

## US Direct Investment Abroad

In July 2008 the US Bureau of Economic Analysis published the revised direct investment positions for 2006 and the preliminary figures for 2007. The revision for 2006 was substantial for the Netherlands, indeed spectacular - especially in holding companies. The preliminary figures for 2007 indicate an even greater role for those companies whose primary activity is holding the securities or financial assets of other companies. The Netherlands has become a clear leader within Europe in this respect with almost 43% of holding activities of US companies in Europe - more than three times that of the UK, almost thrice that of Luxembourg, and over four times that of Switzerland.

The US direct investment position in Europe rose \$210 billion in 2007. The largest component of the increase was reinvested earnings, which accounted for nearly two-thirds of the increase. The largest dollar increase and the largest percent increase were in the Netherlands - \$89.6 billion and 32%. The UK, Luxembourg and Ireland each had increases larger than \$15 billion. In the Netherlands, holding companies accounted for more than two-thirds of the increase, which reflected reinvested earnings and equity capital increases for acquisitions.

### U.S. Direct Investment in the Netherlands

(billions of dollars, historical-cost basis)

	1999	2001	2002	2003	2004	2005	2006	2007
<b>Total</b>	<b>121.3</b>	<b>147.68</b>	<b>164.22</b>	<b>178.93</b>	<b>204.32</b>	<b>184.61</b>	<b>208.51</b>	<b>370.16</b>
<b>Total minus holding companies</b>	<b>43.66</b>	<b>69.77</b>	<b>78.13</b>	<b>60.07</b>	<b>79.05</b>	<b>97.42</b>	<b>88.12</b>	<b>115.66</b>
Mining	2.19	3.02	3.30	3.54	4.02	3.41	2.59	3.35
Manufacturing (total)	20.85	17.38	18.73	21.06	27.33	31.25	28.36	27.04
of which: Food	2.58	0.77	0.88	1.30	7.83	9.50	d	d
Chemicals	12.44	10.29	11.20	11.73	10.62	10.30	9.22	8.02
Metals	0.68	1.98	1.85	1.99	2.61	2.62	2.76	1.62
Machinery	0.61	0.72	0.71	0.75	0.96	1.06	1.29	1.40
Computer / Electronic Product	1.68	0.87	1.12	1.21	1.39	1.26	1.59	1.42
Electrical Eqpt / Components	0.21	0.31	d	0.30	0.33	d	2.27	3.86
Transportation Eqpt.	0.22	0.73	0.70	1.28	1.23	-0.04	-0.32	-0.08
Other mfg. ¶					2.37	d	d	d
Wholesale Trade	13.64	17.06	18.28	21.02	13.07	10.88	8.92	17.62
Information	2.41	3.01	3.05	3.47	4.51	4.64	6.15	6.69
Banking	0.06	d	0.03	0.03	0.34	d	d	17.41
Finance & Insurance	1.31	6.84	9.91	9.28	25.30	40.29	33.17	37.08
Professional Services	1.12	0.97	1.27	1.41	2.00	2.01	2.69	3.02
Nonbank Holding Companies	77.64	77.91 §	86.09 §	118.86 *	125.27	87.19	192.39	254.5
Other Industries	d	d	d		2.79	d	d	3.08
<b>Direct Investment Position in Holding Companies as a Percentage of Total</b>	<b>64%</b>	<b>52.8% (est.)</b>	<b>52.4% (est.)</b>	<b>d</b>	<b>61.3%</b>	<b>47.2%</b>	<b>68.6%</b>	<b>68.8%</b>

d = suppressed to avoid disclosure of data of individual companies

Source: U.S. Department of Commerce, Bureau of Economic Analysis July 2004, July 2008

¶ category not defined previous to 2004

\* figure is total of Nonbank Holding Companies plus Other Industries

§ figure is the unrevised figure as published in 2003; given here only as indication

### **Holding Companies in the Data on US Direct Investment Abroad**

For the past twenty five years, US parent companies have funneled an increasing share of their direct investments abroad through holding company affiliates. Foreign affiliates classified as holding companies accounted for 33% of the US direct investment position abroad in 2007. In 1982, this figure was 9% and by 2000, the figure grew to 23%. The upward trend of the holding company share is part of a broader trend of indirect ownership in which US parents own foreign affiliates that, in turn, own other foreign affiliates. One consequence of the rising use of indirect ownership arrangements is that US direct investment abroad estimates of the position and related flows show industry and country patterns that are increasingly different from the industries and countries in which the production and sales of goods and services by foreign affiliates occurs.

A comparison of the estimates of the outward direct investment position with the estimates of the assets and the net property, plant and equipment (PP&E) of foreign affiliates for 2005 (the latest year for which detailed operations estimates are available) illustrates the differences in distribution between the position estimates and the estimates of the operations. In that year, manufacturing's share of the outward position, 19%, was similar to its 16% share of assets, but much lower than its 41% share of the PP&E of the foreign affiliates in manufacturing. By country, the share of the direct investment position accounted for by the Netherlands was 10%, compared with a 9% share of assets and a 3% share of PP&E.