

**I. DIRECT INVESTMENT TECHNICAL EXPERT GROUP (DITEG)**  
**II. OUTCOME PAPER (DITEG) # 20**

**April 8, 2005**

- 1. Topic: Definition of Foreign Direct Investment (FDI) terms**
- 2. Issues: See DITEG Issue Papers #20 by the Canada (March 2005), Issue Papers #20 by Australia (March 2005); Outcome paper #20 of DITEG December 2004 meeting.**
  - (i) DITEG reviewed two issues papers prepared by the editorial group which allowed delineating the scope of the exercise as well as setting the priorities and establishing the procedures for future work on the FDI glossary which will be common to both the *IMF Balance of Payments Manual* and the *OECD Benchmark Definition of Foreign Direct Investment*. The first document provided some examples of definitions while the second one provided a rather broad list including terms which have broader coverage than direct investment. Both documents demonstrated the complexity of a rather resource absorbent process and the need for co-ordination with similar work undertaken elsewhere.
  - (ii) The editor of the System of National Accounts (SNA)<sup>1</sup> informed DITEG of the existence of an SNA glossary. For its revision contacts are being established with responsible institutions/bodies to co-ordinate with other work, such as the Balance of Payments Manual, External Debt Guide, Trade in Services Manual, Revenue Statistics, etc.
- 3. Recommendations:**
  - (i) DITEG recommended that the FDI glossary which is to be included in the IMF Balance of Payments Manual and in the OECD Benchmark Definition of Foreign Direct Investment should be limited only to terms that are directly related to direct investment.
  - (ii) DITEG recommended that other terms which are used in the manuals but which have a broader coverage than direct investment (e.g. residence, financial assets, units, transactions, etc.) should only be cross-referenced with the source which has the primary carriage (e.g. SNA).
  - (iii) DITEG emphasized the importance of harmonisation and recommended particular attention to be attached to consistency with other work, including the terminology of more recent areas such as the GATTs, FATS, etc.
  - (iv) DITEG agreed that the work for developing a glossary will involve (i) a review of changing definitions as a result of the revision of the concepts; (ii) improve some

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1. SNA editor was participating as a guest to DITEG meeting.

of the existing definitions by providing clarity; (iii) to define new terms resulting from developments in the recent years.

(v) DITEG recommended that the actual preparation of the FDI glossary will entail:

- (a) DITEG Secretariat, following an electronic consultation with the group, should establish a list of FDI terms drawn from the broader list presented by the editorial group (see Annex);
- (b) The glossary should be elaborated as a part of the work of the Benchmark Advisory Group (BAG) of the OECD Workshop on International Investment Statistics (WIIS); this work should be conducted with special attention to the revision time-table of manuals in;
- (c) The draft glossary prepared by BAG should be submitted for approval to the OECD WIIS and to the IMF Committee.
- (d) The glossary should be provided to the SNA as an input for direct investment terms.

#### **4. Rejected Alternatives:**

The proposal to include terms which go beyond the only scope of direct investment was rejected.

#### **5. Questions for the IMF Committee on Balance of Payments (the Committee) and the OECD Workshop in International Investment Statistics (WIIS)**

- (i) *Do the Committee and the WIIS agree that the FDI glossary be only limited to direct investment terms and only cross-reference the primary sources for terms which have a broader coverage than direct investment?*
- (ii) *Do the Committee and the WIIS agree with the preliminary list of terms included in the Annex of the present document?*
- (iii) *Do the Committee and the WIIS agree that the direct investment glossary be developed by the OECD BAG which they will sign-off for their respective manuals?*
- (iv) *Do the Committee and the WIIS agree that the final FDI glossary should be an input for the SNA?*

## A. Annex

### FDI glossary: proposed list of terms

<b>Term</b>	<b>Source</b>
Acquisition	DITEG papers, OECD glossary
All-inclusive concept	
Asset/liability principle	OECD glossary, FDI Glossary from ONS
Associated companies	Pink Book Glossary, BMD para 14
Balance of payments statistics	FDI Glossary from ONS
Book value	OECD glossary, FDI Glossary from ONS, BMD para 21, DITEG papers
Branch	Pink Book Glossary, FDI Glossary from ONS, DITEG papers
Conduits	DITEG papers
Consolidated reporting	OECD glossary
Control	FDI Glossary from ONS, DITEG papers
Current Operating Performance Concept	
Debtor/creditor principle	FDI Glossary from ONS, OECD glossary
Direct investment (Foreign direct investment)	OECD glossary, FDI Glossary from ONS, DITEG papers, Pink Book Glossary
Direct investment enterprise (contains definitions of subsidiaries, associates and branches) (Foreign direct investment enterprise)	OECD glossary, BMD para 7-12, DITEG papers
Direct investment equity	DITEG papers
Direct Investment Flows	BMD para 35
Direct Investment positions	
Direct investment income	FDI Glossary from ONS, OECD glossary, BMD para 28
Direct investor (Foreign Direct Investor)	FDI Glossary from ONS, OECD glossary, DITEG papers
Directional principle	FDI Glossary from ONS, OECD glossary, DITEG papers
Disinvestment	FDI Glossary from ONS, BMD para 37-38, DITEG papers
Dividends*	FDI Glossary from ONS, OECD glossary, BMD para 28
Earnings*	FDI Glossary from ONS
Equity capital	OECD glossary, FDI Glossary from ONS, DITEG papers
Exchange rate gains or losses*	
Extension of capital	FDI Glossary from ONS, BMD para 40
Fellow subsidiary	
Financial derivatives	Pink Book Glossary, FDI Glossary from ONS, DITEG papers
Financial Intermediaries*	BMD para 40, DITEG papers

<b>Term</b>	<b>Source</b>
Fully Consolidated System	BMD para 15-16, DITEG papers
Greenfield investments	DITEG papers
Holding companies	FDI Glossary from ONS, BMD para 41
Home country	OECD glossary
Host Country	BMD para 19, OECD glossary
Immediate host/investing country	OECD glossary, FDI Glossary from ONS
Indirectly owned/Controlled Direct Investment Enterprises	BMD para 40
Inter-company transactions	DITEG papers
International Accounting Standards (IAS) *	DITEG papers
International Transactions Reporting System (ITRS) *	
Inward Direct Investment	BMD para 7,19
Land and buildings*	OECD glossary
Loan guarantees*	DITEG papers
Market price – market value*	FDI Glossary from ONS
Mergers and Acquisitions (M&As)	DITEG papers
Multinational enterprise	DITEG papers
Multiterritory enterprise	DITEG papers
Natural resources exploration	
Non-voting stocks*	FDI Glossary from ONS, OECD glossary
Nomenclature générale ses activités économiques dans les Communautés Européennes (NACE) *	
Ordinary share*	OECD glossary, FDI Glossary from ONS, Pink Book Glossary
Other capital	FDI Glossary from ONS, OECD glossary, DITEG papers
Outsourcing	
Outward Direct Investment	BMD para 7,19
Own funds at book value	FDI Glossary from ONS, DITEG papers
Parent company	DITEG papers
Permanent debt	DITEG papers, FDI Glossary from ONS OECD glossary, DITEG papers, Pink Book Glossary, FDI Glossary from ONS
Portfolio investment*	
Preference share*	OECD glossary, FDI Glossary from ONS, Pink Book Glossary
Quoted shares*	DITEG papers

<b>Term</b>	<b>Source</b>
Reinvested earnings and undistributed profits	OECD glossary
Reverse investment	FDI Glossary from ONS, OECD glossary, DITEG papers, BMD para 36
Round tripping	DITEG papers
Shell companies	DITEG papers
Special Purpose Entities (SPEs)	FDI Glossary from ONS, OECD glossary, BMD para 39, DITEG papers
Stock of Direct Investment	BMD para 22
Subsidiary	OECD glossary, DITEG papers, FDI Glossary from ONS, Pink Book Glossary
Take-over (see acquisition)	OECD glossary, DITEG papers, FDI Glossary from ONS
Trade credit*	DITEG papers
Transactor principle	OECD glossary, FDI Glossary from ONS
Transfer price	OECD glossary
Ultimate Beneficial Owner	
Ultimate Controlling Country	DITEG papers, BMD para 43
Ultimate host/investing economy	OECD glossary
United Nations International Standard Industrial Classification of All Economic Activity: *	
Unlisted company*	DITEG papers
Unincorporated foreign affiliate	
Voting stocks*	OECD glossary, FDI Glossary from ONS

\* Terms which could be included in the FDI glossary using the agreed definitions by other competent bodies.