

This metadata describes the compilation practices, sources and methodology in use in 2001. Please refer to the contact person below for details of any changes that may have been introduced by the country since that time.

Argentina:

Direct Investment Compilation Practices, Data Sources and Methodology

Contact person:

Mr. Marcelo Dinenzon
Subdirector Nacional de Cuentas Internacionales
Instituto Nacional de Estadística y Censos
Secretaría de Política Económica
Ministerio de Economía
Hipólito Yrigoyen 250, Piso 8
1310 Buenos Aires, Argentina

Telephone: (5411) 4349 5656
Fax: (5411) 4349 5663
E-mail: mdinen@mecon.gov.ar

Direct Investment in Argentina

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

Direct Investment Abroad

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

[Glossary of Direct Investment Terms and Definitions](#)

DIRECT INVESTMENT IN ARGENTINA

BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)

A. Compilation Practices and Data Sources

Data Availability: Quarterly data on (i) direct investment income (income on equity, reinvested earnings, and income on debt [interest]), and (ii) direct investment financial flows (equity capital and other capital) are disseminated with a timeliness of 3 months after the end of the reference period for the most timely data, and 18-24 months after the end of the reference period for the most comprehensive data.

Revision Policy: Revisions are made (i) during the year in which the data are first released, (ii) at the end of each year, and (iii) 18-24 months after the date the data are first disseminated, at which time the data are generally considered to be final.

Data Coverage: No major industrial sectors are excluded from the data.

Data Collection Methods: Data are collected on an aggregate basis. Although reporting requirements are voluntary, response to the surveys of direct investment enterprises used for the most comprehensive data is compulsory under the provisions of the Statistical Secrecy Law. In addition, the financial sector is required to provide the data in accordance with the rules of the Central Bank of the Argentine Republic.

Data Sources: The data are compiled primarily from (i) quarterly enterprise surveys of direct investment enterprises in Argentina (a representative sample for the “most timely” data and a full survey for the “most comprehensive” data), and (ii) published sources, such as company accounts. Press reports are also used as a secondary data source. A register of enterprises involved in direct investment is not maintained.

Geographic Classification: Annual data showing country breakdowns are compiled for direct investment income and financial flows, with a timeliness of 6-9 months after the end of the reference period for the preliminary data, and 18-24 months after the end of the reference period for the final data. In accordance with the international standards, the debtor/creditor principle is used as the basis for the geographic allocation of the data. Bilateral information is used in the compilation of the data. Data showing breakdowns by regions or economic zones are not compiled. The five countries with the largest amount of direct investment flows into Argentina during 2000 (ranked in descending order) were: Spain, the United States, France, Italy, and the Netherlands.

Industrial Classification: Annual data showing a breakdown by industry are compiled for direct investment income and financial flows, with a timeliness of 6-9 months after the end of the reference period for the preliminary data, and 18-24 months after the end of the reference period for the final data. The data are based on the industry of the resident direct investment enterprise. The classification used broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC), with a more detailed breakdown of the manufacturing industrial sector. Data showing a breakdown by industrial sector/region or economic zone are not compiled. Data showing a breakdown by industrial sector/partner country are compiled, but not disseminated.

B. Methodology

Definition of Direct Investment Enterprises in Argentina: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Argentina is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. However, privatized enterprises in which the investor owns less than 10 percent are also treated as direct investment enterprises when the investor is an enterprise that invests in consortiums of privatized enterprises, which in turn own more than 10 percent of the privatized enterprise, as such cases are deemed to imply a lasting interest in the enterprise. No value threshold is used to identify direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly-Owned Direct Investment Enterprises: The “Fully Consolidated System” recommended in the international standards is fully applied. Specifically (i) the direct investment earnings data include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. Enterprises in Argentina are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, both domestic and foreign, and (ii) identify all transactions with the parent company.

Measurement of Direct Investment Earnings: Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not fully used to calculate earnings of direct investment enterprises. In accordance with COPC, (i) deductions are made for depreciation of capital and for provisions for host-country income and corporation taxes, and (ii) realized and unrealized capital gains or losses are excluded. Extraordinary items related to changes in valuation of assets and liabilities are also excluded from the earnings data. However, contrary to COPC, write-offs and exchange rate gains or losses are included. In accordance with the international standards, when a direct investment enterprise makes a loss, the net loss is recorded as negative reinvested earnings.

Treatment of Income on Equity (Dividends and Distributed Branch Profits): The data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, dividends and distributed branch profits are recorded (i) on the date they are payable, and (ii) gross of any withholding taxes.

Treatment of Reinvested Earnings and Undistributed Branch Profits: The data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, reinvested earnings and undistributed branch profits are recorded in the period in which they are earned.

Treatment of Income on Debt (Interest): The data cover interest income from (i) long-term loans, (ii) short-term loans, and (iii) trade credits. The data do not cover interest from bonds and money market instruments. In accordance with the international standards, the data exclude interest from (i) financial derivatives, and (ii) deposits, loans and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. In accordance with the international standards, the data are compiled on an accrual basis.

Treatment of Equity Capital: The data cover all types of financial flows affecting equity capital, namely: (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks (including participating preference shares), and (iv) non-cash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

Treatment of Other Capital: The data cover (i) long-term loans, (ii) short-term loans, (iii) financial leases, and (iv) trade credits. The data do not cover (i) bonds and money market instruments, and (ii) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. Contrary to the international standards, transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries are not included.

Treatment of Reverse Investment: Transactions involving reverse investment are not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of Argentina and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan transactions are recorded in accordance with the international standards as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. However, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity transactions are recorded as “Portfolio Investment: Increase in Assets: Equity Securities”, and loan transactions are recorded as “Other Investment: Increase in Assets: Loans”, rather than as “Direct Investment in Argentina: Increase in Claims on Direct Investors” in both cases.

Treatment of Quasi-corporations: Contrary to the international standards, the direct investment data do not include activities of quasi-corporations involving the operation in Argentina by nonresidents of (i) mobile equipment, such as ships, aircraft, drilling rigs, etc., and (ii) construction enterprises.

Treatment of Offshore Enterprises: In accordance with the international standards, activities of offshore enterprises established in Argentina by nonresidents are generally included in the direct investment data.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, activities of SPEs established in Argentina by nonresidents are generally included in the direct investment data. Contrary to the international standards, in the case of SPEs established in Argentina by nonresidents that have the sole purpose of serving as financial intermediaries, transactions with affiliated banks and affiliated financial

intermediaries, except transactions in equity capital and permanent debt, are not excluded, because of lack of information on these transactions.

Treatment of Land and Buildings: In accordance with the international standards, the data include purchases and sales of land and buildings in Argentina by nonresident enterprises. Contrary to the international standards, the data do not include purchases and sales of land and buildings in Argentina by nonresident individuals.

Treatment of Natural Resources Exploration: In accordance with the international standards, the data include expenditure related to natural resources exploration in Argentina by nonresidents, specifically, expenditure on mining exploration.

Exchange Rate Conversion: The exchange rate used to convert foreign currencies into the unit of account is the average exchange rate in the period in which the transactions are recorded.

DIRECT INVESTMENT IN ARGENTINA

INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability: Quarterly data (the most timely data) and annual data (the most comprehensive data) on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of three months and 18-24 months after the end of the reference period, respectively.

Revision Policy: Revisions are made (i) during the year in which the data are first released, (ii) at the end of each year, and (iii) 18-24 months after the date the data are first disseminated, at which time the data are generally considered to be final.

Data Coverage: No major industrial sectors are excluded from the data.

Data Collection Methods: Data are collected on an aggregate basis. Although reporting requirements are voluntary, response to the surveys of direct investment enterprises used for the most comprehensive data is compulsory under the provisions of the Statistical Secrecy Law. In addition, the financial sector is required to provide the data in accordance with the rules of the Central Bank of the Argentine Republic.

Data Sources: The quarterly position data are compiled using the transactions data from quarterly enterprise surveys of direct investment enterprises in Argentina. The perpetual inventory method (a method of deriving position data from the transactions data) is used to compile the quarterly data, with the exception that no adjustments are made for non-transaction changes in the value of the stocks. The annual position data are compiled from information in company balance sheets. Press reports are also used as a secondary data source. A register of enterprises involved in direct investment is not maintained.

Geographic Classification: Annual data showing country breakdowns are compiled for direct investment income and financial flows, with a timeliness of 6-9 months after the end of the reference period for the preliminary data, and 18-24 months after the end of the reference period for the final data. In accordance with the international standards, the data are compiled on an “immediate country” basis. Data are also compiled that allocate the ownership according to the second level of ownership, which may or may not coincide with the ultimate country basis. Bilateral information is used in the compilation of the data. Data showing breakdowns by regions or economic zones are not compiled. The five countries with the largest amount of direct investment in Argentina as at the end of 2000 (ranked in descending order) were: Spain, the United States, the Netherlands, France, and Chile.

Industrial Classification: Annual data showing a breakdown by industry are compiled for direct investment income and financial flows, with a timeliness of 6-9 months after the end of the reference period for the preliminary data, and 18-24 months after the end of the reference period for the final data. The data are based on the industry of the resident direct investment enterprise. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC), with a more detailed breakdown of the manufacturing industrial sector. Data showing a breakdown by industrial sector/region or economic zone are not compiled. Data showing a breakdown by industrial sector/partner country are compiled, but not disseminated.

B. Methodology

Definition of Direct Investment Enterprises in Argentina: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Argentina is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. However, privatized enterprises in which the investor owns less than 10 percent are also treated as direct investment enterprises when the investor is an enterprise that invests in consortiums of privatized enterprises, which in turn own more than 10 percent of the privatized enterprise, as such cases are deemed to imply a lasting interest in the enterprise. No value threshold is used to identify direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly-Owned Direct Investment Enterprises: The “Fully Consolidated System” recommended in the international standards is fully applied. Specifically, the relevant share of indirectly-owned direct investment enterprises is included in (i) the reinvested earnings data, and (ii) the equity and other capital position data. Enterprises in Argentina are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, both domestic and foreign, and (ii) identify all transactions with the parent company.

Treatment of Equity Capital and Reinvested Earnings: The data cover all types of position data affecting equity capital and reinvested earnings, namely: (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks (including participating preference shares), (iv) non-cash acquisitions of equity (such as through the provision of capital equipment), and (v) reinvested earnings. In accordance with the international standards, the data include equity positions between affiliated banks and between affiliated financial intermediaries. The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises, and, in accordance with the international standards, are recorded in the period in which they are earned. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment in Argentina.)

Treatment of Other Capital: The data cover (i) long-term loans, (ii) short-term loans, (iii) financial leases, and (iv) trade credits. The data do not cover: (i) bonds and money market instruments, and (ii) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. Contrary to the international standards, positions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries are not included.

Treatment of Reverse Investment: Positions involving reverse investment are not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of Argentina and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan positions are recorded in accordance with the international standards as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". However, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity positions are recorded as "Assets: Portfolio Investment: Equity Securities", and loan positions are recorded as "Assets: Other Investment: Loans", rather than as "Liabilities: Direct Investment in Argentina: Claims on Direct Investors" in both cases.

Treatment of Quasi-corporations: Contrary to the international standards, the direct investment data do not include activities of quasi-corporations involving the operation in Argentina by nonresidents of (i) mobile equipment, such as ships, aircraft, drilling rigs, etc., and (ii) construction enterprises.

Treatment of Offshore Enterprises: In accordance with the international standards, activities of offshore enterprises established in Argentina by nonresidents are generally included in the direct investment data.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, activities of SPEs established in Argentina by nonresidents are generally included in the direct investment data. Contrary to the international standards, in the case of SPEs established in Argentina by nonresidents that have the sole purpose of serving as financial intermediaries, positions with affiliated banks and affiliated financial intermediaries, except positions in equity capital and permanent debt, are not excluded, because of lack of information on these positions.

Treatment of Land and Buildings: In accordance with the international standards, the data include ownership of land and buildings in Argentina by nonresident enterprises. Contrary to the international standards, the data do not include ownership of land and buildings in Argentina by nonresident individuals.

Treatment of Natural Resources Exploration: In accordance with the international standards, the data include expenditure related to natural resources exploration in Argentina by nonresidents, specifically, expenditure on mining exploration.

Valuation: Contrary to the international standards, the data are recorded at book values, rather than market values. However, the book value used is that specified in the technical accounting standards in Argentina for the valuation of assets on the balance sheets of resident enterprises, namely, that the valuation should be the current value. Until 1995, adjustments were also made for inflation.

Exchange Rate Conversion: The exchange rate used to convert foreign currencies into the unit of account is the exchange rate prevailing on the day to which the position data relate.

ARGENTINA: DIRECT INVESTMENT ABROAD
BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)

A. Compilation Practices and Data Sources

Data Availability: Quarterly data on (i) direct investment income (income on equity, and reinvested earnings only), and (ii) direct investment financial flows (equity capital and other capital) are disseminated with a timeliness of 3 months after the end of the reference period for the most timely data, and 18-24 months after the end of the reference period for the most comprehensive data. No data are compiled on income on debt (interest). However, the amounts are considered to be insignificant.

Revision Policy: Revisions are made (i) during the year in which the data are first released, (ii) at the end of each year, and (iii) 18-24 months after the date the data are first disseminated, at which time the data are generally considered to be final.

Data Coverage: No major industrial sectors are excluded from the data.

Data Collection Methods: Data are collected on an aggregate basis. Although reporting requirements are voluntary, response to the surveys of direct investment enterprises used for the most comprehensive data is compulsory under the provisions of the Statistical Secrecy Law. In addition, the financial sector is required to provide the data in accordance with the rules of the Central Bank of the Argentine Republic.

Data Sources: The data are compiled primarily from information obtained from (i) the balance sheets of direct investment enterprises (a representative sample for the “most timely” data and a greater number for the “most comprehensive” data), and (ii) quarterly surveys of direct investment enterprises. Press reports are used as a secondary data source. A register of enterprises involved in direct investment is not maintained.

Geographic Classification: Although data are compiled on the country breakdown of direct investment abroad, the data are not disseminated because of possible breaches of confidentiality, given the small number of enterprises involved. In accordance with the international standards, the debtor/creditor principle is used as the basis for the geographic allocation of the data. Bilateral information is not used in the compilation of the data. Data showing breakdowns by regions or economic zones are not compiled.

Industrial Classification: Although data are compiled on the industrial breakdown of direct investment abroad, the data are not disseminated because of possible breaches of confidentiality, given the small number of enterprises involved. The data are based on the industry of the nonresident direct investment enterprise. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing breakdowns by (i) industrial sector/region or economic zone, and (ii) industrial sector/partner country, are not compiled.

B. Methodology

Definition of Direct Investors Abroad: In accordance with the international standards, the basic criterion for defining direct investors abroad is 10 percent ownership of a nonresident enterprise by a resident investor, regardless of whether the investor has an effective voice in management. However, in theory, resident investors that own less than 10 percent of a nonresident privatized enterprise are also treated as direct investors when the investor is an enterprise that invests in consortiums of privatized enterprises which in turn own more than 10 percent of the nonresident privatized enterprise. No such cases have been identified to date. No value threshold is used to identify direct investors abroad, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly-Owned Direct Investment Enterprises: The “Fully Consolidated System” recommended in the international standards is fully applied. Specifically, (i) the direct investment earnings data include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. Enterprises in Argentina are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, both domestic and foreign, and (ii) identify all transactions with the parent company.

Measurement of Direct Investment Earnings: Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not fully used to calculate earnings of direct investment enterprises. In accordance with COPC, (i) deductions are made for depreciation of capital and for provisions for host-country income and corporation taxes, and (ii) realized and unrealized capital gains or losses are excluded. However, contrary to COPC, write-offs and exchange rate gains or losses are included. In accordance with the international standards, when a direct investment enterprise makes a loss, the net loss is recorded as negative reinvested earnings.

Treatment of Income on Equity (Dividends and Distributed Branch Profits): The data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, dividends and distributed branch profits are recorded (i) on the date they are payable, and (ii) gross of any withholding taxes.

Treatment of Reinvested Earnings and Undistributed Branch Profits: The data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, reinvested earnings and undistributed branch profits are recorded in the period in which they are earned.

Treatment of Income on Debt (Interest): Not applicable. No data are compiled on income on debt (interest) for direct investment abroad. However, the amounts are considered to be insignificant.

Treatment of Equity Capital: The data cover all types of financial flows affecting equity capital, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks (including participating preference shares), and (iv) non-cash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

Treatment of Other Capital: The data cover (i) long-term loans, (ii) short-term loans, (iii) financial leases, and (iv) trade credits. The data do not cover: (i) bonds and money market instruments, and (ii) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. Contrary to the international standards, transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries are not included.

Treatment of Reverse Investment: Transactions involving reverse investment are not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of Argentina and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan transactions are recorded in accordance with the international standards as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. However, contrary to the international standards when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity transactions are recorded as “Portfolio Investment: Increase in Assets: Equity Securities”, and loan transactions are recorded as “Other Investment: Increase in Assets: Loans”, rather than as “Direct Investment in Argentina: Increase in Claims on Direct Investors” in both cases.

Treatment of Quasi-corporations: Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation abroad by Argentine residents of (i) mobile equipment, such as ships, aircraft, drilling rigs, etc., and (ii) construction enterprises.

Treatment of Offshore Enterprises: In accordance with the international standards, activities of offshore enterprises established abroad by Argentine residents are generally included in the direct investment data.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, activities of SPEs established abroad by Argentine residents are generally included in the direct investment data. Contrary to the international standards, in the case of SPEs established abroad by Argentine residents that have the sole purpose of serving as financial intermediaries, transactions with affiliated banks and affiliated financial intermediaries, except transactions in equity capital and permanent debt, are not excluded, because of lack of information on these transactions.

Treatment of Land and Buildings: In accordance with the international standards, the data include purchases and sales of land and buildings abroad by Argentine resident enterprises and individuals.

Treatment of Natural Resources Exploration: In accordance with the international standards, the data include expenditure related to natural resources exploration abroad by Argentine residents.

Exchange Rate Conversion: The exchange rate used to convert foreign currencies into the unit of account is the average exchange rate in the period in which the transactions are recorded.

ARGENTINA: DIRECT INVESTMENT ABROAD
INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability: Quarterly data on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of three months after the end of the reference period for the most timely data, and 18-24 months after the end of the reference period for the most comprehensive data.

Revision Policy: Revisions are made (i) during the year in which the data are first released, (ii) at the end of each year, and (iii) 18-24 months after the date the data are first disseminated, at which time the data are generally considered to be final.

Data Coverage: No major industrial sectors are excluded from the data.

Data Collection Methods: Data are collected on an aggregate basis. Although reporting requirements are voluntary, response to the surveys of direct investment enterprises used for the most comprehensive data is compulsory under the provisions of the Statistical Secrecy Law. In addition, the financial sector is required to provide the data in accordance with the rules of the Central Bank of the Argentine Republic.

Data Sources: The data are compiled primarily from information obtained from: (i) the balance sheets of direct investment enterprises (a representative sample for the “most timely” data and a greater number for the “most comprehensive” data), and (ii) quarterly surveys of direct investment enterprises. Press reports are used as a secondary data source. The perpetual inventory method (a method of deriving position data from the transactions data) is not used. A register of enterprises involved in direct investment is not maintained.

Geographic Classification: Although data are compiled on the country breakdown of direct investment abroad, the data are not disseminated because of possible breaches of confidentiality, given the small number of enterprises involved. The data are compiled on an “immediate country” basis. Bilateral information is not used in the compilation of the data, even as a cross-check. Data showing breakdowns by regions or economic zones are not compiled.

Industrial Classification: Although data are compiled on the industrial breakdown of direct investment abroad, the data are not disseminated because of possible breaches of confidentiality, given the small number of enterprises involved. The data is based on the industry of the nonresident direct investment enterprise. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing breakdowns by (i) industrial sector/region or economic zone, and (ii) industrial sector/partner country, are not compiled.

B. Methodology

Definition of Direct Investors Abroad: In accordance with the international standards, the basic criterion for defining direct investors abroad is 10 percent ownership of a nonresident enterprise by a resident investor, regardless of whether the investor has an effective voice in management. However, in theory, resident investors that own less than 10 percent of a nonresident privatized enterprise are also treated as direct investors when the investor is an enterprise that invests in consortiums of privatized enterprises, which in turn own more than 10 percent of the nonresident privatized enterprise. No such cases have been identified to date. No value threshold is used to identify direct investors abroad, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly-Owned Direct Investment Enterprises: The “Fully Consolidated System” recommended in the international standards is fully applied. Specifically, the relevant share of indirectly-owned direct investment enterprises is included in (i) the reinvested earnings data, and (ii) the equity and other capital position data. Enterprises in Argentina are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, both domestic and foreign, and (ii) identify all transactions with the parent company.

Treatment of Equity Capital and Reinvested Earnings: The data cover all types of position data affecting equity capital and reinvested earnings, namely (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks (including participating preference shares), (iv) non-cash acquisitions of equity (such as through the provision of capital equipment), and (v) reinvested earnings. In accordance with the international

standards, the data include equity positions between affiliated banks and between affiliated financial intermediaries. The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises, and, in accordance with the international standards, are recorded in the period in which they are earned. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment Abroad.)

Treatment of Other Capital: The data cover (i) long-term loans, (ii) short-term loans, (iii) financial leases, and (iv) trade credits. The data do not cover: (i) bonds and money market instruments, and (ii) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. However, contrary to the international standards, positions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries are not included.

Treatment of Reverse Investment: Positions involving reverse investment are not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of Argentina and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan positions are recorded in accordance with the international standards as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". However, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity positions are recorded as "Assets: Portfolio Investment: Equity Securities", and loan positions are recorded as "Assets: Other Investment: Loans", rather than as "Liabilities: Direct Investment in Argentina: Claims on Direct Investors" in both cases.

Treatment of Quasi-corporations: Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation abroad by Argentine residents of (i) mobile equipment, such as ships, aircraft, drilling rigs, etc., and (ii) construction enterprises.

Treatment of Offshore Enterprises: In accordance with the international standards, activities of offshore enterprises established abroad by Argentine residents are generally included in the direct investment data.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, activities of SPEs established abroad by Argentine residents are generally included in the direct investment data. Contrary to the international standards, in the case of SPEs established abroad by Argentine residents that have the sole purpose of serving as financial intermediaries, positions with affiliated banks and affiliated financial intermediaries, except positions in equity capital and permanent debt, are not excluded, because of lack of information on these positions.

Treatment of Land and Buildings: In accordance with the international standards, the data include ownership of land and buildings abroad by Argentine resident enterprises and individuals.

Treatment of Natural Resources Exploration: In accordance with the international standards, the data include expenditure related to natural resources exploration abroad by Argentine residents.

Valuation: Contrary to the international standards, the data are recorded at book values, rather than market values. However, the book value used is that specified in the technical accounting standards in Argentina for the valuation of assets on the balance sheets of resident enterprises, namely that the valuation should be the current value. Until 1995, adjustments were also made for inflation.

Exchange Rate Conversion: The exchange rate used to convert foreign currencies into the unit of account is the exchange rate prevailing on the day to which the position data relate.