

Supporting Statement for the BE-12 Benchmark Survey  
of Foreign Direct Investment in the United States  
OMB Control Number 0608-0042

A. Justification

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

The 2017 Benchmark Survey of Foreign Direct Investment in the United States is necessary to obtain complete and accurate data on the value of foreign direct investment in the United States at yearend 2017, the changes in investments during the year, the return to foreign persons on these investments, as well as data on the operations of the U.S. affiliates of foreign multinational companies, including balance sheets, income statements, employment, trade, and technology that are needed in assessing the impact of foreign direct investment on the U.S. economy. The survey is mandatory and is conducted under the authority of the International Investment and Trade in Services Survey Act (P.L. 94-472, 22 U.S.C. 3101-3108, as amended), hereinafter “the Act.” The implementing regulations for the direct investment surveys conducted under the Act can 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 information collected in the survey is used to compile economic statistics on foreign direct investment in the United States and on the activities of foreign-owned U.S. companies by country, industry, and, for some data items, state. The data are disseminated via BEA’s website. Some specific uses of the data are discussed below.

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

Data from the BE-12 survey will 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 will serve as benchmarks for the direct investment estimates included in the U.S. international transactions, U.S. international investment position, national income and product accounts, and in the statistics on the activities of U.S. affiliates of foreign companies.

BEA uses BE-12 benchmark survey data to derive estimates of U.S. affiliates’ value added. These estimates can be used to calculate and analyze U.S. affiliates’ share of U.S. gross domestic product and to evaluate affiliates’ profitability and productivity. Data on employment by affiliates are used to estimate U.S.-affiliate shares of the U.S. economy, both in the aggregate and by industry and state.

In addition, data for the BE-12 benchmark survey provide financial statements against which data on transactions and positions between parents and affiliates that are reported on the quarterly BE-605 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 International Trade Commission, the Departments of Treasury and State, the Council of Economic Advisers, and the Federal Reserve Board to support U.S. international economic policy. The International Trade Administration's SelectUSA office uses the data in advising foreign investors seeking to invest in the United States. The Treasury Department's Committee on Foreign Investment in the United States uses the data as background information in its reports to Congress. Without this information, current data on the amount and financial and operating characteristics of foreign direct investment in the United States would not be available.

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

The United States is a signatory to bilateral, 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:

Employer identification numbers and data on employment are used to link the enterprise-level data on U.S. affiliates of foreign companies collected in the benchmark survey to establishment-level data for all U.S. companies collected by the Census Bureau and Bureau of Labor Statistics, to obtain more detailed and precise data by industry and by state for foreign-owned enterprises.

The data are used by state governments in assessing the impact of foreign direct investment on individual states, in advising foreign investors seeking to invest in the United States, and in developing state programs to attract foreign direct investment.

Foreign governments also use data from the benchmark survey in monitoring and promoting foreign direct investment in the United States.

(d) Non-government uses:

International organizations and private researchers also use data from the benchmark survey in assessing the impact of foreign direct investment on the U.S. economy. International organizations that regularly make use of BEA data on foreign direct investment 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 (NBER) has been among the most extensive.

The Information Quality Guidelines of the Office of Management and Budget (OMB) apply to this information. The information is collected according to documented procedures in a manner that reflect 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 estimates are released. The data are collected and reviewed according to documented procedures, 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 OMB, the Department of Commerce, 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 on the BE-12 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 of its survey forms and reporting instructions on its website ([www.bea.gov](http://www.bea.gov)). These may be downloaded, printed, and submitted via secure email, fax, or mail.

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

Similar data collected by other Government agencies and segregated as being for foreign-owned U.S. companies are not comparable to the data collected by BEA. For example, although the Securities and Exchange Commission (SEC) maintains information on the nationality of major stockholders in publicly traded U.S. companies, most of the foreign-owned U.S. companies in BEA's reporting universe are not publicly traded. For those that are publicly traded, the data available from the SEC are not in the form or detail required by BEA. For example, data reported to the SEC are on a worldwide consolidated basis. In contrast, data collected in the BE-12 survey are on a domestic (U.S.) consolidated basis so that they cover only U.S. affiliates' domestic operations.

For tax purposes, the Internal Revenue Service (IRS) collects information on foreign-owned U.S. companies, but it covers only "foreign-controlled" companies—those owned at least 50 percent by foreigners. BEA's data are based on a 10-percent ownership criterion—the current international standard for defining direct investment. Consolidation rules also differ significantly. Corporate tax returns of foreign corporations' U.S. subsidiaries are generally filed with the IRS at a much more deconsolidated level than reports filed by U.S. affiliates to BEA. One result is that for items such as total assets and sales, for which intercompany transactions and positions can be significant, there is duplication in the IRS data that is not present in the more highly consolidated BEA data.

BEA has examined information on foreign direct investment available from these and other agencies and, because the information is narrower in scope and purpose than that collected by BEA, has not identified significant duplication.

A few data items on the BE-12 survey are collected by bank regulatory agencies. For several reasons, the regulatory data cannot be substituted for the data that BEA collects on the BE-12. The focus of the BE-12 survey is information needed to analyze production and employment by U.S. affiliates of foreign companies. Many key data items that are collected on the BE-12 are outside the scope of the regulatory reports. For example, the BE-12 survey collects data on some items needed to measure the value added in production. These items are not collected on regulatory reports. The BE-12 also collects key aggregates from financial statements, such as total assets, operating revenues, and net income, and information on organizational structure, including voting rights. These items are also collected in connection with bank regulation (see Form FR 2314, Form FFIEC 030, and Form FR Y-10). The duplicated items are limited to a few readily available key aggregates reported by companies that file on both the BE-12 and the bank regulatory reports and have little effect on respondent burden. It is important that BEA collects these items directly because several items are needed to determine whether a respondent must report on BEA's surveys, and several are used in conjunction with non-duplicated items to make calculations of key economic variables. Also, it is BEA's judgment that the cost and delay that would be associated with attempting to obtain these items from regulatory reports and join them with other items collected through its own survey would not be practical or cost effective.

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

Most of the U.S. business enterprises that are required to file the survey are units of multinational enterprises. To qualify as a small business, the multinational enterprise as a whole must be evaluated when determining if the business meets the size standards set by the Small Business Administration (SBA). While BEA only collects information on the U.S. portion of the multinational enterprise, the size determination takes into account the sizes of both the U.S. businesses and their foreign parents. BEA estimates that fewer than 1 percent of the U.S. businesses required to file the BE-12 survey are considered small businesses based on the SBA size standards.

For the few small businesses that meet the reporting requirements of the survey, BEA has attempted to keep burden to a minimum by asking only those questions that are considered essential. The amount of information required to be reported by each U.S. affiliate is determined by the size of the affiliate's assets, sales, or net income or loss. The reporting thresholds for Form BE-12A (the longest form) and Form BE-12B are \$300 million and \$60 million, respectively. All affiliates below \$60 million will file on Form BE-12C (the shortest form). The smallest affiliates, those below \$20 million, are only required to report a few items on Form BE-12C. These data items are likely to be readily available from existing business records. Because few small businesses are required to file the survey and because those impacted are subject to only minimal reporting burdens, the Chief Counsel for Regulation certifies that this proposed rule will not have a significant economic impact on a substantial number of small entities.

**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 conducted 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. This problem is particularly serious during a period of rapid change in the universe. Conducting the survey less frequently would also reduce the timeliness of the detailed information, collected only in benchmark surveys, which 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-12 data collection require a special justification.

**8. Provide a copy of the PRA Federal Register notice that solicited public comments on the information collection prior to this submission. Summarize the public comments received in response to that notice and describe the actions taken by the agency in response to those comments. Describe the efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.**

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

BEA developed a list of proposed changes for the 2017 survey (Attachment) in consultation with both internal and external data users. In April 2017, BEA sent for comment the list of proposed changes to selected respondent companies and data users. The list of proposed changes indicated data items that BEA proposes to add, delete, or modify for the 2017 survey.

One data user responded to express support for the questions added to the survey, to offer a suggestion regarding updating the survey instructions for reporting research and development activity, and to inquire about BEA's plans regarding other methods of addressing questions about contract manufacturing. BEA will update the BE-12 instructions based on the information provided by the data user and has provided a summary of plans for measuring contract manufacturing to the data user.

**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. Per the Cybersecurity Enhancement Act of 2015, your data are protected from cybersecurity risks through security monitoring of the BEA information systems.”

Sec. 5(c) of the Act (22 U.S.C. 3104) provides that the information 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 the 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.**

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

Form Type	Average burden hours per response	Estimated number of respondents	Estimated burden hours
BE-12A	99	2,200	217,800
BE-12B	7.5	2,000	15,000
BE-12C	1.0	16,000	16,000
BE-12 Claim for Not Filing	0.33	2,500	825
Total	*11.00	22,700	249,625

\* Rounded from 249,625 hours/22,700 respondents.

Respondent burden is estimated based on the estimated burden in the last BE-12 survey and other BEA surveys, feedback from respondents, and on proposed changes to the forms. Burden is expected to vary considerably among respondents because of differences in company size and complexity. The estimated respondent burden currently shown in the RISC/OIRA Consolidated Information System (ROCIS) is 194,150 hours. The increase in the estimated respondent burden is primarily due to an increase in the number of foreign-owned companies with additional contribution from new survey questions.

The estimated annual cost to respondents is \$9,985,000, based on the estimated reporting burden of 249,625 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 249,625 hours (see A.12. above), the total additional annual cost to respondents is expected to be negligible. Total capital and start-up costs are insignificant, because new technology or capital equipment would not be needed by respondents in order to prepare their responses to the survey. As a consequence, the total cost of operating and maintaining the technology and capital equipment will also be insignificant. Purchases of services to complete the information collection are also expected to be insignificant.

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

The project cost to the Federal Government for this survey is estimated at \$3.4 million, which consists of \$2.3 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.**

This request is for a reinstatement, with change, of a previously approved collection. The estimated respondent burden for this collection is 249,625 hours; the estimated respondent burden for the previous (2012) survey is 194,150. The increase in the estimated respondent burden of 55,475 hours is primarily due to an increase in the number of foreign-owned companies with additional contribution from new survey questions.

BEA proposes to eliminate the requirement to file the BE-12 survey for certain private funds. Under the planned change, U.S. affiliates that are private funds but whose foreign parents do not own through the private fund 10 percent or more of the voting interest of another business enterprise that is not a private fund or holding company, will no longer be required to report on the survey. These investments may be required to be reported through the Treasury International Capital (TIC) reporting system, where other related portfolio investments are already being reported. This change will align the U.S. direct investment and portfolio investment data more closely with the intent of the investment and will reduce burden for respondents.

BEA proposes to add, delete, and modify some items on the benchmark survey forms (see attachment). Most of the additions are proposed in response to suggestions from data users and to provide more information about foreign direct investment in the United States.

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

Completed benchmark survey forms are due by May 31, 2018 (or by June 30, 2018 for reporting companies that use BEA's eFile system). Preliminary statistics will be released on BEA's website and analyzed in an article in the *Survey of Current Business* 15 to 18 months after the reports are due. Final statistics will be released about a year later.

**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-12 information collection is consistent with the certification in all aspects.