

**Supporting Statement for the
Annual Survey of U.S. Direct Investment Abroad (BE-11)
OMB Control Number 0608-0053**

A. Justification

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

The Annual Survey of U.S. Direct Investment Abroad (BE-11) is necessary to obtain complete and accurate data on the operations of U.S. parents and their foreign affiliates that are needed to assess 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), hereinafter “the Act.”

Section 4(a) of the Act 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, 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 annual survey collects 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 BE-11 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 by extrapolating forward similar data reported in the BE-10, Benchmark Survey of U.S. Direct Investment Abroad, which is conducted every five years. 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 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 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 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 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 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 is 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 comply 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-11 annual 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 website (www.bea.gov). These may be downloaded, printed, and submitted via fax or mail.

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. 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-11A, BEA obtains the data from that company's Form BE-15. (Forms BE-11B, BE-11C, and BE-11D, 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, reported 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-11B, BE-11C, and BE-11D 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.

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-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 foreign affiliates—those 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)—a subset of 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 a subset of 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 Federal program or policy activities if the collection is not conducted or is conducted less frequently.

The objectives stated in Section A.2. could not be accomplished if the survey is not conducted or is conducted less frequently. Measures of the operations of U.S. 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 is 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 32934 (Vol. 80, No. 111) of the June 10, 2015, issue of the *Federal Register*. BEA received one comment from a data user on the importance of the BE-11 data to public policy, investment decisions, and research on U.S. direct investment abroad, as well as in supporting emerging federal efforts to describe global value chains (GVCs) and measure international trade in value added (TiVA). The data user suggests that BEA consult with the interagency group working on GVC and TiVA initiatives prior to submitting the survey for OMB review. BEA has responded to the commenter that plans for the survey have been developed in consultation with the BEA staff that are part of this interagency group.

BEA maintains a continuing dialogue with respondents and 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 2014 BE-10 benchmark survey.

In reaching decisions on what questions to include in the survey, BEA considered the Government's need for the data and resources for processing the data, the burden imposed on respondents, the quality of the likely responses (e.g., whether the data are readily available on respondents' books), and BEA's experience in previous annual and related benchmark surveys.

The survey, as proposed, incorporates two changes that were made to the 2014 BE-10, Benchmark Survey of U.S. Direct Investment Abroad, and five new proposed changes. The following two questions that were added to the 2014 benchmark survey will be added to the BE-11 survey: (1) a question to collect the city in which each foreign affiliate is located; and (2) for majority-owned foreign affiliates with assets, sales, or net income greater than \$300 million, a question to collect data on cash and cash equivalents on the balance sheet. Other proposed changes are: (1) two items will be added to the balance sheet section for the U.S. reporter: i) equity investments in foreign affiliates, and ii) all other assets; (2) a question will be added to collect the form of organization of the U.S. reporter; (3) a question will be added to collect expenditures for research and development performed by new foreign affiliates with assets, sales, or net income between \$25 million and \$60 million; (4) a question will be added to the Claim for Not Filing form to collect the names and BEA ID numbers of any foreign affiliates for which BEA requested a filing but which did not meet the filing criteria; and (5) the BE-11E (abbreviated) sample form for foreign affiliates will be eliminated – foreign affiliates previously filed on the BE-11E form will be required to file BE-11B forms. The exemption level for reporting on the proposed survey is unchanged from the 2013 BE-11 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 the 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 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 1,900 U.S. parents will file data for their U.S. operations on the A form; 21,800 foreign affiliates, which include 20,500 B forms, 1,150 C forms, and 150 D forms; and 500 Claim for Exemption forms. These estimates are based on recent BE-11 surveys. The estimated total annual burden is 262,250 hours, as shown in the RISC/OIRA Consolidated Information System (ROCIS). Total annual burden is calculated by multiplying the estimated number of submissions of each form by the average hourly burden per form, which is 7 hours for the A form, 12 hours for the B form, 2 hours for the C form, 1 hour for the D form, and 1 hour for the Claim for Exemption forms.

The estimated average time per respondent is 138.0 hours (262,250 hours/1,900 U.S. parents), but may vary considerably among respondents because of differences in company structure, size, and complexity. 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 three foreign affiliate forms covering its foreign operations. Reporting burden is estimated based upon the

burden in the last BE-11 annual survey and other BEA surveys, feedback from respondents, and the proposed changes to the forms.

Public reporting burden for the BE-11 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-11B, BE-11C, and BE-11D, 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 2015 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 hrs	13,300
Foreign Affiliates:	21,800			248,450
BE-11B	20,500	2 hrs - 140 hrs	12 hrs	246,000
BE-11C	1,150	0.5 hrs - 20 hrs	2 hrs	2,300
BE-11D	150	0.5 hrs - 2 hrs	1 hr	150
Claim for Exemption	500	0.5 hrs - 2 hrs	1 hr	500
Total	24,200	---		262,250
Average burden per U.S. Reporter	---	---	138.0 hrs	---

The proposed filing requirements for the annual survey by form are:

- 1) Form BE-11A is filed by U.S. parents with at least one reportable foreign affiliate (parents with assets, sales, or net income (loss) greater than \$300 million are required to provide more information on the form than smaller parents);
- 2) Form BE-11B is filed for majority-owned foreign affiliates greater than \$60 million (affiliates with assets, sales, or net income (loss) greater than \$300 million are required to provide more information on the form than smaller affiliates); and
- 3) Form BE-11C is filed for minority-owned foreign affiliates with assets, sales, or net income (loss) greater than \$60 million;
- 4) Form BE-11D is filed for foreign affiliates with assets, sales, or net income (loss) greater than \$25 million and less than \$60 million in the year in which the affiliate is established or acquired by the U.S. parent company; and
- 5) Form BE-11 Claim for Exemption is filed by U.S. parents that are contacted by BEA and do not meet the filing requirements for the U.S. parents or for foreign affiliates.

In addition, a Form BE-11B, or BE-11C must be filed for a foreign affiliate of a U.S. parent

that owns another non-exempt foreign affiliate of that U.S. parent, even if the foreign affiliate parent is below the size threshold. That is, all affiliates upward in the chain of ownership must be reported.

The estimated annual cost to respondents is about \$10,490,000, based on the estimated reporting burden of 262,250 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 262,250 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 \$3.75 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 reported in Items 13 or 14 of the OMB 83-I.

The annual respondent burden has increased from 172,600 hours to 262,250 hours. The increase in the respondent burden of 89,650 hours is largely due to an increased number of total foreign affiliate filings on recent BE-11 surveys and the elimination of the E form that will result in an increased number of B form filings. All other changes have a negligible effect on the respondent burden.

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

Preliminary data are released 15 to 18 months after the reports are due. Final data will be released about a year later. All of the statistics developed from the survey results are available on BEA's website.

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.