

Statistics on Foreign Direct Investment and Multinational Corporations: A Survey

Anna M. Falzoni *

anna.falzoni@uni-bocconi.it

(University of Bergamo, Centro Studi Luca d'Agliano and CESPRI)

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I. International statistics on FDI

I.1 Definitions

International guidelines for the compilation of balance of payments and international investment position statistics appear in the International Monetary Fund's *Balance of Payments Manual* (5th edition) (BPM5) and the OECD's *Benchmark Definition of Foreign Direct Investment* (3rd edition) (Benchmark). This body of recommendations provides comprehensive and detailed international standards for recording both positions and flows related to FDI. The recommendations cover a wide range of issues, including concepts and definitions, time of recording, collection methods, dissemination, etc..

According to IMF/OECD recommendations:

Direct investment is the category of international investment that reflects the objective of a resident entity in one economy (direct investor) of establishing a lasting interest in an enterprise (the direct investment enterprise) resident in another economy. "Lasting interest" implies the existence of a long-term relationship and a significant degree of influence by the direct investor on the management of the direct investment enterprise. Direct investment involves both the initial transaction between the two entities and all subsequent capital transactions between them and among affiliated enterprises, both incorporated and unincorporated.

A *direct investor* is defined as an individual, an incorporated or unincorporated public or private enterprise, a government, a group of related individuals, or a group of related incorporated and/or unincorporated enterprises which have a direct investment enterprise that is, a subsidiary, associate or branch, operating in a country other than the country or countries of residence of the direct investor(s).

A *direct investment enterprise* is defined as an incorporated or unincorporated enterprise in which a foreign investor owns 10% or more of the ordinary shares or voting power of an incorporated enterprise or the equivalent of an unincorporated enterprise. Ownership of 10 percent or more of the ordinary shares or voting stock is the guideline for determining the existence of a direct investment relationship. An "effective voice in the management", as evidenced by at least 10 percent ownership, implies that a direct investor is able to influence, or participate in, the management of an enterprise; absolute control by a foreign investor is not required. Direct investment enterprises may be subsidiaries, associates and branches.

A *subsidiary* is an incorporated enterprise in which:

- (i) the foreign investor controls directly or indirectly (through another subsidiary) more than 50% of the shareholders' voting power, or
- (ii) the foreign investor has the right to appoint or remove a majority of the members of this enterprise's administrative, management or supervisory body.

An *associate* is an enterprise where the direct investor and its subsidiaries control between 10% and 50% of the voting shares.

A *branch* is an unincorporated enterprise that:

- (i) is a permanent establishment or office of a foreign direct investor
- (ii) is an unincorporated partnership or a joint venture between a foreign direct investor and third parties
- (iii) is land, structures and immovable equipment and objects directly owned by a foreign resident
- (iv) is mobile equipment operating within an economy for at least one year if accounted for separately by the operator (e.g. ships, aircraft, gas and oil drilling rigs).

Foreign direct investment flows are made of three basic components:

- equity capital: comprising equity in branches, all shares in subsidiaries and associates (except non-participating, preferred shares that are treated as debt securities and are included under other direct investment capital) and other capital contributions such as provisions of machinery etc...
- reinvested earnings: consisting of the direct investor's share (in proportion to direct equity participation) of earnings not distributed, as dividends by subsidiaries or associates and earnings of branches not remitted to the direct investor.

- other direct investment capital (or inter company debt transactions): covering the borrowing and lending of funds, including debt securities and trade credits, between direct investors and direct investment enterprises and between two direct investment enterprises that share the same direct investor.

More specifically, the definition of *direct investment flows* is the following:

- for subsidiaries and associate companies
 - (i) the direct investor's share of the company's reinvested earnings;
 - (ii) plus the direct investor's net purchases of the company's shares, debt securities (bonds, notes, money market and financial derivative instruments) and loans (including non-cash acquisitions made against equipment, manufacturing rights, etc.);
 - (iii) less the company's net purchases of the direct investor's shares, debt securities and loans;
 - (iv) plus the net increase in trade and other short term credits given by the direct investor to the company.
- for branches
 - (i) the increase in reinvested profits;
 - (ii) plus the net increase in funds received from the direct investor;
 - (iii) plus inter-company flows, with the exception of certain flows between affiliated banks, affiliated intermediaries (e.g. security dealers), and Special Purpose Entities (SPEs) with the sole purpose of serving as financial intermediaries.

International direct investment positions are defined as

- for subsidiaries and associates
 - (i) the market or book (balance sheet) value of shares and reserves attributable to direct investor
 - (ii) plus loans, trade credits and debt securities credited by direct investors (including determined but not yet paid dividends)
 - (iii) less reverse loans, trade credits and debt securities.
- for branches
 - (i) the market or book value of fixed assets, investments and current assets, excluding amounts due from direct investor
 - (ii) less the branches liabilities to third parties.

The IMF recommends that positions should be recorded under the directional principle (alternative to assets/liabilities principle) which takes into account the status of the enterprise: the direct investors country records all capital transactions with foreign direct investment enterprises under direct investment abroad whereas direct investment enterprise's country records all capital transactions with foreign direct investors under "direct investment in the reporting country".

Moreover the IMF recommends that positions should be calculated at market prices of the period under consideration. Positions derived from balance sheets of direct investors and direct investment enterprises (book values) come close to market values only under certain circumstances. Thus, in most cases two sets of data (book values and market values) might be appropriate. The OECD suggests compiling FDI positions both for the immediate host/investing country and the ultimate beneficial owner concept.

Inward: This term refers to direct investment in the reporting economy.

Outward: This term refers to direct investments made abroad.

I.2 Statistical measurement of FDI

The Survey of Implementation of International Methodological Standards for Direct Investment (SIMSDI)

Direct investment statistics are currently available for several countries, however many of these statistics deviate significantly from the international guidelines (a list of all the economies for which at least one component of FDI is not available is given in United Nations' *World Investment Report 1999*, pages 467-469).

One of the most common deviations is the lack of information on reinvested earnings. The reason is that unlike equity capital flows or distribution of dividends, reinvested earnings do not give rise to foreign exchange transactions that would flow through the banking system. Therefore the many countries that must use as their primary source central bank statistics, rather than survey information obtained from direct investors or their affiliates, do not dispose of data on reinvested earnings.

Another common deviation is the use of percentage-ownership threshold different from the recommended 10 per cent level for identifying an investment as direct. In addition some countries do not use ownership percentages as the sole criteria for defining direct investment; instead, they attempt to evaluate individual investments subjectively in determining whether the degree of influence or control is consonant with the general concept of direct investment.

Other variances from international guidelines concern the treatment of intra-company debt. Some countries include in FDI only long-term loans, where long-term may have different meanings in different countries: it can be loans of over one year or loans of over five years etc... Also loans in the local economy may be a source of asymmetry. As a matter of fact, when a direct investor decides to invest in his subsidiary abroad by borrowing on the subsidiary's local market, the flow does not appear in the Balance of Payments. However this flow will be visible if the collection system is based at least in part on a survey system.

In addition to the sources of asymmetries listed above, problems arise because of different reporting systems developed by countries for collecting and aggregating data on international transactions. Most countries use a combination of sources to compile their balance of payments statements. Data collection may be based on the compulsory reporting of individual transactions or on aggregates, or alternatively data may be collected by the statistical agency from an intermediary (such as a dealer that handles security transactions for clients) or directly from the transactor by means of mandatory surveys.

In May 1997, the IMF and the OECD launched the *Survey of Implementation of International Methodological Standards for Direct Investment (SIMSDI)*. The survey is a comprehensive study of data sources, collection methods, and dissemination and methodological practices for FDI statistics. It prepares the ground for improving compliance with the agreed international standards of FDI data collection set by IMF and OECD. Similar surveys were conducted in 1983 by the OECD concerning OECD Member Countries, and in 1991 by the IMF's Working Party on Measurement of International Capital Flows (*Godeaux Report*), the latter concerning 38 of the largest reporters of FDI statistics.

114 countries replied to the 1997 Survey. A *Report on the Survey of Implementation of International Methodological Standards for Direct Investment (SIMSDI)* is now available. The *Report* summarises the SIMSDI findings regarding the extent to which IMF member countries have adopted the international standards on FDI statistics. In doing so, it identifies the major improvements that have taken place since the *Godeaux Report* was conducted in 1991. The *Report* draws attention to particular aspects of the statistical methodology followed by countries that participated in the Survey and provides information on FDI dissemination practices, data sources, and availability of geographical and industrial breakdown of the data.

Reference WEB sites:

May 1997 Survey Form and March 2000 *Report on 1997 SIMSDI* can be found on:

<http://www.imf.org/external/bopage/prindex.htm#survey>

A May 1999 version of the *Report on 1997 SIMSDI*, containing Appendix I – Characteristics of OECD Countries (reporting a list of variables and availability of data by country), can be found on:

<http://www.oecd.org/daf/cmisis/fdi/method.htm>

I.3 FDI Data

I.3.1 European Union Direct Investment Yearbook by EUROSTAT

Description of the database:

This publication summarises the trend in FDI flows and positions for the European Union Countries (EUR 15 and EUR 12), the United States and Japan. The data are presented with a geographical and sectoral breakdown. The publication is divided in two parts, Part A presents a descriptive overview of EU investment positions and flows. Part B presents direct investment figures for EU and each single Member State.

Variables:

Direct Investment *flows* are defined as the sum of equity capital, reinvested earnings and other capital (or inter-company debt transactions).

Outward and inward flows are presented in millions of ECU. The following variables are disaggregated by Country and Economic regions:

- Equity + Other Capital
- Equity Capital
- Other Capital
- Reinvested Earnings
- Total Capital

Moreover flows disaggregated by economic activity are crossed with flows disaggregated by region.

FDI *positions* are computed as adjusted cumulated flows (Position at the beginning of the period + FDI flows + price changes + exchange rate changes + other adjustments = Position at the end of the period). Assets and liabilities figures are presented in millions of ECU and in % of world total. The following variables are disaggregated by country and economic regions:

- Equity + Reinvested Earnings
- Other Capital
- Total Capital

As for information given on reinvested earnings, since not all Member States compile RIE following the IMF/OECD recommendations, i.e. in the year of earning, and some have no detailed figures on RIE at all, EUROSTAT decided to show RIE in the country tables according to national practices. Thus, comparisons are carried out only on the sum of equity and other capital and RIE are only shown in the country tables when available. However, they are included in the position figures because there the methodological differences in recording practices do not cause relevant asymmetries. In positions, delays only affect the last portions, whereas the accumulated profits and dividends of earlier periods come close to the recommended way of recording, because RIE derived from balance sheets should reflect the RIE of previous periods properly.

Geographical area and period covered:

Data cover all European Union Countries (EUR 15 and EUR 12). Moreover, the United States and Japan are considered as comparison.

The latest edition is the 1999 Yearbook which comprises data from 1988 up to 1998.

Original sources:

Questionnaires sent out to Member States, national Balance of Payment publications and additional information provided by national compilers.

Collection method:

EUROSTAT collects FDI data via common EUROSTAT/OECD questionnaires from Member States. There is a lack of coherence in some of the statistics coming from national sources mainly due to different collection methods, concepts and classifications employed by Member States. To overcome such statistical problems EUROSTAT harmonises national data. Moreover EUROSTAT estimates missing or unavailable data for each Member State to build complete EU FDI flows and positions. Estimates exploit secondary data sources or use knowledge-based modelling techniques. As a general rule only

the estimated data for the entire European Union are published.

Comparability among countries:

EUROSTAT uses as a base for its work the OECD Benchmark Definition of Foreign Direct Investment, Third Edition. Thus the definitions in the questionnaires sent out to Member States are aimed at compliance with IMF/OECD recommendations. Moreover, data collected as described above are further harmonised by EUROSTAT according to IMF/OECD recommendations. The harmonisation procedure at first checks that all instructions to fill in the questionnaire have been followed by the reporting countries. When relevant deviations from the recommended rules are detected EUROSTAT re-allocates national statistics according to the common classification. The basic interventions usually concern aggregation by country and economic zone and aggregation by economic activity. As a second step the harmonisation tackles the methodological aspects of data collection peculiar to each Member state.

Reference WEB sites:

<http://europa.eu.int/en/comm/eurostat> - Theme: Economy and Finance

I.3.2 World Investment Report by UNITED NATIONS

<i>Description of the database:</i>	<p>It is an annual publication started in 1991 which provides an analysis of current trends in foreign direct investment and in international production by transnational corporations, examining key aspects of the world's largest transnational corporations, and noting major regulatory changes at the national and international levels. It provides a breakdown of regional FDI trends and examines specific issues related to the role and impact of foreign direct investment in various parts of the world. It includes a statistical annex (Annex B) where FDI flows and stocks figures are presented.</p>
<i>Variables:</i>	<p>Direct Investment <i>flows</i> are defined as the sum of equity capital, reinvested earnings and inter-company debt transactions.</p> <p>Foreign direct investment <i>stock</i> is defined as the value of the share of capital and reserves (including retained profits) attributable to the parent enterprise, plus the net indebtedness of affiliates to the parent enterprise.</p> <p>Outward and inward flows and stocks are presented in millions of dollars disaggregated by:</p> <ul style="list-style-type: none">• Host region and economy• Home region and economy <p>Moreover, inward and outward FDI flows are presented as:</p> <ul style="list-style-type: none">• Percentage of gross fixed capital formation, by region and economy <p>While inward and outward FDI stock are presented as:</p> <ul style="list-style-type: none">• Percentage of gross domestic product, by region and economy <p>Finally, data on cross-border M&A transactions which result in the equity holding of more than 50 per cent are presented (all M&As including the bulk of minority –held investments are presented for information). Cross-border M&As are recorded in both directions of transactions; i.e., when a cross-border M&A takes place, it registers as both a sale in the country of the target firm, and as a purchase in the home country of the acquiring firm. Data showing cross-border M&A activities on an industrial basis refer to only sales figures. Thus if a food company acquires a chemical company, this transaction is recorded in the chemical industry.</p>
<i>Geographical area and period covered:</i>	<p>All countries and economic regions are covered.</p> <p><u>The latest edition is dated 1999 and comprises data from 1980 up to 1998</u> (data on 1998 are usually estimates).</p>
<i>Original sources:</i>	<p>Data on FDI are derived from: IMF <i>Balance of Payment Statistics Yearbook</i> and <i>International Financial Statistics</i>, UNCTAD FDI/TNC database, OECD <i>Geographical Distribution of Financial Flows to Developing Countries</i>.</p> <p>Data on cross-border M&As are obtained from the KPMG, a consulting firm that collects information through a variety of secondary sources including newspapers and other periodicals.</p>
<i>Collection method:</i>	<p>Data on FDI flows have been obtained directly from IMF's computer tapes containing balance-of-payment statistics and international financial statistics. In those cases in which economies do not report to IMF or their reporting does not cover the complete 1980-1997 period, data from UNCTAD FDI/TNC were used. For developing countries, these data were supplemented with OECD data, which are based on FDI outflows to developing countries from the Member Countries of the Development Assistance Committee. Therefore inflows of FDI to developing countries for which OECD data were used are underestimated.</p>
<i>Comparability among countries:</i>	<p>The definitions adopted are in line with BPM5 and OECD Benchmark definition.</p>
<i>Reference WEB sites:</i>	<p>http://www.unctad.org/en/enhome.htm</p>

I.3.3 International Direct Investment Statistics Yearbook by OECD

<i>Description of the database:</i>	<p>It is an annual publication that gathers statistics on international direct investment for OECD countries. It relies on a database developed by the OECD Directorate of Financial, Fiscal and Enterprise Affairs.</p> <p>The publication is organised in three parts. Part I includes summary tables on flows and stocks data. Part II focuses on country data. Part III contains a series of technical notes with detailed information on statistical sources, FDI definitions and data collection methods for each country</p>
<i>Variables:</i>	<p>FDI data for each country are presented in national currency and are organised in eight standardised tables as follows:</p> <ul style="list-style-type: none">• Inflows by sector• Outflows by sector• Inflows by country• Outflows by country• Inward position at year-end by sector• Outward position at year-end by sector• Inward position at year-end by country• Outward position at year-end by country
<i>Geographical area and period covered:</i>	<p>Data cover all OECD countries. <u>The latest edition is the 1999 Yearbook.</u></p>
<i>Original sources:</i>	<p>The data are based for the most part on Balance of Payment statistics published by the Central Banks and Statistical Bureaux of Member Countries, but also on other sources such as notifications or approvals.</p>
<i>Collection method:</i>	<p>Data on FDI flows and positions are taken directly from the Central Bank statistics and national authorities publications, and are presented without any further elaboration.</p>
<i>Comparability among countries:</i>	<p>Although FDI statistics are presented according to a standardised format for all Member Countries, there are limitations in data comparability due to differences in FDI definitions, in industrial classifications and in geographical breakdowns. OECD does no harmonisation.</p> <p>Issues concerning differences in FDI definitions are discussed in each country section. As for sectoral classification, both manufacturing industry and services are grouped according to ISIC (rev. 2) classification, however national data are not always reported in accordance with this classification. Footnotes added to country tables explain the relevant differences.</p>
<i>Reference WEB sites:</i>	<p>www.OECD.org</p>

II. Financial and operating data on multinational companies

Compared with direct investment balance of payments data, financial and operating data for MNCs are much less widely available. Some countries collect information on inward direct investment (France, United States, Germany, Italy, among others). Much less frequent is the identification of foreign subsidiaries of domestic-based firms and the collection of information on them.

Almost only the U.S. and Germany produce data for both outward and inward direct investment through their official economic analysis bureau or central banks by means of mandatory surveys.

Therefore, most of the empirical work on FDI using firm-level data has in the past been done supplementing the official sources with data gathered by private agencies such as Datastream, OneSource, etc... They usually include information on each firm's ownership, allowing foreign subsidiaries of domestic firms to be identified. The two major weaknesses of this firm data sources are that they usually cover only firms quoted on the stock market and the lack of detail on the skill composition of firms.

However, the need for such data is becoming more widely recognised and several countries are trying to find ways to develop them: Belgium and Luxembourg, for instance, envisage the creation of a register of enterprises being involved in FDI while the Central Statistics Office of Ireland is putting in place several surveys designed to collect comprehensive data on direct investment.

At the moment, the principal sources of financial and operating data are collected by public and private research institutions for specific research purposes. They are usually based on voluntary surveys which do not cover the entire universe of firms in the country and are supplemented by information gathered from newspapers, annual reports of major firms, official registers and various other *ad hoc* documentation.

Another major problem is language. Countries such as Japan do have data sets containing a wealth of financial and operating data on domestic businesses, but there are almost no data published in English, therefore effective access to such data is far from easy.

II.1 Activities of Foreign Affiliates Database by OECD

<i>Description of the database:</i>	The data set collects information on a series of financial and operating variables reflecting the industrial activity of multinational firms in a restricted number of OECD countries (inward investment). Data collected concern majority-foreign owned (more than 50% of the firm's capital is owned by a foreign enterprise) firms (Foreign Affiliates).
<i>Variables:</i>	<p>Eighteen variables are collected, although they are covered in somewhat uneven manner across countries because of several omissions. The variables recorded are:</p> <ul style="list-style-type: none">• N° of enterprises/establishments• N° of employees• Gross output• Turnover• Value added• Wages and salaries• R&D expenditure• N° of researchers• Gross fixed capital formation• Total exports• Total imports• Intra-firm exports• Intra-firm imports• Gross operating surplus• Technological payments• Technological receipts• Stock of foreign direct investment• Capital under foreign influence
<i>Geographical area and period covered:</i>	<p>Data are presented for 16 OECD countries: Canada, Czech Republic, Finland, France, Germany, Hungary, Ireland, Italy, Japan, Mexico, Netherlands, Norway, Sweden, Turkey, United Kingdom, United States and cover the years 1992-96/97.</p> <p>Data are classified according to ISIC Revision 3.</p>
<i>Original sources:</i>	<p>The sources of data are not homogeneous because in some cases they are based on statistics published by the Central Banks and Statistical Bureaux or by other national authorities while in other cases they are obtained from <i>ad hoc</i> data sets developed by research institutions.</p>
<i>Collection method:</i>	<p>Data are collected by the Economic Analysis and Statistics Division of the OECD Directorate for Science, Technology and Industry (STI) by means of a survey. So far only some countries have taken part in the surveys, but other countries have started to collect data on the subject and the results of their national surveys are to be incorporated in the next issue of the report.</p>
<i>Comparability among countries:</i>	<p>There are limitations in data comparability due to differences in sources and definitions used in each industry and in each country.</p> <p>No harmonisation aimed at improve comparability is performed.</p>
<i>Reference web sites:</i>	<p>http://www.oecd.org/dsti/sti/stat-ana/stats/</p>
<i>Reference:</i>	<p>OECD Statistics (1999), "Measuring Globalisation. The Role of Multinationals in OECD Economies".</p>

Unpublished data by OECD

The globalisation area of the Directorate for Science, Technology and Industry is in charge of other two surveys, apart from the previous one:

- a survey on the activities of multinational firms abroad (outward investment) in the manufacturing sector, which is sent every two years. Data on outward investment have not been published yet, because few countries reply to the survey and the quality of the data is not satisfactory for some countries. Until now, only data for the US, Japan, Germany and Sweden are available.
- a joint OECD/EUROSTAT survey on the activities of multinational firms (inward and outward investment) in the services sector. This survey was sent for the first time in 1997.

III. Statistics on FDI and financial and operating data on multinational companies by country

FRANCE

A. Financial and operating data

I. Inward

Source: L'Implantation Etrangère dans l'Industrie developed by the Service des Statistique Industrielles (SESSI), Ministère de l'Industrie.

Periodicity: yearly

Variables:

- *Affiliate:* Number of enterprises
Number of Employees
Wages and salaries
Production
Turnover
Value Added
Gross fixed capital formation
Total Export
Gross operating surplus

Collection method: The data collected are based on two sources: the "Fichier des Implantation Etrangère de la Direction du Trésor" (Roll of foreign plants compiled by the Treasury Office) which contains information concerning the identification of every foreign participated enterprise in France and the "Ficher de l'Enquete Annuelle d'Entreprise du Ministère de l'Industrie" collecting financial and operating data on all industrial enterprises with over 20 employees.

Coverage degree: Manufacturing enterprises with 20 or more employees being participated by foreign owned enterprises. Notice that, for the purpose of the database, only participation above the 33.33% threshold is considered foreign direct investment. Foreign participation below the threshold is considered simple portfolio investment.

Classification: All variables are classified according to the following criteria:

- Industry (sector of activity: French classification, converted to ISIC Rev.3)
- Percentage of foreign participation (over 50%, between 33.33% and 50%, less than 33.33%)
- Country of origin of the investor
- French region of location
- Size of the enterprise measured by classes (20-49, 50-99, 100-199, 200-499, 500-999, 1000-1999, over 2000) of employees

Other Information: The data set is available on paperback.

Reference: "L'Implantation Etrangère dans l'Industrie", SESSI, Service des Statistique Industrielles, Ministère de l'Industrie, de la Poste e des Telecommunications.

II. Outward

Source: LIFI, annual survey developed by the Institute National de la Statistique et des Etudes Economiques (INSEE).
Enquete Implantations survey developed by the Direction des Relations Economiques Extérieures.

Periodicity: LIFI: yearly, from 1980 on.

<i>Variables:</i>	<ul style="list-style-type: none"> • <i>Parent:</i> <ul style="list-style-type: none"> Number of enterprises Number of employees Wages and salaries Turnover Value added • <i>Foreign Affiliate:</i> <ul style="list-style-type: none"> Number of enterprises Number of employees Year of first record
<i>Collection method:</i>	The data on French investors are based on annual mandatory surveys developed by INSEE, LIFI (“liaison financières”) surveys.
<i>Coverage degree:</i>	Private enterprises with 20 or more employees.
<i>Reference:</i>	INSEE, Annuaire statistique

B. Balance of payment data

<i>Source:</i>	Statistics on FDI in France and French direct investments abroad are provided by the Banque de France and the Ministère de l’Economie des Finances et de la Privatisation.
<i>Collection method:</i>	Data on flows and end-of-year positions of FDI in France and French investment overseas are collected through surveys sent to the enterprises and bank settlements, which serve as a basis for BoP records.
<i>Coverage:</i>	Financial <i>flows</i> attributable to FDI include operations that have foreign capital participation greater than 10 per cent (before January 1993 the threshold was 20%), increases of capital or purchases of shares in a firm. They also include loans taken by affiliates from parent companies (both short and long term since 1994) as well as unguaranteed loans and subsidies. Also included are purchases of property. Purchase of property may be made as financial investment or may include other elements such as guarantees and extensions of other activities.

C. Discrepancies with respect to BPM5 and to OECD benchmark definition

- The definition of direct investment used by the Bank of France basically complies with the guidelines of the IMF and the OECD.
- The country classification of statistics of direct investment is based upon the country of residence of the foreign creditor or debtor. It does not necessarily reflect either the country of ultimate beneficial ownership of the investment, the country of immediate source of funds or the country to which amounts borrowed will be repaid. Inward investment in a French company will be similarly attributed to the country of the intervening subsidiary rather than to the country of the ultimate parent.
- The directional principle is applied only to long term loans, all other FDI is recorded gross on the assets/liabilities principle.
- The industry classification of outward investment flows and stocks relates to the activities of the investing enterprise whereas that of the inward investment relates to operations of affiliates.

D. Other references

J. Dunning and J. Cantwell, 1988, *Directory of statistics of International Investment and Production*, Institute for Research and Information on Multinationals, IRM, pages 34-47. The survey covers data on French FDI positions and flows for the period 1970-1983.

World Investment Directory 1992, Volume III, Developed Countries, 1993, United Nations, New York, pages 189-206. Several tables present data on foreign direct investments in and out of France for the 1980s.

GERMANY

A. Financial and operating data

II. Inward

Source: Ausländische Direktinvestitionen in Deutschland in: *Kapitalverflechtung mit dem Ausland* (Foreign direct investment in Germany in: *International capital links*), Special Publication of the Supplement "Balance of payments statistics" of the Deutsche Bundesbank.

Periodicity: Yearly

Variable:

Affiliate: Number of enterprises
Number of Employees
Annual turnover in DM billion
Stock of foreign direct investment
Capital under foreign influence

Collection method: The data are based on annual stock surveys of direct investment in Germany, based on reports which German enterprises and individuals have to submit to the Deutsche Bundesbank once a year according to the Foreign Trade and Payments Regulation.

Coverage degree: All enterprises in Germany with a cross-border capital interest amounting to more than 20 % and with a balance sheet total of the investment enterprise exceeding DM 1 million.

Classification: All data are classified by investor's country and by economic activity (industrial classification NACE Rev. 1. From 1995, data have been directly processed using ISIC Rev.3)

Other Information: The data set is available on zip 100 disk format and paperback. It also contains a methodological section.

Reference: Deutsche Bundesbank, 1997, "International capital links, Methodological Notes".

II. Outward

Source: Deutsche Direktinvestitionen im Ausland in: *Kapitalverflechtung mit dem Ausland* (German direct investment abroad in: *International capital links*), Special Publication of the Supplement "Balance of payments statistics" of the Deutsche Bundesbank

Periodicity: Yearly

Variables

: *Foreign Affiliate:* Number of enterprises
Number of Employees
Annual turnover in DM billions
Capital under German influence

Collection method: The data are based on annual stock surveys of German direct investment abroad, based on reports which German enterprises and individuals have to submit to the Deutsche Bundesbank once a year according to the Foreign Trade and Payments Regulation.

<i>Coverage degree:</i>	German enterprises and individuals who, on the reporting date, have direct (primary) or indirect (secondary) holdings of more than 20% of the capital shares or voting rights in an enterprise abroad with a balance sheet total of more than (the equivalent of) DM 1 million and German enterprises that maintain branch offices or permanent establishments abroad with gross operating assets in excess of DM 1 million.
<i>Classification:</i>	All data are classified by country of investment and by economic activity (industrial classification NACE Rev. 1. From 1995, data have been directly processed using ISIC Rev.3)
<i>Other Information:</i>	The data set is available on zip 100 disk format and paperback. It also contains a methodological section.
<i>Reference:</i>	Deutsche Bundesbank, 1997, "International capital links, Methodological Notes".

B. Balance of payment data

<i>Source:</i>	Data on FDI are compiled by the Deutsche Bundesbank
<i>Collection method:</i>	Data concerning direct investment flows are mainly based on reports of single transactions by enterprises to the Bundesbank and are available on a monthly basis. Reporting transactions is obligatory when the amount exceeds 5000 DM. Reporting of the stock of the investment is obligatory when the amount exceeds one million DM. Moreover an annual survey on direct investment is conducted. Reinvested earnings are derived from the stock of information collected.
<i>Coverage:</i>	<i>Direct investment flows</i> contain equity capital, reinvested earnings and long-term loans. Flows connected with short term credits, commercial credits, leasing or the balances of inter-company accounts as direct investment are not recorded as direct investment. <i>Direct investment stocks</i> at the end of a given year contain the sum of equity capital and reinvested earnings plus foreign loans and advances. The definition of stock is that international capital links between enterprises: the direct participating interest of a resident in a foreign enterprise or the direct participating interest of a non-resident in a domestic enterprise. Such direct ownership, plus the direct claims from loans which the parties involved have granted to their wholly or partly owned enterprises, forms the stock of primary direct investment or the primary corporate assets. If the primary cross-border participating interest concerns a majority holding in an enterprise, and if this subsidiary, in turn holds participating interest of more than 20 per cent, these assets are only indirectly owned by the investors. The secondary direct investment assets held via a majority-owned holding company are referred to as secondary corporate assets. Direct investment is attributed to the country in which the investment is primarily being made (German investment abroad) or in the country of the primary non-resident investor (foreign investment in Germany). Reinvested profits are also attributed to the country in which the investment is made, or to the country of the non-resident enterprise.

C. Discrepancies with respect to BPM5 and to OECD benchmark definition

- Flows connected with short-term credits, commercial credits, leasing or the balances of intra-company accounts are not recorded.
- The threshold for shares to be held in an enterprise in order for an investor to be considered as a direct investor is 20% (before 1989 it was 25%). Application of 10% threshold is foreseen for the near future.

D. Other references:

J. Dunning and J. Cantwell, 1988, *Directory of statistics of International Investment and Production*, Institute for Research and Information on Multinationals, IRM, pages 47-61. The survey covers data on West German FDI positions and flows for the period 1975-1983.

World Investment Directory 1992, Volume III, Developed Countries, 1993, United Nations, New York, page 207. Several tables present data on foreign direct investments in and out of the Federal Republic of Germany for the 1980s.

IRELAND

A. Financial and operating data

III. Inward

Source: Census of Industrial Production, survey developed by the Irish Central Statistics Office (CSO).

Periodicity: Yearly

Years of record available: From 1972 on.

Variables: • *Affiliate:* Number of local units (A local unit is defined as an enterprise or part thereof situated in a geographically identified place)

Number of employees

Production

Value added

Wages and salaries

Total exports

Total import

Data collection methodology: The CSO conducts an annual survey on industrial production which covers separately companies where 50% or more of the share capital is held by non-Irish residents.

Coverage degree: All local units with at least three employees.

Classification: NACE Rev.1

Reference: www.cso.ie

B. Balance of payment data

Source: The balance of payment statistics of Ireland is compiled by the Central Statistics Office. However, Statistics of direct investment capital flows are not presently available separately. For balance-of-payment purposes, the CSO conducts an annual survey of Irish branches and subsidiaries of foreign parent companies. A system of comprehensive data collection for BoP statistics is being undertaken but a complete implementation of the new system will require several years. EUROSTAT estimates data on stocks and flows in order to build the EU aggregates.

C. Other references:

J. Dunning and J. Cantwell, 1988, *Directory of statistics of International Investment and Production*, Institute for Research and Information on Multinationals, IRM, pages 47-61. The survey presents some data on inward Irish FDI positions and flows for some years in the period 1975-1983.

World Investment Directory 1992, Volume III, Developed Countries, 1993, United Nations, New York, page 247. Several tables present data on foreign direct investments in and out of Ireland for the 1980s.

ITALY

A. Financial and operating data

I. Inward

Source: Reprint Database, developed at the Department of Economics and Production of the *Politecnico di Milano* with the support of CNEL (the Italian National Council for Economy and Labour)

Periodicity: Every two years

Years of record available: 1986, 1988, 1990, 1992, 1994, 1996, 1998 (1st of January of every year)

Variables:

- *Foreign Parent:* Number and country of origin
- *Affiliate:* Number of enterprises, main location, share of foreign ownership
Number of plants and relative location
Industrial activity classified according to Ateco 1991 and converted into NACE
Year of first record
Type of investment (greenfield investment or acquisition of an existing firm)
Number of employees and turnover (current prices, Italian Lira)

Collection method: Survey and indirect information collected by different sources such as newspapers, industry studies, annual reports of major companies, etc.

Coverage degree: Firms in mining and manufacturing industries.

Reference: The latest edition is:
R. Cominotti, S. Mariotti, M. Mutinelli (Eds) (1999), "Italia Multinazionale 1998", CNEL, Rome.

II. Outward

Source: Reprint Database, developed at the Department of Economics and Production of the *Politecnico di Milano* with the support of CNEL (the Italian National Council for Economy and Labour)

Periodicity: Every two years

Years of record available: 1986, 1988, 1990, 1992, 1994, 1996, 1998 (1st of January of every year)

Variables:

- *Parent:* Number
Number of employees (only by size class)
Turnover (only by size class) (current prices, Italian Lira)
- *Foreign Affiliate:* Number and share of Italian parent ownership
Country of location
Industrial activity classified according to Ateco 1991 and converted into NACE
Year of first record
Type of investment (greenfield investment or acquisition)
Number of employees and turnover

Collection method: Survey and indirect information collected by different sources such as newspapers, industry studies, annual reports of major companies, etc.

Coverage degree: Italian firms with investments abroad in mining and manufacturing industries

Reference: The latest edition is:
R. Cominotti, S. Mariotti, M. Mutinelli (Eds) (1999), "Italia Multinazionale 1998", CNEL, Rome.

B. Balance of payment data

Source: The Ufficio Italiano Cambi (UIC) is empowered to collect information concerning settlements. The Bank of Italy then compiles the BoP on the basis of transactions. An important source is settlements, but other sources are used, especially for statistics relating to goods and transport. The data are published every year in the Appendix of the *Relazione Annuale* della Banca d'Italia. Data are also published in *Supplementi del Bollettino statistico, indicatori monetari e finanziari*, which is a monthly supplement of the statistical bulletin.

Collection method: FDI data are compiled as follows:
Flows are registered by UIC on compulsory declaration of operators and banks concerning all foreign transactions exceeding 20 million Italian Lira. The exchange records compiled by the declarer distinguish between financial operations connected with a lasting interest and/or with an active role in the management of the direct invested enterprise and the percentage of equity capital obtained after the transaction. However any holding of a stake of over 20% in the share capital enterprise is treated as direct investment. Participation by resident commercial banks is not included in direct investment figures.
Direct investment flows contain equity capital and debt securities. Reinvested earnings are not included in foreign direct investment statistics.
Stock data are obtained by cumulating the flows to the last known stock estimated at market value.

C. Discrepancies with respect to BPM5 and to OECD benchmark definition

- Threshold at 20%, but Italy is in the process of implementing the 10 per cent criterion.
- Inter-company flows other than debt securities are not recorded in direct investment statistics.
- Reinvested earnings are not included in foreign direct investment statistics, but in the 1997 SIMSDI Italy has indicated plans to start the collection of these data soon.
- Stock data are built by cumulating flows at current market prices.

D. Other references

J. Dunning and J. Cantwell, 1988, *Directory of statistics of International Investment and Production*, Institute for Research and Information on Multinationals, IRM, pages 83-95. The survey presents some data on Italian FDI positions and flows for some years in the period 1973-1983.

World Investment Directory 1992, Volume III, Developed Countries, 1993, United Nations, New York, page 259. Several tables present data on foreign direct investments in and out of Italy for the 1980s.

JAPAN

A. Financial and operating data

I. Inward

Source: Survey on Trends in Business Activities of Foreign Affiliates in Japan carried out by the Enterprise Statistics Division, Research and Statistics Department and the International Business Affairs Division, Industrial Policy Bureau, MITI.

Periodicity: Yearly

Variables:

- *Affiliate:* Number of enterprises
Number of employees
Turnover
Value added
Wages and salaries
Gross fixed capital formation

Collection method: Survey by the Enterprise Statistics Division, Research and Statistics Department and the International Business Affairs Division, Industrial Policy Bureau, MITI on Foreign Affiliates in Japan and surveys conducted by the Ministry of Finance to collect financial data (Financial statements of incorporated business)

Coverage degree: Majority foreign-owned firms. Firms in the finance, insurance and real estate sector are excluded from the survey as from 1995.

Classification: ISIC Rev.3

Reference: Data are published in *Trends of Foreign Affiliates in Japan*

II. Outward

Source: There are 3 major sources:

- Annual surveys by the Ministry of Finance reporting the number of notifications of investments abroad
- Annual surveys by MITI collecting data on Japanese investors, foreign affiliates, etc. Benchmark surveys are conducted every 4-5 years and annual surveys on small sample. The average coverage of the benchmarks surveys is about 80-90%.
- A list of Japanese firms with investment abroad is collected by a private company

Periodicity: yearly

Variables: MITI survey:

- *Parent:* Number of firms with investment abroad
- *Foreign Affiliate:* Number of affiliates
Number of employees
Turnover

Collection method: surveys

Other Information: The data reports are generally published in Japanese

B. Balance of payment data

Source: There are two sets of statistical data available on Japan's FDI. One is the balance-of payment statistics, where the relevant data appear in the long-term capital accounts. BoP data are compiled by the Bank of Japan and are published monthly in the "Monthly Statistics of Balance of Payments". The other series is the statistics on reported FDI collected by the Ministry of Finance on the basis of notifications. They are published monthly in the Finance Review of the Ministry of Finance.

Collection method: Data derived from the balance of payments are based on total net transactions and include reinvested earnings only for incorporated enterprises. The position at the end of the fiscal year is derived from cumulative value of FDI.

Coverage:

The data on both outward and inward FDI cover all foreign projects in which participation in management is intended, and thus include both subsidiaries and associates.

Data on FDI stock are based on the cumulated approved values of specific projects submitted to the Japanese Ministry of Finance.

C. Discrepancies with respect to BPM5 and to OECD benchmark definition

- The BoP figures on FDI of the Bank of Japan generally correspond with the recommendations in the BPM5.
- There is no minimum threshold to be qualified as direct investor. FDI earnings exclude interest payments to direct investor and short-term loans and payments for royalties and services are also excluded from the statistics.

D. Other references

J. Dunning and J. Cantwell, 1988, *Directory of statistics of International Investment and Production*, Institute for Research and Information on Multinationals, IRM, pages 284-297. The survey presents data on Japanese FDI positions and flows for the period 1975-1983.

Another source of information on Japanese FDI is the Japan External Trade Organisation (JETRO) whose web site is www.jetro.go.jp

Data available from JETRO are mainly balance-of-payment data. They are published annually in "White Paper".

World Investment Directory 1992, Volume III, Developed Countries, 1993, United Nations, New York, page 279.

Several tables present data on foreign direct investments in and out of Japan for the 1980s.

SPAIN

A. Financial and operating data

I. Inward

Source: The CBBE data set is a balanced panel of 1080 Spanish non-energy, manufacturing companies, recorded in the database of the Bank of Spain's Central Balance Sheet Office. CBBE reports shares of non-resident in firm's social capital, so it is possible to distinguish foreign-owned firms.

Periodicity: yearly

Years of record available: from 1986 to 1991

Variables:

- *Affiliate:* Number of employees
Number of white – blue collar workers
Output
Physical capital
R&D and technological capital stock
Exports
Imports

Collection method: Survey developed by the Bank of Spain.

Coverage degree: The firms included in these database represent almost 40% of the Total value added in Spanish manufacturing and about 8% of total Spanish manufacturing employment.

Classification: 2-digit industry classification

II. Inward and Outward

Source: The ESEE data set is an unbalanced panel of 968 Spanish manufacturing companies, recorded in the database of the Ministry of Industry and Energy. ESEE reports shares of non-resident in firm's social capital (so it is possible to distinguish foreign-owned firms), and the number of foreign countries where the firm has establishments.

Periodicity: yearly

Years of record available: from 1990 to 1995

Collection method: Survey developed by the Ministry of Industry

Coverage degree: The firms included in these database represent almost 9% of total Spanish manufacturing employment.

Classification: 2-digit industry classification

B. Balance of payment data

Source: The Balance of Payments statistics system designed by the Banco de Espana, in effect since 1993, is the major source of information for FDI flows.

Collection Method: Data are mainly derived from the International Transaction Reporting System, for which reporters (deposit and other financial institutions, account holders at non-resident credit institutions, residents running clearing transactions and resident enterprises with inter-company accounts) have to specify the nature of the transactions above 500.000 Ptas.
Data on sectoral distribution of the direct investment flows are not collected but, as an indicator for such distribution, it uses the data on notifications received by the Ministerio de Economia y Hacienda.

Coverage:

The definition of direct investment used by the Banco de Espana includes shares and other equity, when they represent 10 per cent or more of the company's capital, real estate investment and long and short-term net claims (claims less liabilities) on parent/affiliate companies.
For the time being neither data on reinvested earnings nor data on positions are available.

C. Discrepancies with respect to BPM5 and to OECD benchmark definition

- The definition of direct investment basically complies with the guidelines of the IMF fifth manual and the OECD benchmark definition.
- No figures on reinvested earnings are available.

D. Other references

J. Dunning and J. Cantwell, 1988, *Directory of statistics of International Investment and Production*, Institute for Research and Information on Multinationals, IRM, pages 178-192. The survey presents data on Spanish FDI positions and flows for the period 1960-1984.

World Investment Directory 1992, Volume III, Developed Countries, 1993, United Nations, New York, page 387. Several tables present data on foreign direct investments in and out of Spain for the 1980s.

SWEDEN

A. Financial and operating data

III. Inward

Source: Foreign owned enterprises in Sweden, surveys conducted by NUTEK (Swedish National Board for Industrial and Technical Development), in co-operation with Statistics Sweden.

Periodicity: Yearly

Years of record available: From 1992 on.

Variables: • *Affiliate:* Number of foreign-owned enterprises (only majority foreign-owned enterprises)
Number of employees

Turnover

Value Added

Wages and salaries

Gross Fixed Capital Formation

Total exports, Total imports

Intra-firm exports

Gross operating surplus

Collection method: In addition to the survey of ownership, NUTEK's Statistics is based on three sources: Statistics Sweden's Central Register of Enterprises and Establishments, Statistics Sweden's Structural Business Statistics, Statistics Sweden's Trade Statistics.

Classification: For all variables, the data are classified according to the principal industrial activity of the affiliate in Sweden (ISIC Rev. 3).

Reference: www.nutek.se/analys/struktur/sm-e.htm

IIa. Outward

Source: Swedish owned enterprises abroad, surveys conducted by NUTEK (Swedish National Board for Industrial and Technical Development). It consists of three main surveys. One carried out every three years on all Swedish groups having employees in subsidiaries abroad (it comprises data on the distribution of employees by country, by industry and by size of enterprise); a second one carried out yearly on about 80 large Swedish owned groups in manufacturing and about 40 large groups in service industries having employees in subsidiaries abroad. The third one is an annual survey on about 20 large manufacturing Swedish groups having employees in subsidiaries abroad and collects data on sales, investment, R&D, etc.

Reference: www.nutek.se/analys/struktur/sm-e.htm

IIIb. Outward

Source: IUI Database

Periodicity: Approximately every 4/5 years

Years of record available: 1965, 1970, 1974, 1978, 1986, 1990, 1994, 1998.

Variables:

- *Parent:*
 - Name and address
 - Main sector of activity
 - Number of employees
 - Number of production affiliates abroad
 - Number of employees in Sweden
 - Number of employees in affiliates abroad
 - External revenues of the entire group
 - External revenues of the Swedish part of the group
 - Total invoiced exports of the Swedish part of the group
 - Total expenditures on wages and salaries
 - External revenues outside Sweden of the entire group
 - Capital expenditure
 - Value of fixed assets
 - Operating income before depreciation
 - Depreciation according to plan
 - Proportion of total group revenues per product line
 - Proportion of total group revenues disaggregated by countries
 - Group total revenues from licenses, patents, royalties, know how and management fees
 - Total revenues of the Swedish part of the group from licenses, patents, royalties, know how and management fees
 - Group expenditure on licenses, patents, royalties and know-how
 - Capital expenditure by the group
 - Group expenditure on marketing
 - Group expenditure on R&D

- *Foreign Affiliate:*
 - Products/product lines
 - Number of employees
 - Value of fixed assets
 - Total liabilities
 - Total equity
 - Total assets
 - Operating income before depreciation
 - Depreciation according to plan
 - Total interest expense
 - Income after financial income and expense
 - Total expenditure on wages and salaries
 - Expenditure on R&D
 - Entry mode

Collection method: Repeated survey organised by the Research Institute of Industrial Economics (IUI). Data are collected by sending out a questionnaire consisting of two parts. The first part is answered by the parent company, the other one by each foreign affiliate involved in manufacturing production.

Coverage degree: Manufacturing Swedish companies with 50 or more employees. The percentage coverage is about 80%.

Classification: Data are classified by country and by industry (corresponding to 2-3 digit level of ISIC).

Reference: www.iui.se
 A description of the data can be found in:
 P. Braunerhjelm and K. Ekholm (1998), "The Geography of Multinational Firms", Kluwer Academic Publishers.

B. Balance of payment data

Source: The Swedish BoP is carried out by the Sveriges Riksbank.

Collection method: FDI flows data are received through direct reports by companies. Stocks and reinvested earnings are obtained from an annual sample survey.

Coverage:

The direct investments data included in the balance of payments relate to:

- direct investment flows between residents and non-residents, received through direct reports by companies. Reported flow data cover equity capital (including purchase and sale of real estate for business, excluded recreational houses) and inter-company long-term loans.
- reinvested earnings which are obtained from an annual sample survey;
- data on stocks of international direct investment collected by the Riksbank in an annual survey that covers Swedish enterprises with subsidiaries or associate companies abroad and enterprises in Sweden that are wholly or partially owned by non-residents.

C. Discrepancies with respect to BPM5 and to OECD benchmark definition

- The definition of FDI basically complies with IMF/OECD guidelines.
- The reporting system deals only with subsidiaries and associates. Branches are not recorded at all.

D. Other references

J. Dunning and J. Cantwell, 1988, *Directory of statistics of International Investment and Production*, Institute for Research and Information on Multinationals, IRM, pages 193-207. The survey presents some data on Swedish FDI positions and flows for the period 1970-1983.

World Investment Directory 1992, Volume III, Developed Countries, 1993, United Nations, New York, page 409. Several tables present data on foreign direct investments in and out of Sweden for the 1980s.

UNITED KINGDOM

A. Financial and operating data

IV. Inward

Source: Annual Respondents Database (ARD), that is the Annual Census of Production (ACOP) and Annual Business Inquiry (ABI) Respondents Database (ARD) held at the Official National Statistics Office in Newport.

Periodicity: Yearly

Years of record available: Data from 1970 onwards are available in electronic form

Variables:

- *Foreign Parent:* Nationality of the owner of the ultimate parent.
(This information is collected as part of a separate enquiry and is linked through the inter-departmental business register (IDBR))
- *Affiliate:* ARD data include more than 500 variables concerning output, employment, investment and expenditure on intermediate goods. Among others there are data on:
district of location
production
value added
average number of employees
wages and salaries
capital investment in plant and machinery
capital investment in buildings and land

Collection method: The database collects data from the Annual Census of Production (ACOP) and Annual Business Inquiry (ABI) implemented by the ONS. These surveys are sent out under the Statistics and Trade Act (1947) and it is a legal requirement that business fill them in and return them to the ONS. Despite its name, ACOP is not really a Census, rather the ONS send out forms to a sample of establishments on their register (compiled on the basis of the VAT registration list held by HM Custom and Excise). The ownership data are updated using information the ONS obtains from establishments directly and through a regular enquiry using information from Dun & Bradstreet's Who Owns Whom database.

Coverage degree: All production establishments located in the UK with over 100 employees. Establishments include not only privately owned businesses but also some government bodies and other types of institutions.

Classification: Standard Industrial Classification Revised, based on ISIC Rev.3

Other Information: ARD is quite difficult to access and use at the firm level as it is confidential. You have to arrange a contract with the ONS and then go to Newport, Wales and extract the data.

Reference: The aggregate data are published every year in *Business Monitor – Production and Construction Inquiry, Summary Volume* and PACSTAT CD Rom.

A description of the data can be found in:

R. Griffith, 1999, "Using the ARD Establishment Level Data to Look at Foreign Ownership and Productivity in the UK", *Economic Journal* (also downloadable from www.ifs.org.uk)

IV. Outward	<p>Some empirical work make reference to firm level data sets giving balance sheets variables for all firms (eg. Onesource, Fame etc...) and which generally give information on the ownership structures allowing foreign subsidiaries to be identified. FAME for instance covers 210,000 UK private and public limited companies and comprises up to 5 years of financial data on each company. Data is compiled from the JordanWatch and JordanSurvey databases, published by Jordan and Sons (www.jordans.co.uk)</p>
B. <u>Balance of payment data</u>	
<i>Source:</i>	Data on flows of FDI to and from the United Kingdom and Northern Ireland are provided by the Business Statistics Office of the Department of Trade and Industry in its annual publication, <i>Overseas Transactions</i> .
<i>Coverage:</i>	<p><i>Net outward direct investment</i> consists of investment, net of disinvestment, by British companies in their overseas branches subsidiaries or associated companies. Also included as part of the inward investment by the overseas parents are any loans or credit received or given by British branches and subsidiaries from or to overseas companies belonging to the same group of companies as the overseas parent.</p> <p>Where British outward investment to a country was channelled through a holding company which was itself an overseas subsidiary of the British company, the whole investment may be allocated to the country of the intervening subsidiary. Inward investment in a British company may similarly be attributed to the country of the intervening subsidiary, rather than the country of the ultimate parent.</p> <p>Data on <i>foreign direct stock</i> represent the foreign-owned portion of the book value of assets of foreign affiliates, as provided by British current accounts. The net book value of direct investment is defined as follows for subsidiaries and branches: fixed assets plus current assets, less current liabilities, excluding those due or from the investing company, less long-term loans, less deferred tax reserves and provisions, and less minority shareholders interests in subsidiaries. In the case of subsidiaries, this equals the foreign owned portion of share capital and reserves, plus net loans and liabilities due to the investing company. For associates, the net book value is usually the cost of share capital when purchased, less any amounts written off, plus the investing company's share of the post-acquisition retained profits and reserves, plus loans and net current balances due to the investing company.</p> <p>Assets purchased through direct investment financed by British companies through foreign currency borrowing from British and overseas banks are included in the data, but not the corresponding liabilities to lenders of foreign currency. Similarly, borrowing in the United Kingdom by foreign companies are not included in outward direct investment, but any inward direct investment financed by such borrowing is included. However, local borrowings by foreign affiliates themselves are not included as direct investment since it does not increase the value of net assets attributable to the investing company.</p>
C. <u>Discrepancies with respect to BPM5 and to OECD benchmark definition</u>	
<ul style="list-style-type: none"> • The definition of direct investment used by the CSO complies with the guidelines of the IMF and the OECD. • Commercial transactions of Special Purpose Entities used purely for raising funds for parent companies are not excluded. • FDI flows abroad made by resident direct investment enterprises are sometimes not recorded or allocated to the country of the parent company. 	

D.

E. **Other references**

J. Dunning and J. Cantwell, 1988, *Directory of statistics of International Investment and Production*, Institute for Research and Information on Multinationals, IRM, pages 109-124. The survey presents some data on UK FDI positions and flows for the period 1971-1983.

World Investment Directory 1992, Volume III, Developed Countries, 1993, United Nations, New York, page 459. Several tables present data on foreign direct investments in and out of UK for the 1980s.

UNITED STATES

A. Financial and operating data

Ia. Inward

Source: Benchmark Surveys and Annual Surveys on US foreign owned business enterprises. Data are collected by the Bureau of Economic Analysis (BEA), US Department of Commerce.

Periodicity: Benchmark surveys are currently conducted every 5 years; these surveys are supplemented by annual sample surveys.

Years of record available: Data are available annually from 1974 forward

Variables:

- *Foreign Parent:* Among other variables:
 - Balance sheets and income statements variables
 - Number of Employees
 - Employee compensation
 - Intra-firm trade
 - Sources of external financing, etc.
- *Affiliate:* Primary focus is on the overall operations of the U.S. affiliates, not just on the affiliate's transactions with the foreign parent group. The data cover, among other variables:
 - Balance sheets and income statements variables
 - Number of employees
 - Employee compensation
 - Intra-firm trade
 - Sources of external financing, etc.

Collection method: Mandatory surveys conducted regularly by BEA. Data are collected under the International Investment and Trade in Services Survey Act. Benchmark surveys (Censuses) were conducted in 1974, 1980, 1987, 1992, 1997 and will continue to be conducted every 5 years. In non benchmark survey years, a sample survey is conducted to derive universe estimates that are comparable with the benchmark survey data. The sample does not contain small affiliates in order to reduce reporting burden on them. Instead, BEA estimates the data of these affiliates by extrapolating forward their data from most recent benchmark survey on the basis of the movement of the sample data. Thus coverage of US-MNCs is complete both in benchmark and non-benchmark periods.

Coverage degree: All nonbank U.S. affiliates (owned 10 per cent or more) of foreign companies Data are separately tabulated for two foreign-affiliate groups: all foreign affiliates and majority-owned foreign affiliates (MOFA). MOFA are foreign affiliates in which the combined ownership of all foreign parents exceeds 50 percent.

Classification: The foreign parent and ultimate beneficial owner (UBO) of a US affiliate are each classified by country. Moreover data can be classified by industry in three ways: industry of US affiliate, industry of sales, industry of UBO

Other Information: The data are published in the Survey of Current Business. Most of the data are also available on diskette and some of them are available as downloadable compressed files in www.bea.doc.gov/bea/ai/06-99.htm
BEA can make special analysis of the data at cost. Requests should be directed to International Investment division (BE-50), Data Retrieval and Analysis Branch, BEA, U.S. Department of Commerce, Washington, DC 20230

Reference: A.M. Quijano, 1990, "A guide to BEA Statistics on FDI in the US", SCB article (downloaded from www.bea.doc.gov/bea/ai/06-99.htm)

Ib. Inward

Source: LRD (Longitudinal Research Database), developed by the CES (Center for Economic Studies) of the US Bureau of Census, US Department of Commerce.

Years of record available: The database contains data for manufacturing establishments collected by the Census of Manufactures (CM) 1963, 1967, 1972, 1977 and 1982 and the Annual Survey of Manufacturers (ASM) for non-census years from 1973 to 1985.

Collection method: Data are collected through regular surveys and estimations for non census years and firms. The CM is an enumeration of all establishments whose primary activity is manufacturing. The Census Bureau mailing lists used for data collection have been obtained from the Internal Revenue Service and the Social Security Administration. Data for some establishments are not reported, thus they are obtained from other government agencies or they are estimated. The ASM is a sample of establishments drawn from the universe of establishments in the CM; establishments with more than 250 employees remain in the sample over time, while the composition of the sample for smaller firms changes every 5 years.

Coverage degree: Manufacturing activities

Other Information: The database is housed within the Census Bureau at the Center for Economic Studies and is organised so that it is possible to generate extracts of the data using a variety of selection keys such as geographic location, industry, size, firm, etc. However, the access to non-Census researchers is not easy.

Reference: www.bea.doc.gov
R.H. McGuckin, G.A. Pascoe, July 1988, "The Longitudinal Research Database: Status and Research Possibilities", CES Discussion Papers 88-2 (available on line in the web site www.census.gov).

V. Outward

Source: Benchmark Surveys and Annual Surveys on US Direct Investment Abroad. Data are collected by the Bureau of Economic Analysis (BEA), US Department of Commerce.

Periodicity: Benchmark surveys are currently conducted every 5 years; these surveys are supplemented by quarterly and annual sample surveys.

Years of record available: Data are available on an annual basis for 1977 onward.

Variables: Several data concerning the following variables are available:

- *Parent:* data are disaggregated by industry (three-digit classification on the basis of sales)
balance sheets
income statements
external financing
number of employees
employee compensation
intra-firm trade
- *Foreign Affiliate:* data are disaggregated by country of location (i.e. country in which the affiliates physical assets are located or in which its primary activity is carried out) and by industry (three-digit classification on the basis of its sales)
industry of parent
balance sheets
income statements
external financing
number of employees
employee compensation
intra-firm trade

Collection method: Mandatory surveys conducted regularly by BEA. Data are collected under the International Investment and Trade in Services survey Act. Benchmark surveys were conducted in 1977, 1982, 1989, 1994, 1999 and will continue to be conducted every 5 years. In non benchmark survey years, a sample survey is conducted to derive universe estimates that are comparable with the benchmark survey data.

Coverage degree: All foreign business enterprises owned 10 per cent or more, directly or indirectly, by a U.S. person

Other Information: The data are published in the Survey of Current Business. Most of the data are also available on diskette and some of them are available as downloadable compressed files in www.bea.doc.gov/bea/ai/06-99.htm
For further information contact David Galler, International Investment Division (BE-), Direct Investment Abroad Branch, BEA, U.S. Department of Commerce, Washington, DC 20230, or call (202) 523-0612.

Reference: www.bea.doc.gov
R.J. Mataloni (1995), "A Guide to BEA Statistics on U.S. Multinational Companies", Survey of Current Business (downloaded from www.bea.doc.gov/bea/ai/06-99.htm)

B. Balance of payment data

<i>Source:</i>	United States Government's official data on direct investment position and balance of payment is collected by the Bureau of Economic Analysis of the Department of Commerce.
<i>Collection method:</i>	Data are collected by means of mandatory surveys (Benchmark surveys and annual surveys) conducted regularly by BEA under the International Investment and Trade in Services survey Act.
<i>Coverage:</i>	<p>Besides financial and operating data, the BEA collects direct-investment-position and balance of payments data which cover the U.S. affiliate's transactions and positions with its foreign parent or other members of its foreign parent group. The major items included in the U.S. balance of payments are direct investment capital flows, direct investment income, royalties and licence fees, and other services transactions with affiliated foreigners.</p> <p><i>Direct investment capital inflows</i> consist of equity and intercompany debt flows between US affiliates and their foreign parent groups and the foreign parents' share of the reinvested earnings of their US affiliates. They represent the financing supplied to an affiliate by its foreign parent group.</p> <p>Direct investment income consists of the foreign parent's shares of the US affiliates' earnings and interest on intercompany debt of the US affiliates with their foreign parent groups.</p> <p>Royalties and license fees are payments by US affiliates to, less receipts by US affiliates from, their foreign parents and other members of the foreign parent groups of fees for the use or purchase of intangible property or rights (patents, trademarks, etc.)</p> <p>Other services transactions consist of payments by US affiliates to, less receipts by US affiliates from, their foreign parents and other members of the foreign parent groups of service charges, and charges for the use of tangible property.</p> <p>The <i>inward foreign direct investment position</i> is a component of the US international investment position. It equals the yearend book value of the foreign parent groups' equity (including retained earnings) in, and net outstanding loans to, their US affiliates. In other words it is the cumulative value of net capital inflows from foreign direct investors. The position at the end of the current year is equal to the position at the end of the previous year plus net capital inflows and valuation adjustments in the current year.</p>

Equivalent definitions apply for outward flows and positions.

C. Discrepancies with respect to BPM5 and to OECD benchmark definition

- FDI data are produced generally in line with the BPM5 and OECD benchmark recording standards. There is a broad coverage of data sets in terms of prices (historical cost, current cost and market prices) for the stocks and for first chain of ownership and ultimate beneficial owner concept for both flows and stocks.

D. Other references

J. Dunning and J. Cantwell, 1988, *Directory of statistics of International Investment and Production*, Institute for Research and Information on Multinationals, IRM, pages 251-166. The survey presents data on US FDI positions and flows for the period 1960-1984.

World Investment Directory 1992, Volume III, Developed Countries, 1993, United Nations, New York, page 483. Several tables present data on foreign direct investments in and out of U.S. for the 1980s.