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ESTABLISHING A REPORTING SYSTEM
FOR FOREIGN DIRECT INVESTMENT STATISTICS

PROCEEDINGS OF A TECHNICAL MEETING
held in Paris on 16-17 November 1992

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPPEMENT

Paris 1993

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FOREWORD

The Centre for Co-operation with European Economies in Transition (CCEET), which was created in March 1990, is the focal point for co-operation between the OECD and Central and Eastern European countries and the New Independent States (NIS) of the former Soviet Union. Its major responsibility is to design and manage a programme of policy advice and technical assistance which puts the expertise of the Secretariat and Member countries at the disposal of countries engaged in economic reform.

Foreign direct investment in the Central and Eastern European countries (CEECs) and the Newly Independent States of the former Soviet Union (NIS) has a vital role to play in their transition to competitive market economies. Governments, analysts and potential investors therefore have considerable interest in being able to measure the magnitude, scope and impact of foreign direct investment (FDI) in these economies. Unfortunately, design deficiencies and administrative difficulties still prevent most CEECs and NIS from providing statistical information on FDI according to international standards.

In response to requests from transition economies, and in the framework of the work programme of the CCEET, OECD organised a meeting in November 1992 to discuss data collection and reporting systems for FDI to generate statistical information on a regular, timely and comparable basis. Participants included officials responsible for FDI data collection in CEECs and the NIS, and statistical experts from OECD countries, and from the International Monetary Fund, Eurostat and the United Nations Economic Commission for Europe.

The purpose of this publication is to share the results of this meeting as widely as possible, particularly the contributions of participants, together with a brief summary of the discussions and a glossary of technical terms related to FDI. Readers may also wish to refer to the OECD "Detailed Benchmark Definition of Foreign Direct Investment", Second Edition, 1992.

This report is issued under the responsibility of the Secretary-General.

- •••• Salvatore Zecchini
- •••• OECD Assistant Secretary-General
- •••• Director of the CCEET

TABLE OF CONTENTS

Foreword	3
Summary of Discussion	7
List of Participants	11
The Concept of Foreign Direct Investment {Peter Harper (IMF)}	13
The OECD Benchmark Definition of Foreign Direct Investment {Ivan Divoy (OECD)}	17
Alternative Approaches to Foreign Direct Investment Data Collection {C.F.J. Richards (Statistics Canada)}	19
Practical Steps in Establishing a Reporting System:	
Australia: {Barbara J. Dunlop (Australian Bureau of Statistics)}	37
Austria: {Dr. Bach (Oesterreiche Nationalbank)}	63
Canada: {Frank B.Y. Chow (Statistics Canada)}	85
France: {René Fiévet (Banque de France)}	117
Germany: {Erich Dandorfer (Deutsche Bundesbank)}	131
Netherlands: {J.R. Herrema and R.P. Sparling} {(De Nederlandsche Bank)}	149
United States: {(Report by the National Academy of Sciences)}	161
The Comparability of International Direct Investment Statistics {Peter Harper (IMF)}	185
Glossary	187
Notes	191

SUMMARY RECORD OF THE TECHNICAL MEETING
ON FDI STATISTICS IN CEECS AND THE NIS

I. INTRODUCTION

As the countries of Central and Eastern Europe (CEECs) and the Newly Independent States of the former Soviet Union (NIS) begin to attract more foreign direct investment (FDI), they need to establish data collection and reporting systems that are able to accurately record this activity. Such systems will enable statisticians to provide useful information for foreign investors, will serve as a tool for domestic policy-making, and will allow these countries to make international comparisons by standardizing methodology.

The OECD "Technical Meeting on FDI Statistics in CEECs and NIS" was organized in response to requests from Eastern European officials for technical assistance in this area.

II. EASTERN EUROPEAN FDI REPORTING SYSTEMS

The representatives from seven countries in transition gave brief overviews of their present FDI reporting systems. Each country seems to have its own unique approach. In Romania, investment projects must be registered, but no information is required about the nature of the business or its intended operation. The number of projects has increased dramatically over the last year, but may not translate into significant investment flows.

Poland collects data on joint ventures and foreign investment through registration and from the balance sheets of incorporated companies. The share of foreign ownership can be determined through this approach, but it provides no information on country of origin. Registered FDI equity is about US \$ 320 million. Whenever acquisitions are made through the stock exchange, the investment is regarded as portfolio investment.

Hungary makes use of different sources, but has information only on initial investments. Registration is required, but not for FDI statistical purposes. There are more than 4000 investment projects in Hungary. Hungary makes no distinction between FDI and portfolio investment because portfolio investment is considered to be insignificant. Also realized were some 1000 direct investments by Hungarian companies abroad.

In the Czech Republic, the recording of capital flows has only recently become the responsibility of the Ministry of Statistics. In the past, the State Bank maintained the only record, which was based on balance of payments (BoP) flows.

In the Ukraine, the Bureau of Statistics has limited data on FDI. It is estimated that the value of FDI in the country is about US \$ 720 million.

III. FDI REPORTING SYSTEMS IN OECD COUNTRIES

In OECD countries, FDI statistics are based, in principle, on balance of payments accounting and on standard definitions developed by the IMF and the OECD. An IMF representative gave a brief overview of the Fund's Balance of Payments Manual, the Fifth Edition of which is currently under preparation. Mr. Divoy reported on the OECD Benchmark Definition, which will be revised to reflect changes in the IMF Balance of Payments Manual, in order to ensure consistency between the two publications, as soon as the Fifth Edition of the IMF Manual is completed.

OECD Member countries have developed two different approaches to FDI data collection and reporting:

{1. Direct Reporting Approach}

A direct reporting system provides the information on flows needed for balance of payments. This approach is applied in most continental Western European countries. A full direct reporting system is not solely confined to the reporting by resident commercial banks of all transactions, including direct investment flows, to the central bank, on behalf of clients or for their own account. It also includes the transactions reported by non-bank residents via their accounts with foreign banks and via their inter-company current accounts. To collect stock data on FDI, countries using a direct reporting system have developed separate surveys (eg. Austria, France, Germany and the Netherlands). The information collected by these surveys can also be used as a check on the corresponding flow figures obtained by the direct reporting system.

{2. Survey Approach}

Canada and Australia rely on a survey approach, which provides them with both stock figures and flow figures, the latter being used for the compilation of balance of payments. The response rate is, in both cases, above 80%.

IV. KEY ISSUES

During the discussions that followed the presentations, a number of issues were raised. Many countries were interested in how to develop a survey framework for companies that have cross-border investment relationships. The following questions were raised: how to include new investments; how to develop and maintain contacts with the private sector; and how to verify information provided by companies.

It became clear that in OECD countries, the reporting systems are well established and are respected by the companies under survey. Among the factors that contribute to the high quality of reported data is the positive working relationship between the FDI agencies and companies. Confidentiality that is assured and prevents data reported to the Statistical Office from being used for any other purpose such as taxation.

It also became clear that well-trained staff and relatively sophisticated data processing equipment are standard in the West and facilitate

the process greatly. For example, in the Balance of Payments Division of the German Bundesbank, 80 staff members work on the processing of data and a sophisticated coding system is in place.

All OECD countries have a strong legal basis for information gathering with severe sanctions in the event of false data reporting. In Australia, for example, there is a legislative Act that requires enterprises to respond to the survey, but practical experience has shown that the relationship between the statistical agency and enterprises has to be open and well organised. Questionnaire design and follow-up procedures are key to the successful implementation of the survey system.

Many of the systems currently in place in OECD countries had been developed when strict exchange control regulations were in place. The liberalisation of capital movements required the development of new procedures to avoid a deterioration in statistical reporting.

V. FOLLOW-UP

The discussion between the participants from the East and OECD experts, as well as among both groups of participants showed that the concept of a multilateral meeting should be maintained. Since many of the subjects that have been addressed during the meeting would need more in-depth discussion, it was agreed that the Working Group should meet regularly.

In order to respond more directly to the needs of the transition economies, a case study approach was recommended. Individual Eastern European countries will present their current procedures for collecting information on FDI and the Group will develop a step by step approach to the development of a more comprehensive reporting system.

One delegate indicated that an important element in this discussion should be to take account of the constraints that CEECs face with respect to manpower and equipment, but also the need to build up trust in government agencies on the part of the corporate sector.

The consensus among the Eastern European participants seemed to be that practical problems, such as which government agency should have primary responsibility for FDI reporting, the Statistical Office, the Central Bank, or the Ministry of Finance, are the most pressing. This is due to the rapid expansion in the number of registered businesses with foreign participation and the reluctance on behalf of the corporate sector to report.

In order to better absorb the highly technical information exchanged and to be able to share it with colleagues and others involved in this area in the CEECs and NIS, the participants welcomed the idea of publishing the proceedings of the meeting, including sample questionnaires that had been presented by the OECD experts.

LIST OF PARTICIPANTS

16-17 November 1992

BULGARIA

{Mr. A.M. Mihailov} - National Bank of Bulgaria

CZECHOSLOVAKIA

{Mr. J. Fischer} - Federal Statistical Office
{Ms. M. Mravcova} - Slovak Statistical Office

HUNGARY

{Ms. A. Huttli} - Central Statistical Office
{Ms. A. Mesko} - Central Statistical Office

POLAND

{Mme A. Wlostowska} - National Bank of Poland
{Mme E. Sadowska-Cieslak} - State Agency for Foreign Investment

ROMANIA

{Mr. E. Ijdelea} - Romanian Development Agency
{Ms. C. Munteanu} - National Commission for Statistics
{Ms. G. Tudor} - National Bank of Romania

RUSSIAN FEDERATION

{Ms. E.A. Fedorova} - Ministry of Foreign Economic Affairs

UKRAINE

{Mr. I. Petrovsky} - Foreign Economic Relations and International Statistics

UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE

{Mr. I. Adjoubei} - Economic Commission for Europe

SPEAKERS

{Dr. Bach} - Oesterreichische Nationalbank

{Mr. F. Chow} - Statistics Canada

{Mr. E. Dandorfer} - Deutsche Bundesbank

{Ms. Barbara J. Dunlop} - Australian Bureau of Statistics

{Mr. René Fiévet} - Banque de France

{Mr. Peter Harper} - Statistics Department - IMF

{Mr. J.R. Herrema} - De Nederlandsche Bank

{Mr. R.P. Sparling} - De Nederlandsche Bank

OECD Directorate for Financial, Fiscal and Enterprise Affairs

{Mr. Robert Ley}

{Mr. Rolf Alter}

{Mr. Ivan Divoy}

{Mrs. Barbara Peitsch}

THE CONCEPT OF FOREIGN DIRECT INVESTMENT

{Peter Harper}
International Monetary Fund

I. INTRODUCTION

One of the roles of the International Monetary Fund's Statistics Department is to develop and promulgate conceptual standards relating to the compilation of balance of payments and international investment statistics, of which direct investment statistics are an integral part. The main vehicle for promulgating these standards is the Fund's Balance of Payments Manual (Manual). The Manual is currently in the process of revision, and it is expected that the final version of the fifth edition will be published around the middle of 1993. This paper is concerned with the concepts associated with direct investment statistics, and it is based on the anticipated content of the fifth edition of the Manual.

II. CONCEPT OF DIRECT INVESTMENT

Direct investment is a category of international investment where a resident entry in one economy (the direct investor) acquires a lasting interest in an enterprise resident in another economy (the direct investment enterprise). Direct investment implies a long-term relationship between the direct investor and the direct investment enterprise, together with a significant degree of influence by the investor on the management of the direct investment enterprise.

III. MOTIVATION FOR DIRECT INVESTMENT

The benefits that direct investors expect to derive from their voice in management are different than portfolio investors who cannot exercise significant influence over the enterprises in which they invest. From the viewpoint of direct investors, direct investment enterprises often represent units in a multinational operation, the overall profitability of which depends on the advantages to be gained by deploying the various resources available to each unit in the group in a way that best enables the synergy of the group to be exploited. For example, the direct investor may be able to obtain access to resources or markets that might be otherwise unavailable to the direct investor. Direct investors may also be able to increase an enterprise's profitability, and therefore its value, through management skills and other expertise that the direct investor might be able to provide to the direct investment enterprise. Therefore, direct investors are in a position to derive benefits in addition to the property income that would otherwise accrue on capital invested without regard to the exploitation of a direct investment

relationship. In contrast, portfolio investors are primarily concerned about the returns on their capital and the likelihood of an appreciation in its value. Portfolio investors generally evaluate separately the prospects of each independent unit in which they might invest, and may often shift their capital with changes in these prospects.

IV. DEFINING THE DIRECT INVESTMENT RELATIONSHIP

The direct investor may be an individual; an incorporated or unincorporated private or public enterprise; an associated group of individuals or enterprises; a government or government agency, or other such organisation which owns a direct investment enterprise (as described below) in an economy other than that (those) of residence of the direct investor(s). A direct investment enterprise is an incorporated or unincorporated enterprise in which a direct investor owns 10 per cent or more of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise). The direct investment relationship extends to the direct investment enterprise's subsidiaries (enterprises that are more than 50 per cent owned by the direct investment enterprise), sub-subsidiaries (subsidiaries of these sub-subsidiaries), and associates (enterprises that the direct investment enterprise owns between 10 and 50 per cent of).

It should be noted that an investor need not control, or even be the largest shareholder, in an enterprise for a direct investment relationship to exist between an enterprise and an investor. As such, the concept of direct investment is fundamentally different from the concept of foreign-controlled resident enterprises. While all foreign-controlled enterprises will be direct investment enterprises. While all foreign-controlled enterprises will be direct investment enterprises, enterprises that are not considered foreign controlled might also be a direct investment relationship with a foreign direct investor.

In the balance of payments, and in the national accounts, enterprises that have significant long-term (i.e. more than one year) operations in more than one economy, are divided into separate entities in each economy. These entities are always in a direct investment relationship, with the head office constituting the direct investor, and the branches the direct investment enterprises.

The rule of 10 per cent, while somewhat arbitrary, has been chosen to ensure a consistent classification of investor/investee relationship across all countries' statistics. In a number of important countries, 10 per cent ownership of an enterprise is considered by regulatory and other authorities to constitute a relationship implying a degree of influence on behalf of the investor. It could be argued that, in some circumstances, an investor who owns 10 per cent or more of the shares of an enterprise has no influence in the management of that enterprise (e.g. in the case of a "hostile" takeover, or a pension fund that has no desire to be involved in the running of an enterprise in which it has a substantial investment). On the other hand, it could be considered that in some case where an investor owns less than 10 per cent of the shares of an enterprise that the investor has an effective voice in the management of that enterprise (e.g. by being able to appoint more than 10 per cent of the managing directors). However, it is considered that, on practical

grounds and the interest of comparability, an objective rule is preferable to subjective judgement. Furthermore, as most direct investment enterprises are either branches, or subsidiaries that are wholly or majority-owned by non-residents, the borderline cases are likely to be relatively insignificant.

V. DIRECT INVESTMENT CAPITAL

Direct investment capital is that capital provided by the direct investor -- either directly or through other enterprises related to that investor -- to the direct investment enterprise, or received by the direct investor from the direct investment enterprise. Direct investment capital includes equity, reinvested earnings^F

Reinvested earnings refers to the direct investors share (in proportion to equity held) of the undistributed operating earnings of the direct investment enterprise, and is recorded as both an income and offsetting capital transaction.

^F, and other capital that involves various intercompany debt transactions. Capital provided to a direct investment enterprise by economic units other than the direct investor and other enterprises related to the direct investor is not direct investment capital. Furthermore, in the case of investment between affiliated banks, only investment associated with equity and permanent debt (i.e. loan capital) are to be considered as direct investment.

VI. DIRECTION OF INVESTMENT

Direct investment is not recorded in the balance of payments on a straight asset/liability basis, unlike the recording of other financial investment in the balance of payments. Instead, direct investment is recorded on a directional basis -- resident direct investment abroad and non-resident direct investment in the reporting economy. Capital invested by a direct investment enterprise in its direct investor ("reverse investment") is regarded as an offset to capital invested by a direct investor and its related enterprises in the direct investment enterprises, that is, as a "disinvestment" by the direct investor rather than as an asset of the direct investment enterprise. However, for purposes of analysis, these investments are recorded separately. When a direct investment enterprise invests in an enterprise related to its direct investor, this investment is recorded as resident direct investment abroad for the economy of the direct investment enterprise. In some instances, two enterprises, or groups of related enterprises, hold 10 per cent or more of each other's voting shares. In these cases, two direct investment relationships are established, and investments between the two enterprises, or groups of enterprises, are to be recorded on a full asset/liability basis, that is as direct investment in the reporting economy and direct investment abroad, as appropriate.

VII. VALUATION

The Manual recommends that market values should be used to value direct investment financial flows, income transactions, and stock positions. This is consistent with the valuation principles recommended for recording other balance of payments and international investment position entries. The recommendation on the valuation of direct investment is made for two main reasons. First, comparisons between direct investment and other financial investment shown in the balance of payments and international investment position would be seriously hampered if inconsistent valuation bases were used.

Second, market valuation provides the most meaningful measure of the economic value of resources available to, or transferred between economies. However, it is recognized that, because of the nature of the direct investment relationship, the criteria used for establishing market values will not always be satisfied, particularly for transactions in goods between enterprises in a direct investment relationship, and for the valuation of equity positions. In these instances, the Manual recommends market value proxies that could be used. For example, in the absence of regular share market trading, the value of equity investment could be calculated using the net worth of an enterprise, that is the difference between the enterprise's assets, including intangibles, and liabilities, all valued using current market values.

VIII. SPECIAL CASES

There are certain types of enterprises that require further mention in relation to the concept of direct investment. The first is so-called Special Purpose Entities (SPEs). SPEs are enterprises set up in one economy, with their parent in another, that engage primarily in international transactions and have little or no local operations. SPEs are to be included, with one exception, as direct investment enterprises, if they meet the criterion outlined above. The exception relates to SPEs whose sole purpose is to serve in a financial intermediary capacity. In these cases, investments to be recorded under direct investment are limited to equity capital and permanent debt.

Construction enterprises, in instances where work is undertaken in another economy, can either be split into two national enterprises in a direct investment relationship, or considered as providing an export of a service. The important issue to be considered is to which economy production will be attributed. If the enterprise maintains, or expects to maintain, its presence in the host economy for more than a year, and if separate and appropriate records are kept in respect of the enterprise's work in the host economy, then production should be attributed to the host economy. In these cases a direct investment enterprise would be created in that economy. Otherwise, no direct investment relationship would be established and only an export of a service would be shown.

The final case to be mentioned here relates to investment in land by a non-resident. Under the conventions of the Manual, and the United Nation's System of National Accounts, land can only be owned by a resident entity. Where a non-resident acquires legal ownership of land, a national resident entity, owned by the non-resident, is created to own the land. The relationship between the non-resident legal owner of the land and the national entity is a direct investment relationship.

THE OECD BENCHMARK DEFINITION OF FOREIGN DIRECT INVESTMENT

{Ivan Divoy}
OECD

The OECD's Committee on International Investment and Multinational Enterprises which has in its mandate the monitoring of FDI, is faced with the difficulty of comparing national statistics. Accordingly, in October 1980, the Committee asked the Group of Financial Statisticians to undertake a study to expand the IMF definition of foreign direct investment so as to make it more precise. This led to the production of the "OECD Benchmark Definition of Foreign Direct Investment". The Benchmark Definition was to provide a detailed operational definition of direct investment to serve as a reference against which each country could compare its statistical system and say exactly how it differs. It was hoped that the interpretation of FDI statistics would be greatly improved if the differences between countries were known and understood. In addition, when approving the Benchmark Definition, in June 1982, the OECD Council recommended that Member countries take steps to bring their methodology into line with the Definition. The objective of the Benchmark Definition was thus to provide detailed guidance to national statisticians and to improve the international comparability of FDI data.

In 1990, a revision of the Benchmark Definition was undertaken to take into account new developments in FDI and experiences in applying the Council Recommendation. The revised version was approved by the OECD Council in February 1992. In revising the Benchmark Definition, the intention of the Group of Financial Statisticians was to follow closely the concepts set out in the forthcoming fifth edition of the IMF Balance of Payments Manual. At that time, the Manual was far from finalised in all its details. Consequently it is planned to review the revised Benchmark Definition as soon as the Manual is officially published with a view to ensuring consistency between the two.

A questionnaire has been developed jointly by Eurostat and OECD to collect detailed data on FDI flows and income broken down by sector of activity and by country. It is based on IMF/OECD concepts. The activities nomenclature is compatible with NACE and ISIC. The questionnaire will come into force in 1993 (data for the year 1992). The questionnaire is addressed to the 24 OECD Member countries and the replies will be sent simultaneously to the two international organisations.

ALTERNATIVE APPROACHES TO FOREIGN DIRECT
INVESTMENT DATA COLLECTION

{C.F.J. Richards}
Statistics Canada

I. DEFINITION

Data collection on foreign direct investment means undertaking a survey of persons involved in foreign direct investment, be they incorporated or unincorporated entities or whether they are multinational corporations, government enterprises or individuals.

By alternative methods is meant any kind of non survey sources such as administrative and related sources whose primary purpose is not the measurement of direct investment but which nevertheless helps to measure or confirm the results of surveys aimed specifically at the measurement of direct investment.

Non survey methods are often complementary to survey sources. Many countries in fact utilize both methods. However, there are a number of countries where there are no specific surveys directed at the measurement of direct investment. Therefore alternative sources are important.

II. ALTERNATIVE SOURCES

The non survey sources could be broadly grouped into four categories. There are:

1. Administrative or governmental
2. Non governmental
3. Partner country and
4. International organisations

{1. Administrative or governmental sources}

The work of many administrative organisations has an impact on foreign direct investment, both inward and outward. The statistical and other information that they collect or the decisions that they render in relation to their administrative functions could be utilized to estimate the flow, stock and other characteristics of direct investment.

However, since the primary objective of these administrative bodies is not the measurement of foreign direct investment, it is often not possible to assemble the kind of information obtainable by a survey primarily aimed at direct investment statistics. Nevertheless the administrative sources provide

a wide variety of information on the flows, stock and other characteristics of direct investment.

Some of the administrative sources on direct investment are:

{a) Investment Regulation Agencies}

The agencies set up to regulate foreign investments in some countries are among the most useful administrative sources on direct investment.

In most of these countries, these agencies had been originally established to regulate the flow of foreign investment or to monitor their activities in host countries. In a number of instances, due to changed investment requirements, most of these agencies have transformed themselves into promotional agencies for foreign investment. Irrespective of their focus, these agencies collect a wide variety of information on foreign investment. These relate to intended and actual foreign investment by country or origin, total capital employed by ultimate country of control, sources of capital along with information on types of financial instruments (equity, bond, other capital), whether the capital is in the form of cash or kind, whether the machinery installed is new or used, agreements on technical know how, copyrights, patents etc; restrictions that may apply to profit and capital repatriation, total and type of employment generated, regional presence of foreign investment, etc.

The information collected by these agencies is published or made available to users on request. However, these agencies do not tailor their information to suit the needs of balance of payments or more specifically direct investment statisticians. For example, the investment regulation agencies in the Philippines and Indonesia publish information on the total intended foreign controlled investment in these countries. Unfortunately, these are the numbers that are quoted by the media as well as a number of uninformed users as equivalent of foreign direct investment. But these numbers fall far short of the actual realized foreign direct investment in these countries. Foreign controlled investment also includes (in addition to foreign direct investment) foreign portfolio investment as well as any capital raised in the host country. Further, the intended foreign controlled investment may be over estimated originally in order to obtain a favourable ruling to invest. Contrary to original intentions, investment plans may be down sized. There may be a considerable time lag between original application to invest and the actual investment. As a result, the published information on foreign investment based on intended total investment (from foreign investors and their local collaborators) tends to be much higher than actual foreign investment. In the case of Indonesia for instance, some studies have found that actual foreign investment was consistently below 25 per cent of the total published by the Indonesian investment regulation agency (BKPM).

The confusion caused by the statistics produced by investment regulation agencies is not something that is peculiar to third world countries. It arises in the case of developed countries as well. For instance, users of statistics on foreign investment in Canada have had considerable difficulty in reconciling statistics published by Investment Canada with those of Statistics Canada, which is the official governmental agency in charge of a whole range of statistics including that of balance of payments and foreign investment.

However, it is possible for an informed user to utilize the wealth of data collected by these agencies to estimate the extent of foreign direct investment as well as its various characteristics.

{b) Central Banks}

The Central Banks of many countries undertake various regulatory, monitoring, research, or statistical compilation roles that are related to foreign direct investment.

In many countries, the balance of payments statistics are compiled by the Central Banks. While some amount of survey operations may be undertaken to obtain the necessary data, most Central Banks depend on administrative data for their information. The quality and diversity of information published on foreign direct investment would of course depend on the nature of the administrative data.

In countries where the Central Banks tightly regulate the flow of foreign exchange, data on foreign direct investment should normally tend to be more reliable as there would be information on the sources and uses of foreign funds. However, the quality of information obtained would depend very much on how carefully such information is collected by an army of bank clerks employed by both the Central and Commercial banks. These clerks who service the requests for foreign exchange may not always be careful to distinguish portfolio from direct investment. The clerks in their daily operations may not appreciate the use made of the administrative data to make finer classifications for balance of payments purposes. As the authors of the report on "Foreign Direct Investment Data Base in the Philippines" (FIAS Report)F Foreign Direct Investment Data Base in the Philippines - Foreign Investment Advisory Service of the International Finance Corporation and Multilateral Investment Guarantee Agency, World Bank, Washington, D.C. June 1990.

F point out, bank clerks have a penchant to make a number of entries in a catch all category called miscellaneous. Therefore, while the total foreign investment transactions may be fairly well covered, it is not certain that such transactions are properly classified as to the various types (direct or portfolio) or instruments (equity, bonds, other types of debt).

However with proper safeguards and professional supervision of data collection, it should be possible to obtain satisfactory information on foreign direct investment from administrative sources associated with foreign exchange controls.

Canada for instance was able to collect appropriate statistics on foreign investment during the foreign exchange control era of the Second World War. Some of these statistics had not been available in the pre exchange control era. The statistics collected during the exchange control days became the basis on which future collections were based. This was especially true of Canadian portfolio investments abroad.

Statisticians of West European countries such as the Netherlands and Germany are quite satisfied with the information on direct investment flows that they have been able to get through the banking systems' monitoring of foreign exchange transactions. They have been able to do this as a result of close cooperation with bank employees who are responsible for coding and tabulation of such information from the various foreign exchange transactions that take place.

In the case of surveys on direct investment addressed to the MNCs as well, it is necessary for the statisticians to maintain a close liaison with the accounting clerks who file the information. These clerks do not maintain corporate records on the basis of balance of payments requirements. Even in this computer age, many small and medium sized companies may not see the point of retrieving corporate information to satisfy balance of payments needs. Therefore, the relevant question is not whether a direct survey of MNCs is superior to that which is dependent on individual foreign exchange transactions, but to what extent the statisticians using these alternate sources are able to obtain the cooperation of the respondents to get appropriate information.

{c) Securities and Exchanges Regulatory Agencies}

These are governmental agencies entrusted with the responsibility of regulating the trading of securities as well as regulating the activities of stock exchanges. In some countries that have federal structures of government as in the United States, it is usual to find various regulatory agencies of this nature at both the federal as well as state levels. In other countries, these functions may be carried out by either a central government agency or by different state or provincial governments. In Canada, these are provincial responsibilities.

As part of their regulatory functions, these agencies require companies whose securities are publicly traded to file a wide variety of financial and other information. An example of this is the 10 K report filed by companies with the Securities and Exchange Commission (SEC) of the United States. These reports contain much relevant information on the activities and characteristics of direct investment enterprises.

In some instances, these agencies conduct quasi judicial inquiries into some aspects of a company's business. Evidence presented at such inquiries may also provide a direct investment statistician with additional information.

{d) Judicial Decisions}

While there is more public information available on MNCs whose securities are traded on the Exchanges, not much information is available on private companies.

However, certain circumstances or events may provide relevant information on private companies. One such circumstance is when private companies have to resort to the judicial process either to protect themselves against bankruptcy or when they are petitioned into bankruptcy by third parties.

Another instance may be when a struggle for control of a company emerges and the parties to the dispute resort to the judicial process for resolution. The evidence presented at such trials often contains useful information for direct investment statisticians.

It has been the experience of even countries that have legislated compulsory statistical reporting requirements, that the quality of reporting depends very much on the willingness of the respondents to provide the variety of information requested by statistical agencies. Most respondents comply when the information is readily available from their financial statements. When such information may not be readily available as in the case of direct investment statistics, various degrees of reluctance on the part of respondents may be encountered. Such reporting problems are usually overcome by the statisticians with patiently cultivated rapport with the respondents over a period of time. However in some isolated cases, respondents may refuse to provide information or provide inadequate or misleading information because they do not want to reveal the true nature of their activities. A case in point is the world wide activities of the Bank of International Credit and Commerce. The cases filed against this Bank and number of its directors and officers by regulatory agencies in various countries have revealed much information on the ultimate ownership and control of this company and its activities that are relevant for direct investment statistics. When it is not possible for regulatory agencies to detect illegal activities in a timely manner, it should come as no surprise to anyone that direct investment statisticians are unable to cope with direct investment aspects of such activities as they occur. The judicial process however makes the relevant information available although with some amount of time lag.F

While a number of illegal activities are relevant for direct investment, the statisticians are faced with the dilemma of measuring such activities. For instance, according to various media reports in the United States, the Columbian drug cartel has laundered some part of its profits into business investments in the United States. Some of these investments are in the nature of direct investments. However, it is not possible for the direct investment statisticians in the United States to measure these investment, given their present collection methods which rely on survey of direct investors. The drug cartel's investments are carefully laundered and held through various nominees so that their true identities are hidden from statisticians and other government officials.

F

{e) Taxation records, decisions, research etc.}

The taxation authorities of many countries often have information that is relevant for direct investment statistics. Such information emanates from records kept on the activities of foreign MNCs operating in a host country, or of activities abroad of home based MNCs, as well as decisions rendered in tax disputes and research done on corporate activities.

Some of the decisions of tax authorities concerning disputes with MNCs relate to transfer pricing. An analysis of such decisions could provide a direct investment statistician with previously unknown information on the corporate structure of MNCs as well as more appropriate information on the values of imports, exports, income transfers, and earnings of MNCs.

A major difficulty with regard to this source of information is that with the exception of judicial decisions, much of the information collected by the tax authorities is of a confidential nature and therefore not available to the direct investment statisticians. Even in countries such as Canada where legislation requires compulsory reporting of information, and where the statisticians have a right to examine the documents and other information available with the respondents or from others, the confidentiality provisions of the tax act are respected.

This difficulty may be resolved in future, at least in some countries as a result of other more pressing issues. One such issue is the growing response

burden on the MNCs. The MNCs are increasingly subjected to the requirement of filing the same or similar information on their activities by a host of governmental agencies. These include statistical, regulatory, and tax authorities of the central governments. These requests could be repeated ad infinitum by various Provincial and Regional authorities. As a result, the MNCs may be more amenable to allowing sharing of information collected by one Government department with that of another. Such cooperation is evident in the case of Canada to a limited extent. To make it more general, it is necessary to canvass the cooperation of the MNCs more actively where the attention is focused on the advantages accruing to the MNCs as a result of reduced response burden.

{f) Embassy Activities Related to Commercial and Investment Promotion}

Foreign embassies of various countries maintain records of investment activities of their nationals (both corporations and individuals) in their host countries. These records are maintained as an adjunct to their commercial and investment promotion activities or for practical considerations such as the need to evacuate nationals of one's country in the event of war or natural calamities. These lists provide useful information for either setting up or updating the register of foreign direct investment enterprises for the use of statisticians.

The economic and commercial attaches of these embassies often receive requests for information on direct investments pertaining to their countries and also to explain differences with partner country statistics. These could lead to close working relationships with the direct investment statisticians to reconcile the differences.

In some instances, the embassy officials have been encouraged to collect information pertaining to foreign investment for use by the statistical agencies. A case in point here is the active cooperation for the last several years extended to the Balance of Payments Division of Statistics Canada by the Canadian embassy in Tokyo to collect information on the ownership of Canadian debt securities by Japanese institutions.

{g) Government Sponsored Insurance of Investments Abroad}

Governments have taken active measures to promote exports. In order to facilitate exports of goods and services, some companies have found it necessary to make certain direct and or portfolio investments abroad. Such investments have been insured by government agencies. In the case of Canada, Exports Canada (the former Exports Development Corporation) undertakes insurance of such investments. The records maintained by this agency provides not only leads on Canadian investment abroad that face certain risks, but also on the actual amounts and dates of investment as well as industrial information.

The extent to which such information is shared with statistical agencies will depend on confidentiality provisions of regulations that affect the activities of the insurance agencies as well as the rapport that is established between the employees of these agencies and those of the statistical agencies.

{h) Commissions of Inquiry on Foreign Investments}

It is a common practice for countries that have expressed concerns about the extent of foreign ownership and control of their industries to establish Commissions of Inquiry to examine the phenomenon and to suggest remedies. In the context of such examination, research studies on MNCs are also done.

In the case of Canada, there have been several such Commissions in recent decades. Their reports as well as their adjunct research reports have provided the direct investment statisticians with much valuable information which was not previously available to them. These have included such information as the corporate structure of some of the Canadian based MNCs, the extent of their operations abroad and the ultimate ownership of these corporations after by passing nominee ownerships.

{2. Non Governmental Sources}

{ a) Annual and other Financial Reports of Multinational Corporations}

Multinational Corporations whose equities are publicly traded publish annual and quarterly reports. These reports contain useful information on international investment activities.

However the quality of information to be found in these reports is not uniform. Some MNCs divulge more relevant information than others. Some may not give information pertaining to every particular country but group various countries on a regional basis. The usual type of information to be found in these reports relate to total assets controlled in a particular country or region, total sales, and employment. None of the MNCs publish information on direct investment stock or flows. However information on total assets controlled in a country or region could enable statisticians to estimate direct investment stock and flows.

In appendices 1 and 2, information relevant to direct investment from the annual reports of Seagram Ltd and Alcan Aluminium Limited, (Canadian based MNCs) is presented. In the case of Seagram Ltd, third party and inter-corporate sales and other income, net income, and assets are shown by major geographic areas such as the United States, Europe, Pacific Asia and Latin American and Canada. Separately, there is also information on all the major acquisitions of this company since 1924. In the case of Alcan Aluminium Limited, information is available on sales and operating revenues by subsidiaries, third parties, net income, assets, capital expenditures, and average number of employees by major geographic regions such as Canada, United States, South America, Europe, Pacific, and All Other.

Besides annual reports, MNCs also produce prospectuses in connection with issue of securities, regular quarterly and annual reports to regulatory agencies of stock exchanges where their securities are traded. Examples of this are the quarterly and annual reports that are submitted by companies to the Securities and Exchange Commission of the United States. These reports contain exhaustive accounts of a company's activities.

{b) The Media}

There are several useful business journals as well as the business sections of leading daily newspapers that have relevant information on the direct investment activities of MNCs.

A few examples of these may be cited which are not by any means exhaustive. In the United States, the leading daily business source is the Wall Street Journal. Another useful source of information is the business section of the New York Times. The business sections of the leading newspapers in other principal cities of the United States such as Chicago, Los Angeles, Miami, Houston, Boston, and Detroit also provide useful information not only on the international and national activities of MNCs but also on their regional operations.

Periodicals of much value include the following: Barron's, Fortune, Forbes, and Business Week.

In Canada, the two leading business dailies are the Financial Post and the Report on Business of the Globe and Mail. However, the business sections of the leading daily newspapers of major cities have relevant information on MNCs with particular regional orientations. These newspapers include the Montreal Gazette, the Ottawa Citizen, Toronto Star, Free Press of Winnipeg, Calgary Herald, Edmonton Journal, and Vancouver Sun.

Financial Times and Canadian Business are two of the leading business periodicals.

In Asia, the most outstanding business periodical is the Far Eastern Economic Review, which is published by the Wall Street Journal.

Internationally and particularly for the United Kingdom, the leading business daily is the Financial Times of London.

There are a number of specialized publications relating to various aspects of the MNCs. The information consists of not only the most up to date financial information, but also data on equities and loans, composition of the Board of directors, charter and head office locations, number of employees, principal subsidiaries and their locations and activities, mergers and acquisitions, as well as a history of these MNCs since their inception. An aspect of useful information published relates to the corporate organisation chart of the MNCs that identify the various levels of corporate structure not only in the home country but in the host countries of the MNCs as well. Most of these are United States publications and hence the information relates to United States based MNCs. Examples of such publications are Standard and Poor's, Moody's, and Dun and Bradstreet.

In Canada, the Financial Post publishes the Financial Post cards that are somewhat modelled on Standard and Poor's Corporate Records. One of the most useful publications in Canada with regard to corporate organisation is "Inter-Corporate Ownership" published by Statistics Canada.

This publication is the result of a Royal Commission on foreign ownership and control of capital that reported its findings in the early sixties. As a result of its recommendations, the Corporations and Labour Unions Returns Act was passed by the parliament so that information on both corporations and labour unions may be published for the benefit of the general public. This Act is administered by Statistics Canada.

F. This publication presents the various corporate levels of Canadian based corporations. In the case of foreign MNCs operating in Canada, the immediate foreign parents as well as the ultimate countries of control of these corporations are identified. A

shortcoming of this publication is that the foreign activities of Canadian based corporations are not identified. Since the information collected by the CALURA Act is not governed by the confidentiality provisions of the Statistics Act, it is made available to the public.

A publication of some limited value is that put out by the Japanese External Trade Organisation (JETRO) on the Japanese companies that invest abroad. These are published by the local JETROs in various host countries. These publications are primarily useful for direct investment statisticians who need information on setting up a register of direct investment enterprises. The published financial information relating to these concerns is often limited to equity share capital. Information on retained earnings, loan capital and other capital is not published. However, information on joint venture partners both local and foreign, number of employees both local and expatriate, nature of industry, and date of incorporation are often published.

Besides the business journals and other specialised publications relating to the MNCs, there are also some useful television programmes. One of the best known programmes of this nature is Wall Street Week with Louis Rukeyser which is aired every Friday on the Public Broadcasting System (PBS) both in the United States and in Canada. The PBS also airs a daily programme called Nightly Business Report. The CNBC in the United States also carries several hours of daily reporting on the business activities of the MNCs in tandem with its daily coverage of stock market trading in the United States.

The Balance of Payments Division of Statistics Canada operates an Economic Intelligence System where daily information gathered from the media on the activities of MNCs pertinent to foreign investments in Canada and Canadian investments abroad is fed, analyzed and transformed into balance of payments statistics. This activity is a necessary adjunct to the survey activities which form the bulwark of its statistical collection activities.

{c) Chambers of Commerce}

Chambers of Commerce are useful sources of information on direct investment activities.

In many developing countries, a user looking for data on foreign direct investment would invariably be directed to the local branches of the foreign Chambers of Commerce. The Chambers of Commerce of the United States, West European countries, and Japan often have a dominant presence among the expatriate communities in developing countries. Researchers, journalists, as well as host government officials appreciate not only the data that could be provided by some of these Chambers of Commerce but also a qualitative analysis of the nature of investments made by the nationals of the countries represented by these Chambers. Since these Chambers provide a home away from home for many of the foreign investors, they are also excellent sources of information for establishing or updating registers of foreign investors. These Chambers could also provide partner country data of foreign direct investment to compare with the host country estimates.

{d) Stock Exchanges}

Stock exchanges have regulations to ensure that their most important clients, namely the stock trading public and institutions have confidence in the stock trading system. As part of these regulations, companies whose securities are traded are required to file reports ensuring that stock holders are given sufficient information about the activities of these companies. This would ensure that stock holders would make informed decisions about trading in the securities of companies listed with the stock exchanges.

When a member disregards a guideline, there is usually an investigation and the results are made public. These make available valuable information on direct investment activities of MNCs.

{3. Partner Country Sources}

In some cases, alternative approaches to data collection for a particular country could mean the acceptance of a partner country's data on direct investment. Countries such as the United States and Canada have published information on their stock of direct investment both inward and outward with respect to a number of countries for well over six decades.

A country such as the Philippines which may lack information on the stock of foreign direct investment may choose to construct a historical series with the help of the statistics produced by the United States for its direct investment in that country. Since the United States is the predominant direct investor in the Philippines, the use of United States data could greatly facilitate the construction of the direct investment position of the Philippines.

{4. International Organisations}

{ IMF Balance of Payments Reports}

The data on direct investment published by the IMF are based on information provided by the member countries. However the format of such reporting is determined by the IMF. This format has been chosen so as to enable consistent presentation of statistics by the member countries that will facilitate international comparisons. There are also useful footnotes to indicate whether there are any important omissions such as the exclusion of retained earnings from direct investment flows. Some countries may net out inward and outward direct investment flows. But IMF publications distinguish between inward and outward direct investment flows. Footnotes to these publications alert a reader, if such a presentation is not possible for some countries. Therefore, for a user looking for consistent, internationally comparable statistics for a group of countries, the IMF publications are more useful as countries present their direct investment statistics in different formats in their own official publications.

The draft version of IMF's Balance of Payments Compilation Guide published in 1991 has a section on "Data Sources for a BOP Enterprise Register" for balance of payments purposes. Much of that comprehensive discussion is

applicable to a strategy aimed at collection of direct investment and related statistics as well^F

See Chapter 21, "Collection Design and Maintenance", Balance of Payments Compilation Guide - Draft. Statistics Department, International Monetary Fund, Washington, D.C. December 1991.

F.

United Nations Centre for Transnational Corporations

The United Nations Centre for Transnational Corporations has now assumed the responsibility to publish not only a World Directory on direct investment but also various regional directories. As in the case of the IMF, this agency has sought to set up a consistent directory whose data could facilitate inter country comparison. Therefore, countries are requested to provide information to accommodate the formats decided upon by this agency even if such information is not published in those formats by these countries.

World Bank - Foreign Investment Advisory Service

The Foreign Investment Advisory Service is a joint venture between the International Finance Corporation and the Multilateral Investment Guarantee Agency of the World Bank. It has done studies pertaining to foreign investments in the developing countries. Among other factors, these studies seemed to have influenced the speed with which some of the developing countries in Asia have liberalised entry of foreign investments in recent years.

One of the problems that FIAS has addressed is the lack of reliable data on foreign direct investment in developing countries. In 1990, at the request of the Government of the Philippines, the FIAS completed a study on setting up a Foreign Direct Investment Data Base in that country. This study is recommended as essential reference for statisticians in other countries who need to streamline their data collection and analysis functions in order to obtain appropriate data on direct investment. Although this study was focused on the circumstances applicable to the Philippines, much of this study has relevance for other countries as well. The study contains a section on sources of foreign direct investment data which includes alternate sources of direct investment data collection^F

Foreign Direct Investment Data Base in the Philippines. op. cit. This study has also dealt with a number of topics which were discussed at the "Technical Meeting on FDI statistics in Central and Eastern Europe and NIS" (OECD, Paris, 16-17 November 1992). These include concepts and measurement of foreign direct investment, setting up a register on direct investment enterprises, institutional implications of setting up and operating a data base, and publication and dissemination of direct investment data. Part II of the report contains a number of appendices. Appendix 10 of the report was an attempt to estimate the stock of foreign direct investment in the Philippines from various alternate sources.

F.

Organisation for Economic Cooperation and Development (OECD)

Studies done at the OECD as well as data collected from member countries and disseminated by it in particular formats are also helpful sources of direct investment statistics. In this context, the work done by the Development Assistance Committee (DAC) on collecting direct investment statistics related to developing countries is worth mentioning.

The Philippines Project

The Philippines is the first country in the world which has acted to coordinate the collection, analysis, and dissemination of direct investment and related data under the joint auspices of five separate Government agencies. The data released separately by these agencies presently, are considered as direct investment by uninformed users, even when some of this data refers to other aspects of direct investment such as total foreign controlled investment, or intended foreign investment etc. In order to avoid misinterpretation of

data relating to different aspects of foreign investment, duplication of efforts, and the most effective use of limited resources, the Government of the Philippines has undertaken to set up a Foreign Investment Information System (FIIS). This system will be under the supervision of the National Statistical Coordination Board (NSCB). Four other Government of the Philippines agencies will participate: the Board of Investments, the Central Bank of the Philippines, the Securities and Exchange Commission, and the Bureau of Trade Regulation and Consumer Protection. NSCB will be the repository of the FIIS and will be the agency responsible for overall management and updating of the FIIS.

The above initiative resulted from the Government of the Philippines' acceptance of the FIAS report. Technical assistance for this project is being provided by the International Statistical Training Centre of the United States Bureau of Census and is being funded by US AID. Work has already begun on this project which is scheduled to be completed by September 1993. According to plans already formulated, alternate sources of data will also be utilised in constructing estimates of direct investment and related data for the Philippines.

III. CONCLUSION

This paper has defined alternative approaches to foreign direct investment data collection as comprising all administrative and other sources that are not specifically aimed at collecting information on direct investment through surveys.

However, it is well to emphasize that it would be a mistake for direct investment statisticians to think exclusively in terms of either a survey approach or other alternative approaches to foreign direct investment data collection. In fact, in a number of countries that undertake surveys, the information collected is supplemented from various non-survey sources. For an efficient collection of current data on direct investment capital flows, it is essential to supplement survey results with information from the media as well as agencies that regulate foreign investments.

More importantly, statisticians have always lagged behind in adapting their survey collection methods to the rapidly transforming characteristics of the MNCs. Some of these emerging characteristics of interest to the direct investment statisticians are the so called stateless corporations and the strategic alliances that are being forged among some of the MNCs particularly in the airline, auto, computer and telecommunication industries. To cope with such developments, statisticians will have to abandon their traditional approaches to data collection based on individual national efforts and must actively seek international cooperation with partner countries and international organisations. Such efforts will need plenty of lead time as they will require legislative changes which should enable reconciliation of micro data by partner countries.

Above all, what is needed is an approach that will enlist tripartite cooperation among national statistical agencies of the principal home and host countries of direct investment, the MNCs, and the International Organisations to mount a concerted effort at collecting meaningful statistics on direct investment.

PRACTICAL STEPS IN ESTABLISHING A REPORTING SYSTEM

AUSTRALIA

{Barbara J. Dunlop}
Australian Bureau of Statistics

I. SUMMARY

This talk will describe how the Australian Bureau of Statistics (ABS) gains the co-operation of enterprises in collecting data on international investment in its Survey of Foreign Investment (SFI). The talk will then describe how questionnaires for the survey are developed and reviewed and how standards for their design and format are applied. Finally, the talk will focus on some of the more difficult operational issues that have been encountered in handling these aspects of the survey and conclude with some comments on the approach taken in resolving them.

{Co-operation with Enterprises}

The SFI is one of the most complex collections conducted by the ABS and one of the largest in terms of respondent load. It has monthly, quarterly and annual components and final response rates are in the range 92-95 per cent. There are a number of important elements in gaining the co-operation of enterprises in the survey. These can be summarised under the following headings, each of which will be discussed separately:

- legislative authority for the survey;
- confidentiality of data supplied by individual respondents;
- ease of reporting, both in terms of data items and reporting arrangements;
- minimisation of respondent load and avoidance of duplication;
- respondent understanding of the need for the survey; and
- personal contact with respondents.

{Design and Format of Questionnaires}

This part of the talk will outline the major influences on the design and format of SFI questionnaires and the role of standards. It will also outline the steps that are followed in practice in the development of a questionnaire.

The key considerations in designing SFI questionnaires are: statistical needs; ABS standards and administration; ABS processing capability; and

respondent impact. In both design and format, SFI questionnaires are required to conform with ABS Form Development Procedures and Design Standards. The Procedures are a set of steps that must be followed when designing new questionnaires or amending existing ones. The Standards specify the language and graphic rules to be followed in designing questionnaires. A central ABS Forms Consultancy Group is available for advice and training on implementation of the Procedures and Standards.

A well designed questionnaire is considered to be one that captures data efficiently and effectively with the minimum number of errors. Evaluation of the performance of a questionnaire, both before and after introducing or changing it, is considered essential in achieving this outcome. Various evaluation techniques will be outlined, each of which provides a slightly different view of a questionnaire's performance.

The sequence of procedures in developing or re-designing SFI questionnaires can be summarised as follows:

- preparing a work plan and timetable for the development or redesign;
- determining or reviewing user requirements, output specifications, respondent image, questionnaire history and processing requirements;
- determining the extent of changes required to an existing questionnaire;
- developing a schedule of questions;
- evaluating the schedule of questions;
- developing a prototype of the new or revised questionnaire;
- evaluating, modifying and finalising the questionnaire;
- clearing and printing the questionnaire;
- monitoring and evaluating the "live" performance of the questionnaire in the survey process.

{Operational issues}

This last part of the talk will single out some of the more difficult operations issues that have been encountered over the last few years in gaining the co-operation of enterprises and developing SFI questionnaires. These issues include:

- return of questionnaires by due dates;
- reporting of sensitive data;
- application of conceptual standards;
- appropriateness of terminology;
- structure and layout of questionnaires; and
- availability and management of resources.

II. INTRODUCTION

This talk will describe how the Australian Bureau of Statistics (ABS) gains the co-operation of enterprises in collecting data on international investment in its Survey of Foreign Investment (SFI). The talk will then describe how questionnaires for the survey are developed and reviewed and how standards for their design and format are applied. Finally, the talk will

focus on some of the more difficult operational issues that have been encountered in handling these aspects of the survey and conclude with some comments on the approach taken in resolving them.

III. CO-OPERATION WITH ENTERPRISES

The SFI consists of a small monthly telephone collection and much larger quarterly and annual mail-based collections. It collects data from all sectors of the economy on all types of international investment, including direct investment. The data includes capital transactions, levels of financial assets and liabilities, investment income and financial services. The survey was first conducted in 1948 and over the years its scope and frequency have been progressively extended.

The SFI is one of the most complex collections conducted by the ABS and one of the largest in terms of respondent load. For example, the reporting load was estimated at 4.4 hours per form for the 1,155 respondents in the 1991-92 quarterly collections, and 2.6 hours per form for the 3,500 respondents in the 1991-92 annual collection. Respondents are asked to supply returns very quickly after the end of a collection reference period, for example within 10 days of the end of the quarter. There are few formal complaints from respondents and response rates are considered satisfactory. The final response rate (after reminder action) is 95 per cent for the quarterly collections and 92 per cent for the annual collections. Estimates are made within the ABS to take account of non response.

There are a number of important elements in gaining the co-operation of enterprises in the survey. These can be summarised under the following headings, each of which will be discussed separately.

- a) legislative authority for the survey;
- b) confidentiality of data supplied by individual respondents;
- c) ease of reporting, both in terms of data items and reporting arrangements;
- d) minimisation of respondent load and avoidance of duplication;
- e) respondent understanding of the need for the survey; and
- f) personal contact with respondents.

{a) Legislative Authority for the Survey}

The SFI is conducted under the authority of the Census and Statistics Act. While the ABS prefers to rely on the co-operation of enterprises rather than on legislation to obtain information, the Act provides the Australian Statistician with the power, if needed, to direct respondents to provide the information sought. Penalties can be imposed for non-compliance.

{b) Confidentiality of Data Supplied by Individual Respondents}

The Act protects the confidentiality of information supplied by individual respondents in the SFI by generally prohibiting the dissemination of statistical information in a manner likely to enable the identification of a

particular person or organisation. Assurances are given to individual SFI respondents that the information they provide will be treated in confidence and that only totals resulting from aggregation of the information with that of other organisations will be released.

{c) Ease of Reporting, both in Terms of Data Items and Reporting }
{Arrangements}

There is extensive consultation with enterprises in the process of developing, designing and reviewing SFI questionnaires. The main features of this process will be outlined later in the talk. One of the aims of this consultation is to ensure that respondents understand the questions and reporting instructions and that they are able to complete the questionnaires accurately and in a reasonable amount of time. Characteristics of particular groups of respondents (for example, banks) are recognised by tailoring questionnaires to their needs. This results in a large number of different questionnaire types.

Information provided in the SFI is used in the compilation, under very tight deadlines, of balance of payments and international investment position statistics. It is therefore important that enterprises return their questionnaires quickly. Enterprises are encouraged to contact the ABS if they have any problems in completing a questionnaire. Careful estimates are accepted where exact data are not available. Data are also accepted by fax or phone if a respondent cannot complete and mail back the questionnaire by the due date.

Special reporting arrangements have been set up with all large businesses in ABS collections, including the SFI. These arrangements reflect the preferences of individual organisations for handling ABS data requests.

{d) Minimisation of Respondent Load and Avoidance of Duplication}

The SFI is periodically reviewed with the aim of reducing respondent load. For example, in the last few years sample sizes have been reduced, size thresholds for reporting have been raised, questionnaires have been rationalised and reduced in size, and links with other data collections have been made explicit to assist reporting. Continuing efforts are made to avoid duplication and overlap with other government data collections. Alternative methods of data collection have also been introduced: if they prefer, respondents can report electronically on diskette or by electronic mail.

{e) Respondent Understanding of the Need for the Survey}

The purpose of the SFI and the uses to which the reported data will be put are explained on all questionnaires. The importance of the data is also emphasised in reminder action on outstanding questionnaires. Covering letters are used to explain changes and to introduce new questionnaires. Significant changes to the SFI are tabled in the Australian Parliament, as required under statistics legislation.

{f) Personal Contact with Respondents}

The largest SFI respondents are visited periodically to discuss reporting issues and maintain good relations. There is also extensive telephone contact with respondents in the process of collecting data and editing returns. These visits and telephone contact are important in securing a high level of co-operation and in ensuring that questionnaires are kept up-to-date and reflect changes to accounting practices and new financing techniques.

IV. DESIGN AND FORMAT OF QUESTIONNAIRES

This part of the talk will outline the major influences on the design and format of SFI questionnaires and the role of standards. It will also outline the steps that are followed in practice in the development of a questionnaire. Finally it will look at some key design features of SFI questionnaires.

{a) Major Influences on Questionnaire Design}

There are four major and potentially conflicting influences in designing an SFI questionnaire: statistical needs; ABS standards and administration; ABS processing capability; and respondent impact. With regard to statistical needs, the questionnaire must collect appropriate and sufficiently accurate data to meet user requirements. This interest is served by applying statistical concepts and definitions to the development of the questionnaire and to the framing of questions. The questionnaire must also be consistent with ABS standards on form design and development and ABS administrative practice on the expression of legal obligations concerning authority and confidentiality. The processing of the questionnaire must be easily handled by ABS staff and technology; this includes despatch and receipt requirements, data entry, and examination and editing of completed questionnaires. Finally, as already mentioned, respondents should be able to complete the questionnaire accurately in a reasonable amount of time.

{b) Role of Standards}

In both design and format, SFI questionnaires are required to conform with ABS Form Development Procedures and Design Standards. The Procedures are a set of steps that must be followed when designing new questionnaires or amending existing ones. The Standards specify the language and graphic rules (such as typefaces, colours and rules of layout) to be followed in designing questionnaires. A central ABS Forms Consultancy Group is available for advice on implementation of the Procedures and Standards. It also provides staff training in the use of software packages acquired by the ABS for questionnaire design.

The Procedures and Standards are based on the view that a questionnaire must appear clean and uncluttered if it is to work well. It must conform to certain research-based principles of graphic design, which help respondents to

complete it and others to read and process the data it contains. It must also use language that is readily understood and that will elicit correct answers.

{c) Steps in the Development of a Questionnaire}

A well designed questionnaire is considered to be one that captures data efficiently and effectively with the minimum number of errors. Evaluation of the performance of a questionnaire, both before and after introducing or changing it, is considered essential in achieving this outcome.

Various techniques are used in evaluating questionnaires, each providing a slightly different view of a questionnaire's performance. These procedures include an analysis of errors by respondents in reporting data, including the type of errors and the reasons for them; observational studies, during which respondents are observed completing the questionnaire; interviews with a selection of respondents to obtain their views; discussions with staff who deal directly with respondents; and pilot studies which collect data, from which some prediction is possible concerning respondent behaviour. Generally pilot testing is only adopted for new questionnaires or when the changes made to an existing questionnaire are significant enough to substantially effect the data to be collected.

The sequence of procedures in developing or re-designing SFI questionnaires can be summarised as follows:

- i) Determining or reviewing user requirements, output specifications, respondent image, questionnaire history and processing requirements.
- ii) Determining the extent of changes required to an existing questionnaire.
- iii) Preparing a work plan and timetable for the development or redesign.
- iv) Developing a schedule of questions.
- v) Evaluating the schedule of questions. It may take several cycles of evaluation, modification and re-evaluation to resolve problems with the schedule. The process may also reveal that respondents cannot provide some of the information, in which case it may be necessary to go back to the user and renegotiate user information needs.
- vi) Developing a prototype of the new or revised questionnaire.
- vii) Evaluating, modifying and finalising the questionnaire. The process of evaluating and modifying the prototype may be undertaken several times until the prototype reaches an acceptably low level of errors.
- viii) Clearing and printing the questionnaire.
- ix) Monitoring and evaluating the "live" performance of the questionnaire in the survey process.

{d) Key Design Features of SFI Questionnaires}

All SFI questionnaires follow a standard layout for the front page. This includes the following mandatory elements: ABS logo, title of collection,

address box, the Australian Statistician's name, collection authority, confidentiality, due date, and help available. The front page also includes the following discretionary elements: purpose of collection, coverage of questionnaire, acceptability of estimates, questionnaire number, and contact details.

The layout for the remainder of each questionnaire varies according to the category of respondent to which is addressed and the nature of the details to be collected. There are around 30 different form types, each targeted at a particular group of respondents. For example, there are separate tailored forms for direct investment enterprise groups in Australian, Australian enterprise groups with direct investment abroad, nominees, banks, brokers, solicitors and importers and exporters.

All forms carry reporting instructions and notes. For example, the instructions specify the statistical unit in respect of which the questions are to be answered and the notes contain definitions of terms and guidance on specific items to be included in or excluded from the data provided. As far as possible notes relating to particular questions are located immediately before those questions for ease of reference.

In general, questions relating to financial assets are grouped separately from those relating to liabilities and a standard dissection by financial instrument is applied. To facilitate the collection of consistent and integrated data, a matrix approach is used to obtain details of investment, investment transactions, exchange rate changes, other changes in levels and investment income. Country dissections are provided by respondents writing in the names of relevant countries.

Questions are set out in a consistent manner and ordered in a logical sequence. Notes are provided to steer the respondent through the applicable parts of the questionnaire. Colour is used in such a way that boxes with white spaces clearly indicate where data are to be reported. As the questionnaires are also used directly for ABS data entry, all questions carry office codes and some have additional boxes marked "for office use only".

Most of the forms conclude with some general coverage questions, to identify whether another SFI form type might be more applicable (or also applicable) to the respondent. This assists us in identifying changes in the characteristics of a respondent that need to be reflected in the type of questionnaire completed. The quarterly forms also seek information on expected transactions next quarter, which assists in targeting enterprises for reminder action in the next quarter's collection.

The layout of each questionnaire follows ABS standards in respect of finished size, page margins, line lengths, type face, font size and type, use of lines and boxes, paper and colour. Questionnaires are prepared by survey staff on microcomputers using standard forms design software. Bromide output is used for printing final questionnaires where significant numbers of copies are required.

V. OPERATIONAL ISSUES

This last part of the talk singles out some of the more difficult operational issues that have been encountered over the last few years in gaining the co-operation of enterprises and in developing SFI questionnaires.

{a) Return of Questionnaires by the Due Date}

A continuing issue is the tight due date on quarterly SFI questionnaires. We have explained to those respondents who have raised this problem that a later due date would have a detrimental effect on timetables for key economic indicator publications such as the balance of payments and international investment position publications. Generally, respondents have accepted the trade-off between due dates and timely statistics with the result that co-operation has not suffered in any appreciable way. In addition, our acceptance of faxed copies of completed questionnaires has eased the burden on those respondents facing difficulties with due dates by allowing more time to assemble the information sought than would be possible if they relied solely on the postal service for delivery.

{b) Reporting of Sensitive Data}

Another issue that has arisen concerns the sensitivity and confidentiality of data. This emerged as a key consideration in collecting data from solicitors on individual real estate transactions between residents and non-residents. Complaints about supplying such data to the ABS were raised both directly with us and through several law societies. After extensive consultation, the ABS changed its collection strategy to seek only aggregate data covering these transactions. The revised collection is now running much more smoothly but co-operation can only be considered fair.

{c) Application of Conceptual Standards}

Difficulties have been encountered in implementing some of the more complex international accounts concepts and definitions in the SFI. Particular problems that have recently occurred relate to market valuation of non-equity securities and treatment of premiums and discounts on securities. In both cases there was extensive consultation with respondents in addressing the issue of data availability and in framing appropriate questions that could be answered without undue difficulty. The eventual data collections proceeded smoothly and produced acceptable results.

{d) Appropriateness of Terminology}

On various occasions terminology has been an issue. This has generally come to light through respondent feedback or systematic review of questionnaires. Continuing effort is needed to ensure that terminology is up-to-date and in conformity with business and accounting practices.

{e) Structure and Layout of Questionnaires}

In determining the content of questionnaires, certain trade-offs and compromises are usually unavoidable. For example, a balance needs to be struck between the physical size of a questionnaire and ease of reading, variations in the length and placement of reporting instructions need to be considered from the perspective of the respondent as well as the data gatherer; and, similarly the sequencing and structuring of questions need to reflect the interests of both external reporting and internal processing.

{f) Availability and Management of Resources}

Redesign of SFI questionnaires to implement the ABS design standards has been a lengthy process and costly in terms of staff resources. Staff also required special training to develop the required skills in using forms design software and were generally unenthusiastic about the type of work involved. Management of the process had to be very sensitive to the impact on both staff and other SFI work. However, the end result has been pleasing, with very favourable feedback on the redesigned forms from respondents.

Implementation of some aspects of the questionnaire development procedures has also impacted significantly on staff resource costs. In particular, to conduct SFI observational studies, additional resources were required and these had to be drawn from other parts of the ABS. However, these studies proved to be very worthwhile, leading to better data capture and fewer reporting errors.

More generally, in designing new questionnaires in fields where our knowledge of data availability is limited, the process of developing an acceptable questionnaire has sometimes involved much more effort than originally anticipated. This has resulted in considerable pressure on staff and other resources, particularly where the timetable for introducing the questionnaire has been relatively inflexible due to the demands of an ongoing collection cycle.

VI. CONCLUDING REMARKS

This talk has attempted to give some insights into how the ABS obtains the co-operation of enterprises in its SFI and how it approaches the task of designing and formatting questionnaires. Over the last decade, particularly since the deregulation of Australia's financial markets, there has been considerable growth in the volume and spread of international investment activity in Australia and new or revised accounting standards have been emerging with consequential impact on record-keeping practices. This has had many implications for the SFI. Among these have been the need for substantial ongoing effort to secure a high level of co-operation by enterprises in the survey and the need for regular review of questionnaires to ensure their continuing relevance and effectiveness.

AUSTRIA

{Dr Bach}
Oesterreiche Nationalbank

SOURCES OF DIRECT INVESTMENT STATISTICS

In the Austrian National Bank, there are 2 sources of data on direct investment.

{a. Data from balance of payments statistics (flows); main objective: }
{actual information.}

For the purpose of balance of payments (bop) statistics there is a special data collecting system, which is based on reports of banks (and in the case of accounts abroad, of non banks). The objective of this system is to regularly update the country's balance of payments. These flows include direct investment inflows and outflows, but not much emphasis is placed on more detailed information about the direct investors or direct investment enterprises.

{b. Results of surveys about direct investment (stocks); main objective: }
{detailed information.}

Surveys about foreign direct investment in Austria (IDI) have been conducted by the Austrian National Bank since 1969; surveys about Austrian foreign direct investment (ODI) since 1974. In these surveys, detailed direct investment figures are collected. They are based on company balance sheets. They give a complex picture of companies and investors. Compared to bop data, this method has a certain time lag. Results are not available until 16 - 18 months after the end of a year. Further, it is worth noting that the value of the direct investments is calculated based upon its nominal value rather than the market value.

The ANB plans to link these surveys more closely with bop statistics. This link will be created with the help of a system of identification numbers. Each partner in a transaction gets his own number. These numbers should be the same in the surveys and in the bop statistics, so the results of the survey can be easily compared with the bop transactions of each company.

This presentation will focus on the ANB's direct investment surveys and in particular on IDI (foreign direct investment in Austria). These surveys were conducted with a 2-year interval from 1968. Since 1990 they have been conducted yearly.

{Why record direct investment statistics?}

There were three reasons to develop statistics about IDI's in the late 60's. (The survey about ODI's was started 6 years later).

1. There was a need to have a solid basis for political decisions about IDI.
2. In the sixties, many people in Austria were afraid of foreign owned capital, which threatened to dominate the Austrian economy, but at the same time Austria needed a lot of (foreign) capital to rebuild the economy. Headlines like: "Who owns Austria?", "Bad multinational companies, self-confidence of Austria is at stake", could be seen frequently.
3. There was a great demand from countries, international organisations, and the domestic and international business community to get these figures.

{Definition}

The Austrian definition of direct investment is essentially in line with the concept used by international organizations (IMF, Balance of Payments Manual; OECD, Detailed Benchmark Definition of Foreign Direct Investment). Accordingly, foreign direct investment in Austria is understood to mean "capital investment by non-residents for the purpose of establishing and maintaining lasting economic relations with a domestic enterprise with the added intention of exercising an effective influence on its management". This feature distinguishes direct investment from other types of long-term capital investment such as portfolio investment, where the profit motive is uppermost.

The surveys carried out by the Austrian National Bank cover only domestic companies, of which non-residents own at least 10 per cent and the nominal value of the share owned by the non-resident direct investor has to be at least 1 million ATS. Other forms of internationalization (e.g. co-operation and consultation agreements) are not included.

The restriction to companies with a direct investment share of 1 million ATS in the nominal capital of the direct investment enterprise may seem severe, but an investigation based on the data of 1988 showed that statistical accuracy was not compromised. This threshold means that thousands of the smaller direct investments are not covered by the survey. On the other hand, it also means an enormous saving of time (for the enterprises who have to fill in the questionnaires and for the ANB who handles all these papers).

The decision, to include in this survey only direct investments where a transfer of nominal capital exists, derives from the scarce labour resources the ANB has for these surveys.

{Data basis of direct investment enterprises}

The liberalization of capital movements in 1989 changed the task of compilers. Before, things were rather easy. A permit to invest was required by law. Statistics derived from these permits gave a good overview about what was going on in the field of direct investment. These permits were also the main source of information for the names and addresses of direct investors and direct investment enterprises. Now it is more difficult to stay up to date with direct investment relationships. We have to rely more on wide spread sources like press releases, annual reports, and business publications. Since the end of 1991 -- with the introduction of the new reporting system for bop statistics -- there is a new source of information. Now, every transaction worth more than ATS 500 000 has to be recorded (purpose of the transaction, name and address of investor and company invested in).

Although, there is a legal obligation to answer the questionnaires, the ANB uses reminders and "moral persuasion" to get answers from enterprises and has so far been successful without resorting to legal action.

{Survey Results (from the year 1990)}

2691 enterprises received a questionnaire
460 answers were not taken into account (less than 10 per cent or under 1 million ATS foreign share)
10 enterprises gave no answer
2221 enterprises entered into the results

{Time table (survey 1990)}

-- posting the questionnaires end of August 1991
-- reminder mid of November 1991
-- checking the returned questionnaires until end of March 1992
-- preparing the questionnaires for electronic
data processing April 1992
-- first results from electronic data processing April 1992
-- plausibility check April 1992
-- definite results May 1992
-- publication June/July 1992

{Personal Resources}

The ANB has limited human resources to conduct these surveys. This is why the number of enterprises surveyed is small relative to our ??

{Staff to do the surveys (together with the ODI)}

3 1/2 persons:

2 persons: handling the questionnaires and creating the data base of enterprises

1 person: electronic processing of the questionnaires
1/2 person: evaluating and interpreting the results, publications,
theory.

{Adjustment of Data for the Location of the Parent Company}

When compiling statistics on nominal capital by country of origin, we are confronted with the fact that the actual decision-maker is not always the same as the direct investor. For example, a German company acquires a stake in an Austrian enterprise via a holding company located in Switzerland. To take account of this "distortion", i.e. to identify the country of origin of the indirect investor (i.e. the location of the parent company), additional information has been collected since 1982 by means of a "parent company registration form", which is part of the questionnaire. It is used to shift capital from the location of the direct investor's registered office to that of the indirect investor (e.g. parent company).

{The Questionnaire and the Relationship between direct investment enterprises }
{and direct investors}

Over time, the questionnaire has evolved; many questions were added and its emphasis has changed.

There are two reasons for this: a) international demands (requests); b) the attitudes concerning direct investments changed in the country.

Originally the questions primarily concerned the value of nominal capital in foreign possessions and the number of workers in these "dependent" enterprises. Another point of interest was the payments for licenses and patents. Today the interest has shifted to things like the reinvestment of earnings, short and long-term credits between parent and subsidiaries, the branches where the capital comes from, and the branches where this capital is invested in, wages and research and development expenditures.

It is very important to keep the information about direct investment companies up to date.

It is estimated that about 85 per cent - 90 per cent of all the direct investments (not the number but the volume) are included in the ANB's statistics.

The best questionnaire, the best software and the best computers are of no great use if we do not include the largest investors. The statistics would be distorted and would more or less give a wrong impression of the direct investment situation (which is maybe worse than no picture at all).

The 70 largest investors account for about 50 per cent of the value of all direct investments; therefore excluding them, would distort the information.

If rather small companies really don't want to answer the questionnaire, we do not force them to do so. It is different with big companies. But so far, we more or less always get the co-operation of large enterprises. We enclose a letter which stresses the importance of this survey for the Austrian economy with the questionnaires and usually we also enclose the results of the last survey, so the companies can see what is done with the figures they provide in the questionnaire. We are willing to help companies to fill out these forms, this help is in most cases given by telephone. It is troublesome to answer hundreds of telephone calls, but in the end it pays. Through all this work and through maintaining good and friendly relationships with enterprises, we receive reliable results.

CANADA

{Frank B.Y. Chow}
Statistics Canada

BALANCE OF PAYMENTS DIVISION SURVEY SYSTEM

INTRODUCTION

The Balance of Payments Division's survey work involves the use of more than 25 different questionnaires ranging in number of respondents from many thousands to well below 100. However, this presentation will cover only six of the principal questionnaires used to survey the corporate sector to compile data for the Balance of Payments series and the International Investment Position estimates. Five of the questionnaires are intended for incorporated companies in Canada while the BP-22 is used to cover the operations in Canada of non-Canadian corporations, i.e. branch activities in Canada. The BP-52, BP-59, BP-53, BP-21 and BP-21S questionnaires are used to survey on an enterprise basis, or on a "Canadian-consolidated" basis covering transactions of any Canadian subsidiaries in addition to those of the reporter.

The Balance of Payments surveys are intended to cover all Canadian corporations with foreign investment, direct or portfolio, in them and all Canadian companies that have direct investments abroad. The surveys are meant to cover both universes with only inactive and some very small companies excluded from the surveys. In recent years some of the less active companies have been put on the basis to be surveyed once in five years.

The Balance of Payments survey frame has been compiled over the years from a variety of sources such as administrative data, Investment Canada, financial journals, annual reports, newspaper articles and other divisions of Statistics Canada. One of the strengths of Canada's balance of payments has been the maintenance of these survey frames to cover inward and outward direct investments and the ability to conduct these surveys ourselves. There are generally more sources to maintain the universe for inward foreign investment. However, it is relatively more difficult to maintain an up-to-date list of all Canadian companies that have direct investments in other countries.

Although certain Balance of Payments questionnaires are used primarily to obtain data on capital flows and others are used primarily to construct investment position estimates there is much checking and verifying between the types of questionnaires from a particular respondent. Much of the work of the balance of payments compiler involves analysing, verifying and comparing data - with other sources in Statistics Canada, with past years' data, with annual reports, with business journals, with information of other federal government departments and other levels of government. The data reported are analyzed so that the flow figures are consistent with the stock or position figures (specifically the year-over-year change). If necessary, movements of capital

for the balance of payments are imputed from position figures and vice versa, where position estimates are imputed from capital flows figures.

BP-21 TRANSACTIONS BETWEEN CANADA AND OTHER COUNTRIES

The BP 21 questionnaire is an annual survey of Canadian enterprises to cover all of the international transactions during a financial year, preferably on a calendar year basis. In some way this form would cover all of a company's long-term and short-term capital movements, investment income and services transactions for inclusion in the current and capital accounts of the balance of payments. This questionnaire would be sent to all types of companies in Canada except banks and insurance companies.

This questionnaire should cover all the international transactions of a company except for merchandise exports and imports, which are compiled through customs documents, and freight and shipping transactions, which are captured with separate transportation survey questionnaires of freight carriers of all modes and the transportation arms of some manufacturing enterprises. Although these two types of transactions are to be specifically excluded, they would be reflected on this BP21 questionnaire on page 3 if the payment has not yet been received or paid and there is an account receivable or payable from non-residents at year-end.

Items 1 to 5 on page 2 cover long-term inward foreign investment in the reporting entity, requesting increases and decreases in investment of a "direct" and "portfolio" nature with the country code of the foreign investors. Capital movements or changes in investment in this section should be reflected in the BP52 questionnaire, if applicable. Item 1 is for inward direct investment transactions reflecting capital transactions with "foreign parent corporations/controlling shareholders" which are evidenced by a change in a claim on the reporting entity of stocks, bonds or loans. The foreign long-term investment in the Canadian company is measured from the liability side of the balance sheet corresponding to the recording of the type of claim in the accounting records of the reporting entity. The investment could be in the form of cash, physical assets or services.

Items 3 to 5 cover long-term capital transactions of a portfolio nature. Item 3 would cover bonds floated in foreign markets. Item 4 covers loans from foreign banks and mortgage capital from foreign sources.

Items 6 to 9 cover long-term outward investment in foreign countries by the Canadian reporting entity, requesting increases and decreases in the investments abroad and the country code of them. Capital movements or changes in investment in this section should be reflected on the BP59 questionnaire. Item 6 is intended to cover direct investments abroad, requesting the name of the foreign entity and whether it is investment in a subsidiary, affiliate, branch or other unincorporated type of investment. Similar to the inward investments, the outward long-term investments should be evidenced by a change in claims, such as equity shares, bonds or loans, on the foreign entity.

Items 8 and 9 cover capital movements for portfolio investments in other countries. Item 8 should reflect only purchases or sales of foreign stocks and bonds conducted through investment dealers or brokers located in foreign countries, as there are monthly surveys of Canadian investment dealers. For example, item 8 should capture the purchase of stocks of an American company by a Canadian company, who goes directly to an investment dealer in New York. Item 9 would cover any other long-term capital movement with respect to outward portfolio investment such as lease arrangements, mortgages, notes, etc.

Items 10 to 28 requests the balances outstanding at the current and previous year-ends for short-term assets and liabilities with non-residents. The country code of the non-resident transactor for the short-term receivable or payable is also requested. Because the two year-end balances are reported the short-term change or capital movement is calculated for the balance of payments. Short-term trade balances are distinguished from other short-term receivables and payables. Short-term balances with foreign direct investors (inward direct investment) appear in items 11, 16, 21 and 25. Short-term balances with direct investment enterprises abroad (outward direct investment) appear in items 12, 17, 22 and 26.

Items 29 and 30 cover investment income receipts from non-residents in the form of interest and of dividends. Item 32 covers receipts of income from business services rendered to non-residents. Payments of interest to non-residents are requested in item 33 while item 35 covers dividends, stock and cash, declared to non-residents. Expenses of business services rendered to the reporting entity by non-residents appear in item 34.

BP-21S INTERNATIONAL TRANSACTIONS IN SERVICES

This is a supplementary questionnaire to the BP21 for those respondents that have large business services amounts reported in items 32 and 34 on the BP21. The BP21S questionnaire requests details about the types of business services transactions, indicating twelve types of services. The reporting Canadian company is also requested to distinguish transaction with related and non-related foreign transactors.

BP-22 INVESTMENT IN CANADA BY NON-CANADIAN CORPORATIONS

This BP22 questionnaire is intended for unincorporated investments in Canada by foreign corporations. This form covers about 170 branch operations in Canada. Both capital movements and position data are requested on this questionnaire.

BP-51 GEOGRAPHICAL DISTRIBUTION OF OWNERSHIP OF CAPITAL

Mr. Peter Harper had referred to a two stage approach to ferret new companies with international transactions; to use a short questionnaire for new companies then a longer questionnaire for the regular survey companies. The BP51 questionnaire is a short two page questionnaire which was previously used to find companies to add to our survey registers. The questionnaire was only two pages so as to encourage completion and so that it did not pose too much of a response burden to the new respondents. The BP51 questionnaire is very similar to the BP52 questionnaire. It covers aspects of both inward foreign investment and outward investment. Although it covers inward foreign investment more thoroughly. Investments abroad are covered in Section V, with the short-term assets covered in Section V (3).

BP-52 GEOGRAPHICAL DISTRIBUTION OF CAPITAL

The BP 52 questionnaire is an annual survey of companies incorporated in Canada to compile foreign investment in them at a point in time. Information is requested about the geographical location of ownership of the long-term capital invested in the enterprise at the calendar year-end or the period-end closest to it. Although this form is used principally to compile foreign direct and foreign portfolio investment statistics, it is also used to verify and to impute flows of foreign-owned debt and equity capital. Canadian owned capital is also reported on this form as the questionnaire covers the total long-term capitalization of the enterprise. The names of the principal investors, both foreign and domestic, with ownership of 10% or more of each issue of equity and/or \$5 million of debt, are asked to be listed on page four.

On page one the company is asked for some non-financial information about the company with the industrial activity being monitored to see if it corresponds with the industrial classification contained in the company identification database.

If the company checks, "Please check if the reporting company has ownership in shares and debt securities of any Canadian companies", the company will be sent a BP 53 questionnaire next year. The BP 53 form will be used to determine the extent of the ownership of Canadian companies by the reporting entity; which companies the reporting entity are consolidating; and which Canadian companies are not being consolidated and therefore, which may need to be surveyed separately for balance of payments purposes.

If the company checks, "Please check if the reporting company or any of its Canadian subsidiaries have capital invested abroad and complete item 11 on the back page of this report", a BP 59 questionnaire is sent next year to this company.

A list of country codes is sent with the Balance of Payments questionnaires to enable the companies to report the country of ownership of their debt, bank loans, bonds and other long-term liabilities. Debt, which have been reclassified to short-term, because they are due within one year, are

to be included as long-term. Pages 3 and 4 are basically a presentation of the liability side of the balance sheet from the long-term debt downwards including the shareholders' equity section.

The geographical distribution of the number of shares of equity capital is requested, providing the basis for the distribution of contributed capital and retained earnings. The value of the equity reported is that which is contained on the balance sheet of the corporation, thus reflecting the historical values as carried on the financial statements of the Canadian companies. This questionnaire then is used to compile position estimates of foreign direct and foreign portfolio investments in book value terms.

This questionnaire is sent to about 4,800 enterprises in Canada to compile position data on foreign direct and foreign portfolio investment in Canada of both equity and long-term debt. As information is requested for both the current and previous yearends, changes in the positions or capital movements can be articulated for the balance of payments.

BP-53 STRUCTURE OF CANADIAN COMPANIES IN THE REPORTING STRUCTURE

The BP53 questionnaire is sent annually to companies, about 1,400 of them, which receive other Balance of Payments questionnaires, such as the BP21, 52 or 59. The Balance of Payments survey questionnaires are intended to gather data on an enterprise basis, for a family of commonly-controlled Canadian companies. The reporting Canadian company is requested to provide ownership information with the percentage ownership of the equity of Canadian companies.

The names of the Canadian companies which are fully consolidated or included in the other Balance of Payments questionnaires are to be reported in Part I. These consolidated Canadian companies are to be listed in a hierarchical manner as they appear in the enterprise structure. Only the percentage ownership in the common and preferred stock by the reporting company is requested. If one of the subsidiaries reported in this section has investments in other countries, for example, those investments should be included in the BP59 questionnaire of the reporting entity. Similarly, any short-term trade receivables with non-residents by a consolidated Canadian subsidiary should be included in the BP21 of the reporting entity.

Other ownership in Canadian companies, which are not consolidated on the other Balance of Payments questionnaires, are to be listed in Part II. The hierarchical ownership structure of these companies and the percentage ownership of their capital stock by the reporting enterprise are to be included. Moreover, the value of the equity investment in these non-consolidated companies as reflected in the books (balance sheet) of the reporting company are also requested. The amounts of any other investments and advances to these companies by the reporting company are also to be reported. These non-consolidated companies should be considered to be added to the survey frame if they have any international transactions. Attention is paid to the subsidiaries of the reporting entity, particularly if it is wholly owned or majority owned by non-residents, for addition to the surveys.

BP-59 CAPITAL INVESTED ABROAD BY CANADIAN ENTERPRISES

This annual questionnaire is sent to Canadian enterprises (about 1,300 of them) to compile statistics on Canadian investment in foreign countries at a point in time. These asset amounts are requested as at calendar year-end or at a fiscal year-end closest to it. The form is to be completed in Canadian dollars, indicating however the exchange rates used. On page one the company is asked to identify any Canadian subsidiaries with investments abroad which are not consolidated in the report, so that they can be added to this BP 59 survey.

On the inside of the questionnaire information is requested about:

- i) foreign subsidiaries - majority owned companies in foreign countries;
- ii) foreign affiliates - companies in which 10% of the equity is owned but less than 50%;
- iii) foreign branches and miscellaneous investments - branch activities and other assets are to be reported on a net asset basis;
- iv) non-capitalized expenditures abroad - these expenditures for mainly mining and oil exploration and development which have been expended rather than capitalized during the calendar or fiscal year are considered as direct investment.

In columns 1 to 5 the enterprise is to report the value of each long term item owned by it from the financial statements of the foreign subsidiaries or affiliates. The Canadian enterprise should take the capital owned from the balance sheet of the foreign entities, which are normally denominated in foreign currencies, and convert them to Canadian dollars at year-end closing exchange rates. Column 6, the total of columns 1 to 5, represents the book value of the direct investment interest owned by the Canadian enterprise. The country of location and the principal industrial activity for each foreign entity is requested. The average number of employees of each foreign entity is also requested.

The short-term intercompany account with each foreign entity is to be reported in column 7. Column 8 requests the total long-term liabilities and equity of the foreign entities to identify capital invested by other parties or to determine the total long-term assets held in the foreign entities.

Recently, columns 10 and 11 on net profit and dividends have been added to determine the reinvested earnings by each foreign concern. Columns 12, 13 and 14 on sales of service by the foreign concerns have also been added recently to focus on service transactions by direct investment enterprises with the parent company and with other transactors, foreign and Canadian.

On page four information is requested about foreign portfolio investments owned by the Canadian enterprise.

This form is used to compile position estimates largely of direct investments in other countries in book value terms. The reporting entity is also requested to attach the financial statements of each foreign concern reported on the questionnaire.

Normally the financial statements which are provided are denominated in foreign currencies and some are in foreign languages. Some of the reporting entities provide instead the working papers which are used for the consolidation of the foreign concerns. These financial statements are invaluable in allowing us to verify the data reported on the questionnaire and to reconvert the values reported at standard year-end exchange rates to Canadian dollars. From this questionnaire it is also possible to impute capital movements for the balance of payments with the assistance of the financial statements, as they normally contain financial data for the previous year, or by contacting the company.

FRANCE

{René Fiévet}
Banque de France

Generally speaking there are two main systems for statistical recording of flows and stocks of direct investment:

- A system of business direct surveys -- usually quarterly -- in which the recording of flows and that of stocks are closely linked. Under this system the evaluation of flows is usually based on variations in stocks. The United States, the United Kingdom, Canada and Australia have adopted this system.
- A system in which the recording of direct investment flows is part of a more general system for the recording of balance of payments transactions. Here the recording of stocks is the subject of a specific survey, generally on an annual basis, and checks are made between changes in stocks and recorded balance of payments flows. Germany, the Netherlands and France have adopted a system of this type.

The main characteristics of French direct investment experience may be said to be the following:

- a very reliable system for the recording of direct investment transactions (largely due to a system derived from the old exchange control regulations);
- difficulties in setting up a system of evaluation of stocks because of the lack of business surveys. It is only recently that France has introduced annual surveys of stocks.

These two points will be looked at in turn.

I. RECORDING OF DIRECT INVESTMENT TRANSACTIONS

{1. Recording of balance of payments flows}

The French system for the recording of these flows comes directly from the old exchange control regulations and in particular the prohibition of the holding of accounts abroad by residents. Any foreign transaction had to go through the banking system (banks being considered "approved" intermediaries for foreign transactions). Any bank handling such operations was itself required to make a statistical declaration for balance of payments purposes.

Despite the abolition of exchange control this method of recording has been retained: any foreign transaction carried out through a bank must be the subject of a statistical declaration for balance of payments purposes. But henceforward any resident who has opened an account abroad and therefore carries out operations not handled by the banks system is required to make a statistical declaration for balance of payments purposes.

Records are therefore based on declarations by two categories of reporter: the bank and the direct reporter.

The declaration form is the record of payment which gives the following information (see Annex 1):

- the customer giving the order,
- the amount of the transaction
- the direction of the transaction (in or out),
- business code
- the country of origin or destination of funds.

Direct investment transactions thus constitute one form of coding, among others, of transactions declared for balance of payments purposes. There exist about 160 business codes, 15 of which relate to direct investment transactions.

{2. Administrative regulation of direct investment}

Alongside the recording of flows, administrative regulations relating to direct investment require transactors to declare, on a specific form, direct investment transactions in France or abroad (see Annexes 2 and 3).

These forms are not absolutely essential to the recording of flows for balance of payments purposes but must be sent to the Balance of Payments Directorate in order better to check the validity of declarations in the form of payment reports (CRP).

For example, there is an anomaly if an administrative form is supplied when there is no record of payment declared under the heading of balance of payments.

Finally, the combination of declarations in the CPR and administrative declarations seems to us to guarantee reliability in the recording of direct investment transactions.

{3. French methods}

French methodology in the matter of direct investment is comparable with that generally accepted. There are however two exceptions:

- short-term loans between parent companies and subsidiaries are not included in direct investment but in other capital flows.
- the treatment of trade credits and accounts receivable as between parent companies and subsidiaries does not come under the heading of direct investment but under that of trade credits.

It should be added that the balance of payments does not at present incorporate reinvested earnings. This statistic is a sub-product of surveys on stocks and it is only very recently that the Balance of Payments Directorate has been in a position to produce annual surveys of direct investment stocks. Statistics for reinvested earnings will shortly be included in balance of payments figures.

II. RECORDING OF DIRECT INVESTMENT STOCKS

For a long time there have been no statistics in France on direct investment stocks.

The main reason for this was that the recording of flows was not initially based -- given the system of approved intermediaries -- on direct business surveys. And the recording of transactions alone was enough for our statistical requirements. The situation changed somewhat during the 1980s, for three main reasons:

- the increased scale of direct investment flows, particularly from the mid-80s, has awakened interest in the position of direct investment in France;
- As soon as the stock becomes considerable it is necessary to evaluate as accurately as possible the income from this investment. However, valuation of reinvested earnings is possible only by surveys of stocks;
- finally, and more generally speaking, the end of exchange control makes it more difficult to establish reliable balance of payments data. Consequently the establishment of stock statistics makes it possible, thanks to the variations, better to determine the reliability of flows recorded in balance of payments.

It is these different considerations that have made it necessary to establish statistics on stocks of direct investment.

The guiding principle has however been to avoid as far as possible asking firms to collect specific figures, and instead use existing information. This is why the statistics of French direct investment abroad are established in a quite different way from those relating to inward direct investment in France.

{1. Stock of French direct investment abroad}

To establish these statistics the Balance of Payments Directorate was able to refer to the legal requirements placed on enterprises under the General Accounting Plan: all commercial companies, of whatever size, which have subsidiaries (in which they hold more than 50 per cent of capital) or shareholdings (between 10 per cent and 50 per cent) are subject to the two following obligations:

- to provide in the Annex to the company accounts (balance sheets, profit and loss account) the list of their subsidiaries and shareholdings,
- to establish a table of these subsidiaries and shareholdings and attach them to the balance sheet. This table must in particular show (see Annex 4):
 - . the name of the subsidiary (and its country of origin),
 - . its equity,
 - . other capital and reserves,
 - . the percentage held by the parent company
 - . the loans made by the parent company to the subsidiary
 - . profit and loss account
 - . turnover
 - . repatriated dividends.

All these data make it possible to evaluate:

- the stock of direct investment =
 - [(equity + capital and reserves) X (percentage held by investor)] + loans made by the investor
- reinvested earnings = profits - repatriated dividends

The Banque de France accordingly asks its network of agencies to collect each year the table of firms' subsidiaries and shareholdings in their respective spheres of action.

This information is centralised at the Balance of Payments Directorate which is able to produce stock figures after an interval of about 15 months.

The stock of direct investment by the banking sector and by the insurance sector, the latter covering a more limited number of enterprises, is treated according to the same method in the Balance of Payments Directorate.

The last survey covered 2 000 investing firms in all and made it possible to identify about 7 000 enterprises established by investment abroad.

It should be noted that this statistic takes into account only first rank subsidiaries and shareholdings (shares held directly in the portfolio of the resident enterprise). It does not make it possible to record sub-subsidiaries.

We consider however that this method of recording is sufficient for our statistical requirements and we are not for the moment envisaging any change to take into account sub-subsidiaries.

{2. Stock of inward direct investment in France}

The main difficulty in establishing statistics for inward direct investment in France was the drawing up of a file of foreign holdings in the capital of resident firms. There is in fact no legal obligation on resident firms to publish their capital structure.

It is true that a file of transactions is kept at the Ministry for Economy and Finance, based on information supplied by the Administrative Declaration (see above). But it is difficult to keep this up to date (company mergers, close downs, disinvestment), and to give a precise picture at a given moment of foreign participation in the equity of French companies.

- It was only very recently that the Banque de France first had access to a position file showing immediately the capital structure of firms. But this file was set up originally to meet other requirements than that of Balance of Payments.

The Banque de France in fact established a Bank File on Business (FIBEN: Fichier Bancaire des Entreprises) over the last fifteen years, to meet the needs of the banking profession. This is a collection of descriptive economic and financial data essential for accurate assessment of enterprises by credit establishments. The main types of information supplied by this database include:

- descriptive information on the firm,
- information needed for assessment of the firm's volume of activity and its indebtedness to the banks,
- cases of payments default reported by the credit establishments,
- accounting and financial information: balance sheets, profit and loss accounts, income allocation accounts. At present the bank file on business processes bookkeeping data for 120 000 firms.

This databank has been built up gradually over the years. One of the latest developments has been the input of capital structure after questions on the subject have been put to firms.

This new information was fed into the databank in the course of 1991.

As the Balance of Payment Directorate has access to this databank it is able to isolate foreign investors by computer and so create a file showing foreign participation in the capital structure of French enterprises.

Once this file has been constituted it is possible to obtain access to the accounting data of the firms concerned, and so build up statistics of stocks entirely comparable with those for direct French investment abroad.

As far as banks are concerned, the Banque de France has full details of the capital make-up of establishments authorised to exercise the banking profession. The constitution of a file and the collection of accounting data therefore gave rise to no difficulties.

The last survey on direct foreign investment in France made it possible to identify about 7 000 resident businesses in which foreign capital had been invested.

GERMANY

{Erich Dandorfer}
Deutsche Bundesbank

The statistical recording of direct investment in Germany
Legal basis, reporting method, processing, publication

Direct investment plays a major role in Germany's economic relations with the rest of the world. In the field of direct investment, Germany is both an important exporter of capital and an important host country for foreign investors. German direct investment abroad must therefore be examined and recorded in the statistics as accurately as foreign direct investment in Germany. Two separate, but compatible sets of statistics on direct investment exist: monthly statistics on direct investment transactions (= payment flows), which are integrated in the balance of payments statistics, and separate statistics on the stock of direct investment. In both cases sets of official statistics are involved. The submission of the reports is bindingly prescribed in the Foreign Trade and Payments Act and the Foreign Trade and Payments Order. The statistics are compiled by the Deutsche Bundesbank, i.e. the reports must be submitted to the branch offices of the Deutsche Bundesbank and are then centrally processed in Frankfurt. The Deutsche Bundesbank also publishes the statistical results.

{Statistics on direct investment transactions}

The basis for recording direct investment transactions is the reporting requirement applying to everyone for the balance of payments statistics, according to which residents must report monthly to the Deutsche Bundesbank payments which they receive from or make to non-residents. The transactions to be reported include settlements and contributions of physical assets and rights to enterprises. Individual transactions below a reporting limit of DM 5 000 are excluded.

Specific forms are prescribed for the reports. On the forms, the amounts as well as the type of transaction and the purpose of payment are to be given. The two most important forms for the German balance of payments statistics (English translation) are enclosed here as specimens. If these data for the balance of payments statistics show that the following transactions are involved:

- establishment or acquisition and liquidation or sale of enterprises (including branches or permanent establishments) in which an investor holds more than 20 per cent of the shares,

- injection of capital in enterprises, branches or permanent establishments in which the investor holds more than 20 per cent of the shares, as well as the repatriation of such capital,
- granting of loans to enterprises, branches or permanent establishments in which the investor holds more than 20 per cent of the shares, and repayment of such loans.

Than these capital transactions are recorded as direct investment and are included as such both in the balance of payments and in separate transfer statistics on direct investment.

Receipts from direct investment -- profit distributions, dividend payments, interest payments -- are ascertained in the same way, i.e. through reports of individual payments, including an indication of the purpose of the payment. Direct investment or direct investment receipts in the form of reinvested profits, by contrast, cannot be recorded by this method because naturally no transactions are involved. For this purpose, stock reports are used.

The integration of the statistics on direct investment transactions into the balance of payments statistics offers the following advantages:

1. The data are relatively complete since compliance with the statutory reporting requirements can be monitored by means of numerous cross checks and reconciliation with other reports for the balance of payments statistics.
2. The data can be ascertained relatively quickly since the balance of payments is compiled monthly and the results must, as a rule, be available for economic and monetary policy analysis six weeks after the reporting month concerned.

The Deutsche Bundesbank receives about 600 000 transaction reports for the balance of payments statistics every month; about 3 000 of these reports concern capital and dividend payments for direct investment. At the Central Office of the Deutsche Bundesbank some 80 staff members deal with the transaction reports and the compilation of the balance of payments statistics. It is impossible to say exactly how many of them deal only with the direct investment statistics. The reports are checked, encoded and recorded; By means of the central computer and numerous EDP programmes the data are aggregated and classified by various criteria -- particularly by country and economic sector. The results are stored in data bases; the most important figures appear regularly in the publications of the Deutsche Bundesbank.

{Stock statistics on direct investment}

Since 1976, an annual stock survey of direct investment has been made in Germany. Residents who hold more than 20 per cent of the shares or voting rights of an enterprise abroad or who maintain branches abroad and resident enterprises in whose capital or voting rights non-residents hold more than 20 per cent or branches of non-residents in Germany must submit reports. However, only participating interests in enterprises with total assets of more than DM 500 000 must be reported.

The structure of the reports can be seen from the enclosed specimen forms. Separate forms for German direct investment abroad and for foreign direct investment are used in Germany. Both forms are similar, however. Each consists of two sheets. Sheet 1 contains only some general data on the party required to report and a list of contents in the form of a list of the participating interests to be reported. More important is sheet 2 of the reports which is to be submitted for each individual participating interest. It contains special data on the enterprise in which the cross-border participating interest is held, particularly on the balance sheet of that enterprise and on the capital and loan percentages accounted for by the direct investor.

It is very important for a periodical stock survey to ensure that all parties required to report actually submit complete reports. For that reason the Bundesbank maintains a data file in which all enterprises which may be required to report are registered. The reporting forms are sent to these enterprises every year; the data file is also used to check whether reports are actually received. The information for compiling the data file is taken from the regular transaction reports on direct investment for the balance of payments statistics; it is supplemented from other sources, such as press reports on the establishment of firms, annual reports, etc.

A comparatively long period must be granted for the submission of the reports, namely six months after the balance-sheet date of the party required to report. Even at that time several balance-sheets are not available with the result that the submission of the reports is delayed. The consequence is that the results of such statistics can only be completed relatively late. This shortcoming must be accepted, however, if a stock survey of direct investment is to be put on the sound basis of balance-sheet figures.

The number of stock reports on direct investment processed every year at the Deutsche Bundesbank is at present about 35 000. Thirteen staff members deal with these reports throughout the year. As a rule, the reports contain many errors and must therefore be checked thoroughly. Then they must be prepared and encoded for recording. The data from the reports are stored in electronic data bases. The statistical figures are then compiled by means of special processing programmes and classified by many criteria, particularly by country and economic sector. Every year the Deutsche Bundesbank publishes very detailed figures.

NETHERLANDS

{J.R. Herrema and R.P. Sparling}
De Nederlandsche Bank

The Practice in the Netherlands

In the Netherlands, the External Financial Relations Act is in force. This act empowers to:

- a) introduce foreign exchange restrictions;
- b) give regulations on how residents should pay and receive money to and from non-residents;
- c) ask information and data from every person to check whether the foreign exchange restrictions are being observed and for compiling the balance of payments.

Since both current-account transactions and capital-account transactions of the Netherlands with foreign countries are completely liberalized, the act is only used in order to centralize money transfers (via the authorized banks) and to gain data and information for balance of payments compiling.

Flows

Flows data about foreign direct investment are collected within the system of compiling the Bop. Every payment is monitored: the authorized banks report about their own payments and receipts and about those of their clients every month. Companies and institutions that make their payments via own accounts with foreign banks or via a current-account/clearing with a subsidiary abroad have to report directly to the Central Bank themselves every month.

In the Netherlands, foreign direct investment is defined according to the IMF-standard: the objective of the investor should be to get a more or less lasting interest in another enterprise with the aim of having an effective voice in the management. A fixed minimum percentage in the (share-)capital is not used: in case of doubt, information is asked from the resident involved.

- Shares bought and sold via stock-exchanges are always considered to be portfolio investment.

Besides the participations in the share-capital of a company, all credits, loans and balances on current accounts among related companies as well as direct purchases of real estate are included in direct investment.

Positions

Once a year companies and institutions that are known to have foreign direct investments as well as companies and institutions that have reported (new) direct investments in the Bop flows during the previous 12 months, have to fill in a questionnaire/survey.

This questionnaire/survey asks for the following items:

1. Position at the beginning of the period
2. Increase/decrease of the share capital
3. Retained earnings
4. Exchange rate differences/revaluations
5. Position at the end of the period.

The increase or decrease of the share capital is compared with the flows reported for the balance of payments. The same applies to settlements, set-offs and compensations, not resulting in payments or receipts. The completeness of these balance of payments transactions, which should be reported directly to the Central Bank on special forms, is checked with the help of the survey information. When needed corrections will be made.

Databases

Two separate databases are filled with the data mentioned earlier, one contains the (monthly) flows, the other contains the (survey)/positions.

- The flows are captured on an average monthly rate, the positions at end-of-year rates.

Every month the flows seen in the balance of payments are added to or deducted from the last known positions that are captured per company and per relationship with a non-resident.

By doing so, actual positions can be formed at any moment, split up per country, industry and - of course - kind of investment (loan, credit, shares).

Should it be necessary to make corrections, this is always done by booking in the balance of payments flows: as a result of this procedure the positions are automatically adjusted, which means our positions database is always up to date.

Retained earnings, revaluations and exchange-rate differences are only included in the annual stock figures and not in the Bop figures added to these stock figures.

For this reason only the stock figures resulting from the annual surveys are being published. The positions constructed on a monthly basis are only used for checking the monthly interest and dividend payments, reported for Bop. These payments are only accepted when a relationship is known and the amount paid or received is in accordance with the position in our database.

Loans without repayments and negative positions are selected at regular intervals. The companies in question are contacted to verify whether this is correct.

Organization

The Bop-section is part of the Department of the Bank that receives all reports, sent by banks, companies and institutions. It collects, processes and produces statistics for supervision, social economic statistics, capital- and money market statistics, Bop- and other macro-economic statistics.

Roughly, the Bop section can be divided into the following groups:

•	•••••	Staff		
1.	Reporting by Banks•••••	18		
2.	Reporting by companies & institutions••	12		
3.	Control & Survey•••••	33		
4.	Analyses•••••	11		
5.	Executives/management•••••	11		
•	•••••	—		
•				
•			Total•	85

Reporting by banks in the Netherlands is automated for 80 per cent, for companies and institutions it is 40 per cent.

To have the coding done by the computer, a system has been developed which makes it possible that - by scanning - the computer recognizes the description of a transaction. Not recognized descriptions are coded individually by hand. The computer codes 85 per cent of all entries.

Access to the mainframe data-bases takes place via terminals. Reported Bop-data are entered without checks and directly coded by the computer. Afterwards, depending on a threshold, certain current-account and capital-account transactions are individually checked.

The banks receive the total balance of payment figures at the end of the month as well as the figures reported by themselves so that they can calculate their market-share.

The Bop is available 6 to 7 weeks after the month of reference.

Monthly figures are not published: quarterly figures are published in the Central Banks' Quarterly Bulletin.

The stocks/positions of FDI are available about 15 months after the reference-year.

PS Broken bookyear is hardly a problem as the rule in the EEC is to flow the calendar-year.

Explanatory note to the questionnaire on direct investment

1. Introduction

Periodically the Nederlandsche Bank (the Bank) conducts a survey into outward and inward direct investment. The questionnaires are sent to Netherlands residents after balance of payments transactions have been reported to De Nederlandsche Bank on forms such as A and B.

Depending on the type of change, one or more of the following forms are sent:

- form DIU for outward direct investment
- form DIO for inward direct investment

Some data have already been entered on the forms and are included in the bar code used for automatic data processing. For the sake of completeness, it is pointed out that transactions between residents and non residents, which do not involve payments, must be reported to the Bank using form M2. Examples of such transactions are exchanges of shares, contribution of assets in exchange for shares, remission of loans, etc.

2. Forms for direct investment (DIU/DIO)

{2.1 General}

These forms provide an insight into the changes in the value of direct investment. On the one hand, this concerns changes which can be discerned in the balance of payments, (for example the sale/purchase of shares dividend payments), and, on the other, changes not discernible in the balance of payments (for example, retained profits, exchange rate fluctuations).

It is important that the questionnaire provides the best possible insight into the current value of the participation. In many cases the data required for completing the form can be derived from the annual accounts of the relevant participation or from the data used in drawing up the consolidated accounts. The amounts must be entered in guilders. A participation should be entered on the form only insofar as the interest is in shares.

{2.2 Form DIU (Outward Direct Investment)}

This form shows the participation in the capital of foreign enterprises. A separate form must be completed for each participation in which the parent company has a direct interest. If the foreign participation have been placed under a foreign holding company, then it is sufficient to provide the consolidated amounts at the level of the holding company concerned. All amounts should be commensurated with the percentage share of the participation in the holding company.

Explanatory note in respect of some data requested:

{Capital and reserves (resident's share)}

The capital must be calculated in proportion to the share in the issued capital. The reserves must be determined in the same way; negative reserves must be deducted from capital. Reserves are understood to comprise all components of the shareholders' equity of the participation with the exception of the share capital. Reserves which have a specific and identifiable purpose (e.g. replacement reserve) must not be included.

{Exchange of shares, contribution of assets in exchange for shares, conversion }
{of loans into shares, conversion of dividends into shares, conversion of inter-}
{company current-account balances into shares}

The value of the shares acquired must be shown. This value comprises the nominal value of the shares plus the proportionate value of the reserves.

{Profit}

The profit for the relevant financial year available for distribution (after taxation).

{Revaluation due to exchange rate differences}

When capital and reserves in foreign currencies are translated into guilders at the beginning and at the end of a year, valuation differences will result due to exchange rate differences. A positive difference must be entered on line 34, a negative difference on line 61.

{Other revaluations (lines 37 and 64)}

These are revaluations which are not consequent on exchange rate fluctuations. Line 37 could show, for example, a revaluation consequent on a revaluation of assets. Line 64 could show a necessary depreciation of the participation concerned.

{Dividend declared}

This refers to the dividend which will be paid to shareholders calculated on the basis of the proposal for distributing profit. This item includes the withholding tax, if any.

{2.3 Form DIO (Inward Direct Investment)}

This form must be used to provide data in respect of participations of non residents. Where more than one non resident has a share in the capital of a participation, each non resident must complete a form. The Bank sends forms to non residents on the basis of the known investment relationships, or on the basis of dividend flows recorded by the Bank in the year surveyed.

The forms must be completed with figures proportionate to the share in the capital.

This form is very similar to form DIU but differs in that there are no items in respect of rate of exchange rate fluctuations.

3. Broken financial year

If the resident or non resident company has broken financial year, it must be stated clearly to which period the data refer.

4. Further information

Should you require more detailed information about the completion of the questionnaire please contact the Balance of Payments Department, using one of the direct dialling numbers given in the accompanying letter.

NB - This translation has been prepared for your convenience but it has no statutory authority whatsoever.

UNITED STATES

Report by the National Academy of Sciences

THE COMPARABILITY OF INTERNATIONAL DIRECT INVESTMENT STATISTICS

{Peter Harper}
International Monetary Fund

The Fund's member countries are obliged to report to the Fund, on a regular basis, information in respect of a number of economic statistical series. This information is used for analysis within the Fund, and is also made available to outside users through various dissemination media. One of the most important sets of statistics reported to the Fund is balance of payments statistics, of which direct investment statistics are an integral part. Balance of payments statistics are shown in summary form in the Fund's monthly and annual publication International Financial Statistics, and in more detail in the Balance of Payments Statistics Yearbook (BOPSY). The BOPSY comprises two parts. Part 1 provides detailed information on individual countries' balance of payments transactions and, where available, international investment position. Part 2, aggregates the data given in Part 1 by balance of payments categories. For each category, data are provided for countries, country groups, and world totals.

The issue of compatibility and comparability of countries' balance of payments data is very important to the Fund, because of the Fund's role in maintaining the international statistical standards relating to the balance of payments, which are promulgated in the Balance of Payment Manual (Manual), and because of the international focus of the Fund's operations. In the area of balance of payments statistics, the Fund has undertaken two studies into discrepancies that become apparent when countries' statistics are aggregated to world totals. The first study analyzed the discrepancies in world current account balances. Its results were provided in the Report on the World Current Account Discrepancy, which was published in September 1987. The second study investigated the measurement of international capital flows, and its findings were published in September 1992 in the Report on the Measurement of International Capital Flows (Capital Flows Report).

The compatibility and comparability of direct investment statistics was a major area of investigation for both studies, but particularly so for the second. The general conclusion of the Capital Flows Report is that "world capital account statistical systems are in a state of crisis". The problems are seen as being widespread, and direct investment is one of the areas identified as contributing to these problems. Between 1986 and 1989 (the period analyzed in the Capital Flows Report) world recorded direct investment outflows exceeded world recorded direct investment inflows by, on average, almost US\$17 billion each year. In theory, the two flows should be equal.

The most significant sources of global imbalances associated with direct investment statistics identified in the Capital Flows Report are:

- the failure of many countries to record reinvestment of earnings;
- inconsistencies in the recording of transactions of the special purpose entities of multinational enterprises;
- the exclusion from many countries' direct investment data of "short-term" capital transactions among related enterprises;
- inconsistencies in the treatment of investment by affiliates in their parents (that is, "reverse investment");
- inconsistencies and poor coverage in the recording of real estate transactions; and
- the failure of collection systems to provide comprehensive coverage of all direct investment transactions.

The Capital Flows Report makes a number of recommendations designed to improve the international comparability and compatibility of direct investment statistics. Of these, the foremost is that countries should prepare data and report them to the Fund in accordance with the recommendations of the Manual, particularly with regard to data on reinvested earnings. When data are not shown on this basis in national publications, supplementary data to "bridge" national and BOPSY presentations should be provided. The Capital Flows Report also recommends that countries prepare and exchange geographic breakdowns of direct investment flows, and that compilers should develop regular contact with counterparts in other countries to ensure consistent treatment of major multinational enterprises. With regard to the collection of data, the Capital Flows Report recommends that countries periodically survey direct investors and their affiliates to collect data on direct investment capital transactions, including reinvested of earnings, and related data on investment income and stocks. National authorities must ensure that these collections provide comprehensive coverage of all direct investment activity relating to their country.

One of the general recommendations emanating from the capital flows study was the establishment of a standing committee of senior balance of payments compilers. In a follow-up to this recommendation, the Fund recently established the IMF Committee on Balance of Payments Statistics, which will hold its first meeting later this month. Among other things, this committee will assist the Fund in overseeing the implementation of the recommendations of both the capital account and current account studies.

GLOSSARY OF TECHNICAL TERMINOLOGY

ASSETS: Machinery, equipment, furniture, buildings and other durable reproducible goods, stocks of non-durable goods, lands, monuments, and other non-reproducible tangible assets, copyrights, leases, concessions, financial claims on other parties and other intangible assets.

LIABILITIES: The gold, currency and other obligations of other parties owned by an economic agent; or the obligations of an economic agent owned by other parties.

CURRENT ASSETS: Cash and other assets that are expected to be converted into cash, sold, or consumed either in one year or in the operating cycle, whichever is longer.

CURRENT LIABILITIES: Obligations whose liquidation is reasonably expected to require use of existing resources properly classified as current assets, or the creation of other current liabilities; maturity within one year or the operating cycle whichever is longer.

RECEIVABLE(S): An item is receivable at the time the recipient has a contractual or legal right to receive it, or, in the case of unrequited transfers other than taxes, fines, etc. assessed by the public authorities, the item is received.

PAYABLE(S): An item is payable at the time the payer has a contractual or legal obligation to pay it; or, in the case of unrequited transfers other than taxes, fines, etc. assessed by the public authorities, the payment is made.

EQUITY: Ownership of shares, stocks, participations, or similar documents.

CAPITAL: In corporation finance, capital commonly represents the total assets of the enterprise. In law, capital is considered that portion of stockholders' equity that is required by statute to be retained in the business for the protection of creditors. Legal capital (stated capital) is the par value of all capital stock issued, but when share without par value are issued, it may be: 1. Total consideration paid in for the shares; 2. A minimum amount stated in the applicable state incorporation law; 3. An arbitrary amount established by the board of directors at its discretion.

SHORT-TERM CAPITAL: Capital payable on demand or with an original contractual maturity of one year or less and includes currency.

LONG-TERM CAPITAL: Capital with an original contractual maturity of more than one year, or with no stated maturity (e.g. corporate equities).

SHORT-TERM DEBT: Probable future sacrifices of economic benefits arising from present obligations that are payable within the operating cycle or within a year, whichever is longer.

SHARES AND OTHER EQUITIES: All instruments and records acknowledging, after the claims of all creditors have been met, claims to the residual value of corporate and quasi-corporate enterprises.

LONG-TERM DEBT: Probable future sacrifices of economic benefits arising from present obligations that are not payable within the operating cycle or within a year, whichever is longer. Long term debt is valued and recorded at the present value of its future cash flows, which consist of (1) interest and (2) principal.

TOTAL ASSETS (BALANCE SHEET TOTAL): Cash, marketable securities, loans, receivables, inventories, and prepayments.

RETAINED EARNINGS: Earnings not paid out as dividends.

BOOK VALUE: Book value per share of stock is the amount each share would receive if the company were liquidated on the basis of amounts reported on the balance sheet.

MARKET VALUE: The amount of money that a willing buyer pays to acquire something from a willing seller, when such an exchange is one between independent parties into which nothing but commercial considerations enter.

STOCK: The distribution of earnings in respect of the shares and other forms of participation in the equity of incorporated private enterprises cooperatives, and public corporations. They represent income that is payable without a binding agreement between the creditor and the debtor.

BOND: A security that gives the holder the unconditional right to a fixed money income, and, except for perpetual bonds, to an unconditional right to a stated fixed sum on a specified date or dates.

DIVIDEND: Income payable and receivable in respect to corporate equity securities and other forms of participation in equity of corporate enterprises and cooperatives. The dividend can take three forms: cash, stock and bonus share.

AFFILIATE: To associate or be associated as a subordinate or subsidiary.

ASSOCIATE COMPANY: Company K is an associate of enterprise N. if N., its subsidiaries and its other associated enterprises own not more than 50 per cent of the shareholder's or members' voting power in K and if N and its subsidiaries have a direct investment interest in K. Thus company K is an associate of N if N and its subsidiaries own between 10 and 50 per cent of the shareholders' voting power in K. For those countries which choose to implement the qualifications mentioned in para. 16-17, N must in addition have an effective voice in the management of K. By the same token, K will be treated as an associate of N even if N and its subsidiaries own less than 10 per cent of K provided N and its subsidiaries have an effective voice in the management of K.

BRANCH: A direct investment branch is an unincorporated enterprise in the host country that:

i) is a permanent establishment or office of a foreign direct investors,
or

ii) is an unincorporated partnership or joint venture between a foreign direct investment and third parties; or

iii) is land, structures (except those structures owned by foreign government entities), and immovable equipment and objects, in the host country, that are directly owned by a foreign resident. Holiday and second homes owned by non-residents are therefore regarded as part of direct investment, though few, if any, countries actually include such investment in their direct investment statistics; or

iv) is mobile equipment (such as ships, aircraft, gas and oil drilling rigs) that operates within an economy for at least one year if accounted for separately by the operator and is so recognised by the tax authorities. This is considered to be direct investment in a national enterprise in the host country.

SUBSIDIARY: Company X is a subsidiary of enterprise N if, and only if

i) enterprise N either

- 1) is a shareholder in or member of X and has the right to appoint or remove a majority of the members of X's administrative, management or supervisory body; or
- 2) owns more than half of the shareholders' or members' voting power in X; or

ii) company X is a subsidiary of any other company Y which is a subsidiary of N.

PARENT COMPANY: When one corporation acquires a voting interest of more than 50% in another corporation.

HOLDING COMPANY: Company whose sole function is to hold investments in other companies.

INCORPORATED ENTERPRISES: Enterprises which are legally, or clearly act as, entities independent of their owners. Incomes and outlays of the enterprise, and all the tangible and financial assets and liabilities connected with the business should be controlled and managed independently and that separate, complete records should be available in respect of all these items.

UNINCORPORATED ENTERPRISES: Enterprises which are individual proprietorships and partnerships which are not treated as quasi-corporate enterprises.

QUASI-CORPORATE ENTERPRISES: Unincorporated enterprises that behave like incorporated enterprises.

CONSOLIDATED (REPORT): Prepared instead of separate financial statements for the parent and the subsidiary in which the parent treats the subsidiary as an investment. Consolidated financial statements disregard the distinction between separate legal entities and treat the parent and subsidiary corporations a single economic entity.

PORTFOLIO: (INVESTMENT): Covers investment in long-term bonds and corporate equities other than "direct investment" and "reserves".

STOCK: Stock refers to a position in assets and liabilities at a point of time.

FLOW: Flow refers to economic actions and effects of events that take place within a period of time (creation, transformation, exchange, transfer on extinction of economic value).

END-OF-TEXT