Compilation of Foreign Affiliates Statistics

Overview

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Outline

- International guidelines
- Basic principles
  - Direct investment enterprises
  - Economic variables
  - Classification by geography and industry
- Collection methods
  - In general
  - U.S. experience
International Recommendations on FATS and FDI

- OECD Benchmark Definition of Foreign Direct Investment 4th edition (BD4 2008)
- OECD Handbook of Economic Globalisation Indicators (HEGI 2005)
FDI: Resident in one economy that has control or a significant degree of influence on the management of an enterprise that is a resident in another economy.

Country A

- Direct investor
  - Owns $\geq 10\%$ shares, voting power or the equivalent
  - Incorporated - over 50% owned
  - Incorporated - 10% - 50% owned
  - Unincorporated direct investment enterprise

Country B

- Direct investment enterprise
  - Subsidiary
  - Associate
  - Branch

individuals

enterprises

associated groups of individuals/enterprises

governments

Graphics courtesy of WTO Measuring Trade in Services Training Module
Ownership criteria:
Majority-owned foreign affiliates
(foreign investor owns more than 50% of the ordinary shares or voting power):

Includes subsidiaries and branches
Excludes associates

Types of producers:
Affiliates producing goods, services
Units considered in FATS statistics may be

**Enterprises**
- Enterprise 1
- Enterprise 2
- Enterprise 3

**Establishments of enterprises**
- Establishment 1a
- Establishment 1b
- Establishment 2a
- Establishment 2b
- Establishment 2c
- Establishment 3a = Enterprise 3

Graphics courtesy of WTO Measuring Trade in Services Training Module
Economic Variables for FATS

Most are drawn from System of National Accounts 2008

Basic FATS variables
(minimum recommended by MSITS)

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

Additional FATS variables

- Assets
- Compensation of employees
- Net worth
- Net operating surplus
- Gross fixed capital formation
- Taxes on income
- Research and development expenditures

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Graphics courtesy of WTO Measuring Trade in Services Training Module
Economic Variables: Sales

▪ Sales data easier to collect than output

▪ For services, sales close to output for most industries
  ▪ Exceptions: financial intermediaries, insurance, wholesale and retail trade

▪ Disaggregate by
  ▪ Destination
  ▪ Goods and services
Geographical Attribution: Inward investment

COMPILING COUNTRY
Operations of foreign-owned affiliate
Described
Statistics on inward FATS

Foreign investor (immediate)
Majority ownership

Foreign Investor (ultimate)
Majority ownership

Operations attributed to the country of

Supplementary information

Statistics on inward FATS

Graphics courtesy of WTO Measuring Trade in Services Training Module
Geographical Attribution: Outward Investment: Treatment of Indirectly Held Affiliates

COMPILING COUNTRY

Resident investor

Statistics on outward FATS

Directly held foreign affiliate

Indirectly held foreign affiliate

Majority ownership

Described

Operations attributed to the country of

Majority ownership

Graphics courtesy of WTO Measuring Trade in Services Training Module
Classification by Activity and by Product

- First priority
  - Foreign affiliates classified by their **primary activity** (industry)

- Long-term goal ...
  - Product breakdown for variables such as sales, imports, and exports
First collected FDI operations data for 1950 covering outward investment

Largely a survey-based system
- Benchmark surveys every 5 years
  - Most comprehensive in subject matter
  - Lowest reporting thresholds
- Annual surveys in interim years
  - Higher exemption levels and fewer items
  - Starting to use statistical sampling
  - Estimates made for below-threshold companies
Collection methods (Cont’d)

- Periodic links to Census Bureau establishment-level data

**Advantages:**
- Greatly increased industry detail
- Easy to compare to domestic economy
- No added reporting burden

**Limitations:**
- Applies only to inward investment
- Less timely
- Less frequent

- An alternative to FATS surveys is to identify the foreign-owned subset of domestic firms
Collect FATS Through FDI Surveys?

Two possibilities

Specific surveys for FATS

Commonly considered preferable because

Add FATS variables to FDI surveys

but...

- Burden on FDI-non-FATS enterprises
- FDI surveys conducted frequently and require quick turnaround
## FATS Sources for Selected Economies

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FATS statistics present economic variables for direct investment enterprises

- Can be attributed to the country of ultimate owner (inward FDI) or ultimate destination (outward FDI)
- Required to measure mode 3 services supplied
- BEA has collected FATS statistics since 1950

Recommendations for collecting FATS statistics

- MSITS 2010
- OECD “Handbook on Economic Globalisation Indicators” and “Benchmark Definition of FDI”
Questions or Comments?

- Please direct any questions or comments to:
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