Foreign Direct Investment – Foreign Affiliates Statistics

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United Nations Statistics Division
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The FDI Universe

- FDI universe
- FDI statistics and FATS
- Foreign Affiliates Statistics (FATS)
  - Recording inward and outward FATS
  - Classification
  - FATS Survey
Foreign Direct Investment (FDI): the direct investor makes an international investment to obtain a lasting interest in an enterprise abroad.

Country A

Direct investor

individuals
enterprises
associated groups of individuals/enterprises
governments...

Country B

Direct investment enterprise

between 10 and 50%: influence
more than 50%: control

• Associate
• Subsidiary

Fellow enterprises
FDI Statistics and FATS

Country A
(outward FDI/FATS)

Direct investors

INTERNATIONAL

Investment financial transactions

Investment income

Direct investment positions (stock)

FDI statistics (in BOP)

Country B
(inward FDI/FATS)

Direct investment enterprises

Foreign affiliates

Activities (turnover, exports/imports...)

Employment

...
Firms covered in FATS

• Control criteria

**Majority-controlled foreign affiliates**

(a single foreign investor owns more than 50% of voting power at each stage of the ownership chain):

*Includes* subsidiaries  
*Excludes* associates

• Types of producers

All affiliates (i.e. producing goods, services)

• Supplementary firms where relevant (e.g. multiple controllers)
Following international standards

- *SNA 2008* (National Accounts)
- *BPM6* (BOP)

FATS closely linked with Foreign Direct Investment (FDI)

Going further than these standards

- *OECD Benchmark Definition of FDI, 4th edition*
- *OECD Handbook: globalization + economic analysis*
- *MSITS*: supply of services through “commercial presence”
Economic variables for FATS

**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
- Purchases of goods and services
Where is the trade?

ECONOMY A compiles outward FATS

ECONOMY B compiles inward FATS

ECONOMY C

Company

Direct investment

Foreign affiliate

Service supply

Service supply

FATS data

(BOP data)
Inward FATS

• Often easier to collect than outward FATS
• Should already be included in country’s domestic enterprise statistics (no. of hotels, VA of the sector, etc.)

Identifying foreign controlled subset!

• Exchanges of information among partners are important: outward information published by a partner can prove useful

*Importance of standardized definitions and methodologies*
Recording of inward and outward FATS

Country C
Investor EC (uci)

Country B
enterprise EB

Country A
enterprise EA

Inward FATS

Outward FATS

Operations of EB

Operations of EA

Controls

Double counting: For international aggregation identify mother companies foreign controlled
Classification by activity and by product

• FATS variables classified as a first priority on an activity basis
  • Foreign affiliates classified by their primary activity
  • According to ISIC Categories for Foreign Affiliates in services (ICFA Rev.1)

• Long-term priority…
  • FATS variables such as sales, imports and exports should also be broken-down by product according to EBOPS 2010 (at least total goods and total services)

• ICFA can be linked with EBOPS (to a limited extent)
# ICFA headings/elements

## AGRICULTURE, FORESTRY AND FISHING
- Crop and animal production, hunting and related service activities
  - *Support activities to agriculture and post-harvest crop activities*
- Forestry and logging
  - *Support services to forestry*
- Fishing and aquaculture

## MINING AND QUARRING
- Mining support service activities

## MANUFACTURING
- Repair and installation of machinery equipment

## ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY
- *Electric power generation, transmission and distribution*

## WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES
- Water collection, treatment and supply
- Sewerage
- Waste collection, treatment and disposal activities; materials recovery
- Remediation activities and other waste management services

## ISIC Rev. 4 code

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Compilation of FATS Statistics

Inward

Outward

Link with FDI in both cases
(identification of FATS firms)
Two possibilities

Specific FATS surveys

Generally preferable because

Adding FATS variables to FDI surveys

but ...

- Burden for FDI firms - not FATS
- FDI surveys: more frequent (quarterly)

Collected information: basic FATS variables to a very detailed ICFA breakdown
1. FATS to cover controlled affiliates as defined in the FDIR

2. FATS compiled for all foreign affiliates

3. Geographical attribution:
   - Inward: country of UCI (+ first foreign parent)
   - Outward: country of operations of the affiliate

4. Activity/product attribution: Activity (ICFA) as first priority, product as a longer term goal

5. Priority variables: Sales (or turnover) and/or output; Employment; Value added; Exports and imports; Number of enterprises