FDI by ultimate host and ultimate investing country

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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.
Thank you for your attention!