

**I. DIRECT INVESTMENT TECHNICAL EXPERT GROUP (DITEG)
II. OUTCOME PAPER (DITEG) # 24**

April 8, 2005

- 1. Topic: Direct investment stocks: financial versus economic measurement**
- 2. Issues: See DITEG Issue Paper # 24 by Belgium (November 2004)**

The paper explains that FDI statistics should fulfil user needs other than those related to BOP and IIP. In that regard, issues mentioned in the Annotated Outline pertaining to the geographical allocation and to UBOs and UBAs should also be addressed in the context of FDI statistics, not just in the FATS area. In essence, the paper proposed that Direct Investment position and income data be calculated for each country where direct investment enterprises are located, rather than just for the countries where the direct investor has a direct position or with which it has a transaction. This may be contrasted with work in the UBO/UBA area, where data might only be attributed to the ultimate investor or ultimate investee, not necessarily to each of the entities in the chain of ownership.

3. Recommendations:

The DITEG had a very interesting and stimulating discussion on the topic that can be summarized as below.

- (i) DITEG confirmed the primacy of a gross asset and liability recording as it is essential for the compilation of integrated economic accounts. Nevertheless, DITEG supported the need for autonomous FDI statistics within the globalization framework, recognising user needs for FDI data after having removed investments going through holding companies and SPEs. It was noted that the work was parallel in many ways to the work on defining UBOs and UBAs, and that coordination between the groups at periodic stages may be helpful in promoting cohesion between the two approaches.
- (ii) DITEG agreed that this work would fall more naturally under the Benchmark Definition rather than the Balance of Payments Manual
- (iii) In regard to the way forward, several members of DITEG thought that it could be difficult to complete all of the above work on concepts and definitions for the supplemental data sets in time for inclusion in the BMD, but there was broad sympathy for moving ahead with the work.
- (iv) There was a discussion of whether the supplemental sets of statistics on FDI positions and FDI income recommended in the paper should be based upon virtually the same set of concepts and definitions as the standard data sets now prepared by compilers. At this stage of the work, most compilers were of the opinion that the supplemental data sets should retain basic concepts and definitions as much as possible.
 - Notwithstanding the above, it was recognized that the supplemental statistics might produce different results from the BOP/IIP results in significant ways. For example, it was conceived that, in the supplemental data sets, data on

positions or income by individual country might be different from the data related to the FDI components in the IIP. The DITEG considered thus that there could be two ways to tackle FDI but has not reached a definitive conclusion. It recommended future work in order to elaborate further on the additional way to measure FDI.

- (v) DITEG asked for a clarification of the parameters of the work (e.g. the notion "penetration in foreign economies"). They also asked for numeric examples that would show the results of different methods, and suggested that multiple alternative examples might be provided to the WIIS meeting of April 2005.
- (vi) DITEG expressed sympathy for restricting coverage in the supplemental data sets to units that are majority-owned or majority-controlled.

4. Rejected Alternatives:

None.

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 work should proceed on developing supplemental FDI position and FDI income statistics as a part of globalization statistics in response to user needs?*
- (ii) Do the Committee and the WIIS agree that, as compilers try to develop the supplemental sets of statistics envisaged in this issue paper, they should strive to retain basic concepts and definitions as much as possible?*
- (iii) Do the Committee and the WIIS agree that consideration should be given to restricting coverage in these supplemental data sets to units that are majority-owned/majority-controlled?*
- (iv) Do the Committee and WIIS agree that the work on the supplemental data sets should be conducted in parallel with the work on defining UBOs and UBAs, and that coordination*
- (v) between the groups at periodic stages may be helpful to guarantee the cohesion between the 2 approaches?*
- (vi) Do the Committee and the WIIS agree that work on developing concepts and definitions for the supplemental data sets should move ahead even though it may be difficult to complete all of the above work in time for inclusion in the BMD?*