

Supporting Statement for the 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.

Data collected on the Annual Survey of U.S. Direct Investment Abroad (Form BE- 11) are needed to measure the size and economic significance of direct investment abroad, measure changes in such investment, and assess its impact 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 concerning 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 801.

2. Indicate how, by whom, and for what purpose the information is to be used.

The Annual Survey of U.S. Direct Investment Abroad (Form BE- 11) obtains financial and operating data covering the operations of U.S. parents and their foreign affiliates, including their balance sheets; income statements; property, plant, and equipment; employment and employee compensation; merchandise trade; sales of goods and services; taxes; and research and development activity. The survey is a sample survey that covers all foreign affiliates above a size-exemption level and their U.S. parents. The sample data are used to derive universe estimates in nonbenchmark years from similar data reported in the BE-10, Benchmark Survey of U.S. Direct Investment Abroad, which is conducted 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 which provides data on transactions and positions between U.S.-owned foreign business enterprises and their U.S. parents. A full understanding of U.S. direct investment abroad requires an understanding of both the operations of parents and affiliates (covered in the BE-11) and the transactions and positions between parents and their

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 and positions 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 evaluate these policies and to assess their effects on the U.S. and foreign economies.

Bilateral investment treaties (BITs) 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.

The United States is a signatory to regional and multilateral commercial agreements that cover direct investment as well as cross border trade, and the data from this and related surveys provide information that can be used both during the negotiations and as an aid in monitoring the resulting agreements. For example, investment issues are covered both by the General Agreement on Trade in Services, which is the principal World Trade Organization agreement on trade in services, and by the North American Free Trade Agreement among the United States, Canada, and Mexico.

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 use data from the BE-11 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 also 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 quality of the data 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 project manager. The quality of the data is validated using a battery of computerized edit checks to detect potential errors and to 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 respondents to download the survey forms in PDF format for each reportable business enterprise, enter the required data, and submit the forms securely to BEA. Currently, approximately 75 percent of the forms are filed electronically. In addition, BEA posts all its survey forms and reporting instructions on its web site www.bea.gov.

The data from the annual survey 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 posted on BEA's web site.

4. Describe efforts to identify duplication.

The BE-11 data on 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 a respondent 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

respondent 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 respondent'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 respondent.)

In cases of possible duplication between the BE-11 data collected from U.S. parents 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. parents' 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 IV 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 a given item. The only case in which duplication of the annual data reported in the BE-11 and BE-577 may occur is when a foreign affiliate is owned 100 percent by a single U.S. parent. However, 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.

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 250 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. parent 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. parents 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, in addition to forms they may be required to file for their foreign affiliates.

6. Describe the consequences to 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 survey were not conducted or were conducted less frequently. Measures of the operations of U.S. parents 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.

The public notice soliciting comments on the information collection prior to its submission to OMB appeared on page 41031 (Vol. 78, No. 131) of the July 9, 2013, issue of the Federal Register. BEA received two comments in response to that notice. Both comments were written on behalf of managers of hedge funds and other private funds. The letters suggested that the BE-11 survey is not well suited to hedge funds and other private funds and that for these respondents the burden of reporting is significant. The commenters offered several alternatives to reduce the reporting burden for private fund managers, including amending the definition of direct investment to exclude investment funds, offering a blanket exemption from reporting for private fund managers, significantly raising exemption levels for private fund managers, limiting the data items collected to only those that a private fund manager would have readily available, or shifting reporting of international investment by private fund managers to Treasury Department surveys.

BEA is very concerned about respondent burden and has employed several strategies to reduce the burden where possible. BEA cannot, however, implement the suggestions made by the commenters at this time because of the legal requirements and the statistical needs that govern how the data are collected and tabulated.

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. BEA last conducted consultations with a broad group of Government and non-Government data users during the design of the 2009 BE-10 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.”

Section 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 that 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 1,900 U.S. parents will file data for their U.S. operations and for their approximately 18,700 foreign affiliates. A parent 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 - Parents with assets, sales, or net income greater than \$300 million would be required to provide more information on the form than smaller parents;
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. parent 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) and who were 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, 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 to another, but is estimated to average 91 hours per response, producing an estimated annual burden of 172,600 hours for this survey. Reporting burden is estimated based upon the burden in the last BE-11 annual survey and other BEA surveys. Because each respondent (parent) may file 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. See table below for burden by form type.

Estimate of Respondent Burden for BE-11 Survey

	Number of forms	Range of estimated burden per form	Average burden per form	Total burden per form
BE-11A (U.S. Reporters)	1,900	1 hr - 185 hrs	7	13,300
Foreign Affiliates:	18,700			159,300
BE-11B	12,200	2 hrs - 140 hrs	12	146,400
BE-11C	1,300	0.5 hrs - 20 hrs	2	2,600
BE-11D	100	0.5 hrs - 2 hrs	1	100
BE-11E	5,100	0.5 hrs - 4 hrs	2	10,200
Total	20,600	---		172,600
Average burden per U.S. Reporter	---	---	91	---

The estimated annual cost to respondents is about \$6,904,000, based on the estimated reporting burden of 172,600 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 172,600 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 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.

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 salaries and related overhead, equipment, supplies, forms design, mailing, printing, and computer processing.

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

The annual respondent burden has increased from 150,550 hours to 172,600 hours. Data requested on the BE-11 survey are the same as in previous years. The increase in the respondent burden of 22,050 hours is the result of growth in the number of foreign affiliates that meet or exceed the reporting thresholds on the BE-11 survey.

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

Each March BEA mails either pre-labeled survey forms to respondents filing paper forms or a notification letter that reports are due to respondents filing electronically. A completed report consisting of Form BE-11A and Form(s) BE-11B, BE-11C, BE-11D, and/or BE-11E is due to be filed with BEA no later than May 31.

Summary preliminary data are published in articles in the *Survey of Current Business* 15 to 18 months after the reports are due; more detailed preliminary data are available online. Final data are released about a year later. All of the statistics developed from the survey results, as well as the *Survey* articles, are available on BEA's web site (www.bea.gov).

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.