Regional Workshop on Travel and International Tourism Consumption

FDI and FATS statistics and tourism

Roseau, Dominica, 14-17 May 2013
Value added in Hotels and Restaurants in selected CARICOM Members

Source: National Accounts Statistics (ECCU and UN).
Specific questions on globalization ..

• To what extent the economy controlled by foreigners?

• What about tourism? By which countries?

• What are the characteristics of foreign affiliates compared to national firms? (i.e., affiliates of hotels and restaurant chains, tour operators etc.)

• What about other sectors?

• What is the relative importance of GATS mode 3?
CARICOM - FDI Inflows and inward stocks  
2000-2011

Source: UNCTAD FDI statistics.
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
  - Associate
  - Subsidiary

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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

FATS

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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)
European Union (27): FATS turnover in selected CARICOM countries - 2009

Source: Eurostat.

In which sectors?
Principles Underpinning FATS

In line with 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

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

**Additional FATS variables**

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

Where is the trade?

ECONOMY A compiles outward FATS

ECONOMY B compiles inward FATS

ECONOMY C

Direct investment

Service supply

Service supply (BOP data)
Sales (turnover) or Output?

- « Sales » = « turnover »
- Output is a superior measure
  ... but sales easier to collect and more options for disaggregation
- In practice output will be identical to sales (no stocks, work-in-progress impossible to measure)
- Except for:
  - Wholesale and retail trade activities
  - Financial intermediation activities (finance and insurance)
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.)

Understanding 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
Inward FATS

Foreign investor is immediate controller and ultimate controlling institutional unit (UCI)
Inward FATS

Where to allocate FATS variables?
« Control »: an essential concept

Ultimate Controlling Institutional unit (UCI) (if not controlled)

Immediate investor for A

Foreign affiliate for B

Foreign affiliate for C

Investor C Control Enterprise B Control Enterprise A

Control

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Outward FATS

Resident direct investor

80%

Resident direct investor is the **immediate controller**

And the **ultimate controlling institutional unit**
Outward FATS

How to allocate FATS variables?
Recording of Inward and Outward FATS

Country C
Investor EC (UCI)

Country B
enterprise EB

Country A
enterprise EA

Inward FATS
Operations of EB
Operations of EA

Outward FATS
Operations of EB
Operations of EA

Controls
Controls

Double counting: For international aggregation identify mother company foreign controlled

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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 forForeign 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 2010

ICFA headings/elements

<table>
<thead>
<tr>
<th>AGRICULTURE, FORESTRY AND FISHING</th>
<th>ISIC Rev. 4 code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crop and animal production, hunting and related service activities</td>
<td>Section A div. 01</td>
</tr>
<tr>
<td>Support activities to agriculture and post-harvest crop activities</td>
<td>group 016</td>
</tr>
<tr>
<td>Forestry and logging</td>
<td>div. 02</td>
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<tr>
<td>Support services to forestry</td>
<td>group 024</td>
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<tr>
<td>Fishing and aquaculture</td>
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<th>MINING AND QUARRING</th>
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<tr>
<td>Mining support service activities</td>
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<th>MANUFACTURING</th>
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<tr>
<td>Repair and installation of machinery equipment</td>
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<tr>
<th>ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY</th>
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</thead>
<tbody>
<tr>
<td>Electric power generation, transmission and distribution</td>
<td>Section D class 3510</td>
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</table>

<table>
<thead>
<tr>
<th>WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES</th>
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</thead>
<tbody>
<tr>
<td>Water collection, treatment and supply</td>
<td>Section E div. 36</td>
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<tr>
<td>Sewerage</td>
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<tr>
<td>Waste collection, treatment and disposal activities; materials recovery</td>
<td>div. 37</td>
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<tr>
<td>Remediation activities and other waste management services</td>
<td>div. 38</td>
</tr>
<tr>
<td></td>
<td>div. 39</td>
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</tbody>
</table>
ICFA headings/elements

CONSTRUCTION
WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES
- Wholesale and retail trade and repair of motor vehicles and motorcycles
- Wholesale trade, except of motor vehicles and motorcycles
- Retail trade, except of motor vehicles and motorcycles

TRANSPORTATION AND STORAGE
- Land transport and transport via pipelines
  - Passenger rail transport, interurban
  - Freight rail transport
  - Other passenger land transport
  - Freight transport by road
  - Transport via pipeline
- Water transport
  - Sea and coastal water transport
  - Inland water transport
- Air transport
- Warehousing and support activities for transportation
- Postal and courier activities
### ACCOMMODATION AND FOOD SERVICE ACTIVITIES

<table>
<thead>
<tr>
<th>Section I</th>
</tr>
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<tbody>
<tr>
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<td>div. 56</td>
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### INFORMATION AND COMMUNICATION

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<tr>
<th>Section J</th>
</tr>
</thead>
<tbody>
<tr>
<td>div. 58</td>
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</tbody>
</table>

**Publishing activities**
- Publishing of books, periodicals and other publishing activities
- Software publishing

**Motion picture, video and television programme production, sound recording and music publishing activities**

**Programming and broadcasting activities**

**Telecommunications**

**Computer programming, consultancy and related activities**
- Computer programming activities
- Computer consultancy and computer facilities management activities
- Other information technology and computer service activities

**Information service activities**
- Data processing, hosting and related activities; web portals
- Other information service activities
- News agencies activities
- Other information service activities n.e.c

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More details? Additional categories?
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<tr>
<th>Section</th>
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<td>15</td>
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<td>section P (85)</td>
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<tr>
<td>16</td>
<td><strong>Human health and social work activities</strong></td>
<td>section Q (86 to 88)</td>
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<td>16.1</td>
<td>Human health activities</td>
<td>86</td>
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<tr>
<td>16.2</td>
<td>Residential care and social work activities</td>
<td>87 to 88</td>
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<tr>
<td>17</td>
<td><strong>Arts, entertainment and recreation</strong></td>
<td>Section R (90 to 93)</td>
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<tr>
<td>17.1</td>
<td>Creative, arts and entertainment activities</td>
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<tr>
<td>17.2</td>
<td>Libraries, archives, museums and other cultural activities</td>
<td>div. 91</td>
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<tr>
<td>17.3</td>
<td>Sporting and other recreational activities; gambling and betting activities</td>
<td>div. 92+93</td>
</tr>
<tr>
<td>18</td>
<td><strong>Other service activities</strong></td>
<td>section S (94 to 96)</td>
</tr>
<tr>
<td>18.1</td>
<td>Activities of membership organizations</td>
<td>94</td>
</tr>
<tr>
<td>18.2</td>
<td>Repair of computers and personal and household goods, other personal service activities</td>
<td>95 to 96</td>
</tr>
</tbody>
</table>
Compilation of FATS Statistics

Inward

Outward

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

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
Recommendations of the new MSITS on FATS

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

Focus on tourism and creative industries!