

## IV. Foreign affiliates statistics and the international supply of services

### A. Introduction

4.1. For both goods and services, international sales may be effected not only through the transactions between residents and non-residents that are recorded in balance of payments accounts as specified by BPM6 and 2008 SNA, but also through direct investment enterprises or affiliates established in the countries of foreign customers<sup>1</sup>. For services, this method of serving foreign markets is particularly important because it can often be the only method that permits the close and continuing contact between service providers and their customers necessary to compete effectively with indigenous firms.

4.2. In the present *Manual*, statistics describing the overall operations of affiliates are termed “Foreign Affiliates Statistics”, or “FATS”. Consonant with the *Manual*’s theme and purpose, its recommendations for compiling these statistics have been designed and presented with services in mind. However, except for the particular activity and product breakdowns suggested, most of the recommendations are equally applicable to goods or services. Foreign affiliates statistics form a subset of statistics on the activities of multinational enterprises (AMNEs) and exclude the activities of the affiliate’s ultimate parent enterprise.

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<sup>1</sup> Here, “affiliate” is used synonymously with “direct investment enterprise”, which, following BPM6 and BD4, is an incorporated or unincorporated enterprise in which a direct investor who is resident in another economy owns 10 per cent or more of the voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise). As will be explained below, most of the present chapter is concerned with only those affiliates that are “controlled” by the direct investor. However, in what follows, these affiliates may—for ease of exposition—also be referred to simply as “affiliates”, where the limitation to the foreign-controlled subset of affiliates is clear within the context of the discussion.

### B. Coverage of FATS

4.3. Before considering the particular measures that should make up the FATS data set, it is necessary to consider which are the firms that should be covered by these statistics as well as the recommendations regarding statistical units.

#### *Ownership criteria*

4.4. Although 10-percent ownership of the voting power<sup>2</sup> is recommended as the lower threshold for FDI, this manual concords with the OECD *Handbook* and the BD4 in recommending that FATS should be compiled, as a first priority, for the foreign-controlled subset of foreign affiliates, where “control” is defined in the Framework for Direct Investment Relationships (FDIR) set out in chapter 3 paragraph 135 of BD4. Control is deemed to exist if there is majority ownership (i.e. more than 50%) of the voting power at each stage of the chain of ownership.

4.5. Although GATS does not provide statistical definitions, it does give some indication of the kind of ownership criteria that would be useful in support of the agreement. The agreement refers to concepts of “ownership”, “control”, and “affiliation”. Under GATS, a juridical person (such as a business enterprise) is “owned” by persons of a WTO member if more than 50 percent of the equity interest in it is beneficially owned by persons of that member; “controlled” by persons of a member country if such persons have the power to name a majority of its directors or otherwise to legally direct its actions; and “affiliated” with another person when it controls or is controlled by that other person, or when it and the other person are both controlled by the same person (article XXVIII, section [n]). Thus, GATS would appear concerned with cases of control as defined by the

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<sup>2</sup> In general ordinary shares are the same as voting power. However, there may be instances that the voting power is not represented by ordinary shares. In such cases, compilers must determine the voting power.

FDIR, as well as with other cases in which control can be demonstrated to have been achieved.

4.6. Similar criteria are already used as the basis for FATS in key countries that maintain this type of data and provide operationally practical bases for the selection of firms that are to be regarded – following a concept found in SNA – as “foreign-controlled enterprises”.<sup>3</sup> The Eurostat Recommendations Manual on the production of Foreign Affiliates Statistics foresees the compilation of FATS on controlled foreign affiliates. However, majority ownership has been used as a proxy for control in the joint OECD-Eurostat questionnaire on foreign-affiliate operations used for data collection.

4.7. Although it may in some respects have been conceptually more appealing to categorise firms on the actual presence or absence of foreign control in an operational sense, control as defined by the FDIR has been selected as the recommended ownership criterion for FATS. Unlike *de facto* control, its implementation does not require the use of subjective criteria, nor does it require that compilers examine the nature of investments on a case-by-case basis. The absence of a subjective factor has the added benefit of eliminating a potential source of bilateral asymmetry – namely, the possibility that the issue of control will be assessed differently by home and host-country compilers.

4.8. While the measure of control recommended by this Manual differs from the SNA concept of foreign-controlled enterprise, the two concepts are alike in that both refer to ownership by a single investor (or investor group). This approach is followed in this manual not only for consistency with other international guidelines, but also because it is only through a single investor or associated investor group that control can be systematically exercised. However, the relevance of other criteria for selection is acknowledged, and countries that can do so may wish to provide supplemental statistics covering cases where foreign control may be deemed to be present, even though no single foreign direct investor holds a controlling stake.

4.9. Examples of investments that might be covered on a supplemental basis are majority ownership by multiple unaffiliated foreign direct investors, ownership of exactly 50 per cent by a foreign direct investor, and cases in which a qualitative assessment has been made

that effective control has been achieved through a minority stake in an enterprise<sup>4</sup>. Such supplemental statistics on affiliates that are not majority-owned may be particularly relevant where majority ownership by non-resident investors is restricted.

4.10. Statistics on foreign affiliates owned by residents of the compiling economy should include all controlled foreign affiliates, irrespective of whether the affiliate is held directly or indirectly and irrespective of whether the direct investor in the compiling economy is the ultimate investor or is, instead, an intermediate investor in an ownership chain. However because the activities of an affiliate held through an ownership chain could be recorded in the FATS of both the ultimate and intermediate investors, and in order to facilitate international aggregation without double counting, compilers are strongly encouraged to identify the aggregate share of FATS variables accounted for by enterprises for which the compiling country is the ultimate owner. Of particular interest in trade negotiations will be data on this set of foreign affiliates belonging to ultimate investors resident in the compiling economy. For FDI data, investments in given affiliates may be reflected in the statistics of both immediate and ultimate owners.

### C. Statistical units

4.11. In principle FATS could be collected at either the enterprise (company) level or the level of individual business locations (establishments). Neither basis of location is unequivocally superior to the other, rather each has its own strengths and weaknesses. For example, some financial indicators, such as total assets, are more naturally collected from enterprises than from establishments. In addition, because FDI statistics usually are collected at the enterprise level, collection of FATS at this same level facilitates linkages between the two types of data. However, because enterprises are more likely than establishments to have activities in multiple industries, data that are classified on the basis of primary activity can be more difficult to interpret for enterprises than for establishments. Although there may thus be advantages associated with each basis of collection, this manual makes no recommendation as to statistical units. FATS often will be developed in the context of existing statistical systems, in which the

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<sup>3</sup> [SNA reference for foreign-controlled enterprises ]

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<sup>4</sup> These and other special cases are discussed in the OECD *Handbook*.

statistical units are already defined, and in these cases there may be little choice in the units that are to be used.

4.12. Because the statistical units can have an important bearing on how the statistics should be interpreted, both in isolation and in comparison with other data sets, it is recommended that metadata on the statistical units used in collecting FATS be disclosed in explanatory notes.

#### **D. FATS and trade in services**

4.13. This *Manual's* primary interest in FATS is related to the international delivery of services. In this context the most pertinent information on the operations of affiliates may be considered to be that on their sales. Services delivered through transactions between residents and non-residents are measured in terms of sales (apart from any services that may have been donated), and a comparable measure must be available for affiliates in order to measure services delivered through them on a parallel basis. Although, as discussed below, the present *Manual* recommends a broader programme of data collection, it recognizes that some countries may, at least initially, limit themselves to the collection of statistics on sales because these most directly support the monitoring of commitments under GATS.

4.14. While sales may be considered to be the most important information to collect for FATS, additional information is generally required for an adequate assessment of the economic effects of affiliate operations and of measures to liberalize the delivery of services through the commercial presence mode of supply. For example, information on value added allows output originating within the affiliate to be distinguished from output originating in the firms that supply it with intermediate inputs. Similarly, information on employment is required to assess the impact of affiliates on labour markets. Accordingly, the *Manual* recommends multiple indicators, or variables, for FATS, rather than only sales.

4.15. FATS may be developed for both foreign-controlled affiliates *in* the compiling economy (inward FATS) and controlled foreign affiliates *of* the compiling economy (outward FATS). Because, under GATS, countries make commitments with respect to the supply of services in their own economies rather than services they supply abroad, the most directly related data with respect to commercial presence may be those on the

activities of foreign-owned affiliates in the domestic economy. Nonetheless, the reason countries make these commitments is to secure commitments on the part of other countries, with a view to enhancing the ability of their firms to supply services in those countries. For commercial presence, this supply is tracked by data on outward FATS, which therefore must also be considered relevant.

4.16. In addition to being more directly related to the compiling country's own commitments under GATS, inward FATS are often easier to collect than outward FATS. The entities covered are located in the compiling country, and data for them would ordinarily already be included in the country's domestic enterprise statistics. Although specific surveys may be needed, obtaining a basic dataset may involve only identifying the foreign-owned subset of domestically located firms and tabulating existing data for them. For outward FATS, in contrast, the entities covered are located outside the compiling economy and generally would not be covered by existing data. In this case specific surveys would be necessary of resident direct investors rather than from the foreign affiliates themselves. An increasing number of countries have successfully compiled outward FATS.

4.17. Because one country's inward FATS provide information on the outward FATS of partner countries, exchanges of information among partner countries have the potential to provide countries that do not collect data on outward FATS with information on the overseas activities of their own multinational companies. For such data to be useful, it is important that they be compiled using standardized definitions and methodologies, and in this regard the *Manual* can play an important role in promoting comparability. In addition, international organizations can, by republishing member country data, serve as clearing houses for such information. The value of such clearing houses can be considerable, inasmuch as they can help to achieve consistency in presentation and greatly reduce the number of contacts required to assemble the data.

4.18. Foreign direct investment financial transactions and related investment position (stock) and income measures are not, strictly speaking, FATS variables because they do not pertain to the overall operations of foreign affiliates but relate only to transactions between and positions with direct investors and their foreign affiliates. In addition, FDI measures are ordinarily compiled with respect to transactions and positions with all foreign affiliates, whereas FATS variables are, as discussed in paragraphs [4.xx-4.xx] below, to be

compiled only with respect to affiliates in which the direct investor holds a controlling interest.

4.19. Notwithstanding those differences, FDI statistics should be considered an important adjunct to FATS. Countries that cannot implement the compilation of FATS immediately may find that FDI statistics can provide an indicator showing the interest of a country in using commercial presence to supply services

internationally. In addition, FDI statistics can be used in conjunction with FATS to indicate the extent to which the operations of affiliates were financed with funds from direct investors, as well as the extent to which the income generated by affiliates accrues to direct investors. The present *Manual* recommends that FDI statistics be compiled as specified by BPM6 and BD4. For convenience, those guidelines are summarized in box XX.

**BoxXX. Measuring foreign direct investment** [\*this box has been subject to a first review for changes introduced in BPM6 and BD4\*]

Following BPM6 and BD4, foreign direct investment reflects the objective of establishing a lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor. The direct or indirect ownership of 10% or more of the voting power of an enterprise resident in one economy by an investor resident in another economy is evidence of such a relationship. Direct investment comprises not only the initial transaction between the investor and the enterprise but also all subsequent transactions between them and among affiliated enterprises.

A foreign direct investor is an entity (an institutional unit) resident in one economy that has acquired, either directly or indirectly, at least 10% of the voting power of a corporation (enterprise), or equivalent for an unincorporated enterprise, resident in another economy. A direct investor could be classified to any sector of the economy and could be any of the following: (i) an individual; (ii) a group of related individuals; (iii) an incorporated or unincorporated enterprise; (iv) a public or private enterprise; (v) a group of related enterprises; (vi) a government body; (vii) an estate, trust or other societal organisation; or (viii) any combination of the above. A direct investment enterprise is an enterprise resident in one economy and in which an investor resident in another economy owns, either directly or indirectly 10% or more of its voting power if it is incorporated or the equivalent for an unincorporated enterprise.

The Framework for Direct Investment Relationships (FDIR) is a generalised methodology for identifying and determining the extent and type of direct investment relationships. For a compiling economy, the FDIR identifies all enterprises related to a particular enterprise whether it is a direct investor or a direct investment enterprise or both, i.e. identifies all enterprises over which the investor has significant influence under the 10% voting power criterion. In this determination, it is necessary to establish whether each enterprise under consideration is a subsidiary (a non-resident investor owns more than 50 per cent of the voting power), an associate (a non-resident investor owns from 10 to 50 per cent), or a fellow enterprise (a non-resident enterprise having the same parent but without sufficient ownership of voting power). By encompassing enterprises that are not majority owned by the direct investor, the concept of direct investment is broader than the concept of foreign-controlled affiliate used by the present *Manual* in defining the universe of firms covered by FATS.

Compilation of statistics on direct investment will entail collection or estimation of three broad types of data - direct investment income, direct investment financial transactions and direct investment position (stock).

The direct investment position measures the value of the stock of direct investment (direct investment equity capital -including reinvestment of earnings- and debt). In principle, the position should be measured at current market prices as of the dates involved (that is, beginnings or ends of reference periods). In practice, however, there may be some departures from the market price principle. In many cases, book values from the balance sheets of direct investment enterprises (or of direct investors) will be used to determine the value of the stock of direct investments.

Direct investment transactions are all transactions between direct investors, direct investment enterprises, and/or other fellow enterprises (direct investment equity capital, reinvestment of earnings and intercompany debt).

Direct investment income is part of the return on the direct investment position; that is, it is the return on equity and debt investment (earnings on equity investment plus income on debt between direct investors and direct

investment enterprises and between fellow enterprises). Direct investment income is recorded as it accrues.

For balance of payments and international investment position statistics, FDI aggregates components are reported on an asset/liability basis. For FDI statistics broken down by partner country and by economic activity, data are reported on the basis of the directional principle which takes into account reverse investments and investments between fellow enterprises. For the reporting country, inward investments represent non-resident investments in resident enterprises and outward investments represent investments abroad of resident investors.

Following BD4, in both inward and outward direct investment statistics, the economic activity should be primarily analysed for the activity of the direct investment enterprise, i.e. of the resident direct investment enterprise for inward investment and of the non-resident direct investment enterprise for outward investment. The minimum level of detail recommended by BD4 is that of eleven major divisions of ISIC's High-level aggregation for SNA data reporting.<sup>a</sup> For the purposes of consistency with FATS compiled as recommended by the present Manual, a further breakdown to the level of the Manual's ISIC Categories for Foreign Affiliates (see paragraphs 4.35-4.39 below) would be desirable.

BPM6 and BD4 provide additional details on the treatment of direct investment, including special instructions for the treatment of intercompany transactions between affiliated financial intermediaries (e.g., security dealers) and Special Purpose Entities (SPEs) [There may need to be a short discussion of BD4 recommendations on ultimate investors and SPEs here and in the main chapter text].

<sup>a</sup> [See BD4, para. 379 and ISIC, Rev.4].

4.20. Interest in statistics on foreign affiliates has arisen from two primary sources. The first has been the growing integration or *globalization* of the world economy. For a variety of motivations—such as to achieve benefits from geographic diversification, circumvent trade barriers, increase proximity to markets, or reduce costs of labour, transportation, or other inputs—an increasing number of firms have expanded their operations beyond the countries of their owners. The need to understand this phenomenon of international operations, and to monitor the performance of the foreign affiliates through which they are conducted, exists quite separately and apart from any trade agreements, and in this regard FATS and the broader AMNE statistics are important analytical tools.

4.21. The second source of interest has been the GATS. By including commercial presence and presence of natural persons as modes of supply, it has created a new need for information describing the activities of foreign-owned or -controlled firms in host economies. The information will mainly relate to commercial presence. However, partial information on presence of natural persons may also be available from this source, if employment by foreign affiliates is among the variables collected and if their foreign employees, who are present temporarily in the country of location of the foreign affiliate as corporate transferees or not, can be separately identified.

4.22. For both of these purposes, FATS are of interest in their own right, but it will often be possible to discern

their full significance only when they are viewed in conjunction with other information, such as comparable information on total home- or host-country economic activity or on services supplied through modes other than commercial presence. For example, while the number of employees of foreign-controlled affiliates in the domestic economy is useful information in and of itself, a fuller understanding of its significance could be obtained if the percentage of domestic employment accounted for by these affiliates could be computed. For such computations to be possible, compilers will have to devote attention to issues of comparability between FATS variables and statistics on the domestic economy covering the same items.

4.23. To promote such comparability, the present *Manual's* recommendations for FATS draw to a very considerable extent on concepts and definitions found in the 2008 SNA—in terms of both the entities to be covered and the selection and definition of variables for measuring their operations and performance. This approach also allows FATS to be related to or integrated with not only statistics for the domestic economy but also similar statistics on the activities of foreign affiliates in the production and distribution of goods. Concerning the latter, the concepts, definitions and recommendations of the present *Manual* are also harmonized with those used in the *OECD Handbook*, which considers foreign affiliates as suppliers of both goods and services.

4.24. Some firms produce both goods and services, and it is only by coverage of all producers that the activities of producers for which provision of services is a secondary activity would be reflected in the statistics. In addition, coverage of all producers allows for the activities of services producers to be examined in the context of statistics covering all firms. As explained in paragraph [4.xx] below, the method for attributing and presenting FATS variables by activity and, to the extent possible, selected ones by product, rather than the limitation of the universe of producers to service producers alone, is the mechanism recommended for isolating services from goods.

### **E. Attribution of FATS variables**

4.25. FATS variables may be attributed or classified in a variety of ways. One way is geographic - that is, in what country did the production take place, and what country is to be regarded as the country of the owner of the producing affiliate? Another way is on the basis of the primary industrial activity of the producer. Some variables may, in addition, be classified by product - according to the types of goods or services produced. Recommendations on each of these bases of attribution are provided in the sections that follow.

#### *Attribution by country*

4.26. The issues to be addressed in attributing variables by country differ as between inward and outward FATS. For inward statistics, a choice must be made between attribution to the immediate investing country or to the ultimate investing country. For outward statistics, the issue is whether to attribute variables to the immediate host country or the ultimate host country.

4.27. The need to follow investments to their ultimate origins or destinations reflects both the nature and the uses of these statistics. These issues are discussed below with respect to each type of investment, where appropriate considering any GATS interest, and recommended bases of attribution are given.

#### *Inward FATS*

4.28. For foreign-controlled affiliates in the compiling economy, the question is whether to attribute FATS variables to the country of the immediate investor (first foreign parent) or to that of the ultimate investor.

Commonly, the first foreign parent and the ultimate investor are one and the same, but in many cases they differ.

4.29. Abstracting from practical considerations, the country of the ultimate investor is conceptually preferable for attribution of variables concerning production and industrial activity because that is the country that ultimately owns or controls, and therefore derives the benefits from owning and controlling the direct investment enterprise. The ultimate investor is of primary interest also as the partner for trade policy and negotiations on market access. In light of the relevance of the ultimate-investor basis and the demonstration by a number of countries that compilation on this basis is feasible, this manual recommends the ultimate-investor basis as the first priority for compilation of FATS and the basis on which estimates should be prepared in the greatest detail. However, considering that information on immediate investors may be available as a by-product of linkages to FDI data, and to facilitate comparisons with these data, countries are encouraged to make available some data classified to the country of the first foreign parent<sup>5</sup>.

#### *Outward FATS*

4.30. For affiliates owned by residents of the compiling economy, two options for the geographic attribution of FATS variables are possible. The variables could be attributed to the country of location of the affiliate or, if the ownership is through a directly held affiliate located in another country, to the country of that affiliate. This *Manual* follows other international guidelines in recommending that attribution of FATS be to the country of the affiliate whose operations are described by the variables, for that is the country in which the foreign direct investor's commercial presence exists, and it is the country where the various activities (sales, employment etc.) tracked by the statistics are carried out. This basis of attribution is recommended in both the OECD Handbook and in BD4. In addition, it is consistent with the treatment of foreign-controlled enterprises in the 2008 SNA, in that the value added in production by the enterprise is attributed in both cases to (i.e., is included in the gross domestic product of) the economy of location of the enterprise. To the extent that the statistics may be used in conjunction with FDI statistics<sup>6</sup>, it should be

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<sup>5</sup> Including or excluding SPEs?

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reiterated that the latter are attributed to the immediate host country as is appropriate for tracking financial flows and positions.

*Note on the equal ownership of shares by residents of more than one country*

4.31. Ordinarily, FATS variables for a given foreign affiliate are attributed in their entirety to a single country of owner. As descriptors of the operations of affiliates, they should not be factored down by ownership shares. Nor are the values of the variables to be apportioned between the majority owner and any foreign minority owners. However, where supplemental statistics are provided covering cases in which foreign control has been achieved other than through majority ownership by a single investor, classification dilemmas may arise where direct investors of different countries have collectively achieved majority ownership through holdings of equal shares. Because the ownership is evenly split, the determination of the country of owner has to be made using criteria other than ownership percentages.

4.32. Although it is sometimes difficult to reach a decision in such cases, there is often some factor that would lead to the selection of one country rather than the other. For example, if one owner's interest in the affiliate is held directly and the other owner's interest is held indirectly, the affiliate generally would be classified in the country of the owner holding the direct interest. As another example, if one of the foreign owners is a government entity, then the country of that Government would probably be considered the country of owner. Finally, if one of the foreign owners is a holding company or is located or incorporated in a tax haven country, then the other country would probably be considered the country of owner. In the absence of any such factor that could be used as a basis of attribution, the value of FATS variables may be allocated evenly among the foreign countries of ownership. However, data so allocated may pose problems of interpretation, and efforts should first be made to determine a basis for allocation to a single country.

#### *Attribution by activity and product*

4.33. Ideally, it would be possible to attribute all FATS variables on the basis of the industrial activities of producers and, in addition, particular variables, such as sales or output, exports and imports by the types of services products produced and sold. Data on a product basis would identify the specific types of services

delivered through the commercial presence mode of supply and could most readily be compared with data on services delivered through trade between residents and non-residents. However, some FATS variables, such as value added and employment (discussed below), do not lend themselves to a product classification. Also, for some countries, FATS may be developed as a subset of domestic enterprise or other statistics that are classified only on an activity basis. On this basis, all of the data for a given enterprise are classified in the single activity—often termed the “primary” activity—that, based on some key variable (such as employment or sales), is the largest. Finally, for some purposes, the data may need to be viewed in conjunction with data on stocks and flows of FDI, which normally would be classified by activity but not by product.

4.34. Taking these factors into account, an activity basis is recommended as the first priority for FATS. However, as a longer-term goal, countries are encouraged to work toward providing product detail for the items that can be classified on this basis. Countries that are building on existing data systems that already include product detail will wish to use this detail from the outset in their tabulation and presentation of FATS, because it could help them in monitoring commitments under GATS that are specified in terms of services products. Similarly, countries that are building their FATS data systems from the ground up should consider the feasibility of providing for a product dimension.

#### *(a) By activity*

4.35. This *Manual* recommends that, for reporting to international organizations, FATS variables be classified by activity according to ISIC, and grouped according to the ISIC Categories for Foreign Affiliates (ICFA), which have been derived from ISIC. These categories, shown in table x, cover all activities, but with more detail provided for services than for goods.

4.36. This all-inclusive basis of presentation allows activities of services enterprises to be viewed in the context of the activities of all enterprises. In addition, it provides a framework for displaying services produced as a secondary activity by enterprises classified as goods producers. Finally, this all-inclusive approach has been adopted by the countries and international organizations that are actively developing FATS.

4.37. Primarily because the activities carried out by a given firm are often not limited to its activity of classification, the data recorded against any given

activity must be interpreted as an indication of total activity of firms for which the given activity is the most important, or primary, activity, rather than as a precise measure of the activity itself.<sup>7</sup>

4.38. For the same reason, as well as because of differences in the classifications themselves, the extent to which data on resident/non-resident trade classified according to EBOPS can be aligned with data on FATS variables classified according to ICFA is inherently limited. Nonetheless, a correspondence between the two bases of classification may be useful for some purposes, mainly involving activities that tend to be carried out only by firms that are specialized in the activity and tend not to have significant secondary activities.<sup>8</sup> For such purposes, the EBOPS categories corresponding most closely to the ICFA categories for services activities have been indicated in annex XX, table A.XX. The reverse correspondence is shown in annex XX table A.XXX.

4.39. The present *Manual* recognizes that data for particular ICFA categories may sometimes have to be suppressed (that is, not separately shown) to preserve the confidentiality of data for individual companies. This will most often happen at the most detailed level of the classification, or in the case of smaller countries, or where the data are cross-classified by country or area.

[It is proposed to insert a box on confidentiality issues]

(b) *By product*

4.40. As a longer-term goal, countries are encouraged to work toward disaggregating by product some or all of

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<sup>7</sup> For example, computer services may be provided not only by firms classified in the computer services industry but also by firms classified in computer manufacturing and computer wholesale trading. Similarly (although this is less common in practice), computer services firms may engage in manufacturing or wholesale trade as secondary activities. Statistics shown for the activity “computer services” would misstate the value of the activity by excluding the computer services provided by manufacturers and wholesale traders and by including the manufacturing and wholesale trade activities of computer services firms.

<sup>8</sup> For example, if legal services were performed only by law firms and law firms tended to perform only legal services, sales recorded under the “legal services” activity would correspond closely to sales of legal services because they would be recorded in a product classification; this is unlike the example in the previous footnote involving computer services.

the variables—which include sales (turnover), output, exports and imports—that lend themselves to this basis of attribution. Product-based statistics are free of problems of interpretation related to secondary activities, are consistent with the basis on which GATS commitments are made, and are consistent with the basis of classification used for trade between residents and non-residents.

4.41. To the extent possible, the breakdown should be on a basis compatible with EBOPS for services and according to the Harmonized System for trade in goods, to facilitate comparisons with resident/non-resident trade classified on this basis. If this level of specificity cannot be achieved, countries may wish to disaggregate sales in each industry as between sales of goods and sales of services as a first step toward a product basis (see paragraphs 4.48 and 4.50 below on the sales variable for a discussion of this option).

## F. Economic variables for FATS

4.42. A wide range of economic data or variables - operational and financial - in regard to FATS may be pertinent for analytical and policy purposes. The selection of the variables to be collected should be based primarily on their usefulness for trade policy needs and in analysing globalization phenomena. The practicalities of data availability also must be considered. With such considerations in mind, and in the interests of harmonization with other international guidelines, this *Manual* recommends that the FATS variables to be collected include at least the following basic measures of foreign affiliate activity: (a) sales (turnover) and/or output, (b) employment, (c) value added, (d) exports and imports of goods and services, and (e) number of enterprises. Although these variables constitute a basic set that can provide answers to a variety of questions, additional measures of foreign affiliate activities may prove useful in addressing specific issues. The *Manual* suggests several additional measures that might be considered for collection by countries that are able to compile such information. Most of both the “basic” and the “additional” variables are drawn from the 2008 SNA, as were their definitions.

4.43. To provide a concrete illustration of how these variables might be presented, table 4 presents a sample table format in which the basic variables could be presented, classified by activity on the basis of ICFA. Additional tables might be constructed to view the variables from different perspectives. For example, time



series or geographic detail could be shown for a single variable by placing time periods or country names, rather than the names of the variables, in the table heading.

### *Sales (turnover) and/or output*

4.44. *Sales* and *turnover* are used here interchangeably to mean the same thing. Following the SNA (which may be consulted for additional details and examples), output differs from sales because it includes changes in stocks of finished goods and work in progress and because of differences in measurement applicable to activities involving wholesale and retail trade or financial intermediation. Output is a superior and more refined measure of activity for most purposes and is recommended as the preferred variable for compilation. However, sales data are easier to collect and may present more options for disaggregation. Thus, there may be a continuing role in FATS and AMNE statistics for both measures.

4.45. For certain service activities, special conventions are used for measuring output. Services activities do not involve stocks of finished goods, and changes in work-in-progress will usually be impossible to measure. In practice, therefore, measured output will be identical to sales for most service activities. For wholesale and retail distribution, although the sales are of goods, the output is defined as a service, equal not to the total value of sales but to the trade margins realised on goods purchased for resale. For financial intermediaries, output includes not only services that are charged for by explicit fees, but also margins on buying and selling transactions, asset management costs deducted from property income receivable in the case of asset-holding entities, and margins between interest payable (or receivable) and the reference rate on loans (called financial intermediation service charges indirectly measured, often abbreviated as FISIM – see box xx). For insurance, output is measured not by total premiums earned, but by a service charge that takes into account the income earned on technical reserves and also the fact that a portion of premiums must be devoted, not to the provision of services, but to the payment of claims and to the accumulation of capital sums guaranteed under life insurance policies, annuity plans and pension entitlement schemes. In all these cases, output will generally be considerably lower than sales because it, unlike sales, excludes the amounts - which may constitute a large portion of total operating revenues - that pass through the enterprise without being considered a part of its intermediate consumption.

4.46. *Sales* measures gross operating revenues, less rebates, discounts and returns. *Sales* should be measured exclusive of consumption and sales taxes on consumers and value-added taxes. Although lacking the duplication-free quality of value added, the sales variable generally presents fewer collection difficulties and thus is likely to be more widely available than value added. Also unlike value added, sales indicates the extent to which foreign affiliates are used to deliver outputs to customers, irrespective of the extent to which the output originated in the affiliates themselves or in other firms. Further, sales are more comparable than value added with regard to such variables as exports and imports, which themselves mainly arise from sales.

4.47. In addition to disaggregation by industry and by country (following the principles of attribution discussed earlier), other breakdowns of sales may be useful for particular purposes. One such breakdown is to distinguish among sales within the host country (local sales), sales to the country of the parent enterprise (i.e., the immediate investor), and sales to third countries.<sup>9</sup> All three types of sales result from a commercial presence by the home country in the host country. However, only the local sales represent the delivery of output within host economies and thus relate directly to the commitments made under the GATS Mode 3 by those economies. In any analysis of FATS variables in conjunction with data on the parent country's trade with non-residents, it should be noted that the foreign affiliates' sales to the parent country would appear in both data sets, which may suggest the usefulness of an adjustment to eliminate the duplication, or a memorandum item to identify it.

4.48. Among other breakdowns that may prove useful countries might attempt to disaggregate sales within each industry as between sales of goods and sales of services so as to obtain a measure of sales of services. As mentioned in paragraph 4.41 above on the attribution of FATS variables, such a breakdown would represent a first step toward a product breakdown of sales. Sales of services would include both sales of services by enterprises that produce services as a primary activity and sales of services by enterprises that produce goods

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<sup>9</sup> In some cases, it might be possible to derive a close proxy for this breakdown by examining data on total sales in conjunction with data on exports; export data may indicate sales to the country of the parent separately from sales to third countries, and local sales may be derived by subtracting these export sales from total sales.

as a primary activity but have secondary operations in services.

4.49. The potential usefulness of this extension is considerable, and countries that are able to provide this data are encouraged to do so. It is likely that a significant share of sales of services by affiliates is accounted for by affiliates whose primary industry is manufacturing or another goods producing industry. For example, sales of computer services might, as noted earlier, be spread among manufacturing affiliates, wholesale trade affiliates and computer services affiliates. If only total sales were collected, then by default only the sales by the affiliates classified in computer services would be taken as a measure of sales of such services, resulting in a significant understatement.

4.50. As a longer-term goal, countries are encouraged to work toward developing product detail on sales, on a basis compatible with EBOPS.<sup>10</sup>

### *Employment*

4.51. In a FATS context, *employment* would normally be measured as the number of persons on the payrolls of foreign affiliates. Employment data are sometimes converted to a full-time equivalent (FTE) basis, in which part-time workers are counted according to the time worked (e.g., two workers on half-time schedules count the same as one full-time worker). Although FTE employment may provide a better measure of labour input, this measure is not as widely available as numbers of employees and may be difficult to implement consistently in the context of internationally varied employment practices. For those reasons, the recommendation of this *Manual* is that the FATS employment variable be the number of persons employed. The number should be representative of the period covered, but in the absence of strong seasonal or other fluctuations in employment, it may be measured as of a point in time, such as the end of the year, following national practices.

4.52. Data on employment by affiliates can be used in several ways. They can be used to determine the share of foreign affiliates in host country employment, or in attempts to determine the extent to which employment

by foreign affiliates complements or substitutes for domestic (home country) employment by parent companies or other domestic firms. An industry breakdown of affiliates' employment can yield further insights into the impact of foreign-owned enterprises on specific parts of the economy. Used in conjunction with data on compensation of employees—one of the “additional” variables suggested below—the employment variable may be used in examining compensation practices of affiliates relative to those of domestically owned firms.

### *Value added*

4.53. The SNA defines “the gross value added of an establishment, enterprise, industry or sector” as “the amount by which the value of the outputs produced exceeds the value of the intermediate inputs consumed”. A related concept, “net value added”, is defined as gross value added less the consumption of fixed capital. Gross value added can provide information about the contribution of foreign affiliates to host country gross domestic product, both in the aggregate and in specific industries. For this reason and because it may often be easier to compute (because it does not require estimation of capital consumption) and is thus more widely available, the higher priority should be accorded to the gross measure of value added.

4.54. Although it is defined in terms of outputs and intermediate inputs, value added is also equal to the sum of primary incomes generated in production (compensation of employees, profits etc.). In some cases, depending on the particular data that are available, this equivalence may be exploited in deriving estimates of value added. This alternative might be chosen, for example, if data on intermediate consumption were lacking but information on the various incomes generated in production were available.

4.55. Because it includes only the portion of the firm's output that originates within the firm itself, value added is a particularly useful measure from the perspectives of both GATS and globalization analysis. It is for this reason that it has been included among the “basic” FATS variables, even though, as a measure that may have to be estimated or derived from other variables, it may be among the more difficult variables to compile. For inward FATS, value added will often be available from regular industrial or enterprise surveys, but for outward FATS it may have to be derived from other variables or collected in separate surveys.

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<sup>10</sup> Such detail would, of course, exclude the transactor-based EBOPS categories for travel and for government goods and services, n.i.e.

### *Exports and imports of goods and services*

4.56. International goods and services transactions of foreign affiliates is another basic indicator of activity. The concept is of international trade in goods and services between residents and non-residents. Both balance of payments data and data provided by parent enterprises and affiliates in separate questionnaires may be appropriate sources for such information. To a large extent, the possibilities for disaggregating total exports and total imports may depend on the sources used to obtain the data.

4.57. Where the data are obtained through linkages with primary data sources for balance of payments transactions, breakdowns by product and by origin or destination will often be possible. In this event, exports and imports of services may be disaggregated, not only by the primary activity of the affiliate according to ICFA but also by product on a basis compatible with the EBOPS.

4.58. Although linkages with balance of payments data may thus provide useful information, it often will be difficult or impossible to separately identify the transactions of foreign-owned firms in these data. Thus, it may be possible to develop the data on exports and imports only through the use of separate questionnaires. In this event, these same breakdowns would be useful, but it is unlikely that a large number of countries would be able to collect the necessary data with the same frequency or in the same detail as provided by balance of payments data. It would be useful for globalization analysis to disaggregate exports and imports into a few broad categories in which trade with related enterprises would be distinguished from trade with unrelated parties, thus providing information for one of the last of the elements for a phased approach to implementation of the *Manual*.<sup>11</sup> In addition, trade with the country of the parent enterprise could be distinguished from trade with other countries. If possible, those breakdowns should be obtained separately for goods and services. For inward FATS, for example, this would mean disaggregating the affiliate's exports of goods and exports of services into (a) exports to the parent enterprise, (b) other exports to the country of the parent, and (c) exports to third countries. Imports would be similarly disaggregated.

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<sup>11</sup> Trade with related enterprises is defined to include trade with all enterprises with which there is a direct investment relationship.

### *Number of enterprises*

4.59. The number of enterprises (or establishments, where that is the statistical unit) meeting the criteria for coverage by FATS is a basic indicator of the prevalence of control by foreigners in the host economy. That number may be compared with the total number of firms (or establishments) in the economy. It may also be assessed in relation to the other FATS variables because it allows the computation of ratios - such as value added or number of employees per enterprise - that may be compared with the same ratios for domestically owned firms, thus giving an indication of the behaviour of foreign affiliates.

4.60. It should be recognised that the number of firms alone may not give an accurate picture of the overall importance of foreign-controlled firms, because of differences in size between these firms and those that are domestically owned. If the foreign-controlled firms tend to be larger, for example, then their share in the total number of firms would be smaller than their share in the various measures of operations and would thus tend to understate the role and importance of these firms in host country economies.

4.61. Typically, information on numbers of enterprises will be a natural by-product of collection of data on other FATS variables, rather than a separate object of the data-collection effort. As such, the number is likely to be affected, often significantly, by the level of company consolidation and by thresholds for reporting on surveys. To assist users in interpreting counts of enterprises (or establishments), countries are encouraged to indicate in explanatory notes how the numbers were derived.

### *Other variables*

4.62. Although not included as priority items, there are other FATS variables of significance, perhaps for certain countries of equal or greater importance than some of those previously discussed. As is the case for the priority items, comparisons with the total economy and with specific sectors can be made and used for assessing the impact of foreign-controlled enterprises on home and host economies.

4.63. Among such variables, which are listed and defined below are those already collected by some

countries. (The definitions are drawn from the *SNA*, which may be consulted for additional details.)

(a) *Assets* - entities over which ownership rights are enforced and from which economic benefits may be derived by their owners by holding or using them. These include both financial assets and non-financial assets, whether produced or non-produced.

(b) *Compensation of employees* - the total remuneration, in cash or in kind, payable by an enterprise to an employee in return for work done by the employee during the accounting period.

(c) *Net worth* - the difference between the value of all assets—produced, non-produced, and financial—and all liabilities.

(d) *Net operating surplus* - measured as value added (gross), less compensation of employees, consumption of fixed capital and taxes on production, plus subsidies receivable;

(e) *Gross fixed capital formation* - measured by the total value of a producer's acquisitions, less disposals, of fixed assets during the accounting period, plus certain additions to the value of non-produced assets realized by productive activity. (Fixed assets are defined as produced assets that are themselves used repeatedly or continuously in processes of production for more than one year.)

(f) *Taxes on income* - these consist of corporate income taxes, corporate profit taxes, corporate surtaxes and so forth, and taxes that accrue to owners of unincorporated enterprises as a result of the income of those enterprises. Taxes on income include only taxes in the host country of the affiliate and not any taxes paid by the parent in the home country as a result of income earned or distributed by the affiliate. Taxes on income are usually assessed on the total income of corporations from all sources and not simply on profits generated by production.

(g) *Research and development expenditures* - expenditures for activities undertaken for the purpose of discovering or developing new products (goods and services), including improved versions or qualities of existing products, or discovering or developing new or more efficient processes of production.

(h) *Purchases of goods and services* (intermediate consumption) – expenditures on goods and services consumed as inputs by a process of production, excluding fixed assets whose consumption is recorded as consumption of fixed capital. It would be of interest for

economic analysis to separate local purchases from imports.

## G. Compilation issues for FATS

4.64. There are two basic approaches, which are not necessarily mutually exclusive, to developing FATS. The first is to conduct surveys that directly request information on the operations of resident affiliates of foreign firms and foreign affiliates of domestic firms. The second, which can be used only for inward investment, identifies the subset of existing data on resident enterprises that is accounted for by foreign-owned firms.

4.65. Whichever of these approaches is taken, there are likely to be links to existing data on foreign direct investment. Where there are surveys of foreign affiliates, registers used in collecting FDI data would typically be used to identify foreign-controlled affiliates for which FATS variables should be collected. Alternatively, key FATS variables might be added to existing FDI surveys. However, because FDI surveys may be conducted more frequently than FATS are compiled (e.g., quarterly rather than annually) and require a quick turnaround, as well as because FATS are needed for only the controlled portion of the FDI universe, separate surveys probably would offer a better solution in most cases. Where existing domestic statistics are used as the source of information, links to FDI data will often provide the means of determining which resident enterprises are majority-owned and should be included, as well as the means of identifying the country of owner. Under this approach, FATS would be obtained as an aggregation of statistical variables across the foreign-owned statistical population.

4.66. Each approach has its own advantages and drawbacks and it is possible to outline some of the intrinsic differences. However, the criteria for deciding whether an enterprise is foreign-owned would be the same in both cases.

4.67. The FDI statistics framework, whether implemented through adding questions to existing surveys or through institution of new surveys covering the foreign-controlled subset of the FDI population, allows for the compilation of outward as well as inward

statistics and provides more options for tailoring the data to specific needs. However, the activity classification used in FDI statistics may be different to that used for FATS, and it seems difficult to go beyond basic statistical variables, such as turnover and employment, without designing completely new surveys, which might raise concerns about resource availability and respondent burden. Also, if that approach is taken, special care will be necessary to ensure compatibility with the domestic statistics with which the foreign affiliates' statistics may be compared.

4.68. The picture of FATS as a subset of enterprise statistics is quite different. It is not possible to compile outward statistics within that framework. However, the activity classification used may be quite detailed and product detail may be available for sales or turnover. In addition, a comprehensive set of statistical variables can generally be provided. It is generally easier to provide this information for statistics on inward investment than for statistics on outward investment.

4.69. In many cases, a mix of the two approaches may work best, with separate surveys being used for the compilation of outward FATS and for the identification of foreign-owned companies, and the "enterprise statistics" context being used for the compilation of inward FATS, with a more detailed activity breakdown and a more comprehensive set of variables. An extended business register might be a suitable means of maintaining such information. This approach has already been adopted in some countries that use them to maintain data on foreign ownership. The present *Manual* bases its recommendations on both approaches, recognizing the advantages and disadvantages of each and the need for countries to have flexibility in adapting the recommendations to their individual statistical infrastructures and maximizing the use of existing data.

## **H. Summary of main recommendations for FATS**

4.70. The main recommendations of the present chapter on the compiling of foreign affiliate statistics may be summarized as follows:

(a) FATS should cover controlled affiliates as defined in the FDIR. However, countries are

encouraged to provide supplemental statistics, covering cases in which foreign control may be deemed to be present, even though no single foreign direct investor holds a majority stake;

(b) FATS variables should be compiled for all foreign affiliates, not only those affiliates in services. However, the activity classification to be used for reporting to international organizations provides more detail for services than for goods;

(c) For statistics on foreign-controlled affiliates in the compiling economy (inward FATS), the first priority for geographical attribution should be the country of ultimate investing country. However, to facilitate linkages with FDI data, countries are also encouraged to provide some data in which attribution is based on the country of the first foreign parent. Statistics for foreign affiliates of the compiling economy (outward FATS) should be attributed based on the country of location of the affiliate whose operations are being described;

(d) Because it is the basis required for some variables as well as the basis on which data probably are, at present, most widely available, an activity basis is recommended as the initial priority for FATS. However, data on a product basis is recognized as a longer-term goal, and countries are encouraged to work toward providing product detail for those variables that lend themselves to this basis of attribution (namely, sales (turnover) and/or output, exports and imports);

(e) For reporting to international organizations, FATS variables should be disaggregated according to the ISIC Categories for Foreign Affiliates (see table 3). Any product detail that is developed should be disaggregated on a basis compatible with EBOPS (see table XX);

(f) . The *Manual* recommends that the FATS variables to be collected include at least the following basic measures of foreign affiliate activity:

- Sales (turnover) and/or output;
- Employment;
- Value added;
- Exports and imports of goods and services;
- Number of enterprises.

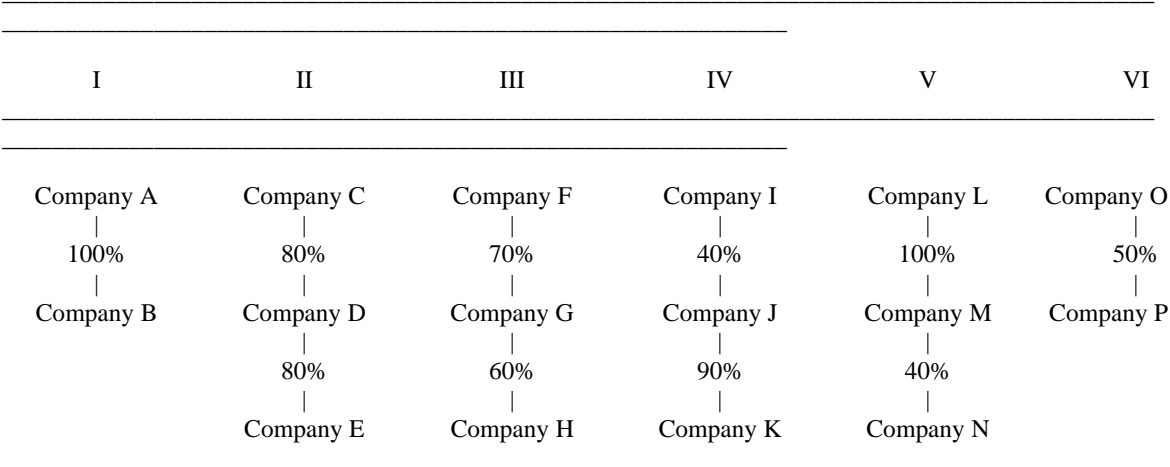
Additional measures are suggested for countries wishing to expand FATS data collection beyond this basic set.

(g) A variety of sources and methods may be used to collect and compile FATS. Separate surveys may be

conducted or links may be made with domestic enterprise statistics that are already collected. In either case, there are likely to be links with existing data on foreign direct investment.

**Box XX. Immediate and ultimate investors** (*This box needs to be reviewed*)

Foreign-controlled affiliates in the compiling economy may be grouped geographically based on the country of the immediate investor (first foreign parent) or the country of the ultimate investor. The first foreign parent is the first foreign person in the chain of ownership of the affiliate. The Ultimate investor is the first person in the chain - beginning with and including the first foreign parent - that is not majority owned by another person. The following examples illustrate how these entities may be identified in particular cases. In each case, the chain of ownership runs from top to bottom, with the company at the bottom being the foreign affiliate whose control is at issue.



- Case I. Company A is both the foreign parent and the UBO of company B.
- Case II. Company D is the foreign parent of company E. Because company D is, in turn, majority owned by company C, company C is the UBO of company E; its country would be considered the country of ownership of company E in FATS.
- Case III. Following the same reasoning as in Case II, company G is the foreign parent of company H, while company F is its UBO. Company F is the UBO of Company H and is deemed to control Company H even though its indirectly held ownership in company H is only 42 per cent—the product of its 70 per cent share of company G and company G’s 60 per cent share in company H. However, it can be presumed to control company H because each entity in a chain of majority ownerships can control the entity below it, including that entity’s actions with respect to the entities that are, in turn, below it.
- Case IV. Company J is both the foreign parent and the UBO of company K. Company I is not the UBO because it is not the majority owner of company J.
- Case V. Company M is the foreign parent of company N. Because company M is, in turn, majority owned by company L, company L is the UBO of company N. However, company N is not covered by FATS because it is not controlled by its foreign parent.
- Case VI. Company O is both the foreign parent and the UBO of company P. Company P is not covered by FATS because it is not majority owned by its foreign parent, but it nonetheless represents a case that may be deemed relevant for the purposes of GATS or globalization analysis. Thus, the compiling country may wish to show data for company P (and other cases of interest) on a supplemental basis (see paragraphs 4.21 and 4.22 above).

**Table 3 Draft ISIC, Rev.4 categories for foreign affiliates (ICFA Rev. 1)**

(ICFA to be reviewed against BD4 categories, OECD-Eurostat revised AMNE categories and services identified in revised EBOPS)

Priority 1/all trading partners	Priority 2/Main trading partners	ISIC Rev.4
<b>TOTAL ACTIVITY</b>	<b>TOTAL ACTIVITY</b>	<b>sec A to S (excluding O)</b>
<b>AGRICULTURE, FORESTRY AND FISHING</b>	<b>AGRICULTURE, FORESTRY AND FISHING</b>	<b>sec A</b>
<b>MINING AND QUARRYING</b>	<b>MINING AND QUARRYING</b>	<b>sec B</b>
	Extraction of crude petroleum, natural gas and mining support service activities	div 06, 09
<b>MANUFACTURING</b>	<b>MANUFACTURING</b>	<b>sec C</b>
	Food products, beverages and tabaco products	div 10, 11, 12
	TOTAL textiles & wood activities	div 13, 14, 16, 17, 18
	Textiles and wearing apparel	div 13, 14
	Wood, paper, printing and reproduction	div 16, 17, 18
Petroleum, chemicals, pharmaceutical products, rubber & plastic products	TOTAL petroleum, chemicals, pharmaceutical products, rubber & plastic products	div 19, 20, 21, 22
	Coke and refined petroleum products	div 19
	Chemicals and chemical products	div 20
	Rubber and plastic products	div 22
	TOTAL metal & machinery products	div 24, 25, 26, 28
	Basic metals and fabricated metal products	div 24, 25
Computer, electronic and optical products	Computer, electronic and optical products	div 26
	Machinery and equipment n.e.c.	div 28
Vehicles, other transport equipment	TOTAL vehicles & other transport equipment	div 29, 30
	Motor vehicles, trailers and semitrailers	div 29
	Other transport equipment	div 30
	TOTAL of other manufacturing	div 15, 23, 27, 31, 32, 33
<b>ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY</b>	<b>ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY</b>	<b>sec D</b>
<b>WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES</b>	<b>WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES</b>	<b>sec E</b>
	Water collection, treatment and supply	div 36
	Sewerage, waste management, remediation activities	div 37, 38, 39
<b>CONSTRUCTION</b>	<b>CONSTRUCTION</b>	<b>sec F</b>
<b>TOTAL SERVICES</b>	<b>TOTAL SERVICES</b>	sec G, H, I, J, K, L, M, N, P, Q, R, S
<b>WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES</b>	<b>WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES</b>	<b>sec G</b>
	Wholesale and retail trade and repair of motor vehicles and motorcycles	div 45
	Wholesale trade, except of motor vehicles and motorcycles	div 46
	Retail trade, except of motor vehicles and motorcycles	div 47
<b>TRANSPORTATION AND STORAGE</b>	<b>TRANSPORTATION AND STORAGE</b>	<b>sec H</b>
	TOTAL transport and storage	div 49, 50, 51, 52
	Land transport and transport via pipelines	div 49
	Water transport	div 50
	Air transport	div 51
	Warehousing and support activities for transportation	div 52
	Postal and courier activities	div 53
<b>ACCOMMODATION AND FOOD SERVICE ACTIVITIES</b>	<b>ACCOMMODATION AND FOOD SERVICE ACTIVITIES</b>	<b>sec I</b>
<b>INFORMATION AND COMMUNICATION</b>	<b>INFORMATION AND COMMUNICATION</b>	<b>sec J</b>
	Motion picture, video, television programme production, other entertainment	div 59, 60
	Telecommunications	div 61
	Computer programming, consultancy and related activities	div 62
	Publishing and information service activities	div 58, 63
<b>FINANCIAL AND INSURANCE ACTIVITIES</b>	<b>FINANCIAL AND INSURANCE ACTIVITIES</b>	<b>sec K</b>
	Financial intermediation, except insurance and pension funding	div 64
	Activities of holding companies	group 64.2
	Insurance, reinsurance and pension funding, except compulsory social security	div 65
	Other financial activities	div 66
<b>PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES</b>	<b>REAL ESTATE ACTIVITIES</b>	<b>sec L</b>
	<b>PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES</b>	<b>sec M</b>
	Legal and accounting activities	div 69
	Legal activities	group 69.1
	Accounting, bookkeeping and auditing activities; tax consultancy	group 69.2
	Activities of head offices; management consultancy activities	div 70
	Activities of head offices	group 70.1
	Management consultancy activities	group 70.2
	Architecture and engineering activities; technical testing and analysis	div 71
Scientific Research and development	Scientific Research and development	div 72
	Advertising and market research	div 73
	Advertising	group 73.1
	Market research and public opinion polling	group 73.2
	Other professional, scientific and technical activities, veterinary activities	div 74, 75
<b>HUMAN HEALTH AND SOCIAL WORK ACTIVITIES</b>	<b>ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES</b>	<b>sec N</b>
	Rental and leasing activities	div 77
	Other administrative and support service activities	div 78, 79, 80, 81, 82
<b>ARTS, ENTERTAINMENT AND RECREATION</b>	<b>EDUCATION</b>	<b>sec P</b>
	<b>HUMAN HEALTH AND SOCIAL WORK ACTIVITIES</b>	<b>sec Q</b>
	<b>ARTS, ENTERTAINMENT AND RECREATION</b>	<b>sec R</b>
	Creative, arts and entertainment activities	div 90
	Libraries, archives, museums and other cultural activities	div 91
	Sporting and other recreational activities; gambling and betting activities	div 92, 93
	<b>OTHER SERVICE ACTIVITIES</b>	<b>sec S</b>
	Activities of membership organizations	div 94
	Repair of computers and personal and household goods, other personal service	div 95, 96
	Not allocated	



**Table 4 Sample format for foreign affiliate statistics**

**INWARD FATS** [These formats to be eventually aligned with revised ICFA and indicate the product dimension]

Partner Country A

Industry of affiliate	Sales/ turnover or output	Employment	Value added	Exports of goods and services	Imports of goods and services	Number of enterprises
Total						
1. Agriculture, forestry, and fishing						
2. Mining and quarrying						
3. Manufacturing						
4. Electricity, gas, steam and air-conditioning supply						
5. Construction						
6. Wholesale and retail trade						
7. Transportation and storage						
8. Hotels and catering						
9. Information and communication						
10. Etc.						

Partner Country B

Industry of affiliate	Sales/ turnover or output	Employment	Value added	Exports of goods and services	Imports of goods and services	Number of enterprises
Total						
1. Agriculture, forestry, and fishing						
2. Mining and quarrying						
3. Manufacturing						
4. Electricity, gas, steam and air-conditioning supply						
5. Construction						
6. Wholesale and retail trade						
7. Transportation and storage						
8. Hotels and catering						
9. Information and communication						
10. Etc.						

etc.....

## OUTWARD FATS

### Partner Country A

Industry of affiliate	Sales/ turnover or output	Employment	Value added	Exports of goods and services	Imports of goods and services	Number of enterprises
Total						
1. Agriculture, forestry, and fishing						
2. Mining and quarrying						
3. Manufacturing						
4. Electricity, gas, steam and air-conditioning supply						
5. Construction						
6. Wholesale and retail trade						
7. Transportation and storage						
8. Hotels and catering						
9. Information and communication						
10. Etc.						

### Partner Country B

Industry of affiliate	Sales/ turnover or output	Employment	Value added	Exports of goods and services	Imports of goods and services	Number of enterprises
Total						
1. Agriculture, forestry, and fishing						
2. Mining and quarrying						
3. Manufacturing						
4. Electricity, gas, steam and air-conditioning supply						
5. Construction						
6. Wholesale and retail trade						
7. Transportation and storage						
8. Hotels and catering						
9. Information and communication						
10. Etc.						

etc....