

SUPPORTING STATEMENT
BE-15, Annual Survey of Foreign Direct Investment in the United States
OMB Control Number 0608-0034

Abstract

The BE-15, Annual Survey of Foreign Direct Investment in the United States will obtain annual sample data on the finances and operations of U.S. businesses with foreign ownership. The data are needed to measure the size and economic significance of foreign direct investment in the United States, measure changes in such investment, and assess its impact on the U.S. economy. The data are used primarily to compile and improve the U.S. International and National Income and Product Accounts and to support U.S. government policy on direct investment. The survey is authorized by the International Investment and Trade in Services Survey Act.

A. Justification

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

The Annual Survey of Foreign Direct Investment in the United States is necessary to obtain complete and accurate data on the finances and operations of the U.S. affiliates of foreign multinational enterprises, including balance sheets, income statements, employment, trade, and research and development activities, that are needed to assess the impact of foreign direct investment on the U.S. economy. The information collected in the survey is also used to validate information reported on the Quarterly Survey of Foreign Direct Investment in the United States, BE-605. 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. Indicate how, by whom, and for what purpose the information is to be used.

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. business enterprises by country, industry, and, for some data items, state. Some specific uses of the data to be collected are discussed below.

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

BEA uses BE-15 annual 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.

In addition, data for the BE-15 annual 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 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 (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.

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 United States-Mexico-Canada Agreement.

c) Other Government uses:

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 survey in monitoring and promoting foreign direct investment in the United States.

d) Non-Government uses:

International organizations and private researchers use data from the annual 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 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 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 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-15 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.

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-15 survey are on a domestic (U.S.) consolidated basis so that they cover only U.S. affiliates' domestic operations.

As another example, the Internal Revenue Service (IRS) collects information for tax purposes 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.

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 considers the sizes of both the U.S. businesses and their foreign parents' worldwide operations. BEA estimates that approximately 10 percent of foreign-owned U.S. businesses are considered small businesses based on the SBA size standards. The number of items required to be reported for a U.S. affiliate is determined by the size of each in terms of assets, sales, and net income, with smaller affiliates being required to report less information. Foreign-owned U.S. businesses are required to report on the BE-15 survey only if they have total assets, sales or gross operating revenues, or net income that exceed \$40 million. These reporting thresholds will exempt most small businesses from the survey.

6. Describe the consequences to the 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 foreign-owned U.S. companies on an annual basis are essential to understanding the impact of foreign direct investment on the U.S. economy over time. There can be wide swings in the data caused by changes in foreign ownership, 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 were collected less frequently. Data collected at 5-year intervals, such as 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-15 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 32,023 (Vol. 86, No. 114) of the June 16 issue of the *Federal Register*. BEA received no comments.

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 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 response | Estimated number of respondents | Estimated burden hours |
|---------------------|-----------------------------------|---------------------------------|------------------------|
| BE-15A | 44.75 | 3,300 | 147,675 |
| BE-15B | 3.75 | 1,600 | 6,000 |
| BE-15C | 2.25 | 1,200 | 2,700 |
| Claim for Exemption | 1 | 500 | 500 |
| Total | 23.8* | 6,600 | 156,875 |

* Calculated from 156,875 hours/6,600 respondents.

Respondent burden is estimated based on the estimated burden in the last BE-15 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 112,350 hours. The increase in the estimated respondent burden is due entirely to an increase in the number of foreign-owned U.S. companies that meet the filing requirements of the survey.

The estimated annual cost to respondents is \$5,548,669 based on the estimated reporting burden of 156,875 hours and an estimated hourly cost of \$35.37. The hourly cost reflects the median hourly wage of accountants and auditors from the Bureau of Labor Statistics' May 2020 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 156,875 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. The total cost of operating and maintaining the technology and capital equipment, therefore, 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 \$2,264,168, which consists of \$2,028,328 for salaries and related overhead, and \$235,840 for equipment, services, supplies, mailing, and printing.

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

This request is for a revision of a currently approved collection. The estimated respondent burden for this collection is estimated to be 156,875 hours; the estimated respondent burden for the previous (2020) survey is 112,350 as currently shown in the inventory maintained by OMB.

The increase in the estimated respondent burden of 44,525 hours (156,875 hours – 112,350 hours) is due entirely to an increase in the number of U.S. entities that meet the reporting requirements of the BE-15 annual survey.

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 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-15 information collection is consistent with the certification in all aspects. The agency certifies compliance with 5 CFR 1320.9 and the related provisions of 5 CFR 1320.8(b)(3).