

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 financial and operating characteristics of, and on positions and transactions between, U.S. parent companies and their foreign affiliates. The data are needed to measure the size and economic significance of U.S. 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 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 U.S. direct investment abroad and on the activities of U.S. parents and their foreign affiliates by country and industry. Some specific uses of the data to be collected are discussed below.

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

Data from the BE-10 survey will provide benchmarks for deriving current universe estimates of direct investment from sample data collected in other BEA surveys in non-benchmark years. They serve as benchmarks for the quarterly direct investment estimates included in the U.S. international transactions, international investment position, and national income and product accounts, and for annual estimates of the U.S. direct investment position abroad and of the activities of U.S. multinational enterprises.

BEA uses benchmark 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. gross domestic product, and the respective shares of parents and affiliates in the worldwide production of U.S. multinationals. Data on employment by U.S. MNEs are used to estimate the U.S.-parent share of the MNEs’ worldwide employment.

(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 foreign 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 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, 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 and the Academy of International Business 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 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 estimates are released. The data are collected and reviewed according to documented procedures, best practice standards, and ongoing review. The quality of the data is validated using edit checks to detect potential errors and to ensure 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 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 its electronic filing option, the eFile system, for use in reporting on the BE-10 survey forms. The eFile system enables respondents to download the survey forms in PDF format, 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 BEA's secure messaging system, fax, or mail.

4. Describe efforts to identify duplication.

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 owns a foreign affiliate and is also 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, BE-10C, and BE-10D, 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-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 are on a domestic (U.S.) consolidated basis, so that they cover only U.S. companies' domestic operations; data reported on Forms BE-10B, BE-10C, and BE-10D cover each of 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 large. 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), i.e. the size determination takes into account the sizes of both the U.S. parents and their foreign operations. BEA estimates that approximately 20 percent of the U.S. multinational enterprises that will be required to respond to the BE-10 benchmark survey are small businesses according to the standards established by the SBA. The number of items required to be reported for a U.S. parent

and their foreign affiliate is determined by the size of each in terms of 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 (loss) 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. The average burden for each affiliate reported on the BE-10D is estimated at 1 hour. 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 (loss) less than or equal to \$300 million (positive or negative) are required to report a subset of items on the BE-10A form for U.S. reporters, in addition to forms they may be required to file for their foreign affiliates. The average burden for U.S. reporters completing the abbreviated BE-10A is estimated to be less than half of the burden of completing a full BE-10A. BEA expects that virtually all small businesses filing the BE-10 will complete an abbreviated BE-10A and BE-10D.

6. Describe the consequences to the Federal program or policy activities if the collection is not conducted or is conducted less frequently.

By law, the survey must be conducted once every five years. This benchmark survey is designed to yield universe data. 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.

The proposed rule soliciting comments on the information collection prior to its submission to OMB appeared on page 38,583 (Vol. 84, No. 152) of the August 7, 2019 issue of the *Federal Register*.

BEA maintains a continuing dialogue with survey 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. In preparation for the benchmark survey, BEA conducted additional outreach to survey respondents and data users. In May 2019, BEA sent for comment a list of proposed changes for

the 2019 benchmark survey to selected respondent companies and several trade associations whose members include potential respondents. This list was also sent to known data users from the public and private sectors. The list of proposed changes indicated data items that BEA was proposing to add, delete, or modify for the 2019 survey.

BEA received comments from several data users expressing their support for the survey and, in some cases, making specific recommendations regarding the proposals. Two users made suggestions, which led to the following modifications to BEA's proposed changes to the 2019 BE-10 survey:

1. BEA will add checkboxes to the BE-10B form to collect the percentage of the value of research and development (R&D) performed for the affiliate by others (item 98) that was performed by the U.S. parent for the foreign affiliate under a collaborative R&D agreement, such as a cost-sharing agreement. Originally BEA planned to add one checkbox to ask if any of the value reported was accounted for by these types of agreements.
2. BEA will continue to collect certain balance sheet items that BEA had proposed to remove. Specifically, items 61, 68, and 69 on the BE-10A form and items 54, 62, and 63 on the BE-10B form, which collect values for current receivables, trade accounts and trade notes payables, and "other" liabilities, respectively, will be retained as they can provide a measure of the companies' net working capital. This item has been used to study the sources of funding of multinationals and the information is not readily available from other data sources.
3. BEA will retain questions that collect receipts and payments of royalties, license fees, and other fees for the use, sale, or purchase of intangible property (items 85-94 on the BE-10B form) which BEA had proposed to remove. These are among the few measures of transfers of technology and other international intellectual property movement available, a topic of growing importance to policymakers, statistical compilers, and researchers.

Survey respondents did not provide comments on the proposed changes to the survey.

The attachment includes a list of proposed changes for the upcoming 2019 BE-10 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.

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.”

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 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.

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 form	Estimated number of forms	Estimated burden hours
BE-10A (U.S. reporters)	10	18,000	180,000
BE-11B/C/D (foreign affiliates):		51,600	503,900
BE-10B	19	19,100	362,900
BE-10C	6	14,500	87,000
BE-10D ^a	3	18,000	54,000
Claim for not filing	.5	2,000	1,000
Total		71,600	684,900
Average burden per U.S. reporter	38 ^b		

a. BEA estimates that 55,200 foreign affiliates will be reported on Form BE-10D, an average of 3 foreign affiliates per respondent.

b. Calculated from 684,900 hours/18,000 U.S. reporters

Respondent burden is estimated based on the estimated burden in the last BE-10 and BE-11 surveys, other BEA surveys, feedback from respondents, and on proposed changes to the forms. 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.

The estimated total respondent burden for this survey is estimated at 684,900 hours. The respondent burden for this collection of information is expected to vary considerably among respondents because of differences in company structure, size, and complexity, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The average respondent burden is 38 hours per response, compared to an average burden of 144 hours and total burden of 561,100 hours for the previous (2014) benchmark survey. The increase in the estimated total respondent burden reflects an increase in the respondent universe of U.S. and foreign entities that are required to file the BE-10 benchmark survey. The average burden decreased because the newer respondents on average file fewer forms and more abbreviated forms and because BEA is proposing a net decrease in the amount of information collected on the survey.

The estimated cost to respondents is \$23,211,261 based on the estimated reporting burden of 684,900 hours and an estimated hourly cost of \$33.89. The hourly cost reflects the median wage of accountants and auditors from the Bureau of Labor Statistics’ May 2018 Occupational Employment Statistics.

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 684,900 hours (see A.12 above), the total additional 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 cost to the Federal government for this survey is estimated at \$3.8 million, which consists of \$3.5 million for salaries, related overhead, and operational expenses, and \$0.3 million for survey 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. The estimated respondent burden for this collection is 684,900 hours; the estimated respondent burden for the previous (2014) survey was 561,100. The increase in the estimated respondent burden of 123,800 hours is entirely due to an increase in the respondent universe of U.S. and foreign entities that are required to file the BE-10 benchmark survey, partially offset by a net decrease from the amount of information being collected.

BEA proposes to change the reporting requirements for certain private funds that file the BE-10 survey. Under the planned change, U.S. reporters will no longer be required to report on the BE-10 Benchmark Survey of U.S. Direct Investment Abroad data for foreign affiliates that are private funds and do not own, directly or indirectly, 10 percent or more of the voting interest of another foreign business enterprise that is not also a private fund or holding company. 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 U.S. direct investment abroad.

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. An analysis of the data appears in the BEA's monthly online journal, the *Survey of Current Business*, the following month. Final data will be released approximately one year later. All of the statistics developed from the survey results, as well as the *Survey* articles, are available on BEA's website (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-10 information collection is consistent with the certification in all aspects.