Business*. All of the data tabulated from the BE-11 survey that are released to the public and analyses of the data, published in the *Survey*, are placed on BEA's Web site.

#### **4. Describe efforts to identify duplication.**

Data collected in the BE-11 annual survey on the operations of U.S. parents and their foreign affiliates are collected by BEA only.

The BE-11 survey eliminates duplication that might otherwise occur when the U.S. Reporter is also required to file the BE-15, Annual Survey of Foreign Direct Investment in the United States, or the BE-12, Benchmark Survey of Foreign Direct Investment in the United States. If the U.S. company not only owns a foreign affiliate but is itself foreign owned, then only items that are not reported on Form BE-15 (Form BE-12 in a benchmark year) must be completed. For the information requested in the remainder of Form BE-11A, BEA obtains the data from that company's Form BE-15/12. (Forms BE-11B, BE-11C, BE-11D, and BE-11E, which are for reporting foreign affiliates, would still be completed in full by the U.S. Reporter.)

In cases of possible duplication between the BE-11 data for U.S. parent companies and data for U.S. companies reported to other Government agencies, data may be defined quite differently. For example, data reported to the Securities and Exchange Commission are on a worldwide consolidated basis. In contrast, data reported on Form BE-11A are on a domestic (U.S.) consolidated basis, so that they cover only U.S. companies' domestic operations; data reported on Forms BE-11B, BE-11C, BE-11D, and BE-11E cover their foreign operations. Thus a company's domestic and foreign operations can be analyzed separately, and their separate contributions to the company's overall operations and to the U.S. and foreign economies can be assessed. These are major components of any analysis of U.S. direct investment abroad.

Some minor duplication may occur between the data reported in the BE-11 and the few annual data items reported once a year in Part V of BEA's BE-577 quarterly survey of U.S. direct investment abroad. Data collected in the BE-11 survey reflect the interest of all owners of the affiliate, whereas data collected in the BE-577 cover only the U.S. parent's share of the given item. The only case in which duplication of the annual data reported in the BE-11 and BE-577 may occur is when the affiliate is owned 100 percent by a single U.S. parent. These data are used to check for consistency between the two surveys, and could not be eliminated without compromising the overall quality of the statistics and the integrated structure of the form.

**5. If the collection of information involves small businesses or other small entities, describe the methods used to minimize burden.**

A BE-11 report is required of any U.S. company that had a foreign affiliate—that is, that had direct or indirect ownership or control of at least 10 percent of the voting stock of an incorporated foreign business enterprise, or an equivalent interest in an unincorporated foreign business enterprise, including a branch—at the end of the U.S. company’s 2010 fiscal year. Few small U.S. businesses are subject to the reporting requirements of this survey. U.S. companies that have direct investments abroad tend to be quite large. BEA estimates that approximately 200 of the U.S. parent companies that will be required to respond to the BE-11 annual survey are small businesses according to the standards established by the Small Business Administration (SBA). U.S. businesses that meet the SBA small business standards tend to have few foreign affiliates and the foreign affiliates that they do own are small. The number of items required to be reported for a foreign affiliate is determined by the size of the affiliate’s assets, sales, and net income. In the BE-11 survey, for the smallest reportable foreign affiliates—those established or acquired by the U.S. Reporter during the current reporting year with assets, sales or gross operating revenues, and net income greater than \$25 million, positive or negative, but for which no one of these items is greater than \$60 million, positive or negative—only a few selected items would be reported on a schedule-type form, Form BE-11D. To further ease the reporting burden on smaller U.S. companies, U.S. Reporters with total assets, sales or gross operating revenues, and net income less than or equal to \$300 million (positive or negative) are required to report only selected items on the BE-11A form for U.S. Reporters, in addition to forms they may be required to file for their foreign affiliates.

**6. Describe the consequences to the Federal program or policy activities if the collection is not conducted or is conducted less frequently.**

The objectives stated in A.2. above could not be accomplished if the collection were conducted less frequently. Measures of the operations of U.S. parent companies and their foreign affiliates, on an annual basis, are essential to understanding the impact of U.S. direct investment on the U.S. and foreign economies over time. There can be wide swings in the data caused by new entrants to the universe, mergers and acquisitions, divestitures, and other economic phenomena. Monitoring these changes, assessing their impact, and formulating the appropriate government response would not be possible if data were collected less frequently. Data collected at 5-year intervals, such as on benchmark surveys, are not sufficient for these purposes.

**7. Explain any special circumstances that require the collection to be conducted in a manner inconsistent with OMB guidelines.**

No aspects of the proposed BE-11 data collection require a special justification.

**8. Provide a copy of the PRA Federal Register notice that solicited public comments on the information collection prior to this submission. Summarize the public comments received in response to that notice and describe the actions taken by the**

**agency in response to those comments. Describe the efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.**

This submission supports a proposed rulemaking, which will solicit comments on this survey. BEA maintains a continuing dialogue with respondents and with data users, including its own internal users through the Bureau's Source Data Improvement and Evaluation Program, to ensure that, as much as possible, the required data serve their intended purposes and are available from existing records, that instructions are clear, and that unreasonable burdens are not imposed.

In June 2008, BEA sent a letter describing the planned program changes to the data it collects and publishes on multinational companies to a broad group of Government and non-Government data users. These changes were part of a larger program to align the data collection program for multinationals with available resources. For the 2008 BE-11 annual survey, BEA raised the threshold for reporting but delayed, until after the 2009 benchmark survey, the elimination of data items. When BEA designed the 2009 BE-10 benchmark survey forms, it conducted consultations with both data users and potential respondent companies. Changes included changes in form design and reporting thresholds and changes in the data items collected. The proposed changes to the BE-11 annual survey are mostly ones that would bring the BE-11 forms and instructions into conformity with the 2009 benchmark survey.

**9. Explain any decisions to provide payments or gifts to respondents, other than remuneration of contractors or grantees.**

No payments or gifts to respondents are made.

**10. Describe any assurance of confidentiality provided to respondents and the basis for assurance in statute, regulation, or agency policy.**

BEA provides respondents with assurance that it will keep the reported data confidential. The following statement is taken directly from the reporting instructions for the survey.

**“Confidentiality** – The Act provides that your report is CONFIDENTIAL and may be used only for analytical or statistical purposes. Without your prior written permission, the information filed in your report CANNOT be presented in a manner that allows it to be individually identified. Your report CANNOT be used for purposes of taxation, investigation, or regulation. Copies retained in your files are immune from legal process.”

Sec. 5(c) of the Act (22 U.S.C. 3104) provides that the information collected may be used only for analytical and statistical purposes and access to the information shall be available only to officials and employees (including consultants and contractors and their employees) of agencies designated by the President to perform functions under the Act. The President may authorize the exchange of information between agencies or officials designated to perform

functions under the Act, but only for analytical and statistical purposes. No official or employee (including consultants and contractors and their employees) shall publish or make available any information collected under the Act in such a manner that the person to whom the information relates can be specifically identified. Reports and copies of reports prepared pursuant to the Act are confidential, and their submission or disclosure shall not be compelled by any person without the prior written permission of the person filing the report and the customer of such person, where the information supplied is identifiable as being derived from the records of such customer.

**11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private.**

No questions of a sensitive nature are asked.

**12. Provide an estimate in hours of the burden of the collection of information.**

An estimated 1,750 U.S. parent companies will file data for themselves and for about 16,700 foreign affiliates. A parent company must file one form for itself and one form for each affiliate that exceeds the exemption level. As proposed, the survey will consist of an instruction booklet and the following report forms:

1. Form BE-11A - Report for U.S. Reporter;
2. Form BE-11B - Report for a majority-owned foreign affiliate with total assets, sales, or gross operating revenues, or net income greater than \$60 million (positive or negative), additional items would be filed for affiliates with assets, sales, or net income greater than \$300 million, positive or negative;
3. 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);
4. 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 \$25 million, positive or negative, but for which no one of these items is greater than \$60 million, positive or negative;
5. Form BE-11E – Report for majority-owned foreign affiliates with total assets, sales or gross operating revenues, or net income greater than \$60 million (positive or negative), but not greater than \$300 million (positive or negative) selected to file this form in lieu of filing Form BE-11B;
6. BE-11 Claim for Not Filing

For purposes of calculating the number of respondents and burden per respondent, the “respondent” is deemed to be the U.S. parent company, and its “response” will consist of a

Form BE-11A covering its U.S. operations and one or more of the four foreign affiliate forms covering its foreign operations. The respondent burden for this collection of information will vary from one parent company to another, but is estimated to average 86 hours per response, producing an estimated annual burden of 150,550 hours for this survey. Reporting burden is estimated based upon the burden in the last BE-11 annual survey and other BEA surveys and the proposed changes to the survey and reporting criteria. The average burden for completing each form is approximately 7 hours for Form BE-11A, 12 hours for Form BE-11B, 2 hours for Form BE-11C, 1 hour for Form BE-11D, and 2 hours for Form BE-11E. Because each U.S. Reporter files a different number of Forms BE-11B, BE-11C, BE-11D, and BE-11E, depending on how many reportable foreign affiliates it has, the variation in reporting burden is considerable.

Form BE-11A must be filed by U.S. companies (U.S. Reporters) that have at least one reportable foreign affiliate. BEA estimates that the burden on Form BE-11A ranges from 1 hour to 185 hours and that the average burden is 7 hours. The total burden for 1,750 Forms BE-11A is estimated at 12,250 hours.

Form BE-11B is required to be filed for majority-owned foreign affiliates for which total assets, sales or gross operating revenues, or net income was 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. BEA estimates that the burden associated with this form will range from 2 hours, for an affiliate for which only Part I, items 1 through 24 (identification information), is required to 140 hours for an affiliate for which the complete report is required and that has activities in many industries. The average burden for Form BE-11B is estimated at 12 hours. The total burden for the 10,500 Forms BE-11B that BEA expects to be filed is estimated at 126,000 hours.

Form BE-11C is required to be filed for minority-owned foreign affiliates with total assets, sales or gross operating revenues, or net income greater than \$60 million (positive or negative). BEA estimates the burden associated with this form will range from 0.5 hour to 20 hours. The average burden for Form BE-11C is estimated at 2 hours. The total burden for the 1,100 Forms BE-11C that BEA expects to be filed is estimated at 2,200 hours.

Form BE-11D is required to be filed for foreign affiliates established or acquired by the U.S. Reporter during the current reporting year with assets, sales or gross operating revenues, or net income greater than \$25 million (positive or negative), but not greater than \$60 million (positive or negative). About 100 Reporters are expected to file this schedule-type form. The number of affiliates per Reporter expected to be filed on Form BE-11D is one; the average burden for the form is estimated at 1 hour. The total burden for 100 Forms BE-11D that BEA expects to be filed is 100 hours.

Form BE-11E is required to be filed for foreign affiliates that are selected to be filed on this form in lieu of being filed on the BE-11B (see B.1.). The average burden is estimated at 2 hours; therefore, the total burden for the 5,000 Forms BE-11E that BEA expects to receive is estimated at 10,000 hours.



The 12,250 hours for Form BE-11A, the 126,000 hours for Form BE-11B, the 2,200 hours for Form BE-11C, the 100 hours for Form BE-11D, and the 10,000 hours for Form BE-11E, give a total burden estimate of 150,550 hours, as shown in the RISC/OIRA Consolidated Information System (ROCIS). The estimated annual cost to respondents is about \$6,022,000, based on the estimated reporting burden of 150,550 hours and an estimated hourly cost of \$40.

**13. Provide an estimate of the total annual cost burden to the respondents or record-keepers resulting from the collection (excluding the value of the burden hours in #12 above).**

Other than respondent cost associated with the estimated burden of 150,550 hours (see A.12 above), the total additional annual cost burden to respondents is expected to be negligible. Total capital and start-up costs are insignificant, because new technology or capital equipment would not be needed by respondents in order to prepare their responses to the survey. As a consequence, the total cost of operating and maintaining the technology and capital equipment will also be insignificant. Purchases of services to complete the information collection are also expected to be insignificant.

**14. Provide estimates of annualized cost to the Federal government.**

The project cost to the Federal Government for this survey is estimated at \$3.75 million, which consists of \$2.75 million for salaries and related overhead, and \$1 million for equipment, supplies, forms design, mailing, printing, and computer processing.

**15. Explain the reasons for any program changes or adjustments.**

ROCIS shows a decrease of 3,300 burden hours; a decrease of 40,000 hours attributable to a “program change” offset by an increase of 36,700 hours attributable to an “adjustment.”

The decrease in burden is due to proposed changes in reporting requirements largely offset by growth in the number and size of U.S. parent companies and foreign affiliates.

**16. For collections whose results will be published, outline the plans for tabulation and publication.**

The printed annual survey forms will be mailed to respondents in early March each year. A completed report consisting of Form BE-11A and Form(s) BE-11B, BE-11C, BE-11D, and/or BE-11E will be due to be filed with BEA not later than May 31. Summary preliminary data will be published in articles in the *Survey of Current Business* 15 to 18 months after the reports are due; more detailed preliminary data will be posted on BEA’s Web site [www.bea.gov](http://www.bea.gov). Final data will be released about a year later. All of the statistics developed from the survey results, as well as the *Survey* articles, will be available on BEA’s Web site.

**17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons why display would be inappropriate.**

The OMB expiration date will be displayed on the forms.

**18. Explain each exception to the certification statement.**

The BE-11 information collection is consistent with the certification in all aspects.

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