

Supporting Statement  
BE-10 Benchmark Survey of U.S. Direct Investment Abroad  
OMB Control Number 0608-0049

A. Justification

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

The BE-10 Benchmark Survey of U.S. Direct Investment Abroad is necessary to obtain complete and accurate data on the value of U.S. direct investment in foreign countries at yearend 2014, the changes in investments during the year, the return to U.S. persons on these investments, and data on the operations of the U.S. multinationals and of their foreign affiliates, such as balance sheets, income statements, employment, trade, and technology that are needed in assessing the impact of direct investment on the U.S. and foreign economies. The BE-10 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(b) of the Act requires that with respect to United States direct investment abroad, the President shall conduct a benchmark survey covering year 1982, a benchmark survey covering year 1989, and benchmark surveys covering every fifth year thereafter. In conducting surveys pursuant to this subsection, the President shall, among other things and to the extent he deems necessary and feasible—

(1) Identify the location, nature, magnitude of, and changes in total investment by any parent in its affiliates and the financial transactions between any parent and each of its affiliates;

(2) Obtain (A) information on the balance sheet of parents and affiliates and related financial data; (B) income statements, including the gross sales by primary line of business (with as much product line detail as is necessary and feasible) of parents and affiliates in each country in which they have significant operations; and (C) related information regarding trade, including trade in both goods and services, between a parent and each of its affiliates and between each parent or affiliate and any other person;

(3) Collect employment data showing both the number of United States and foreign employees of each parent and affiliate and the levels of compensation, by country, industry, and skill level;

(4) Obtain information on tax payments by parents and affiliates by country; and

(5) Determine, by industry and country, the total dollar amount of research and development expenditures by each parent and affiliate, payments or other compensation for the transfer of technology between parents and their affiliates, and payments or other compensation received by parents or affiliates from the transfer of technology to other persons.

In Section 3 of Executive Order 11961, as amended by Executive Orders 12318 and 12518, the President delegated 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. 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 benchmark survey covers the U.S. direct investment abroad universe, and is BEA's most comprehensive survey of such investment. Direct investment is defined as the ownership or control, directly or indirectly, by one U.S. person of 10 percent or more of the voting securities of an incorporated foreign business enterprise or an equivalent interest in an unincorporated foreign business enterprise, including a branch.

The benchmark survey collects both financial and operating data for U.S. parents and foreign affiliates and data on the U.S. direct investment position abroad at book value and on balance of payments transactions between U.S. parents and their foreign affiliates. The data are disaggregated by country and industry of the foreign affiliate and by industry of the U.S. parent. Some specific uses of the data to be collected are discussed in greater detail below.

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

Data from the BE-10 survey provide benchmarks for deriving current universe estimates of direct investment from sample data collected in other BEA surveys in non-benchmark years. In particular, they serve as benchmarks for the quarterly direct investment estimates included in the U.S. international transactions, international investment position, and the national income and product accounts, and for annual estimates of the operations of U.S. parent companies and their foreign affiliates.

BEA uses benchmark survey data on U.S. parents' and foreign affiliates' employee compensation, profits, interest receipts and expenses, income and other taxes, and assets and liabilities 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.

(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 benchmark 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 (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 benchmark 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 benchmark 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, Organization for Economic Cooperation 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 that the quality of the data is high before the final estimates are released. The data are collected and reviewed according to documented procedures and best practice standards and on-going review by the appropriate supervisor. The quality of the data are validated using a battery of 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., those of the Department of Commerce, the Office of Management and Budget (OMB), and BEA.

**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 electronic filing through its eFile system for use in reporting the BE-10 benchmark survey 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.

In addition, BEA provides links to all its survey forms and reporting instructions on its web site ([www.bea.gov](http://www.bea.gov)). These may be downloaded, printed, and submitted via fax or mail.

Statistics developed from the data reported on the benchmark survey will be published and analyzed in BEA's online journal, the *Survey of Current Business*. All of the data tabulated from the BE-10 survey that are released to the public, and analyses of the data published in the *Survey* are available on the BEA web site.

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

Data collected in the BE-10 benchmark survey on the operations of U.S. parents and their foreign affiliates are collected by BEA only.

The BE-10 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. 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 must be completed. For the information requested in the remainder of Form BE-10A, BEA obtains the data from that company's Form BE-15. (Forms BE-10B, 10C, and 10D, which are for reporting individual foreign affiliates, would still be completed in full by the U.S. reporter.)

In cases of possible duplication between the BE-10 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-10A, report for U.S. reporter, are on a domestic (U.S.) consolidated basis, so that they cover only U.S. companies' domestic operations; data reported on Forms BE-10B, 10C, and 10D 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.

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

A BE-10 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 any time during the U.S. company’s 2014 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 800 of the U.S. parent companies that will be required to respond to the BE-10 benchmark 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-10 survey, for the smallest foreign affiliates—those with assets, sales or gross operating revenues, and net income less than or equal to \$25 million (positive or negative)—only a few selected items would be reported on a schedule-type form, Form BE-10D. 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-10A 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.**

This is a benchmark survey designed to yield universe data. By law, the survey must be taken once every five years. The benchmark survey data are updated between benchmark years by means of quarterly and annual sample surveys that are more limited in scope and coverage. A period beyond the normal benchmark interval would require reliance on universe estimates linked to an aging base. The reliability of the estimates becomes increasingly questionable as the base ages. Conducting the survey less frequently would also reduce the timeliness of the detailed information, collected only in benchmark surveys, that is needed for policymaking 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-10 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 solicits public 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 March 2014, BEA invited a broad group of Government and non-Government data users to participate in a webinar conducted by BEA staff to solicit input on the BE-10 survey. Seven of the data users who participated in the webinar provided written input to BEA, which was used in developing the plans for the survey. The suggestions cover a wide range of issues, including entity information, contract manufacturing, trade and sales, royalties, balance sheets, and other issues. BEA gave extensive consideration to all input provided by the data users. A summary of the comments follows.

Several suggestions provided by the webinar participants led to proposed changes to the 2014 BE-10 survey: (1) For U.S. parent companies, questions will be added to collect data on the U.S. imports of goods by the intended use of the goods and by whether the shipper of the goods is a foreign affiliate or an unaffiliated foreign entity. (2) A question will be added to collect the city in which each foreign affiliate is located. (3) For majority-owned foreign affiliates with assets, sales, or net income greater than \$80 million, a question will be added to the balance sheet to collect data on cash and cash equivalents. (4) For larger majority-owned foreign affiliates (those with assets, sales, or net income greater than \$300 million), questions will be added to the section on sales to collect the top five countries (besides the U.S. and the country of the affiliate) to which the affiliates made sales. For each country, sales will be categorized by customer: “other foreign affiliates of the U.S. reporter(s)” and “unaffiliated customers.” An “all other” item will also be added after the top five countries to which affiliates made sales. Questions on sales by region of destination will be retained. (5) For majority-owned foreign affiliates with assets, sales, or net income greater than \$80 million, questions will be added to the section on royalties and license fees to collect receipts from U.S. parents, receipts from other U.S. persons, payments to U.S. parents, and payments to other U.S. persons. On the previous benchmark survey, this section only included receipts from and payments to foreign persons.

A few data users asked for items that are already been covered by the existing BE-10 form. One suggests asking firms how many entities are consolidated on a form, and another suggests identifying mode of entry for new affiliates.

Several data users asked for items that can be found on other BEA or Census surveys. To avoid redundancy across surveys, these requests may be addressed by linking BE-10 data with the other surveys.

Some data users asked for items that BEA feels would either place too high a burden on respondents, or respondents would not have the data available to report accordingly.

One data user suggested we collect intercompany activity between foreign affiliates (not just between foreign affiliates and U.S. parents) to help determine whether respondents are confusing debt and equity on affiliate forms. BEA will need to further study this issue for future consideration.

In May 2014, BEA sent for comment a list of proposed changes for the 2014 benchmark survey to nine potential respondent companies. No comments were received from these companies.

BEA received two comments on the proposed rule. One comment was written on behalf of hedge fund managers that are subject to BE-10 reporting requirements. The letter suggested that

the BE-10 survey is not well suited to hedge funds and that for these respondents the burden of reporting is significant. The commenter made several recommendations, including 1) that entities that are not contacted by BEA should have no reporting responsibilities (similar to other BEA surveys), 2) that BEA should not require reporting by U.S. investment managers on their management of non-U.S. investment funds, and 3) that BEA should provide survey instructions specific to hedge fund filers. BEA is very concerned about respondent burden and has employed several strategies to reduce the burden where possible. BEA cannot implement the first two recommendations because of the legal requirements and the statistical needs that govern how the data are collected and tabulated. To address the third recommendation, BEA will consider what additional guidance it can offer to hedge fund filers, possibly in the form of Frequently Asked Questions (FAQs).

The other commenter was a data user that urged BEA to reorient the BE-10 survey to address current issues related to global value chains and trade in value added. The commenter recommended that BEA systematically capture data on firm sales of goods and services by business function and international surveys industry (ISI) code, imports and exports by country, and distribution of sales and purchases by type of customer. The commenter also suggested that BEA reorganize the BE-10 survey to collect data in matrix format. BEA does not collect sales by business function and would need to explore the feasibility of collecting this information by conducting outreach to respondent companies to determine what information classified by business function might be available in their records. BEA will consider this addition for future surveys. BEA does collect sales data by ISI code and by type of customer as well as data on trade in services by country and on affiliated goods trade by country. To offer additional information that will be useful in analysis of trade in value added, BEA will add questions to the BE-10 survey to collect a regional breakdown of unaffiliated goods trade by U.S. parent companies. The BE-10 does not cover purchased inputs and BEA believes that this information would be more accurately reported on establishment level surveys. Regarding survey design, BEA has tended to minimize use of matrix formatting on the BE-10 survey because of feedback from experts in survey response indicating that matrix formatting leads to unit and item nonresponse on surveys.

**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 3,900 U.S. parent companies will file data for themselves and for about 54,600 foreign affiliates. On average, response time is estimated at 144 hours for each response, producing an estimated burden of 561,100 hours for the survey, as shown in the RISC/OIRA Consolidated Information System (ROCIS).

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-10A covering its U.S. operations and one or more of the three foreign affiliate forms covering its foreign operations. Reporting burden is estimated based upon the burden in the last BE-10 benchmark survey and other BEA surveys, feedback from respondents, and the proposed changes to the forms.

Public reporting burden for the BE-10 collection of information is estimated to vary from 14 hours for the smallest and least complex U.S. reporter that has only one foreign affiliate, to approximately 18,000 hours for a very large U.S. reporter that has up to 800 affiliates with a wide range of activities. Because each U.S. reporter files a different number of Forms BE-10B, BE-10C, and BE-10D, depending on how many reportable foreign affiliates it has, the variation in reporting burden is considerable.

The table below provides details on burden range, average burden, estimated number of respondents, and estimated burden hours by form type.



Estimated Burden for 2014 BE-10

	Number of forms	Range of estimated burden per form	Average burden per form	Total burden per form
BE-10A (U.S. Reporters)	3,900	4 hrs - 360 hrs	23	89,700
BE-10B/C/D (foreign affiliates):	29,200			471,400
BE-10B	15,600	3 hrs - 230 hrs	22	343,200
BE-10C	9,700	2 hrs - 40 hrs	10	97,000
BE-10D*	3,900	2 hrs - 600 hrs	8	31,200
Total	33,100	---	---	561,100
Average burden per U.S. Reporter	---	---	144	---

The proposed reporting requirements for the benchmark survey by form are:

1. Form BE-10A – Required to be filed by U.S. reporters that have at least one foreign affiliate. The U.S. reporter would report all domestic operations on a fully consolidated basis.
2. Form BE-10B – Required to be filed for a majority-owned foreign affiliate with total assets, sales or gross operating revenues, or net income greater than \$80 million (positive or negative);
3. Form BE-10C – Required to be filed for (a) a majority-owned foreign affiliate with total assets, sales or gross operating revenues, or net income greater than \$25 million (positive or negative), but not greater than \$80 million (positive or negative), and (b) a minority-owned foreign affiliates with total assets, sales or gross operating revenues, or net income greater than \$25 million (positive or negative); and
4. Form BE-10D – Required to be filed for foreign affiliates with total assets, sales or gross operating revenues, and net income less than or equal to \$25 million (positive or negative). The U.S. reporter files one Form BE-10D, which is a schedule-type form, that will include information for all of its foreign affiliates that meet the criteria. Hence, a BE-10D form is available to each BE-10A form reporter.
5. BE-10 Claim for Not Filing – Required to be filed by a person, or their agent, certifying that the person had no direct investment within the purview of the survey.

The estimated annual cost to respondents is about \$22,444,000, based on the estimated reporting burden of 561,100 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 561,100 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. 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 \$3.85 million, which consists of \$2.75 million for salaries and related overhead, and \$1.1 million for equipment, supplies, forms design, mailing, printing, and computer processing.

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

This request is for a reinstatement, with changes, of a previously approved collection for which approval has expired. Currently, there are no burden hours for the BE-10 survey in the inventory maintained by the OMB. Therefore, the estimated burden of 561,000 hours (see A.12 above) for this periodic collection is shown entirely as a program change in the ROCIS.

The estimate for the 2014 BE-10 benchmark survey of 561,000 burden hours is more than the estimated respondent burden for the previous (2009) benchmark survey. For the 2009 survey, the estimated burden was 459,400 hours. The increase in burden hours is associated with an increase in the respondent universe and a net increase in the information to be collected.

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

Summary preliminary data will be published 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 data and 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-10 information collection is consistent with the certification in all aspects.