

Supporting Statement for the BE-577,
Quarterly Survey of U.S. Direct Investment Abroad—
Transactions of U.S. Reporter with Foreign Affiliate
OMB Control Number 0608-0004

A. Justification

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

Data collected on the Quarterly Survey of U.S. Direct Investment Abroad—Transactions of U.S. Reporter with Foreign Affiliate (Form BE-577) 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 (22 U.S.C. 3101-3108), 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, 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 Quarterly Survey of U.S. Direct Investment Abroad—Transactions of U.S. Reporter with Foreign Affiliate (Form BE-577) obtains quarterly data on transactions and positions between U.S.-owned foreign business enterprises and their U.S. parents. The survey is a sample survey that covers all foreign affiliates, except for certain private funds, above a size-exemption level. 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. The data from the BE-577 survey complement data from BEA's BE-11 Annual Survey of U.S. Direct Investment Abroad, which provides data on the overall operations of U.S.-owned foreign affiliates. A full understanding of U.S. direct investment abroad requires an understanding of both the transactions and positions between parents and their affiliates (covered in the BE-577) and the overall operations of parents and affiliates (covered in

the BE-11). 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-577 survey are essential for the preparation of the U.S. international transactions accounts, the input-output accounts, the national income and product accounts, and the international investment position of the United States.

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 quarterly survey provides detailed information, by country and industry, on direct investment financial and income flows 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) Non-government uses:

International organizations and private researchers use data from the BE-577 quarterly 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 is high before the final statistics 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 data are validated using a battery of edit checks to detect potential errors and 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 will offer electronic filing through its eFile system for use in reporting on the BE-577 survey forms. The eFile system enables respondents to enter the required data, save their inputs, 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). These are fillable forms that may be downloaded, printed, and submitted via fax or mail.

The data from the quarterly survey are published and analyzed in BEA's online journal, the *Survey of Current Business*. All of the data tabulated from the BE-577 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.

The BE-577 data on transactions between and positions of U.S. parents and their foreign affiliates are collected by BEA only.

To avoid duplication between Form BE-577 and the Treasury International Capital (TIC) System, the BE-577 instructions require respondents to exclude positions and transactions reported on the TIC surveys. BE-577 respondents exclude amounts related to financial derivatives contracts that are reported on or derived from TIC Form D, Report of Holdings of, and Transactions in, Financial Derivatives Contracts with Foreign Residents. Additionally, they exclude intercompany debt positions (and related interest) with foreign affiliates that are reported on TIC B forms by U.S. depository institutions, bank holding companies/financial holding companies, and securities brokers and dealers.

Beginning in 2017, BEA will instruct reporters of investments in certain private funds to report with the TIC system and not in the U.S. direct investment abroad surveys. Prior to this change, certain private funds were required to report on both the BEA and TIC surveys. BEA, in conjunction with the Treasury Department, initiated this change since these particular investments displayed the characteristics of portfolio investment

(specifically, investors do not intend to control or influence the management of an operating company) rather than direct investment (that is, ownership by one person of 10 percent or more of the voting interest of a business enterprise).

Some minor duplication may occur between the data reported in the few annual data items reported once a year in Part IV of the quarterly Form BE-577 and BEA's BE-11, Annual 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.

Although the BE-577 survey does not itself collect data on the size of the U.S. companies that must respond, data collected on related BEA surveys indicate that about 250 of the estimated 2,090 U.S. parent companies that will be required to respond to the BE-577 quarterly survey are small businesses according to the standards established by the Small Business Administration (SBA). The exemption level for the BE-577 survey is set in terms of the size of a U.S. company's foreign affiliates (foreign companies owned 10 percent or more by the U.S. company). If a foreign affiliate has total assets, sales or gross operating revenues, or net income greater than \$60 million (positive or negative), it must be reported on the BE-577. Usually, the U.S. parent company that is required to file the report is many times larger than its largest foreign affiliate.

The 250 U.S. businesses that meet the SBA small business standards tend to have few foreign affiliates, and most of the foreign affiliates that they do own are small, with less than \$60 million in total assets, sales or gross operating revenues, and net income.

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 than each calendar quarter. The U.S. international transactions and national income and product accounts are published quarterly. The data collected in this survey are important components of these accounts. BEA would be unable to provide the data needed in preparing these accounts if the information were collected less frequently.

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-577 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 submission to OMB appeared on page 33658 (Vol. 81, No. 103) of the May 27, 2016, issue of the Federal Register. BEA received one comment to that notice and it was supportive of the proposed changes.

BEA conducted outreach to private funds to solicit feedback on plans to eliminate reporting by certain private funds on BEA's direct investment surveys. All feedback that BEA received was supportive of the change.

As stated in A.2. above, a primary purpose of the BE-577 survey is to provide sample data that are used to extrapolate forward similar data reported in the BE-10 Benchmark Survey of U.S. Direct Investment Abroad to derive universe estimates for nonbenchmark years. BEA conducted extensive consultations with a broad group of Government and non-government data users and potential survey respondents when it designed and cleared its BE-10 benchmark survey forms covering the data year 2014. BEA will conduct further outreach when it designs the next BE-10 benchmark survey, which will cover the data year 2019.

Finally, 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.

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.

BEA expects 16,720 responses quarterly; because reports are filed four times per year, BEA expects 66,880 responses annually. The respondent burden for this collection of information is estimated to vary from one-half hour to three hours per response, with an average of one hour per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Thus, the total annual respondent burden for this survey is estimated at 66,880 hours as shown in the RISC/OIRA Consolidated Information System (ROCIS).

The estimated annualized cost to respondents is about \$2,675,200 based on the estimated reporting burden of 66,880 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 66,880 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.

14. Provide estimates of annualized cost to the Federal Government.

The project cost to the Federal government for this survey is estimated at \$1.7 million annually, which consists of \$1.4 million for salaries and related overhead, and \$300,000 for 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 60,000 hours to 66,880 hours. BEA plans to add an additional question on certain gains/losses to the annual section of this form to help verify the quarterly data. We expect the additional burden to be negligible because this information is only collected once each year. The increase in the respondent burden of 6,880 hours is the result of growth in the number of reporting U.S. parents and foreign affiliates since the survey was last cleared.

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

Quarterly data are released four times a year, approximately 65 days after the close of the quarter, as part of the U.S. international transactions and international investment position accounts. Annual summations of the quarterly data with more detail by country, industry, and component are released approximately six months after the end of the year. An analysis of the quarterly data appears in the BEA's monthly journal, the *Survey of Current Business*, about 90 days after the end of the quarter. 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-577 information collection is consistent with the certification in all aspects.