



FDI by ultimate host and ultimate investing country

European Commission – Eurostat
Directorate G: Global business statistics

Outline of the presentation

- **Two ways of measuring FDI**
- **BD4 approach**
- **Data available**
- **Users' need**
- **Challenges and opportunities**
- **Role of the FOC**

Two ways of measuring FDI under the directional principle

- According to the immediate host country of the direct investment enterprise (outward FDI) and the immediate investing country of the direct investor (inward FDI).
- According to the ultimate host country of the direct investment enterprise (outward FDI) and the ultimate investing country of the direct investor (inward FDI).

BD4 approach

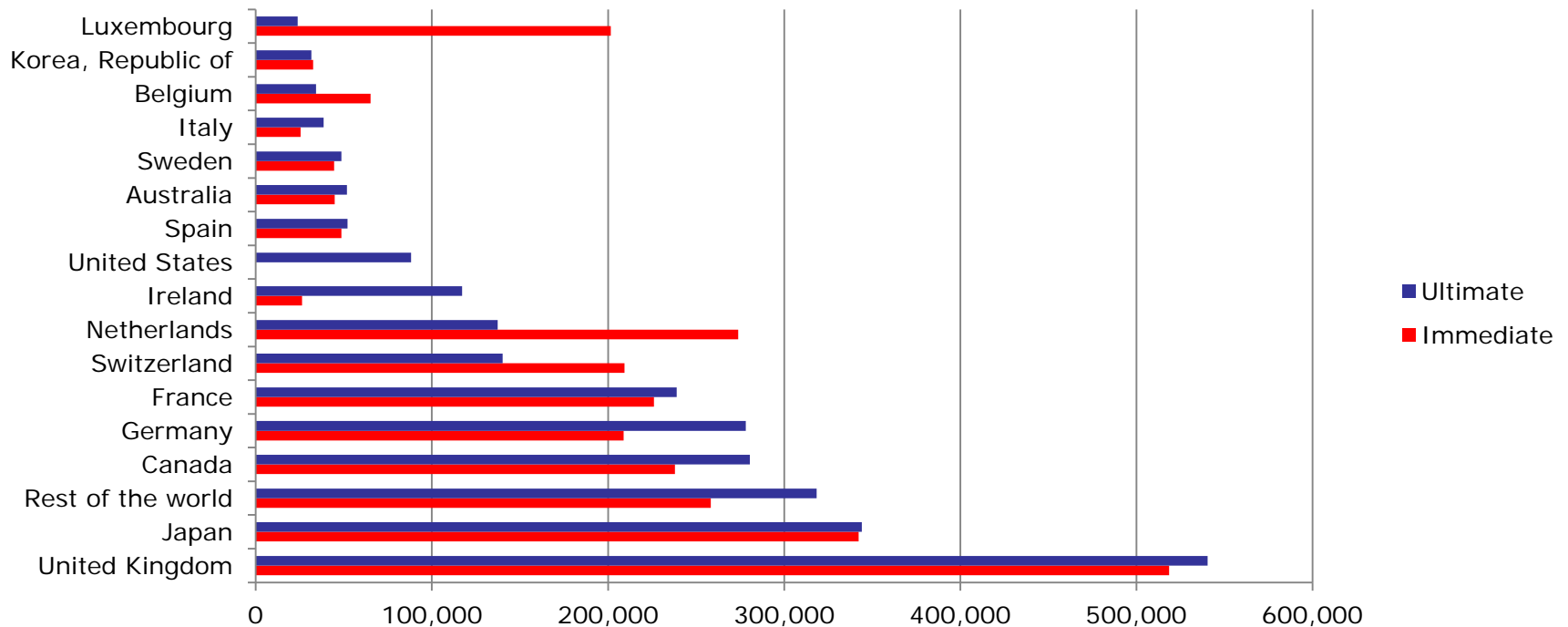
- Standard presentation in OECD Benchmark Definition of FDI 4th Edition (BD4) according to the directional principle is based on the immediate host country/investing country.
 - Information is easier to collect.
 - This presentation ensures the link to Balance of Payments.
- In BD4 supplemental series, there is a dataset requesting inward FDI positions by ultimate investing country.
 - Limited to positions and inward FDI. Easier to collect.
 - Results of first data collection are not yet available.
- FDI positions by ultimate host country are part of the BD4 research agenda.

Some data available

- European FDI statistics only requested by immediate host country/investing country.
- Some EU countries disseminate FDI by ultimate investing country regularly (AT) or have disseminated this as part of research documents (FR, FI).
- The US Bureau of Economic Analysis regularly publishes FDI positions by ultimate beneficiary owner.

The US example

FDI Positions in the US – historical cost, 2013 data, million US\$



Source: US BEA

FDI by "ultimate": increasing user need

- The structure on multinational enterprises is more global and often made of complex links to optimize the results of their business activity.
- Certain countries are placed like centres for setting up Special Purpose Entities (SPEs) working as conduits for channelling funds or holding assets without any real investment in the country.
- Traditional FDI statistics compiled according to the immediate counterpart country have become insufficient to allow a sound economic analysis of cross-border direct investment flows and positions.

Challenges and opportunities

- The main difficulty is to identify the ultimate host and ultimate investing country.
- There is not a conceptual or methodological issue: it is a question of geographical reallocation of FDI flows and stocks.
- The compilation of this information would allow a better linkage between FDI and FATS statistics.
- In Europe, the usage of the available information stored in the EuroGroups Register (EGR) may help in the identification of the ultimate host/investing country.

Role of the FOC

- FDI by ultimate host and ultimate investing country could be part of the research work under the frame of the FOC:
 - Providing guidelines for the compilation of these information, including best practices and proxy recommendations.
 - Promoting the provision to the OECD of the supplemental series on inward FDI positions according to ultimate investing country as a first step towards the collection of this type of data.
 - Setting priorities according to users' needs in order to rationalise the efforts in this area.
 - Ensuring coordination of data collection initiatives by international organisations and fostering international cooperation.



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Thank you for your attention!