



Foreign Affiliates Statistics (FATS)

- **Usefulness of FATS**
- **Main principles for the recording of FATS variables**
- **Economic variables**
- **Attribution (classification) of FATS variables**
- **Compilation**

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Typical questions on globalization and the monitoring of GATS

- Is a part of the economy controlled by foreigners? To which extent? Which sectors? By which countries?
- What are the characteristics of foreign affiliates compared to national firms?
- What is the relative importance of mode 3?
- What is the extent of trade covered by mode 3 commercial presence?

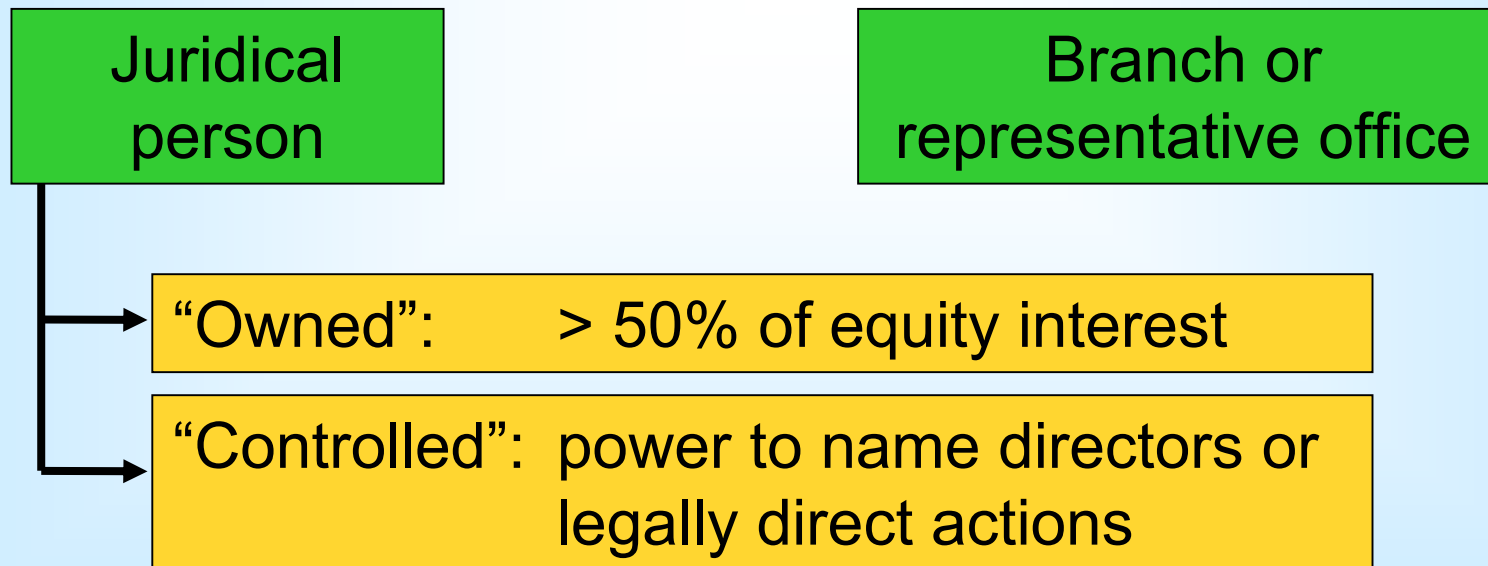


The Commercial Presence in GATS

GATS' main text

Supply of a service (...) through **commercial presence** in the territory of any other Member

GATS' definitions: Commercial presence



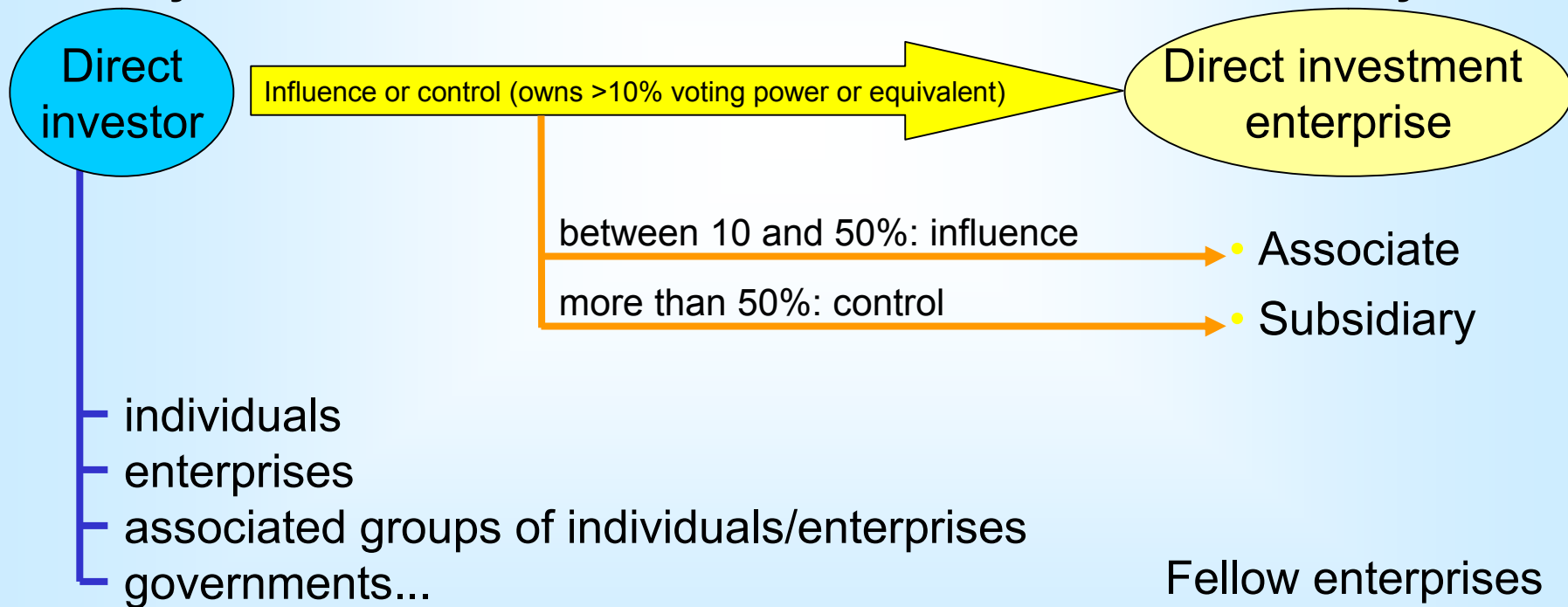


The FDI Universe

FDI: the direct investor makes an international investment to obtain a lasting interest in an enterprise abroad

Country A

Country B



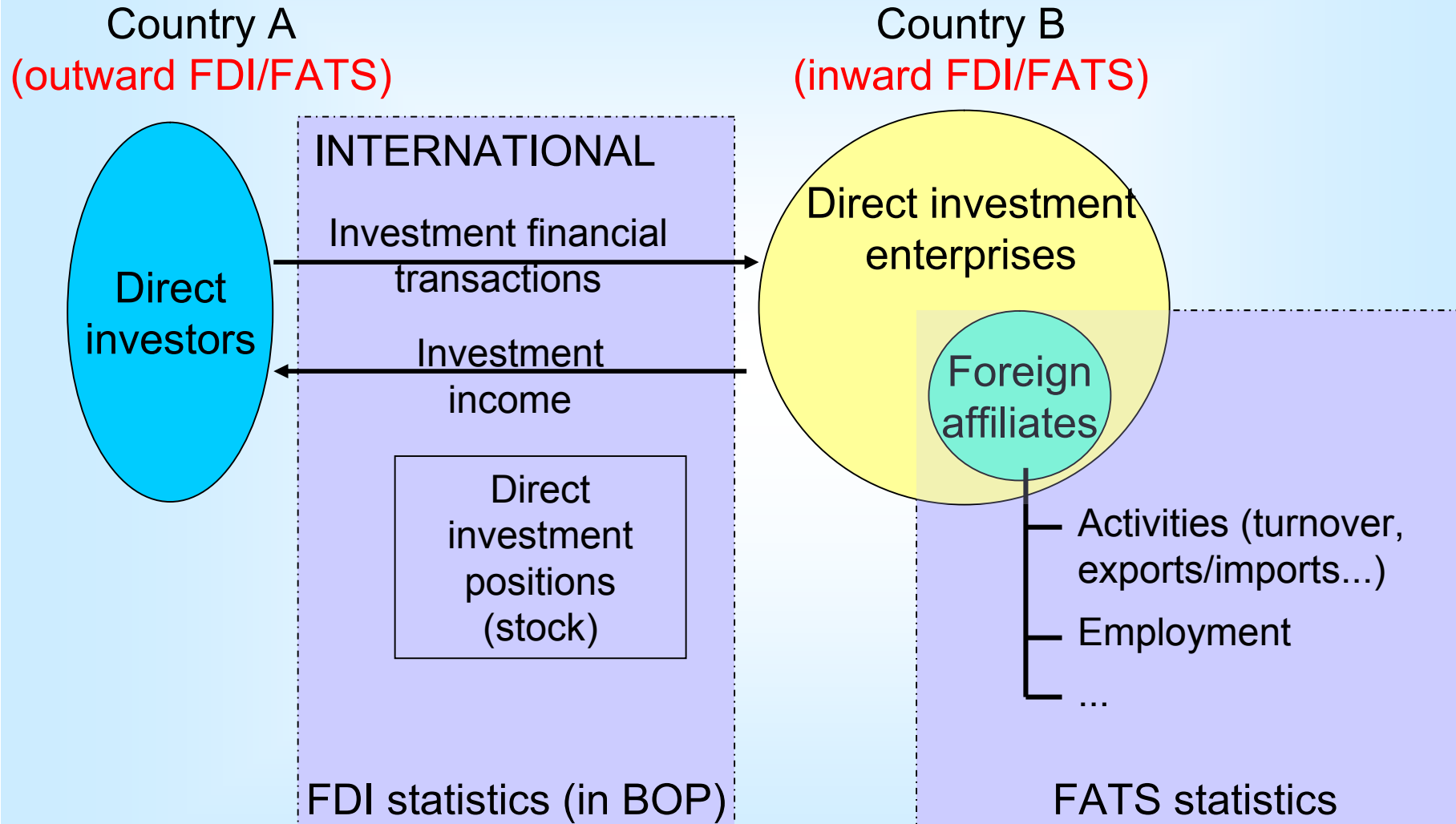


« Control »: an Essential Concept for FATS

- FATS compiled for foreign-controlled subset of foreign affiliates
- Control defined in Framework for Direct Investment Relationships (FDIR) – BPM6
- Control deemed to exist if majority ownership (i.e. control of **more than 50%**) of the voting power at each stage of ownership chain.



FDI Statistics and FATS





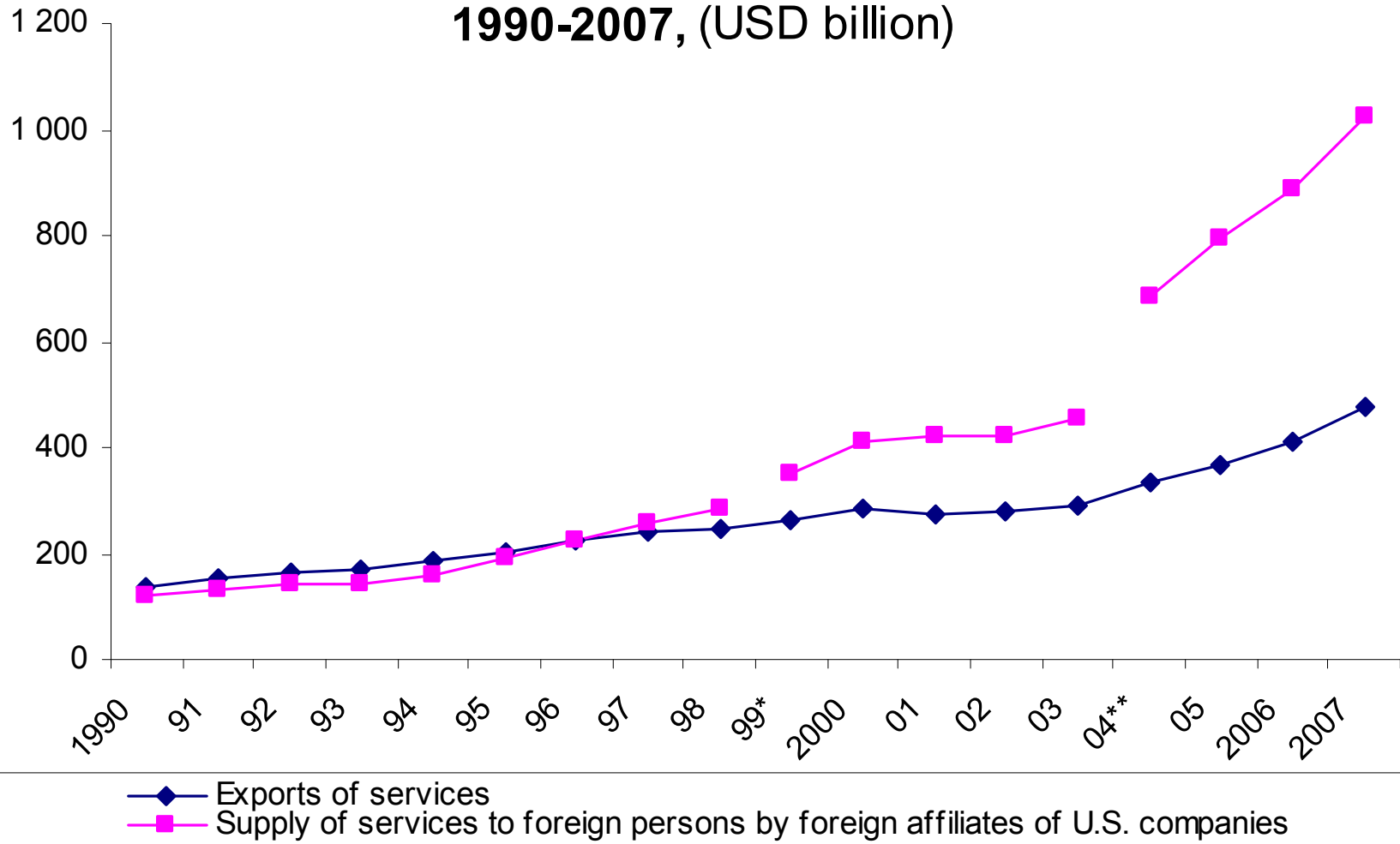
Usefulness of FATS

Guidelines for measuring the operations of foreign affiliates

- **What are FATS useful for?**
 - Focus on services → measuring commercial presence (mode 3)
 - Help understand the phenomenon of globalisation.
- **What do FATS measure?**
 - Range of indicators on the activity of controlled foreign affiliates (>50% of voting power; if necessary supplementary)
 - Inward and outward FATS
 - Affiliates producing goods, services
 - In MSITS: with a particular focus on services



US international supply of services through cross-border trade and through foreign affiliates, 1990-2007, (USD billion)

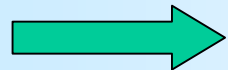




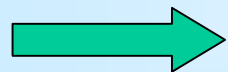
Principles Underpinning FATS

In line with international standards

- *SNA 2008* (national accounts)
- *BPM6* (balance of payments)
- *OECD Benchmark Definition of FDI, 4th edition*
+ *OECD Handbook on Economic Globalisation Indicators*



FATS closely linked with Foreign Direct Investment (FDI)



Going further than these standards



FATS and the International Supply of Services

- Primary interest in MSITS: **sales** (turnover) and/or output
- Most directly support the monitoring of commitments under GATS
- Additional information generally required for adequate assessment of economic effects of affiliate operation
- As a starting point: **inward** FATS

Economic Variables for FATS



Most are drawn from SNA 2008

Basic FATS variables
(minimum recommended by MSITS)

- 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

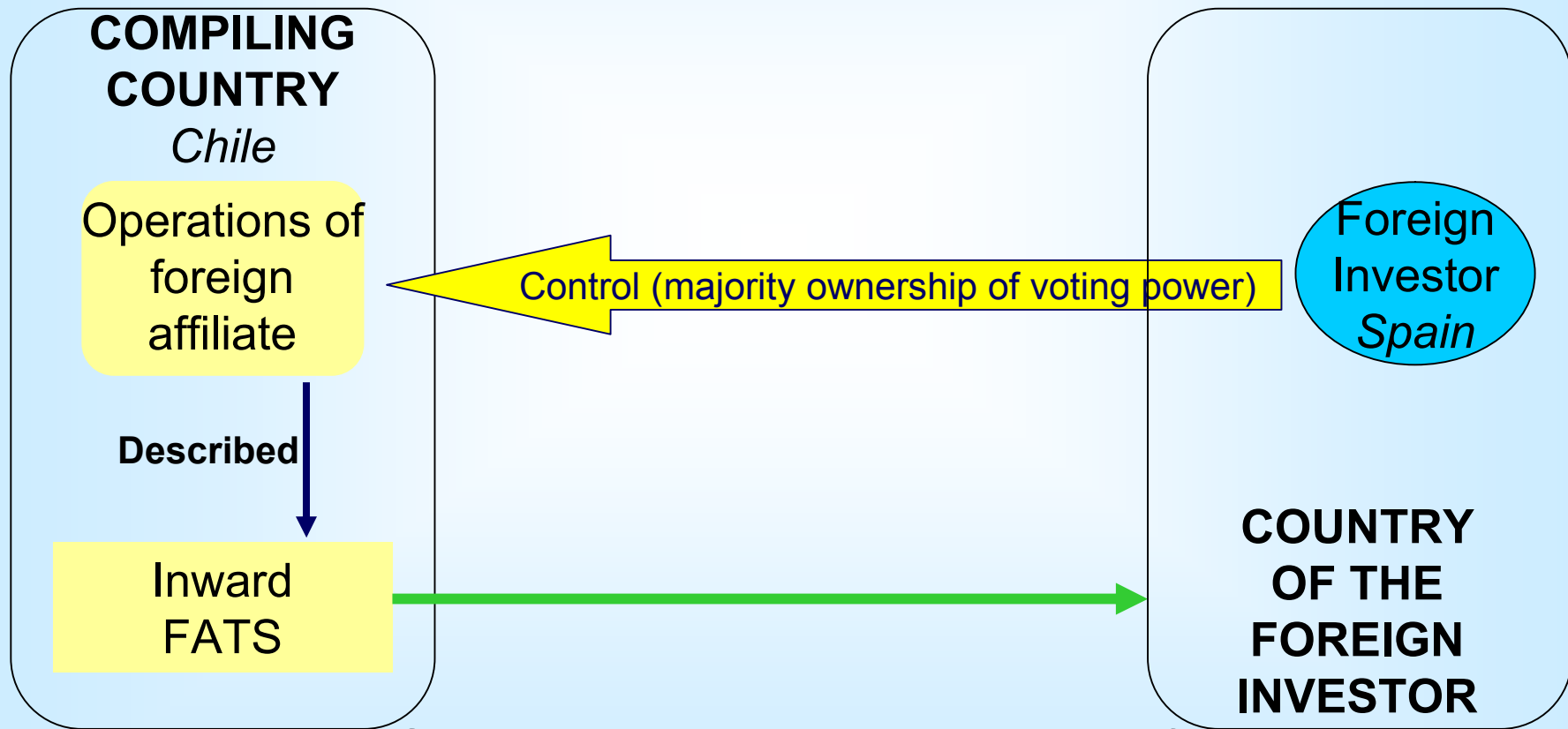
- **sales (turnover) and/or output**
- Employment
- Value added
- Exports and imports of goods and services
- Number of enterprises

Additional FATS variables



Geographical Attribution of Inward FATS (1/2)

Foreign-controlled affiliates in the compiling country (INWARD FATS)

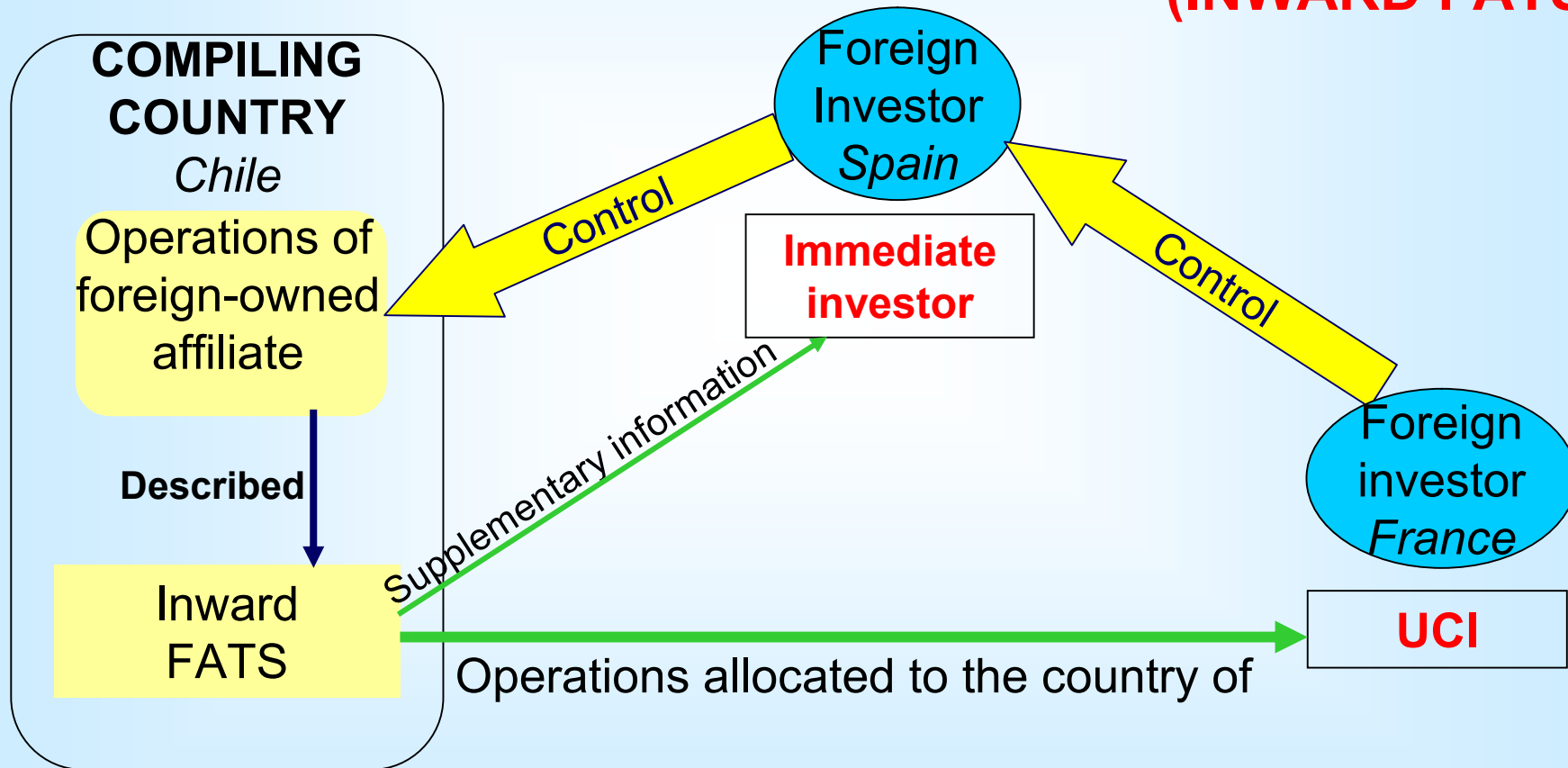


Operations allocated to the country of



Geographical Attribution of Inward FATS (2/2)

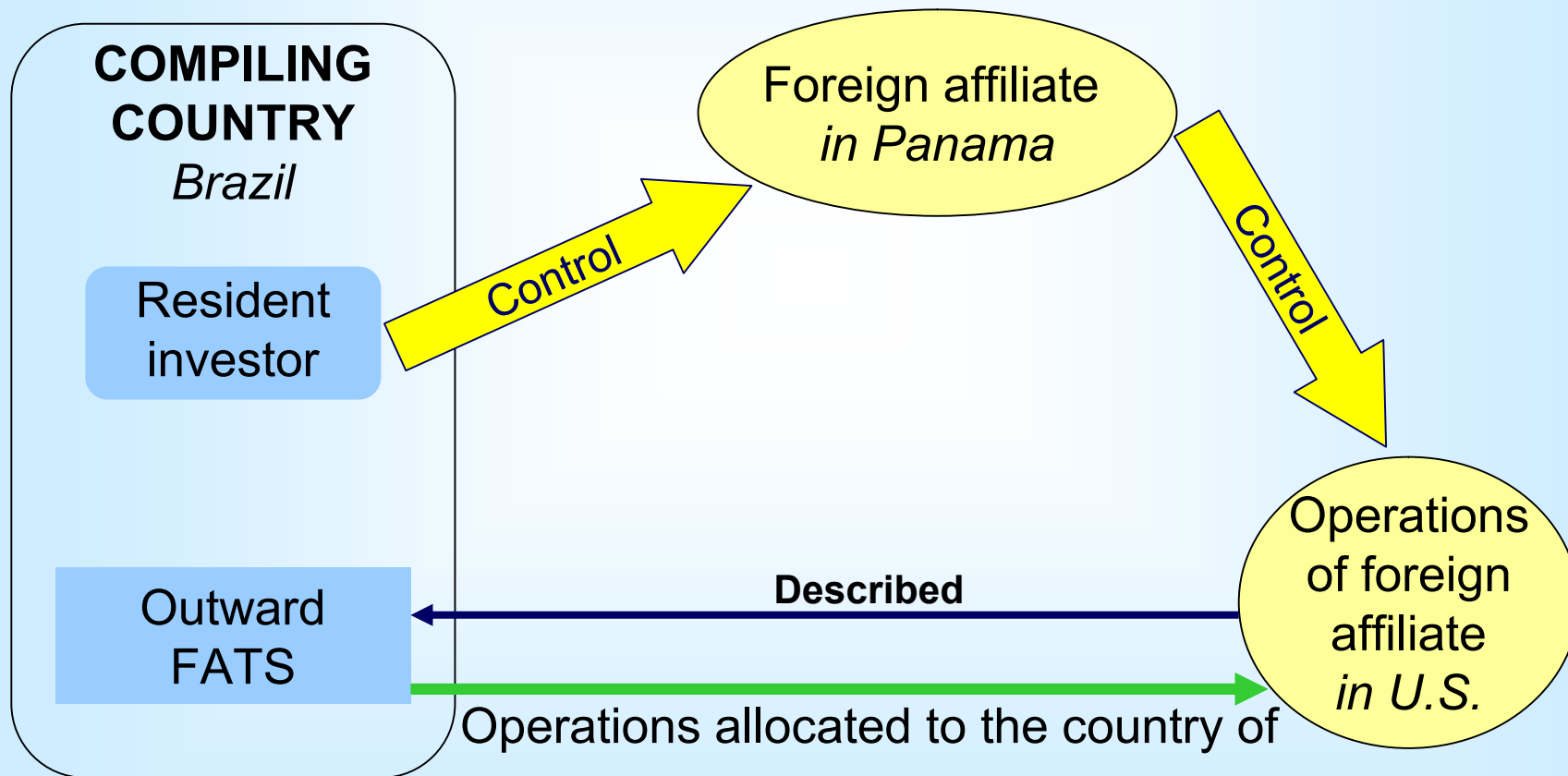
Foreign-controlled affiliates in the compiling country (INWARD FATS)





Geographical Attribution of Outward FATS

Controlled foreign affiliates of the compiling country (OUTWARD FATS)





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 (**ICFA**)
- **Long-term priority... products**
 - FATS variables such as sales, imports and exports should also be broken-down by **product** according to EBOPS (at least total goods and total services)
- ICFA can be **linked** with EBOPS (to a limited extent)

ISIC Categories for Foreign Affiliates in services (ICFA) - extracts



ICFA headings/elements	ISIC Rev. 4
AGRICULTURE, FORESTRY AND FISHING	Section A
Crop and animal production, hunting and related service activities	div. 01
<i>Support activities to agriculture and post-harvest crop activities</i>	<i>group 016</i>
Forestry and logging	div. 02
...	...
MANUFACTURING	Section C
Repair and installation of machinery equipment	div. 33
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	Section D
<i>Electric power generation, transmission and distribution</i>	<i>class 3510</i>
...	...
WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES	Section G
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
TRANSPORTATION AND STORAGE	Section H
Land transport and transport via pipelines	div. 49
<i>Passenger rail transport, interurban</i>	<i>class 4911</i>
<i>Freight rail transport</i>	<i>class 4912</i>
...	...



Collection Systems for FATS Statistics

2 different populations, requiring different approaches

- Inward: enterprises surveyed directly on their activity (easier to collect)
- Outward: resident parent companies surveyed on the activity of their affiliates abroad

Different systems for collecting FATS statistics

- Surveys collecting FATS data
- Identify FATS in statistics on resident enterprises
→ Only for Inward FATS

→ Links with FDI in both cases (identification of the FATS population)

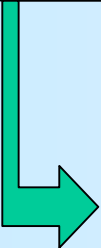


Surveys Collecting FATS

Two possibilities

Specific surveys for FATS

Add FATS variables to FDI surveys



Could be considered preferable because



but...

- Burden on FDI-non-FATS enterprises
- FDI surveys: conducted frequently and require quick turnaround

Information to be collected: **key FATS variables** at the greatest detailed level of **ICFA**



Existing Statistics on Resident Enterprises

Only for inward FATS

Which sources?

- Existing statistics on resident enterprises (employment, turnover...)

How can FATS statistics be obtained?

- Identify inward FATS population within resident enterprises, and
- Aggregate data collected across the foreign-owned population of resident enterprises



FATS Compilation Guidance

- Compilation guidance needs to be developed
- OECD Handbook (HEGI) provides some compilation guidance in chapter 3
- Eurostat Recommendations for the collection of Foreign Affiliates Statistics
- Experience and role of UNCTAD
- Role of the Task Force on Statistics of International Trade in Services

FATS Sources Used: Selected Economies



	Inward			Outward		
	FDI survey	Resident enterprise statistics	Separate survey	FDI survey	Resident enterprise statistics	Separate survey
Australia		X				X
Austria	X			X		
Belgium		X		X		
Canada				X		
Czech Republic		X		X		
Denmark		X				
Finland	X	X+		X		
France		X		X		
Germany	X			X		
Hong Kong, China		X				
Hungary	X			X		
Israel			?			?
Italy			X	X+		
Japan			X			X
Luxembourg	X					
Netherlands		X				
Norway	X					
Poland		X				
Portugal	X			X		
Sweden			X			X
Switzerland	X			X		
Trinidad & Tobago		X				
Turkey		X				
United Kingdom		X				
United States	X			X		

United States Inward FATS Questions



PART II – FINANCIAL AND OPERATING DATA OF U.S. AFFILIATE – Continued

Section C — DISTRIBUTION OF SALES OR GROSS OPERATING REVENUES

Distribute sales or gross operating revenues among three categories — sales of goods, sales of services, and investment income. For the purpose of this distribution, "goods" are normally outputs that are tangible and "services" are normally outputs that are intangible. When a sale consists of both goods and services and cannot be unbundled (i.e., the goods and services are not separately billed), classify the sales as goods or services based on whichever accounts for a majority of the value. Give best estimates if actual figures are not available.

NOTE — BEFORE COMPLETING THIS SECTION, PLEASE SEE THE INSTRUCTIONS FOR ITEMS 45 THROUGH 50 ON PAGE 25. Insurance companies also see page 26, V.A. for special instructions.

Utilities and Oil & Gas Producers and Distributors — To the extent feasible, revenues are to be allocated between sales of goods and sales of services. Revenues earned from the sale of a product (e.g., electricity, natural gas, oil, water, etc.) are to be reported as sales of goods. Revenues earned from the distribution or transmission of a product (e.g., fees received for the use of transmission lines, pipelines, etc.) are to be reported as sales of services.

		Bil.	Mil.	Thous.	Dols.
45. TOTAL SALES OR GROSS OPERATING REVENUES, EXCLUDING SALES TAXES — Equals item 35, and also sum of items 46 through 48	2243	1			000
46. Sales of Goods	2244	1			000
47. Investment income included in gross operating revenues. Include ALL interest and dividends generated by finance and insurance subsidiaries or units.	2245	1			000
48. Sales of Services, Total — Sum of items 49 and 50	2246	1			000
49. To U.S. persons or entities	2247	1			000
50. To foreign persons	2257	1			000



Canada Outward FATS Questions (1/2)

Type of investment	Identity	Country Code (see enclosed list for codes)	Principal industrial activity (see page 5 for codes)	Office use only	Employment (estimate)	Exchange rate used to convert data in columns 1 to 9 to Canadian dollars
	Name of foreign subsidiaries, associates or joint ventures					
Type 1. Foreign subsidiaries						

Development of FATS Statistics



- BOP trade in services: 160 economies
- Only 36 countries known to compile FATS (OECD/Eurostat members +Israel, Hong Kong, Trinidad and Tobago)
- 18 produce outward FATS
- Only 1 Latin American country known to have produced some estimates
- Increasing number around the World begin data collection or envisage
- Experiences in Latin America?

Availability of FATS Statistics

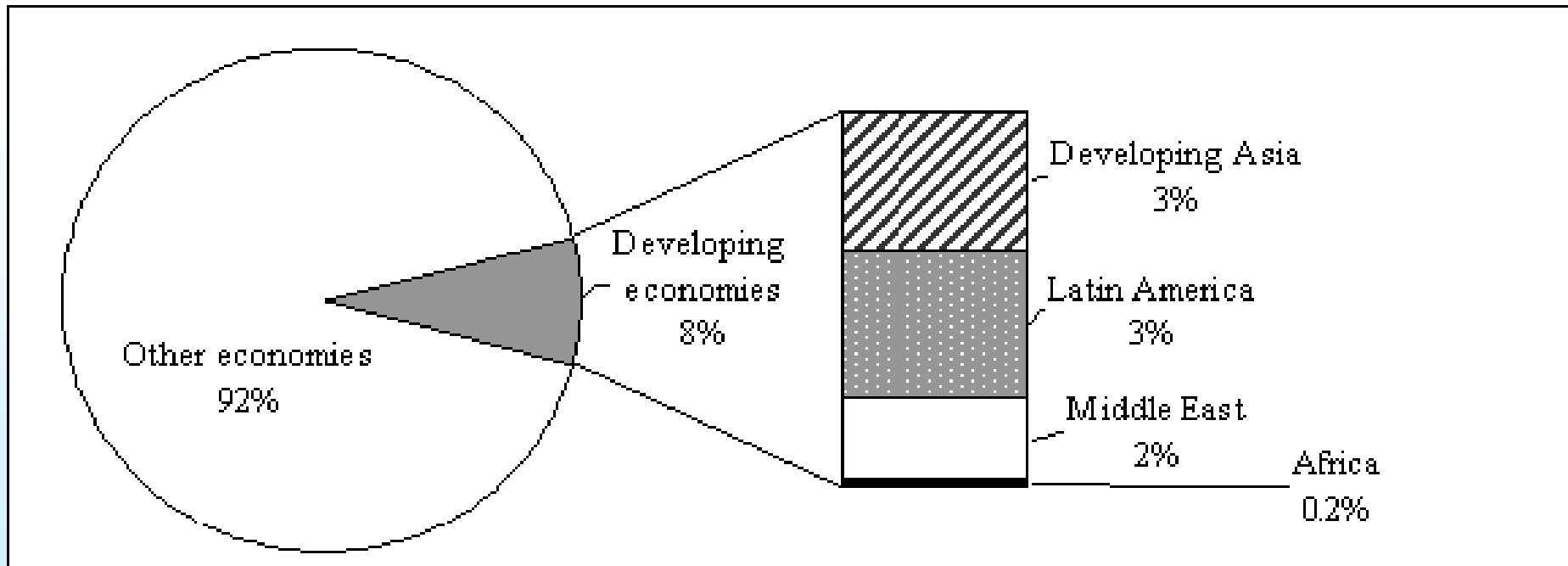


	Inward			Outward		
	Number of employees	Turnover/output	Value added	Number of employees	Turnover/output	Value added
Australia	X		X	X	X	
Austria, Finland, Hungary	X	X	X	X	X	
Baltics, Bulgaria, Cyprus, Denmark, Hong Kong-China, Ireland, Netherlands, Norway, Romania, Slovenia, Spain, United Kingdom	X	X	X			
Belgium, Germany, Greece	X	X		X	X	
Canada				X	X	
Czech Republic, France, Israel, Italy	X	X	X		X	
Japan, Portugal, United States	X	X	X	X	X	X
Luxembourg, New Zealand, Poland	X	X				
Slovak Republic	X	X	X		X	
Sweden	X	X	X	X		
Switzerland	X			X		
Trinidad and Tobago		X				



Supply of Services to the U.S through majority-owned foreign affiliates

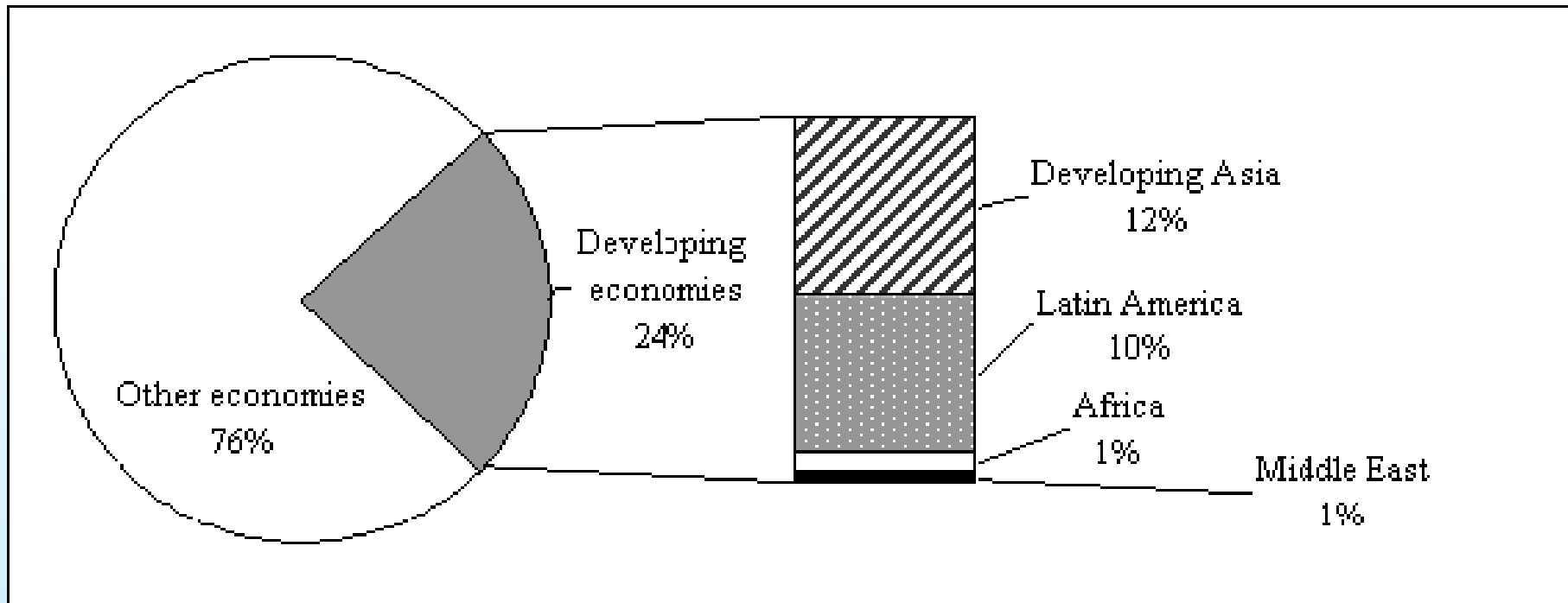
2007, percentage





Supply of Services to foreigners through majority-owned affiliates of U.S. firms

2007, percentage





Remember on FATS

- **Usefulness for measuring Mode 3 (commercial presence) and to understand globalisation**
- **Focus on the operations of controlled foreign affiliates**
 - of resident direct investors abroad (**outward FATS**)
 - of foreign direct investors, in the compiling economy (**inward FATS**)
- **Five basic variables, and additional variables**
 - sales/output, employment, number of enterprises, etc.
 - Attributed by partner country
 - Classified as a priority on the basis of the primary activity of the foreign affiliate (ICFA – focus on services)
 - Inward easier