U.S. Firms in Latin American Service Industries

## ABSTRACT

The participation of U.S. service industry firms in Latin American markets for services consists mainly of the activities of U.S.-owned affiliates operating in Latin America and very little of direct exports of services from the U.S. The important policy issues thus involve barriers to the establishment and operation of affiliates in host countries rather than trade barriers. Since direct investment rather than trade is at issue, the comparative advantages that are important are those of U.S. multinational firms rather than those of the U.S. as a country.

The characteristics we observe in U.S. multinationals in these industries, particularly their low R & D intensity, are not those usually associated with the comparative advantages of U.S. multinationals. However, their skill intensity is relatively high. A more detailed breakdown of the sector does show at least some industries, particularly in finance, in which skill levels are very high, and these are the most likely candidates for major gains for U.S. multinationals. Nevertheless, U.S. shares in the Latin American service sector are very small overall and not likely to reach the levels in manufacturing or petroleum in the foreseeable future.

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# U.S. FIRMS IN LATIN AMERICAN SERVICE INDUSTRIES

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## 1. Introduction

What is referred to as trade in services has recently been given a prominent place on the international policy agenda. To a large extent this is a result of the current efforts of the U.S. government to reduce barriers to such trade. Many developing countries have opposed such liberalization, arguing that it would benefit mainly the developed countries. The reason for this, they claim, is that the international comparative advantage of the developed countries has shifted from goods to services (see Bhagwati, 1986, for a discussion).

Given the characteristics of most service industries, discussed below, and particularly the fact that much of their output is nontradable, we suggest here that what is at issue is not so much the liberalization of trade in services as liberalization of entry into developing-country service industry markets by multinational firms from developed countries. If that is the case, the comparative advantage that is relevant is that of multinational firms from developed countries rather than that of the developed countries themselves.

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In this paper we examine the characteristics of U.S. multinational firms in service industries. We ask whether these characteristics are likely to imply strong competitiveness and comparative advantage for these multinationals relative to developing host countries, using Latin America as a point of reference. We also estimate the importance of U.S. foreign direct investment in the Latin American service sector by relating output and employment of U.S. owned affiliates to total host country output and employment in a few individual service industries in various Latin American countries. The study is based on data for 1982, since these are the most comprehensive and detailed service industry data available for U.S. firms.

2. The Tradability of Services

The whole issue of trade in services has been muddled by the failure to distinguish among several versions of what constitutes this trade: 1) service transactions that cross national borders (e.g. architectural work by an architect in New York for a builder in Saudi Arabia); 2) service transactions that do not cross borders, but involve buyers and sellers who are residents of different countries (tourism) and are therefore defined as service items in the balance of payments; and 3) service industry activities in a country by firms owned by foreigners.

Of these three types of activity, the first is very minor, outside of the transactions that take place within multinational firms. Those within multinational firms mostly involve goods industries rather than service industries and, in any case, are ancillary to the sale of goods. The second type, consisting mainly of tourism and transportation, is a major item in the balance of payments, but is not the focus of demands for liberalization. It is the third group that is most important, at least to the United States. It involves a set of industries in which the U.S. considers itself to have some comparative advantage, and it accounts for almost all the service industry sales to foreigners by U.S. firms. It is therefore likely to be the center of any set of negotiations.

To understand the U.S. interest in negotiations on service trade, we thus have to examine the service-industry activities of U.S. firms operating overseas. The total sales of U.S.-owned overseas affiliates in trade and service industries, broadly defined, amounted to over $450 billion in 1982 as compared with $359 billion in manufacturing, less than $200 billion in petroleum and coal production, and $23 billion in other goods-producing industries. That figure undoubtedly exaggerates the amount of U.S. firms' activity in foreign service industries for several reasons. One is that it includes wholesale and retail trade, the sales of which consist to a large extent of commodities with relatively little service value added. Excluding these industries, although they do involve a substantial amount of service output, still leaves over $180 billion in service industry sales. This is far larger than direct U.S. service export transactions ($28 billion for travel and transportation and about $9 billion for other nonfactor services aside from royalties and fees). Thus, outside the travel and transportation area, the sale of services by U.S. firms to buyers outside the U.S. is performed almost entirely by U.S. controlled firms operating in foreign countries, that is, by direct investment rather than by international trade (for more details on this point, see Kravis, 1985, and Lee and Naya, 1986).

## 3. Characteristics of U.S. Multinationals in Service Industries

Services have become much more important in U.S. direct investment over the last 30 years or so, and account for approximately a third of total U.S. direct investment today (Lipsey, 1987).[1] The finance part of the service sector, in particular, grew very rapidly, as did wholesale trade to a lesser extent. Other service industries involved only a small part of investment.

Service industries are often thought of as being labor-intensive and as employing relatively unskilled and poorly educated workers. These industries are also expected to invest little in research and development and to participate hardly at all in international trade. They are sometimes, in fact, referred to as the nontradables sector of an economy. If the service industries were, in fact, characterized by low physical capital, human capital, and R & D intensity, it would be surprising to find that these industries would be the ones in which firms from advanced countries would have any comparative advantage. Developing countries would have little to fear, and also little to gain, from giving them free access to their markets.

### 3.1 Service Industry Parent Companies

The characteristics of parent companies are of interest, because they describe the attributes of the firms that are carrying out the investment in service industries in other countries. Presumably, these parent characteristics reflect at least some of the firm-specific advantages that the

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[1]The definition of the service sector varies among authors who write about it (see Stigler, 1956, Fuchs, 1968, and Kuznets, 1966). A very broad definition of the service sector would be that it encompasses all the industries not covered in the goods-producing sectors. That could include

affiliates bring with them. Ideally, we would describe the characteristics of parents of service-industry affiliates, but the data we have refer instead to service industry parents of affiliates in all industries. These parents own mainly service industry affiliates, but do not include, for example, those parents that are in manufacturing or mining, but own affiliates in service-industries.

The information available for parents is much more limited than that for affiliates. We can, however, say something about factor intensities, average size, foreign trade, and technological inputs and income.

With respect to physical capital intensity,[2] the comparison between parents in service industries and parents in manufacturing or extractive industries is very sensitive to the definition of service industries. The reason is that the physical capital intensities in services vary over a tremendous range, far larger than that in manufacturing, and the inclusion or exclusion of an industry can easily reverse the results of a comparison.

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construction, government, transportation, communication, and public utilities, as well as trade, finance, and personal and business services. We will concentrate our attention on narrower versions of the service sector. We exclude government entirely, since it is not a field for direct investment, and we exclude public utilities and transportation, because these are not usually counted in the service sector, and because they are government-owned in many countries. We are inclined to exclude wholesale trade, or at least segregate it, in studying investment, because U.S.-owned wholesale trade affiliates are mainly sales affiliates of U.S. manufacturing companies, and their sales are largely commodities. We exclude holding companies, where possible, because they are basically a conduit for U.S. investment rather than a part of host-country service industries. They might hold portfolio investments or, if they control foreign companies, those would appear under their appropriate industry categories. Finance operations in the Netherlands Antilles are excluded because they are also largely conduits, in this case for their parents' borrowing.

[2]The measure of physical capital intensity we use here is the value of net property, plant, and equipment divided by the number of employees. (For a fuller discussion, see Kravis and Lipsey, 1986). A drawback of the number employed as the labor input measure is that it ignores differences

Parent firms in trade and services including transportation, communication, and public utilities (T.C. and P) are more physical capital intensive than manufacturing or all industries combined (see Table 1). However, once the T.C. and P. group is removed, the remaining service industry parents seem to be relatively labor intensive on average, even if the capital-intensive real estate industry is included.

Table 1

Net Property, Plant and Equipment per Employee
in U.S. Parent Companies, 1982

| | ($000) |
|---|---|
| All Industries | 46.0 |
| Manufacturing | 29.4 |
| Trade and Services incl. transportation, communication, and public utilities | 51.9 |
| Transp., commun., & public util. | 123.1 |
| Trade and Services, excl. transp., commun., & public util. | 22.3 |
| Oil and gas. field services | 57.2 |
| Petroleum wholesale trade | 162.3 |
| Wholesale trade, exc. petrol. | 20.4 |
| Retail trade | 11.2 |
| Finance (exc. banking), insurance, & real estate | 23.3 |
| of which real estate | 492.7 |
| Other services | 20.2 |

Source: Appendix Table 9.

Our measure of human capital intensity has far less variance than physical capital intensity. As can be seen in Table 2, parents in trade and

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among industries in the quality of the labor force. We chose to treat these differences in quality as representing differences in human capital or skill intensity, rather than differences in labor input.

services are below average in human capital intensity and below those in manufacturing, but again, they straddle the other groups. Parents in some of the service industries, such as the ones related to petroleum, non-banking finance, advertising, and management consulting are above manufacturing parents and all parents in human capital intensity.

Table 2

Compensation per Employee in U.S. Parent Companies, 1982

| | ($000) |
|---|---|
| All Industries | 27.8 |
| Manufacturing | 29.7 |
| Trade and Services incl. transportation, communication, and public utilities | 23.4 |
| Transp., commun., & public util. | 33.6 |
| Trade and Services, excl. transp., commun., & public util. | 19.2 |
| Oil and gas. field services | 35.1 |
| Petroleum wholesale trade | 33.4 |
| Wholesale trade, exc. petrol. | 21.7 |
| Finance (exc. banking), Insurance, & Real Estate | 26.3 |
| Retail trade | 14.4 |
| Other services | 18.2 |

Source: Appendix Table 9.

Service industry companies are often pictured as being relatively small-scale operations. In fact, as measured by assets, service industry parents are, on the average, large in comparison with manufacturing parents or with parent companies in general (see Table 3). The high average asset size of service industry parents reflects mainly the inclusion of banking parents (average assets over $7.5 billion), other finance (almost $3 billion), retail trade, and petroleum wholesale trade, all larger on the average than manufacturing parents. However, parents in non-petroleum wholesale trade and in other services were smaller than those in manufacturing, on average.

Table 3

Number, Total Assets, and Average Assets of U.S. Parent Companies, 1982

| | Number | Total Assets ($ mill.) | Average Assets ($ mill.) |
|---|---|---|---|
| All Industries | 2,245 | 3,754,218 | 1,672 |
| Manufacturing | 1,215 | 1,017,654 | 838 |
| Trade & Services, incl. transp., comm., & publ. util. | 883 | 2,348,517 | 2,660 |
| Transp., comm. & public util. | 85 | 342,401 | 4,028 |
| Trade & Services, excl. transp., comm., & public util. | 798 | 2,006,116 | 2,514 |
| Oil & gas field services | 26 | 19,048 | 733 |
| Petroleum wholesale trade | 29 | 99,969 | 3,447 |
| Wholesale trade, exc. petrol. | 168 | 43,418 | 258 |
| Banking | 133 | 1,012,319 | 7,611 |
| Finance (exc. banking), Insurance, & Real Estate | 234 | 677,469 | 2,895 |
| Retail trade | 48 | 101,176 | 2,108 |
| Other service | 160 | 52,717 | 329 |

Source: U.S. Dept. of Commerce (1985a), Table 6.

3.2 Characteristics of U.S. Affiliates in Latin American Service Industries

A distinctive characteristic of U.S. investment in services in developing Western Hemisphere countries is that the number of U.S. parents is small, except in a few financial centers. In those few, however, the number of parent firms is very large. For example, of 151 U.S. parents that had any banking affiliates abroad in 1982, almost all (135) had one or more in developing Western Hemisphere countries (mainly in the Bahamas or in British Caribbean islands), but only 71 had banking affiliates in Europe. Of 710 U.S. parents that had any affiliates in other financial industries, including insurance and real estate, almost 500 had affiliates in Latin America or other Western Hemisphere developing countries. Principally these were located in Bermuda and the Netherlands Antilles, but also in Panama, the Bahamas, and the British Caribbean Islands. Outside of these cases the numbers of parent companies in most countries were very small.

Table 4

Number of U.S. Parent Firms with Affiliates in
Four Service Industries, 1982

| | Wholesale Trade | Banking | Other Finance | Services |
|---|---|---|---|---|
| All Countries | 792 | 151 | 710 | 361 |
| Canada | 318 | 18 | 171 | 109 |
| Europe | 558 | 71 | 322 | 245 |
| Developing Western Hem. | 171 | 135 | 484 | 96 |
| Argentina | 28 | 11 | 9 | 10 |
| Brazil | 46 | 7 | 56 | 31 |
| Chile | 15 | 8 | 8 | 5 |
| Colombia | 21 | 3 | 10 | 9 |
| Ecuador | 11 | 3 | 4 | 3 |
| Peru | 15 | 2 | 1 | 2 |
| Venezuela | 45 | 4 | 19 | 26 |
| Mexico | 60 | 3 | 36 | 30 |
| Panama | 33 | 14 | 69 | 7 |
| Bahamas | 12 | 76 | 35 | 7 |
| Bermuda | 13 | 2 | 215 | 15 |
| Jamaica | 3 | 4 | 6 | 4 |
| Neth. Antilles | 3 | 3 | 234 | 7 |
| Trinidad and Tobago | 4 | 1 | 4 | 3 |
| UK Islands, Caribbean | 5 | 76 | 42 | 7 |

Source: U.S. Dept. of Commerce (1985a), Table I.R2

While the characteristics of parent companies may be passed on to host countries through their affiliates, a much more direct source of effects on host countries must be the extent and characteristics of affiliate activity. That activity has many facets such as its distribution among industries, its factor intensities, the technological characteristics and trading patterns of affiliates, the taxes they pay to host-country governments, and the incomes they provide to host-country residents.

3.2.1 Industry distribution

The shares of service industries in the total activity of U.S. affiliates in Latin America in 1982, by various definitions of the service sector and by various measures of activity, all imperfect, are shown in Table !

Table 5

Shares of Service Industries in
U.S. Firms' Latin American Operations[a], 1982

| | Assets | Sales | Employment | U.S. Direct Investment |
|---|---|---|---|---|
| LATIN AMERICA EXCL. CARIBBEAN BANKING | | | | |
| All other than goods producers | 59.2 | 46.6 | 18.2 | 47.1 |
| Trade, finance, and other services[b] | 50.0 | 45.8 | 17.4 | 46.4 |
| Retail trade, finance, and other serv.[c] | 39.5 | 14.5 | 12.2 | 31.4 |
| Retail trade & other serv., excl. Finance | 4.1 | 4.4 | 9.3 | 4.1 |
| LATIN AMERICA INCL. CARIBBEAN BANKING | | | | |
| All other than goods producers | 79.2 | 53.7 | 18.3 | 49.7 |
| Trade, finance, and other services[b] | 74.5 | 53.1 | 17.5 | 49.0 |
| Retail trade, finance, and other serv.[c] | 69.2 | 25.9 | 12.3 | 34.8 |
| Retail trade & other serv., excl. Finance | 2.1 | 3.8 | 9.2 | 3.9 |

[a]Excluding all holding companies and finance companies in the Netherlands Antilles.

[b]Excluding public utilities and transportation.

[c]Excluding wholesale trade.

Source: Appendix Table 8

The measures of the size of service industry operations available directly from the data are assets, sales, employee compensation, employment and the amount of direct investment. Assets are usually presumed to reflect capital input, but there are several defects. One is that the assets may not be located in the foreign affiliate's host country. They may not be inputs into production in the affiliate's host country. They may, in fact, even be in the U.S. in some cases.

Sales in many cases, particularly in wholesale trade, include large amounts of goods imported by the foreign affiliate, and therefore exaggerate the amount of production that takes place in the affiliate's country. Employment and employee compensation both reflect labor input, an employee compensation has the advantage of combining crude labor input with a measure of the average quality of labor. It is omitted from the table only because the shares are very similar in these aggregates to employment shares. Direct investment reflects the parents' investment in the foreign operations, but not the output of foreign labor or of capital financed by borrowing in the market or from other non-U.S. sources.

From these calculations we find that service industries including finance and retail trade, but excluding banking in the Caribbean, accounted for 40 per cent of the total assets employed in Latin American affiliates. These were mainly in banking and a large part of the assets was not provided by U.S. investors. This group of industries accounted for only 30 per cent of U.S. investment, however, and less than 15 per cent of labor input and sales. If we include bank services in the Caribbean, the shares measured in assets and sales are significantly higher. Service industries outside of finance accounted for less than 5 per cent of assets, sales and U.S. investment, and less than 10 per cent of employment.

Within the service sector, banking was a large part (see Table 6). Even when we exclude banking in the Caribbean, banking was almost half of assets (85 per cent when we include the Caribbean), over a third of sales, and about 17 per cent of employment. Retail trade and hotels and lodging places, two relatively low-wage and low-skill industries, were relatively unimportant measured by assets, under 6 per cent, but accounted for about half of service industry employment in Latin America.

Table 6

Shares (%) of Individual Service Industries in
U.S. Multinationals' Latin American Service Sector Operations,[a] 1982

| | Assets | | Sales | | Employment | | U.S. Direct Investment | |
|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B |
| Retail trade | 1.9 | .6 | 13.1 | 6.4 | 38.3 | 37.8 | 2.2 | 1.9 |
| Banking | 47.1 | 84.6 | 36.0 | 69.4 | 17.1 | 18.2 | 10.7 | 23.3 |
| Other finance | 24.5 | 7.1 | 12.2 | 5.9 | 3.0 | 3.0 | 51.9 | 44.6 |
| Insurance | 17.5 | 5.1 | 21.1 | 10.2 | 3.4 | 3.4 | 22.6 | 19.4 |
| Business services | 3.8 | 1.1 | 5.1 | 2.5 | 13.5 | 13.3 | 2.0 | 1.7 |
| Oil and gas field serv. | 2.5 | .7 | 6.8 | 3.3 | 6.7 | 6.6 | 5.9 | 5.1 |
| Hotels | 1.1 | .3 | 2.6 | 1.3 | 11.7 | 11.5 | 1.3 | 1.1 |
| Engineering, architect. | .5 | .1 | .7 | .3 | .6 | .6 | .5 | .4 |
| Health services and other | 1.1 | .4 | 2.4 | 1.1 | 5.7 | 5.6 | 2.9 | 2.5 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

[a]Excluding transportation, public utilities, finance affiliates in the Netherlands Antilles, holding companies, and wholesale trade

A: Excluding Banking in the Caribbean
B: Including Banking in the Caribbean

Source: Appendix Table 8

### 3.2.2. Factor intensities

The capital intensity of parents does not necessarily carry over to their foreign affiliates if the firm can split its activities into different types and carry them on at different locations. In fact, the physical capital intensities of parents do not carry over to affiliates very precisely, although the 5 industries in which parents' physical capital intensities were highest were also the ones in which affiliate capital intensities were highest. The correlation was much stronger for skill or human capital intensities. Over the whole range of industries, higher skill intensity in parents was associated with high skill intensity in affiliates. There are two ways in which this could come about. One is that skill intensity is an industry or firm characteristic that is present wherever the firm operates. The other is that high skill intensity firms concentrate their operations in high wage countries. Within Latin America, the former explanation seems to be the predominant one. There, the skill intensive U.S. industries by and large have affiliates with high compensation per worker. However, the latter factor does operate to some extent. That is, within the service sector, the industries with lower skill levels, such as hotels and lodging, real estate, and miscellaneous business services, are somewhat more heavily represented among affiliates in Latin America than among all U.S. affiliates around the world. Furthermore, some of the high-skill industries, such as management consulting, finance other than banking, and advertising, are relatively little represented in Latin American affiliates of U.S. firms (see Appendix Table 10).

As might be expected, affiliates in the trade and service sector were not particularly physical-capital intensive (see Table 7). However, service industries, broadly defined, were heavier users of physical capital than manufacturing industries. A disaggregation, as in the case of service industry parents, identifies the source of the high capital intensity: the transportation, communication, and public utility industries, with over $100,000 in physical assets per worker and, not far behind, petroleum wholesalers. Aside from those, the trade and service sector was a little less capital-intensive than manufacturing, but the margin was not large for most service industries. Low physical capital intensity has not been a particular feature of service industry affiliates.

Table 7

Net Property, Plant, and Equipment per Employee
in U.S. Affiliates, 1982

| | ($ 000 ) |
|---|---|
| All Industries | 32.8 |
| Manufacturing | 21.7 |
| Trade & Services incl. transp., comm., & publ. util. | 25.0 |
| Transp., comm., & public util. | 101.3 |
| Trade & Serv., excl. transp., comm., & publ. util. | 20.5 |
| Oil and gas field services | 67.1 |
| Petroleum wholesale trade | 95.3 |
| Wholesale trade, exc. petrol. | 17.1 |
| Finance (excl. banking), Insurance, Real Estate | 25.2 |
| Retail Trade | 10.0 |
| Other Services | 17.3 |

Source: Appendix Table 10

The stereotype of service industries mentioned earlier is similarly not supported by data on average compensation in affiliates, our measure of human capital intensity. Table 8 shows that average compensation (average human capital per employee) was a little higher in trade and services than in all industries and manufacturing. The same was true for most individual service industries. The only really low-wage industry in the group was retail trade, and several of the industries paid quite high wages.

Table 8

Compensation per Employee in U.S. Affiliates, 1982

| | ($ 000 ) | |
|---|---|---|
| | All Countries | Latin America |
| All Industries | 16.8 | 10.3 |
| Manufacturing | 16.2 | 9.9 |
| Trade & Services incl. transp., comm., & publ. util. | 17.0 | 11.8 |
| Transp., comm., & public util. | 17.9 | 10.6 |
| Trade & Serv., excl. transp., comm., & publ. util. | 17.0 | 11.9 |
| Oil and gas field services | 27.1 | 20.3 |
| Petroleum wholesale trade | 24.7 | 23.5 |
| Wholesale trade, exc. petrol. | 21.1 | 15.1 |
| Finance (excl. banking), Insurance, Real Estate | 18.8 | 15.0 |
| Retail Trade | 9.0 | 5.4 |
| Other Services | 18.4 | 10.8 |

Source: Appendix Table 10

Within Latin America, the skill intensity of service industries was again above the average for all industries and that for manufacturing. And here too, the only outstandingly low-skill industry was retail trade. By and large, the lower-skill industries in Latin America were the same ones as in affiliates as a whole (see Appendix Table 10).

3.2.3. R & D and export intensities

A characteristic of firms that is sometimes referred to as a factor intensity, or as something close to it, is the R&D intensity, measured in various ways. A typical one, on which we have data for majority-owned affiliates, is the ratio of R&D expenditures to sales. Service industries are not usually considered leaders in this respect and the data for affiliates support this impression.

U.S. affiliates in all industries invest relatively little in R&D, as compared to parents, and affiliates in services, by any definition, invest less than those in manufacturing. Affiliates in Latin America, in every service industry shown, and in petroleum and manufacturing also, spend much less on R&D than those in other countries relative to their sales, typically about a third as much or even less (see Table 9). Thus, the picture of service industries as being little involved with R&D is confirmed, especially for affiliates, and even more for affiliates in Latin America.

Table 9

R&D Expenditure as Per Cent of Sales of U.S. Affiliates, 1982

| | All Countries | Latin America |
|---|---|---|
| All Industries | .50 | .17 |
| Manufacturing | 1.15 | .42 |
| Trade & Services incl. transp., comm., & publ. util. | .10 | .01 |
| Transp., comm., & public util. | <.01 | 0 |
| Trade & Serv., excl. transp., comm., & publ. util. | .08 | .01 |
| Oil and gas field services | .11 | <.04 |
| Petroleum wholesale trade | .01 | 0 |
| Trade & Serv., excl. transp., comm., publ. util. and petrol. trade serv. | .13 | .03 |
| Wholesale trade, exc. petrol. | .21 | .05 |
| Retail Trade | .01 | <.05 |
| Finance (excl. banking), Insurance, Real Estate | <.01 | 0 |
| Other Services | .26 | .06 |

Source: Appendix Table 11

On a less detailed industry classification we can also examine the export propensities of service industry affiliates. Overall, as Table 10 shows, the trade and service sector does not appear to be less oriented to exporting than the manufacturing or petroleum sectors. As with respect to other characteristics, the service sector is extremely heterogeneous. Affiliates in wholesale trade are more export oriented than those in manufacturing, even though they are mainly distributors of manufactured products. And finance affiliates in the Caribbean countries are almost entirely involved in the sale of services outside their host countries. In these cases, not only the sale, but also much of the production of services appears to take place outside the host countries. That is suggested by the small amount of employment relative to the sales or assets of affiliates located in these countries. Affiliates in other service industries, including finance affiliates outside the Caribbean, other services, and retail trade, do export relatively little, although the proportion is not insignificant--20 per cent for affiliates in services other than finance.

Table 10

Exports as Per Cent of Sales of U.S. Affiliates, 1982

| | All Countries | Latin America |
|---|---|---|
| All Industries | 34.5 | 40.4 |
| Petroleum, total | 35.4 | 59.3 |
| Manufacturing | 33.9 | 11.9 |
| Trade & Services, excl. transp., comm., public utilities, & petrol. trade serv. | 35.2 | 40.0 |
| Wholesale trade, exc. petrol. | 41.7 | 44.1 |
| Finance (excl. banking), Insurance, & Real Estate | 37.8 | 83.4 |
| of which Caribbean | 87.9 | 87.9 |
| Other | 10.5 | 8.0 |
| Other Services | 19.8 | 13.7 |

Source: Appendix Table 11

Latin American affiliates in petroleum are much more export-oriented than others, and those in wholesale trade a little more than average. The distinctive feature of affiliates in Latin America is the very low export orientation of manufacturing affiliates. Those in nonfinancial service industries are also relatively uninvolved in exporting.

In sum, we find little support in the data on U.S. multinationals for the usual picture of the service sector as being composed of low-skill, labor-intensive industries serving only host-country markets. The service sector is extremely heterogeneous, but the general impression from our investigation is that multinationals producing services are not, on the average, very different from other multinationals in physical capital intensity and their export orientation, but they are somewhat more skill-intensive than others. Affiliates in finance and wholesale trade are heavily involved in exporting, while those in other services and retail trade are not. The picture of service industries as being little involved in R & D is, however, confirmed, especially for affiliates, and even more so for affiliates in Latin America. Otherwise, U.S. service industry affiliates in Latin America (excluding Caribbean banking) were found to be rather similar in their characteristics to those in other areas.

4. U.S. Affiliates' Share of Latin American Service Sectors

Despite the recent concern in many Third World countries about foreign direct investment in service sectors, very little is known about the extent to which foreign firms participate in the production of services in these developing countries. The available data do not permit any detailed examination of this issue for Latin America as a whole, but the meager published data, relatively aggregated and far from perfect, give a rough idea of the share of value added in Latin American service sectors that is accounted for by U.S. affiliates (see Table 13). These shares are somewhat underestimated since the "value added" for U.S. affiliates that can be calculated from the published U.S. direct investment surveys does not include interest payments and depreciation, although these were collected. However, the inclusion of these missing items could not change the overall picture.

Table 13

U.S. Affiliates' Share of Value Added in Different Latin American Service Sectors
(1982)

| | Percentage Share |
|---|---|
| Financial Services | 2.5 |
| Financial Services (incl. banking in the Caribbean) | 9.7 |
| Wholesale and Retail Trade | 1.5 |
| Transportation | .3 |

Source: Appendix Tables 4 and 7.

These calculations suggest that U.S. affiliates accounted for some 2½ per cent of the production of financial services in Latin America in 1982. If we include the U.S. banking in the Caribbean, the percentage share increases to 9½. Their share of wholesale and retail trade was a bit over one per cent, while that in transportation and communication, which we do not generally include in services, was only a third of a per cent. Thus, U.S. multinationals' share of service production in Latin America seems to be very low, and much lower than their share of manufacturing production.

The impression that U.S. affiliates play a relatively unimportant role in Latin American financial services carries over to figures for individual countries. As Table 14 shows, their share of both value added and employment was less than 2.7 per cent in all the reporting countries for which data are available.

Table 14

Shares of U.S. Affiliates in Latin American Financial Services, 1982
(Percentage)

| | Value Added | Employment |
|---|---|---|
| Argentina | 2.7 | NA |
| Brazil | 2.4 | .5 |
| Chile | .5 | 1.3 |
| Colombia | 2.3 | 2.2 |
| Ecuador | 2.1 | NA |
| Mexico | .2 | NA |
| Peru | .2 | NA |
| Venezuela | 1.1 | 1.4 |
| Latin America | 2.5[a] | .8[b] |

[a]Excluding the Caribbean.
[b]Includes only Brazil, Chile, Colombia, and Venezuela, since no other countries provide the necessary data.

Source: Appendix Tables 2, 3, 4 and 7

However, one should not forget that the Latin American service sector is highly heterogeneous, and our data on the size of national service production include not only a wide variety of services, but presumably also a high degree of informal sector activities. Therefore, despite their low share of aggregated services, U.S. affiliates may play an important role in some "modern" parts of these service industries. Furthermore, the role of foreign firms in Latin American banking and finance may be much more important than is indicated by production or employment because the U.S. branches may function as a bridge between the international capital markets and the host countries.

## 5. Concluding Remarks

The participation of U.S. service industry firms in Latin American markets for services consists mainly of the activities of U.S.-owned affiliates operating in Latin America and very little of direct exports of services from the U.S. The important policy issues thus involve barriers to the establishment and operation of affiliates in host countries rather than trade barriers. Since direct investment rather than trade is at issue, the comparative advantages that are important are those of U.S. multinational firms rather than those of the U.S. as a country.

The characteristics we observe for U.S. service-industry multinationals as a group are not those usually associated with multinational firms' comparative advantages. In particular, those firms are much less R & D-intensive than those in goods production. The characteristic that does suggest the possibility of multinationals' comparative advantage is the somewhat higher skill level in service-industry multinationals than in goods industry firms. Of course, a more detailed breakdown of the service industry sector would reveal some much more skill-intensive subgroups, and in some of these there may be large multinational company advantages.

Some rough calculations of the U.S. participation in Latin American service production also suggested that the role of multinationals may have been exaggerated in the public debate. U.S. affiliates accounted for only an extremely small proportion (less than 3 per cent) of the production of financial services in Latin America, and their share in wholesale and retail trade was only a bit over one per cent. But again, a more detailed breakdown of the data would probably show that multinationals play an important role in certain service industries.

As far as we can see, the importance of liberalization of "trade in services" to both developed and developing countries has probably been exaggerated. (For a similar view, see McCulloch, 1987.) For one thing, t term "trade in services" is a misnomer; there is very little such trade. Almost all the issues involve market access through direct investment. While these issues may be important to a few industries, particularly fina cial services, it seems unlikely that any great gains to the balance of payments of the U.S. or great gains or losses for developing countries ar at stake.

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Appendix Table 1

Employment of U.S. Affiliates in Latin American Banking and Other Finance Sectors, 1977
(Number of Employees)

| | Banking | Other Finance | Sum |
|---|---|---|---|
| Argentina | 5,231 | 643 | 5,874 |
| Brazil | 9,042 | 2,907 | 11,949 |
| Chile | (D) | (D) | (D) |
| Colombia | (D) | 884 | >884 |
| Ecuador | 680 | 82 | 762 |
| Mexico | <3,239 | 1,077 | <4,316 |
| Panama | 1,920 | 394 | 2,314 |
| Peru | 259 | (D) | >259 |
| Venezuela | (D) | 2,889 | >2,889 |
| | | | |
| Bermuda | (D) | 668 | >668 |
| Netherlands Antilles | 155 | 61 | 216 |
| Trinidad and Tobago | (D) | 153 | >153 |
| | | | |
| Latin America | 31,521 | 11,898 | 43,419 |

(D) Suppressed by source to avoid disclosure.

Source: U.S. Department of Commerce (1981).

Appendix Table 3

Employment in Latin American Finance, Insurance, Real Estate and Business Services, 1977 and 1982
(Thousands of Employees)

| | 1977 | 1982 |
|---|---|---|
| Argentina | NA | NA |
| Brazil | 1,000[a] | 2,555 |
| Chile | 77 | 110 |
| Colombia | 166 | 242[b] |
| Ecuador | NA | NA |
| Mexico | NA | NA |
| Panama | 16 | 24 |
| Peru | NA | NA |
| Venezuela | 159 | 208 |
| Bermuda | 3[a] | 4 |
| Netherlands Antilles | 4 | 5 |
| Trinidad and Tobago | NA | NA |

[a]1978

[b]1981

Source: ILO (1984)

Appendix Table 4

Value Added by Different Latin American Service Sectors, 1982
($ Million)

| Country | Financial Services | Manufacturing | Wholesale and Retail Trade | Transportation and Communication |
|---|---|---|---|---|
| Argentina | 4,731 | 12,433 | 7,079 | 6,253 |
| Bahamas | 199 | 178 | 407 | 173 |
| Barbados | -- | 85 | 136 | 50 |
| Bolivia | 308 | 487 | 446 | 400 |
| Brazil | 20,013 | 59,354 | 35,094 | 16,001 |
| Chile | 3,085 | 3,613 | 3,377 | 1,054 |
| Colombia | 2,246 | 5,948 | 3,622 | 2,823 |
| Costa Rica | 475 | 754 | 555 | 269 |
| Dominican Republic | 620 | 1,298 | 1,180 | 583 |
| Ecuador | 923 | 2,118 | 1,705 | 737 |
| El Salvador | 277 | 564 | 549 | 189 |
| Guatemala | 802 | 1,494 | 2,507 | 633 |
| Guyana | 36 | 78 | 43 | 40 |
| Haiti | 86 | 258 | 267 | 30 |
| Honduras | 314 | 415 | 339 | 187 |
| Jamaica | 519 | 596 | 614 | 251 |
| Mexico | 13,673 | 39,521 | 41,730 | 12,170 |
| Nicaragua | 181 | 653 | 526 | 160 |
| Panama | 418 | 408 | 569 | 569 |
| Paraguay | 179[1] | 960 | 1,557[2] | 247 |
| Peru | 1,954 | 4,716 | 2,777 | 1,399 |
| Suriname | 140 | 126 | 129 | 56 |
| Trinidad and Tobago | 423 | 341 | 549 | 605 |
| Uruguay | 442[1] | 1,314 | 993 | 430 |
| Venezuela | 5,435 | 7,740 | 3,851 | 5,867 |
| Latin America | 57,477 | 145,462 | 110,601 | 51,177 |

[1]Real estate only

[2]Includes financing services

Source: Inter-American Development Bank (1985)

Appendix Table 5

Net Income of U.S. Affiliates in Latin American Banking and Other Finance Sectors, 1977 and 1982
($ Million)

| | Banking | | Other Finance | | Sum | |
|---|---|---|---|---|---|---|
| | 1977 | 1982 | 1977 | 1982 | 1977 | 1982 |
| Argentina | 31 | 49 | 1 | 16 | 32 | 65 |
| Brazil | 87 | 157 | 78 | 125 | 165 | 282 |
| Chile | (*) | -18 | -2 | 3 | -2 | -15 |
| Colombia | (D) | (D) | 4 | (D) | (D) | (D) |
| Ecuador | (D) | 1 | (*) | 3 | (D) | 4 |
| Mexico | 1 | (D) | 4 | (D) | 5 | (D) |
| Panama | 30 | 142 | 270 | 437 | 300 | 579 |
| Peru | -2 | (D) | -1 | (*) | -3 | (D) |
| Venezuela | 26 | (D) | 54 | (D) | 80 | (D) |
| Latin America | 206 | 345 | 415 | 535 | 621 | 880 |
| Caribbean | 774 | 1,958 | 945 | 3,359 | 1,719 | 5,317 |
| Latin America and the Caribbean | 980 | 2,303 | 1,360 | 3,894 | 2,340 | 6,197 |

(D) Suppressed by source to avoid disclosure
(*) Less than $500,000

Source: U.S. Department of Commerce (1981) and (1985a)

Appendix Table 6

Employee Compensation of U.S. Affiliates
in Latin American Banking and Other Finance Sectors,
1977-1982
($ Million)

| | Banking | | Other Finance | | Sum | |
|---|---|---|---|---|---|---|
| | 1977 | 1982 | 1977 | 1982 | 1977 | 1982 |
| Argentina | 29 | 48 | 3 | 12 | 32 | 60 |
| Brazil | 88 | 146 | 24 | 42 | 112 | 188 |
| Chile | 1 | 27 | (*) | 2 | 1 | 29 |
| Colombia | (D) | 40 | 3 | 8 | (D) | 48 |
| Ecuador | 6 | 14 | (*) | 1 | 6 | 15 |
| Mexico | 5 | 10 | 7 | 17 | 12 | 27 |
| Panama | 17 | 33 | 10 | 18 | 27 | 51 |
| Peru | 2 | 3 | (*) | (*) | 2 | 3 |
| Venezuela | (D) | 47 | 30 | 13 | (D) | 60 |
| Latin America | 226 | 404 | 84 | 122 | 310 | 526 |
| Caribbean | 24 | 36 | 19 | 62 | 43 | 98 |
| Latin America and the Caribbean | 250 | 440 | 103 | 184 | 353 | 624 |

(D) Suppressed by source to avoid disclosure
(*) Less than $500,000

Source: U.S. Department of Commerce (1981) and (1985a)

Appendix Table 7

"Value Added"[1] of U.S. Affiliates in Latin American Manufacturing and Service Sectors, 1982
($ Million)

| | Banking and Finance | Manufacturing | Wholesale and Retail Trade | Transport and Communica |
|---|---|---|---|---|
| Argentina | 128 | | | |
| Brazil | 481 | | | |
| Chile | 15 | | | |
| Colombia | >52 | | | |
| Ecuador | 19 | | | |
| Mexico | >27 | | | |
| Panama | 639 | | | |
| Peru | >3 | | | |
| Venezuela | >60 | | | |
| Latin America | 1,444 | | | |
| The Caribbean | 5,601 | | | |
| Latin America and the Caribbean | 7,045 | 11,788 | 1,634 | 167 |

[1]Employee Compensation plus Net Income plus taxes (by nonbank affiliates nonbank U.S. parents)

Source: U.S. Department of Commerce (1985a)

Appendix Table 8

Measures of Affiliate Activity in Latin America, by Industry
1982

| | Total Assets ($mill.) | Sales ($mill.) | Employ- ment (thous.) | U.S. Direc Inves ($mil |
|---|---|---|---|---|
| RE, MINING, & PETROLEUM EXTRACTION | | | | |
| ture, forestry, fishing | 755 | 984 | 57.6 | 3 |
| exc. petroleum | 4,694 | 1,767 | 38.6 | 1,4 |
| as extraction, exc. services | 3,975 | 3,262 | 8.7 | 2,4 |
| ted petrol. refin. & extract. | 1,511 | 3,500 | 7.2 | 5 |
| Agric., Mining, & Petrol. Extract. | 10,935 | 9,513 | 112.1 | 4,7 |
| turing, exc. petroleum & coal | 45,776 | 53,068 | 977.6 | 15,7 |
| um refining & coal products | 1,421 | 3,715 | 5.9 | 4 |
| ction | 1,010 | 1,761 | 34.6 | 2 |
| Industry | 48,207 | 58,544 | 1,018.1 | 16,4 |
| GOODS PRODUCTION | 59,142 | 68,057 | 1,130.2 | 21,2 |
| ILITIES, INCL. TRANSPORTATION | | | | |
| , commun., & public util., exc. petrol. | 935 | 652 | 8.9 | 1 |
| um transport, pipelines, storage | 1,404 | 300 | 1.8 | |
| Public Utilities | 2,339 | 952 | 10.7 | 2 |
| le Trade | | | | |
| sale trade, exc. petrol. | 7,176 | 9,540 | 62.0 | 2,7 |
| leum wholesale trade | 7,976 | 30,443 | 9.9 | 3,2 |
| al Wholesale Trade | 15,152 | 39,983 | 71.9 | 6,0 |
| Trade | 1,084 | 2,424 | 64.5 | 2 |
| al Trade | 16,236 | 42,407 | 136.4 | 6,2 |
| ND OTHER SERVICES | | | | |
| , Finance, Insurance, Real Estate | | | | |
| ng | 166,483 | 26,305 | 31.1 | 3,4 |
| which the Caribbean[b] | (139,540) | (19,673) | (2.3) | (2,0 |
| ler | 26,943 | 6,632 | 28.8 | 1,3 |
| ce exc. banking | 58,004 | 6,596 | 5.1 | -13,6 |
| which Netherlands Antilles[b] | (43,959) | (4,343) | (D) | (-20,1 |
| ler | 14,045 | 2,253 | 5.1 | 6,5 |
| ance | 9,992 | 3,898 | 5.8 | 2,8 |
| estate | 280 | 40 | .7 | 2 |
| ng companies[b] | (9,335) | (5) | (.7) | (5,6 |
| al Banking, Finance, Real Estate | 51,260 | 12,823 | 40.4 | 10,9 |

(continued on next page)

Appendix Table 8 (continued)

Measures of Affiliate Activity in Latin America, by Industry
1982

| | Total Assets ($mill.) | Sales ($mill.) | Employ-ment (thous.) |
|---|---|---|---|
| FINANCE AND OTHER SERVICES (continued) | | | |
| Other Services | | | |
| Hotels & other lodging places | 637 | 477 | 19.6 |
| Business services | | | |
| Advertising | 111 | 110 | 2.8 |
| Management, consulting, public rel. serv. | 247 | 95 | .3 |
| Equipment rental, exc. autos & comp. | 825 | 386 | 3.4 |
| Computer & data processing serv. | 108 | 83 | 1.2 |
| Other business services | 251 | 260 | 15.0 |
| Total Business Services | 2,179 | 934 | 22.7 |
| Motion pict., incl. television tape & film | 81 | 135 | 1.0 |
| Engineering, archit., & surveying serv. | 268 | 126 | 1.0 |
| Other services exc. oil & gas | 298 | 260 | 7.8 |
| Oil & gas field services | 1,404 | 1,258 | 11.2 |
| Total Other Services | 4,867 | 3,190 | 63.3 |
| .ATIN AMERICA, EXCL. BANKS IN THE CARIBBEAN | | | |
| TOTAL TRADE, FINANCE, SERVICES | 72,363 | 58,420 | 240.1 |
| TOTAL FINANCE AND OTHER SERVICES | 56,127 | 16,013 | 103.7 |
| TOTAL RETAIL TRADE, FINANCE, & OTHER SERVICES | 57,211 | 18,437 | 168.2 |
| TOTAL, EXCLUDING GOODS PRODUCTION | 85,637 | 59,372 | 250.8 |
| ALL INDUSTRIES | 144,779 | 127,429 | 1,381.0 |
| ATIN AMERICA INCL. BANKS IN THE CARIBBEAN | | | |
| TOTAL TRADE, FINANCE, SERVICES | 211,903 | 78,093 | 242.4 |
| TOTAL FINANCE AND OTHER SERVICES | 195,667 | 35,686 | 106.0 |
| TOTAL RETAIL TRADE, FINANCE, & OTHER SERVICES | 196,751 | 38,310 | 170.5 |
| TOTAL, EXCLUDING GOODS PRODUCTION | 225,177 | 79,045 | 253.1 |
| ALL INDUSTRIES | 284,319 | 147,102 | 1,383.3 |

[a]Total income

[b]Not included in totals or subtotals

Source: U.S. Department of Commerce (1985a).

Appendix Table 9

Nonbank U.S. Parents, 1982

| | Parents: Net Property, Plant, and Equipment End 1981 ($ mill.) | No. of Employees (1982) (000) | Employee Compensation (1982) ($ mill.) | Net Prop., Plant & Equip. per Employee | Comp sati pe Empl |
|---|---|---|---|---|---|
| USTRIES | 860,439 | 18,704.6 | 520,383 | 46,001 | 27, |
| gas field services | 7,229 | 126.3 | 4,437 | 57,237 | 35, |
| leum wholesale trade | 25,842 | 159.2 | 5,321 | 162,324 | 33, |
| sale trade, exc. petrol. | 8,109 | 396.7 | 8,591 | 20,441 | 21, |
| ce (exc. banking), Ins., RE | 23,417 | 1,004.0 | 26,409 | 23,324 | 26, |
| ance, except banking | 993 | 95.8 | 4,574 | 10,365 | 47, |
| urance | 21,339 | 906.0 | 21,793 | 23,553 | 24, |
| l Estate | 1,084 | 2.2 | 42 | 492,727 | 19, |
| ces | 20,070 | 993.8 | 18,054 | 20,195 | 18,1 |
| els & other lodging places | 3,015 | 162.9 | 1,886 | 18,508 | 11,5 |
| iness services | 5,318 | 312.3 | 6,575 | 17,028 | 21,0 |
| lvertising | 514 | 48.2 | 1,541 | 10,664 | 31,9 |
| nage., consult. & publ. rel. | 273 | 15.9 | 565 | 17,170 | 35,5 |
| uip. rental, exc. autos. & comp. | 2,683 | 5.4 | 151 | 496,852 | 27,9 |
| mp. & data proc. serv. | 924 | 65.4 | 1,480 | 14,128 | 22,6 |
| her | 925 | 177.3 | 2,838 | 5,217 | 16,0 |
| pict., incl. tel. tape lm | 308 | 44.0 | 631 | 7,000 | 14,3 |
| ering, Arch., & . services | 1,802 | 73.3 | 1,787 | 24,584 | 24,3 |
| th services | 4,964 | 228.1 | 3,595 | 21,762 | 15,7 |
| services | 4,663 | 173.1 | 3,580 | 26,938 | 20,6 |
| ., comm., & publ. util. | 251,260 | 2,040.4 | 68,498 | 123,143 | 33,5 |
| trade | 24,982 | 2,228.8 | 31,515 | 11,209 | 14,1 |
| E | 360,909 | 6,949.2 | 162,825 | 51,935 | 23,4 |
| TRANSP. COMMUN., UTIL. | 109,649 | 4,908.8 | 94,327 | 22,337 | 19,21 |
| . | 309,923 | 10,532.8 | 313,068 | 29,424 | 29,72 |

U.S. Dept. of Commerce (1985a), Tables II.L1 and II.01

Appendix Table 10

Nonbank Affiliates of Nonbank U.S. Parents, 1982

| | Parents | | | | |
|---|---|---|---|---|---|
| | Net Property, Plant, and Equipment End 1981 ($ mill.) | No. of Employees (1982) (000) | Employee Compensation (1982) ($ mill.) | Net Prop., Plant & Equip. per Employee | Compensation per Employee |
| ALL INDUSTRIES | 217,546 | 6,638.1 | 111,643 | 32,772 | 16,816 |
| Oil & gas field services | 4,651 | 69.3 | 1,878 | 67,114 | 27,100 |
| Petroleum wholesale trade | 4,707 | 49.4 | 1,219 | 95,283 | 24,676 |
| Wholesale trade, exc. petrol. | 8,162 | 477.3 | 10,091 | 17,100 | 21,142 |
| Finance (exc. banking), Ins., RE | 2,924 | 116.1 | 2,184 | 25,185 | 18,811 |
| Finance, except banking | 465 | 32.2 | 722 | 14,441 | 22,422 |
| Insurance | 1,619 | 82.0 | 1,439 | 19,744 | 17,549 |
| Real Estate | 839 | 2.0 | 23 | 419,500 | 11,500 |
| Services | 5,503 | 318.5 | 5,876 | 17,278 | 18,449 |
| Hotels & other lodging places | 1,142 | 55.3 | 575 | 20,651 | 10,398 |
| Business services | 3,043 | 158.2 | 3,318 | 19,235 | 20,973 |
| Advertising | 149 | 29.5 | 692 | 50,508 | 23,458 |
| Manage., consult. & publ. rel. | 204 | 13.7 | 591 | 14,891 | 43,139 |
| Equip. rental, exc. autos. & comp. | 1,849 | 32.6 | 700 | 56,718 | 21,472 |
| Comp. & data proc. serv. | 369 | 12.1 | 312 | 30,496 | 25,785 |
| Other | 472 | 70.2 | 1,022 | 6,724 | 14,558 |
| Motion pict., incl. tel. tape & film | 42 | 6.5 | 75 | 6,462 | 11,538 |
| Engineering, Arch., & Surv. services | 182 | 31.7 | 959 | 5,741 | 30,252 |
| Health services | 181 | 18.1 | 257 | 10,000 | 14,199 |
| Other services | 912 | 48.8 | 693 | 18,689 | 14,201 |
| Transp., comm., & publ. util. | 9,065 | 89.5 | 1,598 | 101,285 | 17,855 |
| Retail trade | 4,667 | 466.0 | 4,172 | 10,015 | 8,953 |
| ALL ABOVE | 39,679 | 1,586.1 | 27,018 | 25,017 | 17,034 |
| ALL EXCL. TRANSP. COMMUN.. | | | | | |

| | Affiliates in Latin America | | | Distribution of Employment | | |
|---|---|---|---|---|---|---|
| | No. of Employees (1982) (000) | Employee Compensation (1982) ($ mill.) | Compensation per Employee | All Countries | Latin American | Latin American Countries |
| ALL INDUSTRIES | 1,350.1 | 13,853 | 10,261 | 100.0 | 100.0 | 1.00 |
| Oil & gas field services | 11.2 | 263 | 23,482 | 1.04 | .83 | .80 |
| Petroleum wholesale trade | 9.9 | 231 | 23,333 | .74 | .73 | .99 |
| Wholesale trade, exc. petrol. | 62.0 | 939 | 15,145 | 7.2 | 4.6 | .64 |
| Finance (exc. banking), Ins., RE | 9.7 | 146 | 15,052 | 1.75 | .72 | .41 |
| Finance, except banking | 3.0 | 61 | 20,333 | .49 | .22 | .45 |
| Insurance | 5.8 | 77 | 13,276 | 1.24 | .43 | .35 |
| Real Estate | .9 | 8 | 8,889 | .03 | .07 | 2.33 |
| Services | 52.1 | 562 | 10,787 | 4.8 | 3.8 | .79 |
| Hotels & other lodging places | 19.6 | 160 | 8,163 | .83 | 1.45 | 1.75 |
| Business services | 22.7 | 264 | 11,630 | 23.8 | 1.68 | .71 |
| Advertising | 2.8 | 58 | 20,714 | .44 | .21 | .48 |
| Manage., consult. & publ. rel. | .3 | 9 | 30,000 | .21 | .02 | .10 |
| Equip. rental, exc. autos. & comp. | 3.4 | 70 | 20,588 | .49 | .25 | .51 |
| Comp. & data proc. serv. | 1.2 | 18 | 15,000 | .18 | .09 | .50 |
| Other | 15.0 | 109 | 7,267 | 1.06 | 1.11 | 1.05 |
| Motion pict., incl. tel. tape & film | 1.0 | 6 | 6,000 | .10 | .07 | .70 |
| Engineering, Arch., & Surv. services | 1.0 | 42 | 42,000 | .48 | .07 | .15 |
| Health services | 7.8 | 90 | 8,974 | .27 | .58 | .57 |
| Other services | | | | .74 | | |
| Transp., comm., & publ. util. | 8.9 | 94 | 10,562 | 1.35 | .66 | .49 |
| Retail trade | 64.5 | 348 | 5,395 | 7.02 | 4.78 | .68 |
| ALL ABOVE | 218.3 | 2,583 | 11,832 | 23.9 | 16.2 | .68 |
| ALL EXCL. TRANSP. COMMUN., & PUB. UTIL. | 209.4 | 2,489 | 11,886 | 22.5 | 15.5 | .69 |
| MANUF. | 977.6 | 9,651 | 9,872 | 66.7 | 72.4 | 1.09 |

Sales, Exports and R & D Expenditures
by U.S. Majority-Owned Foreign Affiliates, 1982
($ million)

| | Total Sales | Total Exports | R & D Expenditu |
|---|---|---|---|
| **All Countries** | | | |
| All industries | 730,235 | 252,274 | 3,647 |
| Petroleum, total | 266,304 | 94,205 | 226 |
| Petroleum, excl. serv. & whol. | 151,312 | 44,101 | 214 |
| Manufacturing | 271,099 | 91,382 | 3,123 |
| Trade & Serv., incl. transp., comm., & publ. util. | 289,995 | 110,682 | 296 |
| Transp., comm., & publ. util. | 4,233 | 388 | * |
| Trade & serv., excl. tr., comm., & publ. util. | 285,762 | 110,294 | 239 |
| Oil & gas field services | 7,378 | 412 | 5 |
| Petroleum wholesale trade | 107,614 | 49,692 | 7 |
| Trade & serv., excl. tr., comm., publ. util. and petroleum trade & serv. | 170,770 | 60,190 | 227 |
| Wholesale trade except petrol. | 113,622 | 47,410 | 235 |
| Retail | 15,711 | 344 | 1 |
| Finance (except banking), Insur. and Real Estate | 23,526 | 8,897 | 1 |
| of which Caribbean | 8,298 | 7,293 | 0 |
| Other | 15,228 | 1,604 | 1 |
| Other services | 17,911 | 3,539 | 46 |
| Other industries | 22,062 | 6,497 | 15 |
| **Latin America** | | | |
| All industries | 103,857 | 41,939 | 179 |
| Petroleum, total | 41,842 | 24,810 | 4 |
| Petroleum, exc. serv. & whol. | 11,383 | NA | 4 |
| Manufacturing | 39,506 | 4,692 | 167 |
| Trade & Serv., incl. transp., comm., & publ. util. | 58,601 | NA | 8 |
| Transp., comm., & publ. util. | 354 | NA | 0 |
| Trade & serv., excl. transp., comm., & publ. util. | 58,247 | NA | 8 |
| Oil & gas field services | 1,211 | NA | * |
| Petroleum wholesale trade | 29,248 | NA | 0 |
| Trade & serv., excl. transp., comm., publ. util. and petrol., trade & services | 27,788 | 11,124 | 8 |
| Wholesale | 8,105 | 3,577 | 4 |
| Retail | 1,025 | NA | (*) |
| Finance (except banking), Insur. and Real Estate | 8,796 | 7,333 | 0 |
| of which Caribbean | 8,298 | 7,293 | 0 |
| Other | 498 | 40 | 0 |
| Other services | 1,564 | 214 | 1 |
| Other industries | 3,019 | 1,312[a] | 3 |

(*) Less than $500,000

[a]Includes retail trade

Source: U.S. Department of Commerce (1985a), Tables III.D3, III.D4, III

Appendix Table 12

Sales, Net Income and Income Taxes
by U.S. Foreign Affiliates, 1982
($ million)

| | Total Sales | Net Income | Income Taxes |
|---|---|---|---|
| | **All Countries** | | |
| All industries | 935,780 | 31,309 | 34,537 |
| Petroleum | 328,999 | 10,650 | 21,215 |
| Manufacturing | 359,269 | 8,920 | 8,458 |
| Trade | 149,925 | 2,807 | NA |
| Wholesale | 122,664 | 2,406 | 1,866 |
| Retail | 27,261 | 411 | NA |
| Finance (except banking), Insur. and Real Estate | 28,651 | 6,244 | 1,004 |
| of which Neth. Antilles | 3,592 | 1,015 | (D) |
| Other | 25,059 | 5,229 | 1,004 |
| Services | 20,290 | 1,312 | 613 |
| Other | 48,647 | 1,365 | 1,380 |
| | **Latin America** | | |
| All industries | 125,111 | 5,712 | 3,218 |
| Petroleum | 43,435 | 910 | 1,110 |
| Manufacturing | 53,049 | 687 | 1,451 |
| Trade | 11,964 | 175 | NA |
| Wholesale | 9,540 | 171 | 172 |
| Retail | 2,424 | 4 | NA |
| Finance (except banking), Insur. and Real Estate | 9,285 | 3,726 | 224 |
| of which Caribbean | 8,456 | 3,170 | 186 |
| Other | 829 | 556 | 38 |
| Services | 1,915 | 126 | 71 |
| Other | 5,163 | 86 | 190[a] |

[a]Including retail trade

(D) Surpressed by source to avoid disclosure
Source: U.S. Department of Commerce (1985a)