JAN 23
1974

UNITED STATES DEPARTMENT OF
COMMERCE
NEWS
WASHINGTON, D.C. 20230

OFFICE
OF THE
SECRETARY

DEPARTMENT OF COMMERCE
STATEMENT OF
THE ASSISTANT SECRETARY FOR ECONOMIC AFFAIRS
SIDNEY L. JONES
SENATE BANKING COMMITTEE
January 23, 1974
10:00 a.m.

Mr. Chairman and Members of the Committee:

I am pleased to appear before you in connection with your hearings on reverse foreign investments in the United States.

FOREIGN DIRECT INVESTMENT IN THE UNITED STATES

The early economic development of the United States was greatly facilitated by foreign investment. During the post World War II era direct foreign investment in our country steadily increased in response to the usual economic motivations and the expanding role of multinational firms. In 1973 the pace of such investment appears to have accelerated and current international developments may expand such commitments. The following discussion summarizes: 1) the existing investments; 2) the economic impact of the investments; 3) legal and administrative barriers to investment in the United States; 4) Federal and State programs to attract such investments; and 5) additional information needs. Summary tables are attached to my statement and I understand that extensive background material has already been submitted to the Committee.

Historical summary: 1950-1972

The value of foreign direct investments in the United States was $14.4 billion at yearend 1972 compared to a total of $3.4 billion in 1950 (Table 1). In contrast, the value of U. S. direct investments abroad stood at $94.0 billion compared to a total of $11.8 billion in 1950. Between 1950 and 1972, U. S. direct investments abroad grew at a compounded annual rate of 10 percent while foreign direct investment in the United States grew at a rate of 7 percent. However, recent events--to which I will return later--suggest that in the future foreign direct investment in the United States may grow at a faster rate.

The value of foreign direct investments in the United States is the sum of all past capital flows between parents and affiliates, the foreign parents' share of all past reinvested earnings, and statistical valuation adjustments.

The United Kingdom has traditionally had the largest holdings in U. S. firms. At yearend 1972, British investments of $4.6 billion accounted for 32 percent of the value of all foreign direct investments in the United States (Table 2). Since 1950 the British share of total foreign direct investments has remained relatively stable; however, the industry distribution of those investments has changed considerably. While in the 1950's and early 1960's the largest British direct investments were in insurance, they are now concentrated in the U. S. manufacturing and petroleum industries.

Canadian direct investments have historically ranked next in size to those of the United Kingdom. At yearend 1972 Canadian-owned U. S. firms represented 25 percent of the $14.4 billion of foreign direct investments in the United States with the major part of their $3.6 billion investment in the manufacturing industry.

In keeping with past behavior, Canadian and British firms have made the largest investments here since 1970.

The Netherlands and Switzerland continue to hold large asset investments, although it should be noted that the investments are concentrated in a few companies and were made many years ago.

Since 1965 Germany has increased its interest in U. S. activities, particularly in a few specialized technologies.

The negative value of Japanese foreign direct investment in the United States at yearend 1971 and 1972 is puzzling. This situation resulted from prepayments of approximately $500 million for future imports by U. S. trading company affiliates from their Japanese parents. These prepayments were a capital outflow from the United States and were thus viewed as net disinvestment by the Japanese parents in their trade affiliates. To get a better idea of the underlying Japanese investments in the United States, one can add back the capital outflows associated with the prepayments. If this is done, the value of Japanese direct investments would be over $300 million at yearend 1972.

By industry, manufacturing's share of total foreign direct investment has grown significantly in the post World War II period rising from 34 percent in 1950 to 50 percent by 1972 (Table 3). Investments in the U. S. petroleum industry have also grown substantially and are now second in importance, having passed foreign interests in insurance and other finance industries. In 1950 direct investments in the petroleum industry represented only 12 percent of total investment, but by the end of 1972 they accounted for 23 percent of the aggregate figure. At the same time, the relative share of insurance and other financial interests declined from 31 to 17 percent.

Financing of Foreign Direct Investment

There are two alternative sources of parental financing of their affiliates' operations in the United States (Table 1). Reinvested earnings of U. S. affiliates have been a larger and much more stable source of financing for foreign direct investments than have new capital inflows. Companies have typically reinvested a stable percentage of their annual earnings, about 50 percent. In contrast, the new investments portion of capital inflows tends to be quite lumpy in that there may be a big inflow for the acquisition or establishment of a new affiliate in one year which is not repeated the following year. Similarly, intercompany indebtedness can be turned around quite rapidly as was the case for the above-mentioned flows between Japanese parents and affiliates.

Not only have reinvested earnings been a more stable source of financing, they have also been a more significant source. Of the approximately $5.6 billion added to the foreign direct investment position in U. S. industry between yearend 1965 and yearend 1972, almost $3.2 billion came from reinvested earnings.

Early Foreign Direct Investments

Analysis of U. S. economic history indicates there are a large number of foreign firms which have been operating in the United States for 50 to 150 years. These firms are by now thoroughly Americanized and most U. S. citizens probably do not even know that they have a foreign affiliation. This is particularly true for the British- and Canadian-owned firms. Many of these direct investments in specialty consumer and industrial lines were made in the 1800's and the pre-World War II era by companies that now sell some of our most familiar brand products. The assets of these older firms will undoubtedly continue to grow as the general U. S. economy prospers.

Post World War II Trends

Following World War II there was a noticeable increase in foreign direct investment in U. S. manufacturing industries. By 1972, such investments had grown to $7.2 billion, or more than six times the value of comparable holdings in U. S. manufacturin in 1950. By 1972, they accounted for roughly half of the total value of accumulated foreign direct investment in the United States, compared to about one-third of the total in 1950. Many of these manufacturing investments were made by European companies who had a particular technological advantage which allowed them to successfully enter a specialized sector and compete in the large and highly competitive U. S. economic system. For many potential investors, the vast size and complexity of the American market, while attractive, was a barrier that delayed investments here. The costs of setting up dealerships and other marketing and servicing networks required a large initial investment which many companies were hesitant to undertake.

Nevertheless, as foreign economies expanded and the size of the companies and their technological capabilities increased, more companies took the plunge into the American market. As time went on, the scope of new direct investments became more diversified to include marketing and distribution, particularly in the food area, banking, real estate development, office buildings, natural resource development, textiles, and assembly plants for producing consumer products previously exported to the United States.

While most of the post World War II direct investments involved the establishment of new operations, some foreign companies decided to enter into U. S. business through joint ventures with domestic firms or by acquisition of existing American companies. Such takeovers, involving the outright purchases of a majority, or complete, control of ownership, enabled some foreign companies to gain immediate access to American business managerial talents, mass production techniques and technological knowhow, as well as to the marketing skill and network distribution developed by U. S. companies. Such acquisitions provide one means of surmounting the various problems associated with gradually entering the unique U. S. market with its many competitive challenges. Some of these imaginative foreign owned firms now use facilities in the United States as a base for supplying overseas markets. Many third-market nations have financial and economic relations with the United States which provide trading advantages to firms located here.

There has also been a rapid movement into U. S. real estate by foreign investors in recent years, although these investments are very hard to measure, particularly for balance of payments purposes since the owners are hard to identify. Foreign owners of U. S. real estate are usually absentee landlords who typically engage a property management firm to look after their investments, thus leading to statistical reporting problems. Although it is common knowledge that many investments are being made in Hawaii, the West Coast and other metropolitan areas, identifying them is a problem since it would usually involve checking land records which are kept at the county level. Also, real estate investment typically is highly leveraged and therefore can be made by foreign interests with minimal capital inflows, with the balance financed from within the United States. These financial arrangements result in foreign ownership interests below the level required for current reporting.

Summary of Motivations

The preceding review of the historical pattern of foreign direct investments in the United States indicates that there are many motivations involved. The basic attraction, of course, is the profit potential offered by the large U. S. market. Our favorable business climate enables foreign investors to operate here without restrictions that exist in most countries. As business firms around the world become larger and expand their scope of operations to the multinational level it is natural that their interest in the vast U. S. market would increase. The economic cooperation created by the development of companies in Europe and Japan have made such ventures possible.

Most direct investments have attempted to exploit some unique competitive advantage involving patents, special production processes, engineering or design. But the advantages flow in both directions. Foreign firms operating in the United States acquire valuable experience in competing in a large market which emphasizes the importance of new technology applications, mass marketing techniques and a variety of advanced management methods. Beyond these general advantages there are several more specific motivations:

1) To create a captive market for exports from the parent company to the U. S. affiliate.
2) To avoid trade barriers to exports that now exist or that might be established.
3) To gain access to the U. S. financial markets (this factor has probably declined in importance).
4) To take advantage of special programs offered by State and local governments which have actively solicited foreign direct investments.

Current Developments

The various motivations underlying foreign direct investments in the United States explain the accelerating pace of such investments in the United States as summarized by the net capital inflow data. Capital inflows of over $1.5 billion during the first three quarters of 1973 (the latest information available) surpassed the annual flows of any previous year. That increase included $900 million in new investments, which are investments to establish or acquire new affiliates or to purchase additional shares in already existing affiliates. This $900 million figure, however, seriously understates new acquisitions in 1973 since a substantial portion of the remaining inflow of $600 million on intercompany accounts went to already existing affiliates who then used the funds for acquisitions of ownership positions in other U.S. firms. Therefore, the inflow is recorded as an intercompany transaction rather than as a new investment.

In addition to the historical motivations several specific factors have contributed to the acceleration of direct investment in recent years.

First, the two formal devaluations of the U.S. dollar, combined with the subsequent floating of the currencies of a number of major economic powers, has been a very important factor in correcting the excessive valuation of the dollar. The downward adjustment of our exchange rate made investments in dollar assets less costly in terms of foreign currencies used for acquiring the desired assets.

This relative shift in currency values was, in part, the result of the accumulation of large, sometimes unwanted, dollar balances in foreign hands. In particular, Germany and Japan had accumulated large holdings for which they wanted attractive investment outlets. The oil producing countries also will increase their financial reserves quickly if the new prices being demanded are sustained. A major challenge now facing the international economy is to develop the procedures and institutions for directing the current export earnings of the oil-producing nation into meaningful investments, particularly into those commitments involving real assets.

Second, recent events, particularly the energy crisis, also may have changed the outlook for direct investment. In view of the significant price increases for oil and the reliance of many countries on petroleum imports, the foreign country currency holdings that many nations thought would be available for investment may actually be needed to pay for the oil with which to run their own economies. This observation may be particularly true for the Japanese who are especially dependent on imported energy. However, any decline in European and Japanese interest in U. S. assets may be offset by increased investments from oil-producing countries.

Energy shortages may also provide an indirect incentive for direct investment in the United States. Given energy shortages in their home countries, companies may look with favor on having productive facilities in the United States which is, relatively speaking, rather self-sufficient in energy resources. Furthermore, our Project Independence will increase the attractiveness of investments here. At the same time, of course, the energy shortage could act as a disincentive toward investment in the U.S. if many State and local governments feel compelled to give a preference to existing industrial plants in allocating scarce energy supplies.

Third, material shortages abroad may be another factor that will influence future foreign direct investment in the United States. There have already been some instances in which foreign investments were made in the United States which appear to be aimed at assuring adequate raw materials supplies. For example, there has been Japanese direct investment in Alaskan extractive industries, largely timber and natural gas, newly built Japanese textile spinning plants in the South, and the pending acquisition of a major U.S. bauxite exploration firm. Notall investment takes the form of direct investment, however. Some commitments involve long-term supply contracts with injections of capital other than equity capital.

Fourth, in the future, foreign direct investment in the United States will also be conditioned by the kind of trade legislation which emerges from the Congress, how it is administered, and the eventual results of the GATT rounds of tariff negotiations.

Finally, in addition to the above factors, the substantial decline in U.S. equity prices on the major stock exchanges has had an influence on foreign investment in the U.S., particularly portfolio investment. During 1973, the Dow-Jones Industrial Average lost almost 200 points and, as a consequence, price/earnings ratios of many U.S. company common stocks were depressed. Although the equity prices on many of the major stock exchanges around the world were also severely depressed last year, perhaps even more than in the U.S., the general decline in the price of listed securities in this country folling two major devaluations of the U.S. dollar and the ready availability of large amounts of liquid funds held in many foreign nations makes direct capital investment in the U.S. firms an appealing opportunity for many foreign interests.

ECONOMIC IMPACT

Measurement of the economic impact on our economy of foreign direct investment is extremely difficult since it involves many offsetting factors and because we can only speculate on what would have happened if alternative courses of action had been pursued. On the whole I believe the United States has enjoyed a substantial net benefit. The economy has acquired new capital, new and improved technology, and often new management and products as well. These foreign direct investments have contributed to overall U. S. productivity, production and domestic economic growth and have increased the stream of income and employment in the U. S. economy.

Balance of payments impact

The balance of payments effects of foreign direct investment reflect a mixture of debits and credits which change in magnitude and importance over time. Initially, some equity capital transfers generally accompany new foreign investment in the United States. Financing of working capital and expansion of facilities also results in a flow of credit and additional equity from the parent that typically becomes part of the permanent investment base of the enterprise. Further inflows for servicing the U. S. affiliate's indebtedness may also be required until sufficient profits are generated by the new company.

In some cases, investment in plant and equipment follows by some years the establishment of a sales and distribution system in the United States that relies on imports of finished goods from the foreign parent. In such cases, the balance of payments current account will reflect debit entries during the period that these imports enter the United States. The new production pattern resulting from such foreign investment may initially shift imports from finished goods to components for assembly in the United States. With the passage of time, however, the scope and competitiveness of U. S. secondary suppliers are sufficient to provide eventually for a substitution of domestic production for previously (or anticipated) imported components. To the extent that foreign capital investment results in the displacement of current or future imports, balance of payments benefits are realized by the United States.

As indicated earlier, in some instances a favorable balance of payments impact may arise from exports by a foreign-owned U. S. plant to third markets that could not otherwise have been served by the parent. Because of reduced transportation and related cost factors and the existence of established financial ties between the United States and other nearby countries, foreign-owned U. S. plants may serve as the source of exported products moving into international trade channels.

Foreign investors, of course, will receive earnings from their investments in the United States. To some extent, however, th possible adverse balance of payments impact is deferred by the reinvestment of a part of the foreign earnings. As indicated earlier, typically over 50 percent of earnings from foreign investment have been reinvested in the United States with only the balance being remitted to the parent abroad in the form of income payments.

Effect on competition

Foreign competition is already well established in the U. S. marketplace as evidenced by over $65 billion of U. S. imports in 1973. However, goods produced by foreign-owned U. S. companies do not ordinarily provide the same type of competition that imports do. The principal reason is that merchandise produced here is generally made with and utilizes U. S. materials, labor, packaging, parts, transportation, advertising media, involves the payment of U. S. taxes and in general becomes thoroughly Americanized.

There has been relatively little criticism from American industry of foreign direct investments in the United States. While U. S. companies do not ordinarily welcome more competition, either United States or foreign, they dislike even more having to compete with what they often consider to be unfairly priced foreign-made imports.

Although a few foreign-owned companies can be included in any list of major U. S. concerns, there is no statistical or qualitative evidence that foreign investments are, or ever will, dominate any individual sector of the U. S. economy. Even at higher rates of annual investment the inflow of foreign capital will remain modest relative to the total growth of our dynamic economy.

Because foreign direct investments represent such a small proportion of total U. S. investments in comparable fields, their overall effect on the total domestic economy probably is minor. But the significance at the local level can be quite great, and this is reflected in the energetic involvement of virtually all the State development agencies and many of the State governors in promotional efforts to attract foreign investments to provide employment and economic growth. Unfortunately, composite data on jobs and income generated by these foreign-owned plants are quite sketchy. The impact that such plants can have at the local level, however, is illustrated by the experience of Spartanburg, South Carolina, a city of 45,000. Since 1960, Spartanburg has attracted 24 firms representing seven different countries and employing 4,000 local workers. Average income in Spartanburg has more than doubled in the past decade. Unemployment, which was 5.2 percent 10 years ago, is now down to 2.1 percent. Foreign firms undoubtedly were a major contributor to these economic improvements. Local taxes from these companies have helped broaden the community's tax base so that schools and other public services have been strongly upgraded. This is an especially dramatic case; but many other areas could testify to the benefits gained from foreign-owned enterprises.

Recent foreign investment experience

Actual or proposed takeovers and acquisitions of U. S. companies by foreign interests have aroused considerable attention and concern, and it would be well to summarize our information on developments during the past year.

There were 12 public tender offers made by foreign investors valued at over $850 million. Most of those transactions, amounting to over $700 million, have been concluded and one is in litigation. The types of businesses covered include department stores, office buildings, mineral production, food stores, petroleum, natural gas, trucks, medical and dental supplies, insulating materials, glass containers, specialty textiles, motels, industrial gases, pharmaceuticals, electric shavers and cigarette lighters.

There were nine major foreign acquisitions of U. S. companies, or of considerable interests therein, arranged privately with managements and/or major stockholders. One is being contested by stockholders. The total value is close to $750 million. The businesses covered include textiles, construction equipment leasing, plywood, agricultural chemicals, aluminum, publishing, computer test equipment, building material, and oil and gas.

In comparison, plans were concluded for 15 major foreign investments here last year in new plants, valued at $566 million, covering such goods as steel, herbicides, diesel parts, textiles, cement, chemicals, medical equipment, insulators, aluminum, motorcycles, excavators, and automobiles.

It should be noted, of course, that even though there has been an increase in the number of foreign takeovers, the number has not been substantial when viewed in the context of total acquisition activity, e.g., the more than 3,000 in 1972.

LEGAL AND ADMINISTRATIVE BARRIERS TO INVESTMENT IN THE UNITED STATES

The basic general policy of the United States is to admit and treat foreign capital investments on a basis of equality with domestic capital. There are relatively minor exceptions. Restrictions at the Federal level apply to certain categories of enterprises having national security significance, or involving the exploitation of certain national resources, or in which special fiduciary responsibilities are involved. Thus aliens are limited in their share of ownership of enterprises engaged in coastal or inland shipping, domestic radio communications, domestic air transport, hydroelectric power production, and in the production or use of atomic energy. There are also limitations on foreign ownership of mineral rights, along with requirements of reciprocal treatment by the investors' governments of American firms. Some States restrict alien ownership of land, bearing primarily on agricultural and mining uses; but a majority of the States impose no restrictions whatsoever, and in most of the remainder the laws do not operate to impede foreign investments in commercial or manufacturing enterprises. Various States limit the entry of corporations controlled outside the State into the fields of banking and insurance to ensure the financial institutions can effectively be held to account for their fiduciary responsibilities.

Like domestic investors, foreign investors are not required to apply to the authorities for permission to proceed, except in fields of special regulation and supervision, such as banking, insurance and public utilities. Foreign companies generally organize through incorporation in one of the States, a simple procedure. As in the case of domestic companies, most of the regulatory functions are handled by the States. There are no restrictions on the remittance of profits, dividends or interest, nor on the repatriation of foreign capital. Foreign-owned companies are, of course, subject to taxation on their income earned in the United States. Like domestic firms, foreign-owned affiliates located in the United States are subject to our antitrust laws and the Securities and Exchange Commission.

The antitrust laws seek to preserve competitive market structures, to prevent further economic concentration in domestic markets, and to forbid specific anticompetitive practices affecting U.S. commerce. They apply to mergers of and joint ventures between both actual and potential competitors, including those involving American producers and foreign producers who are actual or potential exporters to the United States. Vertical acquisitions are also covered. For example, would the acquisition of a U.S. manufacturer by a foreign supplier of raw materials deny those raw materials to other domestic companies? A few foreign firms have encountered antitrust objections to their proposals but acceptable arrangements have usually been worked out. Once a foreign investor has begun operations in the United States it is subject to the prohibitions applying generally to anticompetitive practices such as monopolizing, price fixing, group boycotts, and market allocation. In general, the antitrust laws should encourage direct foreign investment by maintaining a competitive market and eliminating restrictive practices.

The Securities and Exchange Commission rules apply in the case of publicly held securities, particularly takeovers or cash tender offers for 100 percent control of publicly-held U.S. companies. The company making the purchase offer or tender proposal is required to file notice of its actions and submit certain information to the Securities and Exchange Commission. Registration and reporting requirements of the securities laws also cover offerings of securities to the public by the investor. The Commission has made some accommodation to foreign issuers as to the nature of the information disclosed to take into account foreign laws and practices. Portfolio investments in U.S. firms also require the filing of data with the Securities and Exchange Commission where the investor would acquire more than 5 percent through tender offer, takeover bid or otherwise. These reporting requirements may inhibit those foreign companies which treasure anonymity and are reluctant to disclose their holdings from acquiring more than 5 percent of a U.S. company's outstanding shares.

THE INVEST IN THE U. S. A. PROGRAM

The Department of Commerce started promoting foreign investment in the United States as a balance of payments measure in 1961. The program is managed by a small staff in Washington, assisted by industrial development attachés in Paris and Brussels and Foreign Service commercial officers in Europe and Japan. Commerce works closely with the State industrial development agencies, both directly and with the National Association of State Development Agencies (NASDA).

In addition to providing information on investment opportunity in the U. S., the program seeks to create jobs, replace imports with foreign-owned domestic production, increase exports, introduce new technology, and add to our economic growth. Commerce concentrates its efforts on establishing new manufacturing operations as the field most closely related to fulfilling these objectives. The program concerns itself with promoting equity investments and the licensing of technology by foreign firms. It does not deal with portfolio investments.

Initially featuring institutional promotion in Europe in the form of speeches, interviews, assistance to State-organized missions, this activity has expanded during the last two years into an extensive program stressing large- and small-scale Invest in U.S.A. conferences in major cities in Europe and Japan. These conferences are held in collaboration with the States and NASDA and often include the sponsorship of foreign business organizations.

Specifically, the program stresses making information available to potential investors on the U.S. investment climate and specific opportunities and assistance in contacts, organizing and assisting conferences and State and regional investment missions abroad, and assisting the States in their promotional activity.

In addition to providing the potential foreign investors with a wide range of information on the investment prospects in specific States, the Invest in U.S.A. conferences feature in-depth discussions by lawyers, bankers, accountants and other specialists on the U.S. investment climate. State missions follow up the contacts made at these conferences and several States operate promotional offices in Europe and Japan. Major conferences have been held in Munich, Dusseldorf, Stuttgart, Stockholm, Tokyo and Osaka. At the conferences in Japan, over 170 State representatives from 36 States participated, with over 400 Japanese businessmen at each conference. Smaller, so-called "mini-conferences" with even more intensive discussions have been held in many European cities.

It is difficult to evaluate the overall effect of these efforts. The Department of Commerce promotes and assists prospective investors, but the seriously interested investor soon deals directly with the States and municipalities. We believe, however, that this partnership has worked well.

AVAILABILITY AND ADEQUACY OF STATISTICAL DATA

Direct Foreign Investment

Data on foreign direct investments in the United States are collected by the Bureau of Economic Analysis primarily for inclusion in the balance of payments statistics. Current balance of payments information related to such investments is collected quarterly from 400 U.S. firms which are 25 percent or more owned by foreign companies. This is only a sample of the actual number of affiliates because current reports must be filed only by those whose parents' foreign investment in them exceeds $2.0 million. Data for affiliates below this level are collected only in benchmark survey years. The last such study covers 1959. Estimates for subsequent years covering all affiliates are derived from the data reported by the 400 large affiliates that participate in the current quarterly surveys. The list of affiliates required to file quarterly reports is kept up to date by analyzing trade and financial journals, investment publications, State Department cablegrams, etc.

While the above procedures produce reasonably satisfactory balance of payments data, there is no doubt that a benchmark reference period more recent than 1959 is needed.

More importantly, it is only in conjunction with a benchmark survey that financial and operating data of the affiliates are collected. This covers such items as balance sheets, income statements, employment, sales, exports, imports, and sources of financing. None of this information has been collected since 1959. This information gap makes it difficult to assess the domestic economic impact of these investments.

Portfolio Investment

Although this discussion has concentrated on direct foreign investment in the United States some reference should be made to the information needs for portfolio investment which includes equity and debt securities. Current information on portfolio transactions is collected by the Department of Treasury, and is used by the Bureau of Economic Analysis for inclusion in the balance of payments.

The value of foreign holdings of these U. S. securities at the end of 1972 was estimated to be $38.6 billion, or more than two and one-half times the value of direct investments in the United States. Capital inflows for purchases of these securities amounted to $4.3 billion in 1972 and $3.4 billion in the first three quarters of 1973.

The statistical series for portfolio investments also requires a new benchmark survey. The series is presently benchmarked to the 1949 survey which is woefully out of date. A benchmark survey of this type would be a major undertaking, but no cost estimate is available.

-0-

Table 1

Foreign Direct Investments in the United States and U.S. Direct Investments Abroad, Selected Items and Years

(Millions of dollars)

	Foreign Direct Investments in the United States				U.S. Direct Investment Abroad			
			Net capital inflows				Net capital outflows	
Year	Book value at year-end	Reinvested earnings	Total	of which: new investment	Value at year-end	Reinvested earnings	Total	of which: new investment
1950	3,391	190	80	N.A.	11,788	475	621	N.A.
1955	5,076	187	197	N.A.	19,395	962	823	N.A.
1960	6,910	174	141	N.A.	32,765	1,254	1,694	N.A.
1965	8,797	358	57	100	49,474	1,542	3,468	N.A.
1970	13,270	434	1,030	796	78,178	2,948	4,410	2,666
1971	13,655	498	-115	255	86,198	3,157	4,943	2,379
1972	14,363	548	160	302	94,031	4,521	3,404	2,348

N.A. = not available

Table 2

Foreign Direct Investments in the United States
Value by Country of Origin

(Millions of dollars)

	Total	Canada	United Kingdom	Netherlands	Switzerland	Germany	Japan	Other
1950	3,391	1,029	1,168	334	348	*	*	512
1955	5,076	1,542	1,749	613	522	*	*	650
1960	6,910	1,934	2,248	947	773	103	88	817
1965	8,797	2,388	2,852	1,304	940	209	118	986
1970	13,270	3,117	4,127	2,151	1,545	680	229	1,421
1971	13,655	3,339	4,438	2,225	1,537	771	-230	1,575
1972	14,363	3,612	4,581	2,331	1,595	807	-132	1,569

* Included in other

Table 3

Foreign Direct Investments in the United States, Value by Industry

(Millions of dollars)

	Total	Petroleum	Manufacturing	Trade	Insurance and Other finance	Other
1950	3,391	405	1,138	*	1,065	784
1955	5,076	853	1,759	*	1,499	965
1960	6,910	1,238	2,611	634	1,810	617
1965	8,797	1,710	3,478	748	2,169	692
1970	13,270	2,992	6,140	994	2,256	888
1971	13,655	3,113	6,755	512	2,352	923
1972	14,363	3,243	7,228	523	2,411	958

Included in Other.

Table 4

Value of Foreign Direct Investments in the United States, by Industry, by Country

(Millions of dollars)

	Total	Petroleum	Manufacturing	Insurance and Other finance	Other including Trade
Canada					
1950	1,029	56	468	153	352
1960	1,934	203	932	246	553
1970	3,117	190	1,836	324	767
1971	3,339	207	2,025	305	802
1972	3,612	268	2,194	310	840
Europe					
1950	2,228	349	669	870	340
1960	4,707	1,023	1,611	1,504	564
1970	9,554	2,777	4,091	1,805	880
1971	10,086	2,870	4,451	1,882	883
1972	10,441	2,959	4,781	1,936	764
Of which:					
U.K.					
1950	1,168	95	337	554	182
1960	2,248	339	722	953	234
1970	4,127	1,220	1,391	1,141	375
1971	4,435	1,273	1,615	1,183	364
1972	4,581	1,286	1,735	1,205	355
Netherlands					
1950	334	226	44	34	30
1960	947	639	213	42	53
1970	2,151	1,311	652	58	130
1971	2,225	1,346	707	41	131
1972	2,331	1,399	760	46	126
Switzerland					
1950	348	-	204	147	-3
1960	773	-	427	300	46
1970	1,545	-	1,147	351	47
1971	1,537	-	1,106	375	56
1972	1,595	-	1,158	373	64
Other Areas, including Japan					
1950	134	-	1	42	92
1960	269	7	68	60	134
1970	599	25	213	127	234
1971	231	36	279	165	-250
1972	311	16	253	165	-123

TABLE II

NET NEW CAPITAL INFLOWS TO THE UNITED STATES:
FDI and FPI.

(Millions of Dollars)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
ET NEW CAPITAL NFLOWS TO U.S.	423	397	266	277	- 89	- 300	995	1,267	4,708	3,944	3,220	2,167	4,662
FDI in U.S. 1/	141	73	132	- 5	- 5	57	86	251	319	832	1,030	- 115	160
FPI in U.S.	282	324	134	282	- 84	- 357	909	1,016	4,389	3,112	2,190	2,282	4,502

net capital inflows only; does not include reinvested earnings.

TABLE III

ANNUAL CHANGES IN FOREIGN DIRECT INVESTMENT VS. U.S. GROSS PRIVATE DOMESTIC INVESTMENT (Less Residential Structures), 1960 - 1972.

(Billions of Dollars)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
U.S. Foreign Direct Investment	----	2.85	2.56	3.46	3.74	4.99	5.33	4.69	5.49	6.05	7.15	8.02	7.83
Foreign Direct Investment in the U.S.	----	.48	.22	.33	.42	.43	.26	.87	.89	1.00	1.45	.39	.71
U.S. Gross Private Domestic Investment	52.0	49.1	57.7	60.1	66.9	80.9	96.4	91.5	95.9	106.4	105.9	109.4	126.3