

**STATS on FATS !  
Statistics on  
Foreign Affiliates Trade in Services  
The new international standard**

by

Julian Arkell

Prepared for:

**The Mark Twain Institute**  
**Harry L Freeman**  
President  
Chevy Chase, Maryland, USA

September 2002

## **CONTENTS**

<b>Purpose of the study</b>	<b>3</b>
<b>Summary of findings</b>	<b>5</b>
<b>Economic background</b>	<b>9</b>
<b>The new international standard for FATS statistics</b>	<b>10</b>
<b>Globalisation indicators: FATS in a wider setting</b>	<b>11</b>
<b>Current compilation practices: shortfalls from the new standard</b>	<b>12</b>
<b>Meeting the new standard: the challenge for national compilers of statistics</b>	<b>14</b>
<b>Publication of FATS data meeting the new standard</b>	<b>16</b>
<b>Conclusion</b>	<b>16</b>
<b>Annex I: Foreign affiliates trade in services (FATS) statistics The technical details</b>	<b>17</b>
<b>Annex II: Compilation of FATS statistics: selected countries</b>	<b>24</b>
<b>Canada</b>	
<b>European Union</b>	
<b>France</b>	
<b>Germany</b>	
<b>Japan</b>	
<b>United Kingdom</b>	
<b>United States of America</b>	
<b>Annex III: Challenges in compiling data for GATS Mode 3</b>	<b>29</b>
<b>ANNEX IV: Foreign Affiliates Trade in Services (FATS)</b>	<b>33</b>
<b>ANNEX V: Acronyms</b>	<b>35</b>

## Purpose of the study

This study was commissioned by the Mark Twain Institute of Chevy Chase, USA, in May 2001. Its President, Harry Freeman, asked the author briefly to evaluate whether a few of the major services trading countries could publish statistics on the activities of foreign affiliates alongside the traditional services trade figures.

For some years the Mark Twain Institute has been supporting research into ways of improving official US statistics on services production, trade and investment, and analysing the significance of the picture being gradually revealed. This was both because of the growing intrinsic importance of services activities to the US economy, and in support of the ongoing negotiations on international trade in services at the World Trade Organisation (WTO) in Geneva under the General Agreement on Trade in Services (GATS). The development of methodologies for evaluating current services activities and likely future trends of output and trade has also been supported, through the compilation of leading indicators and the extension of econometric modelling techniques.

A further stimulus for the commission arose from a report published by the Bureau of Economic Analysis (BEA) of the US Department of Commerce, which showed that in 1999 the sales of services by US-owned affiliates abroad (Majority-Owned Foreign Affiliates, or MOFAs) attained \$338 billion, and were on a rising trend. This compared with the figure of \$279 billion of sales by US based firms to non-residents - the traditional balance of payments (BOP) record of cross-border exports. Although the two sets of figures are not directly comparable, the growing sales of services by MOFAs results from the high level of investments made abroad by US multinationals, especially in the financial, computer and telecoms service sectors, and should be given equal prominence.

The BEA report also showed that not only was there a surplus on the BOP current account of \$78 billion, with services imports in 1999 being \$201 billion,<sup>1</sup> but that the sales by MOFAs was greater by \$49 billion than the \$289 billion of services sales by foreign-owned affiliates established in the US (Majority-Owned US Affiliates, or MOUSAs).

The BEA also publishes a supplement to the US current account in an ownership-based framework in response to “the increasing role and importance of multinational companies in world economies and, in particular, the growing tendency of these companies to use locally established affiliates to deliver goods and services to international markets.”<sup>2</sup> In 1999 net receipts by US companies of direct investment income from the sales by their foreign affiliates (ie those in which 10% or more of equity is held) exceeded by \$67

---

<sup>1</sup> The BOP surpluses for 2000 and 2001 were \$78 and \$83 billion respectively. BEA, US International Transactions, Table 3 - Private Services Transaction, April 2002

<sup>2</sup> “An ownership-based framework of the US current-account, 1989-99”, Jeffrey H Lowe, BEA, April 2002.

billion the net payments to foreign affiliates parents of direct investment income from the sales by their US affiliates.<sup>3</sup>

This position resulted from total sales by US foreign affiliates abroad of \$2.6 trillion, and sales of foreign-owned affiliates in the US of \$2.0 trillion. Putting the balance of payments (cross-border sales) and net investment income receipts together, brought the total value of foreign sales accruing to the US economy up to \$1.1 trillion in 1999.

The countries for this study were selected from among OECD Members, and an assessment was made of their readiness to implement the new international statistical standard for the compilation of statistics of Foreign Affiliates Trade in Services (FATS). This standard is recommended in the forthcoming Manual on Statistics of International Trade in Services recently approved by the UN Statistical Commission and soon to be published.

Originally this study was to be both small and quite quickly completed with publication in early 2002. However, difficulties in obtaining the basic information were encountered due to the wide variations in preparedness, the complexity of the statistical issues, the different authorities being involved in some of the countries, and the evident partial state of the necessary data collection.

The author would like to thank the Mark Twain Institute for conceiving the study and for patience in seeing it through, and to officials in the following organisations who spent precious time in assisting the study enquiries: Banque de France, Paris; Bureau of Economic Analysis, Washington DC; Eurostat, Luxembourg; Department of Trade and Industry and the Office of National Statistics, London; Deutsche Bundesbank, Frankfurt; Ministry of Economy, Trade and Industry, Tokyo; OECD, Paris; and Statistics Canada, Ottawa. Their input is much appreciated, however, any errors or omissions, and the judgements made, are the author's alone.

Note: During the period November 1997 to the late Summer of 1999, the author undertook a series of commissions for Eurostat, OECD, UNCTAD, and the UN Statistical Division in connection with preparing early successive drafts of The Manual on Statistics of International Trade in Services, and particular portions of it. He also studied the conceptual and methodological problems in compiling statistics on the supply of a service "by a service supplier of one Member, through presence of natural persons of a Member in the territory of any other Member" - the GATS definition in Article I:2 (d), often referred to as Mode 4. The rules contained in the GATS "Annex on Movement of Natural Persons Supplying Services under the Agreement", being directly relevant, were also taken into account.

---

<sup>3</sup> Note that these figures are not comparable with the MOFA and MOUSA data because they combine sales of goods and services, and include all foreign affiliates, rather than only the majority-owned firms. Furthermore they exclude the banking sector because the detailed estimates can only be provided for non-bank affiliates.

## **Summary of findings**

### **Compilation of FATS statistics: a snapshot**

There is a wide variation in the current ability of the statistical authorities to implement the recommendations of The Manual on Statistics of International Trade in Services in full. Where one authority has been responsible for the whole conceptual field, the correct legal basis for surveys is in place, and there are sufficient funds, it is nearest to the ultimate goal. The Bureau of Economic Analysis of the US comes out ahead, with the Deutsche Bundesbank somewhat behind. Where there has only been recent focus on the forthcoming standard, the legal basis is lacking, there is insufficient funding, or different authorities are involved, the lack of readiness is greater: Such factors explain the position of Canada, France, Japan and the UK.

Both OECD and Eurostat, which are closely collaborating on methodological issues, have greatly assisted positive developments in this field, and are continuing to give support to national statistical offices.

A key justification for the greater statistical effort is that only by implementing a common international standard will sufficient comparability be achieved between the data published by countries, which is so necessary to support policy making and research on the effects of globalisation of international trade in services, and on social development and economic growth.

### **Conceptual issues and challenges**

For some years OECD has been attempting to characterise and measure economic globalisation, and it is clear that the growing service sector raises the greatest challenges. This is due to the immaterial nature of service supplies, imperfectly resolved conceptual issues (concerning, for example, units of output, quality, price and productivity), to incomplete surveys of services activities, and widely different approaches taken by OECD Members to definitions, classifications and methodology.

The Manual on Statistics of International Trade in Services standard for FATS statistics represents a challenge through its demand for greatly increased information to be gathered from enterprises. This raises public concerns over processing costs in national statistical offices (NSOs), which tend to be on tight budgets, a disinclination to impose further burdens on the private sector, and a lack of willingness to comply by enterprises which do not perceive any direct benefit from such demands on their stretched resources. Both parties are concerned about confidentiality when greater amounts of information, including much of a commercially sensitive nature, have to be divulged. There appears further a lack of foresight among politicians as to the relative importance of the domain.

Although the FATS domain as set out in The Manual on Statistics of International Trade in Services - majority-owned and controlled firms - is a part of the existing set of data on foreign direct investment (which starts at 10% or more of foreign ownership), the data being reported to the International Monetary Fund (IMF) is not required to include the wider range of variables needed by the trade policy officials and negotiators responsible

for the GATS negotiations. The OECD has only very recently been calling for some of those further variables for services firms in addition to the data compiled for manufacturing. Often the services supplied by manufacturers are not separated out, and are subsumed into their industrial output figures.

Once a comprehensive centralised register of all economically active entities in a country has been set up, those with foreign participation and with ownership in entities abroad, can be ‘tagged’, and regular surveys can include requests for the relevant variables. Usually more inclusive and thorough detailed ‘benchmark’ surveys are made infrequently, for example every five years, and are supplemented in the intervening years by samples of firms and for a smaller range of basic variables. Interpolation techniques are then used to estimate the complete picture. However, the level of properly completed returns is an important issue, and it seems clear that legally mandatory reporting is necessary to attain adequate statistical norms.

The extent of reporting required for FATS data is significantly greater than before, and there is no doubt that both budget constraints and public acceptance of the benefits will delay full implementation, as specified in The Manual on Statistics of International Trade in Services, for many years to come. If this is the case for the richer countries, it poses an even more extreme challenge for developing countries.

### **Where do FATS statistics fit in?**

Reporting on ‘trade’ to the IMF concentrates on ‘cross-border’ transactions (or ‘flows’) between residents and non-residents, to create the balance of payments statistics. This has included financial transactions related to investments made abroad, with data on the consequent ‘stock’ position abroad, which reflects the inward and outward flows, and any appreciation or depreciation, retained profits, or losses, contributing to the net value of those investments.

The Manual on Statistics of International Trade in Services standard for FATS statistics goes well beyond these BOP flows to build up a picture of the activities of the firms in the compiling economy which are majority owned by foreigners, and their ‘counterparts’ abroad. It may be easier to collect data on the first set than the second, the latter not being in the jurisdiction of the compiling economy. However in practice, it has been generally found that the owners of those foreign affiliates need the data for their own management control and accounting purposes, and can report on them. Thus survey forms of the authorities in one country do not need to be sent directly to affiliates in other countries, which would anyway most likely raise legal problems.

Due to the need to obtain data for the services supplied by any firm, all have to be examined (a) if majority owned and then (b) if indeed supplying services. Firms surveyed for these purposes are classified according to the International Standard Industrial Classification of All Economic Activities (‘ISIC Rev.3’) (or earlier) which is an activity-based system. In order for their services supplies, and trade (services exports and imports), to be compared with data reported to the IMF for balance of payments purposes, such outputs will have to be not only separated out (disaggregated) from non-service outputs, but also classified under the UN Central Product Classification (‘CPC Ver.1’) (or earlier) which is a product-based system.

## **The Manual on Statistics of International Trade in Services, and other statistical standards**

The recommendations of the Manual on Statistics of International Trade in Services, sponsored as they are by the UN Statistical Commission, are designed to apply world-wide for all NSOs to implement. OECD and Eurostat have jointly done much of the groundwork to create this new international standard and all OECD Member countries will be expected progressively to implement it. Eurostat expects to obtain a Directive from the European Commission which will require the 15 Member States to implement the major part of the recommendations over the next few years. The same will apply to any countries acceding to the EU - indeed all likely candidates will probably follow suit.

The Manual on Statistics of International Trade in Services builds on existing UN statistical standards, such as those for national accounts (SNA), industrial activities (ISIC) and products (CPC) and geographical classifications.

### **Reporting and publications**

At present there is no reporting required on FATS statistics to a central body such as the World Bank or IMF, or to a UN body. The OECD globalisation surveys which include some FATS variables are quite new and not all Members yet comply, and where they do, the data on services is patchy. Predecessor OECD surveys mostly omitted requests for data on services, and anyhow inter-country comparisons were not sound due to the wide variations in survey coverage, definitions and classifications. The influence of the EU is a major one here, as the existing 15 Member States will be required to comply, and a wide group of Central and Eastern European countries will also conform.

It is hoped that WTO Members will send data compiled on the new FATS standard to the WTO Statistical Division for inclusion in the WTO Annual Reports: but this will be, as now, only on a voluntary basis, and is not a condition of membership. The WTO has no capacity for added statistical research and analysis, and can only report on data received.

Currently, the most complete publication of FATS statistics is made by the US and to a lesser extent by the German authorities. The UK Office of National Statistics equals them for inward FATS. Statistics Canada plans to publish fuller data soon, as does the Banque de France. The state of readiness of Japan lags well behind.

The position of the North American Free Trade Area as a whole cannot be assessed, partly because the new North American Industrial Classification System ('NAICS') is still being progressively introduced, and partly because no information was forthcoming from the Mexican statistical authorities to include in this study.

As an OECD official explained to the author, the problem has not yet been solved of how to combine in a single whole the balance of payments trade data with the wider coverage of trade in services as defined in The Manual on Statistics of International Trade in Services (ie including FATS data), without giving a misleading picture or double-counting, or both. The best that can be aspired to at this stage is to put the data adjacent

to each other using standard 'correspondence' linkages and minimising double counting to the extent feasible.

## **Conclusion**

The new standard for FATS statistics featured in The Manual on Statistics of International Trade in Services is undoubtedly an important step forward (if not a leap!): it is the best there is, and it will be some years before it will be improved upon.

Both governments and the affected private sector enterprises should be urged to support its implementation as rapidly as possible, despite the added burdens it will impose. Adopted by the UN, and soundly based on international statistical concepts and standards, it should be welcomed and taken up by official policies without delay, so that its complete set of elements are implemented in successive steps as envisaged in the Manual.

Even though it will involve extra work for national statistical offices, the challenge should be engaged fully, for without comparable figures covering the major trade flows and the activities of foreign affiliates, the GATS negotiators in Geneva will have no hard data on which to base their priorities. Nor will capitals be properly aware of the extent of the services contribution to their overall economic well-being. Those countries that lag in compiling the improved BOP statistics and the FATS statistics as recommended by the Manual, will likely hinder the pursuit of their priority export interests.

From the WTO point of view, the disaggregation of sub-sectors proposed in the Manual does not fully address the evident negotiating needs, because the recommendations are a compromise in deference to the national statistical resource constraints. In future revisions of the Manual it is to be hoped that the needs of the WTO will be more fully met.

## Economic background

Over the past two decades technological advances, particularly in information and computing technology and transport, and steps by governments to liberalise capital movements, to deregulate certain infrastructure services and to privatise a range of state-owned institutions, have combined greatly to change the economic scene. The geographical extent and the degree of inter-dependence through trade and investment has been growing rapidly. The advent of foreign competition in home markets can have a positive impact on the competitiveness of sectors and whole economies.

An OECD report on globalisation in preparation states that: “The share of production (or turnover) stemming from outside a country’s borders is one of the most relevant indicators for measuring the scale of globalisation - not only at global and sectoral level, but also at the level of the individual firm. In some sectors, the said output is often twice as high as the value of the exports, which shows that, in order to penetrate a market, direct investment may be a more important instrument than exports.”<sup>4</sup> In general, enterprises established abroad export more than the average for domestic firms, and they also import more.

This underlines the central need for compiling statistics on such foreign affiliates so as to track these trends. There are probably common phases that direct investments pass through in order to supply foreign domestic markets. It may take a long time for the initial investment to become profitable, and then some further time for reinvested earnings to build up sufficient capital, before regular transfers of profits can be made back to the parent enterprise.

Thus for a complete picture to be obtained, data on balance of payments, foreign direct investment, income from portfolio investments, and the activities of foreign affiliates must be correlated. Where data is aggregated for a sufficient number of firms, interesting conclusions can be drawn on the way in which groups undertake investment to expand their market reach, depending on the state of development there. Typically certain countries will form the bridgehead for regional operations, and this type of investment can create losses in the initial years to be followed by profits at a later stage. Trade flows between those two countries and third countries also change reflecting the extent of dependence on intra-firm transactions and success in exporting by the foreign affiliates.

The wider context in which the foreign affiliates operate must be understood so as to obtain a balanced overview of globalisation and the pattern of internationalisation of economic activities. It will be necessary to link together into a unified statistical picture the cross-border trade flows, including intra-firm transactions, the investment and funding flows - including the build up of re-invested earnings in the stock position - and the flows of payments for patents, copyrights, licences and so on, which are directly related to the outputs of the foreign affiliates. The temporary movement of workers to supply services abroad may be directly related to cross-border trade, not only between owners and affiliates but also with third parties.

---

<sup>4</sup> “Chapter I: introduction to the concept of economic globalisation and its measurement”, DSTI/EAS/IND/SWP(2002)2, of 21 March 2002, OECD, Paris: §36.

## **The new international standard for FATS statistics**

A new international standard for recording international trade in services supplied cross-border and the activities of majority-owned affiliates of firms established abroad, or Foreign Affiliates Trade in Services (FATS) statistics, has been approved by the United Nations. The Manual on Statistics of International Trade in Services (MSITS) will be issued in 2002: it is a joint publication of the Commission of the European Communities, the International Monetary Fund (IMF), OECD, the United Nations, the UN Conference on Trade and Development (UNCTAD) and the World Trade Organisation (WTO). Its recommendations are to be progressively implemented by National Statistical Offices (NSOs) world-wide, so that internationally comparable data will become available for policy makers, services trade negotiators and economic analysts.

The standard for services balance of payments (BOP) data on cross-border sales represents a modest step forward through further disaggregation of some IMF product categories: it will be known as the Extended Balance of Payments Classification System (EBOPS). Data are already being collected jointly by Eurostat and OECD on a basis that nearly approaches this degree of disaggregation.

The standard for FATS statistics breaks new ground, though it is rooted in the existing UN statistical conceptual framework and classification for industrial activities.

A set of ten statistical elements is recommended for implementation by compilers. These build on internationally agreed standards including the fifth edition of the IMF's Balance of Payments Manual (BPM5) and the System of National Accounts (SNA 1993). The initial five are proposed as core elements to tackle: the implementation of BPM5, the first part of the EBOPS disaggregation, foreign direct investment (FDI) statistics, some basic FATS variables, and trade in services by partner country. The other five elements include completion of EBOPS, further FATS details, persons working abroad, trade between related and unrelated parties, and finally the four General Agreement on Trade in Services (GATS) Modes of Supply. An overview of the MSITS recommendations is given in Annex I.

The challenge for OECD countries when compiling the EBOPS data will not be great, partly because the degree of disaggregation is a compromise, falling short of the original proposals made by the WTO in view of the needs of the officials conducting negotiations under the GATS.

However, new resources will be needed to carry out surveys and to report on FATS data. The extent of data on affiliates in their own territory, where it is probably mostly already available, is somewhat greater than before. That to be collected on the activities of foreign affiliates established abroad is more extensive, and indeed some countries collect no such data at present.

This study assesses the current state of preparedness of six major Quad countries and the EU to compile FATS statistics in accordance with the new international standard defined in The Manual on Statistics of International Trade in Services.

## Globalisation indicators: FATS in a wider setting

### The new OECD framework, and other data sources

Work on MSITS by the Inter-Agency Task Force (comprising representatives of the UN Statistical Division, IMF, OECD, Eurostat UNCTAD and the WTO) was concluded well before the final shape was settled for the forthcoming framework for OECD ‘Globalisation Indicators’ [1 - *see end of section*]. This includes a proposed set of ‘core’ reference indicators characterising globalisation, covering those relating to

- (i) international transactions (BOP)
- (ii) FDI
- (iii) the economic activity of multinational firms
- (iv) the international dissemination of technology
- (v) the globalisation of trade.

Initially this “focuses on a limited number of subjects, resulting in a ‘core’ set of indicators” in three main areas: international trade, FDI and the dissemination of technology [2]. MSITS data forms a sub-set in the first two areas, relating to cross-border trade and investment flows, and data on the investment position and activities of foreign affiliates. The OECD data for the latter will be more extensive, as it includes FDI (investment of 10% or more in common shares), portfolio investment, other investments and income from investments [3]. The MSITS data is directly relevant for OECD indicators measuring the extent and intensity of globalisation, and part of globalisation’s impact on economic performance, and the effects of the growth of trade in services [4].

The OECD framework gives details of the main sources of available data for trade, FDI and the economic activities of multinational firms. For services these include standard IMF trade and FDI compilations, OECD-Eurostat surveys of FDI, and OECD databases on Foreign Affiliates Trade in Services, and Statistics of International Services Transactions.

UNCTAD maintain a database on inward and outward flows and stocks of FDI, and the “Operations of Trans-national Corporations” [5]. The organisation has been in the forefront of collecting data on FDI flows and stocks, and some other variables concerning foreign affiliates, such as their numbers, sales, employment, gross product, assets and exports. The stocks are disaggregated by region and sector, with the ‘tertiary sector’ having 13 sub-headings, that include utilities and construction. The data are at a very aggregated level, and do not constitute a complete set of FATS statistics so as to align with the MSITS recommendations. UNCTAD has therefore decided to study what might be involved in setting up an appropriate data base to compile FATS statistics, but conceptualisation has only just begun, with nothing yet to report.

The WTO neither compiles nor publishes FATS statistics - and their current manpower constraints would appear to preclude any activity on this front.

[1] “Chapter I: introduction to the concept of economic globalisation and its measurement”, (DSTI/EAS/IND/SWP(2002)2, of 21 March 2002), OECD, Paris: § 19 [2] Ibid § 7 [3] Ibid. § 27 [4] Ibid. page 19, Box 3 [5] Ibid. pp 21 ff.

## **Current compilation practices: shortfalls from the new standard**

Information on the BOP transactions of foreign affiliates, and on their FDI, will be needed as an important adjunct to the FATS statistics on industrial activities and other variables.

**BOP statistics:** OECD states that although the trade indicators are “derived from BOP accounts, which ensures reasonable coherence and international comparability .. [the] trade flows are not broken down by industry or product, nor by geographic area” [1 - *see end of sub-section*].

For international transactions OECD reports that “No data for the value of total transactions are available since most financial flows (the three categories of international investment) in the balance of payments are recorded on a net basis, while trade in goods and services and investment income transactions (current balance) are collected on a gross basis” [2].

Furthermore, as reinvested earnings are defined by the IMF and OECD as forming part of total direct investment flows, the relevant “information, which is collected for both inward and outward investment, is at present broken down neither by country of origin or destination nor by industry” [3].

However, the position may be somewhat better than this OECD draft chapter portrays. Some countries do provide breakdowns of reinvested earnings and other income components. Eurostat publishes such data for EU aggregates 1995-2000, which include estimates for any missing data.

Problems for international comparability also arise due to the different classifications and definitions used by national authorities, which vary not only as between countries, but within them where data are compiled, for instance, by the central bank, the NSO, the Ministries of Trade and Transport, the financial services supervisors, and so on.

The EBOPS standard of MSITS should ensure that, for services BOP, data these shortcomings are remedied.

[1] “Chapter I: introduction to the concept of economic globalisation and its measurement”, (DSTI/EAS/IND/SWP(2002)2, of 21 March 2002), OECD, Paris: § 23.

[2] Ibid. § 9 [3] Ibid. § 30

**FATS statistics**, other than those for FDI, are not reported to the IMF, or any other multilateral central clearing agency. The OECD recently began to fill the gap with its own surveys aimed at assessing the march of globalisation, and a few OECD Members have submitted some FATS data in response.

An overview of the current situation for the selected countries is given in Annex II, and summarised in the Excel spreadsheet attached to the Annex. The latter table also compares the situation of the countries with that for the Eurostat pilot survey, the

proposed EU regulation on a common framework for BOP, FDI and FATS data, and the OECD globalisation surveys.

The detailed notes in Annex II also refer to the OECD globalisation surveys, as reported in the publication by the Directorate of Science, Technology and Industry: “Results of the first two surveys of the activity of foreign affiliates in the services sector (FATS)”, (ref: DSTI/EAS/IND/SWP(2001)8, of 2 Mar 2001).

In summary the key limitations of current data on international trade in services are:

- BOP data lump many services together into broad categories, and depart from CPC classification at some points (eg notably travel and government services, which are functional, not product, categories)
- BOP data do not distinguish between the four GATS modes of supply
- The FDI data are compiled according to the 10 % ownership ‘cut off’ and without reference to the GATS concept of control
- The earnings of persons working temporarily abroad for a year or more are not recorded in BOP data
- The earnings (‘compensation’) of employees working abroad are not allocated to services sectors
- The BOP travel category includes goods as well as services purchased by tourists and other visitors and the types of service consumed are not identified separately
- Construction abroad is mainly deemed by convention to be cross-border supply
- Repairs are placed into goods
- Data needed for assessing supply through subsidiaries abroad has potentially to be drawn from three different and not necessarily compatible sources:
  - FDI statistics on investment flows and stocks
  - Production statistics for output and market share
  - Structural Business Statistics for activity variables such as the numbers of firms and employees, services supplied, R&D expenditure and so on.

It is of course more difficult to identify and measure certain types of services, unlike physical objects over which ownership rights can be established, and there are many boundary problems in such areas as software, insurance related to transport, processing and repairs, merchanting, royalties and licence fees, and labour income.

### **Country practices**

The US has been in the van of those countries compiling statistics about their own foreign affiliates operating abroad - the so-called Majority Owned Foreign Affiliates (MOFAs), and those established in the US owned by foreigners - the so-called Majority Owned US Affiliates (MOUSAs). Indeed the time series for many of the variables shows data for the past fifty years.

The only MSITS recommendations not yet implemented by the US relate to service product sales by foreign affiliates, and their GATS modes of supply (ie those in MSITS paragraphs 1.25 and 1.28 respectively - see Annex I). These recommendations have not been implemented by Canada, France, Germany, Japan and the UK either.

Canada, France, Japan and the UK do not yet compile the ‘further FATS details’ (as specified in MSITS paragraph 1.24), and Germany will only begin publishing the first three of them later in 2002. The five countries do not yet publish statistics on trade by foreign affiliates between related and unrelated parties (as specified in MSITS paragraph 1.27). Indeed the Office of National Statistics in the UK is legally barred from collecting data on outward FATS.

It is noteworthy that the proposed EU regulation includes only one of the ‘further FATS details’ items, and does not include the information recommended in the MSITS on service product sales by foreign affiliates, and their GATS modes of supply, and trade by foreign affiliates between related and unrelated parties (MSITS paragraphs 1.25, 1.28 and 1.27 respectively). It is open to Member States to compile such data for their own purposes and to report it to OECD.

### **Meeting the new standard: the challenge for national compilers of statistics**

Under existing statistical frameworks, data on foreign direct investment are compiled as part of the balance of payments and international investment position statistics, while those on the activities of foreign affiliates are recorded indistinguishably in the domestic statistics of their country of location. Thus the local sales of foreign affiliates are not recorded in the statistics of the country of residence of the parent enterprise, although these sales may give rise to flows of income that are recorded in the balance of payments.

One seasoned observer notes that “a number of countries are beginning to develop statistics on the activities of foreign-owned enterprises in the domestic economy (inward FATS), but only a very small number have collected data on the activities of their own residents’ foreign affiliates (outward FATS)” [1 - *see end of section*]. The reasons he says are the combination of the need to collect additional data by means of surveys (involving greater resources, and added reporting burdens imposed on companies), and the because the firms are located abroad. However, the latter data are mostly called for by the parent companies in the compiling economy, and a few countries have shown that its collection is feasible.

Clearly the adoption of the new standards, especially by those countries that have not yet fully implemented BPM5 recommendations, will involve aligning their classifications and definitions to conform. However, all will see that unless their counterparts do so, the ability to compare statistics internationally will remain impossible.

The ISIC Categories for Foreign Affiliates (ICFA) classification of MSITS is a selected sub-set of the International Standard Industrial Classification of All Economic Activities (ISIC) (Revision 3) categories. For the EU Member States this will not pose any problems because the existing Statistical Classification of Economic Activities in the European Community (NACE Rev. 1) system is very closely related to ISIC. The North American Industry Classification System used since 1994 by Canada (not yet fully implemented in BOP data), Mexico and the US is designed to be consistent with the ISIC at the 2-digit level [2].

Many practical problems comprise the challenge faced by NSOs when reorganising their systems to report on FATS data in line with the MSITS recommendations, and they are detailed in Annex III. They range from drawing together statistics collected and compiled by many different authorities within government, and creating from them a coherent picture from the patchwork of partial and incompatible sources; clarifying the unit for recording ‘economically active entities’ - and particularly for dealing with special purpose entities (for example holding companies, regional headquarters, and so on) - and the unit for recording employees (whether a head count, full-time contracts, or aggregating part-timers); and ensuring that services produced by manufacturing units are separated out and classified in line with EBOPS.

Each NSO will have to assess whether it is necessary to set up a new central register to include both government and private sector ‘economically active entities’, and profit and non-profit enterprises, whether incorporated or not, such as partnerships and sole traders. Some though, from data already collected on FDI, will have information on which firms are foreign-owned and will be able to link this to their domestic enterprise statistics.

OECD points out that “The creation of many foreign-based affiliates by national firms, and of host country affiliates by foreign parent companies, has been conducive to *intra-firm trade*. Such trade .. may pose certain problems insofar as the prices that are charged between firms belonging to one and the same group (ie transfer prices) may not correspond to market prices” [3].

Accounting standards are a basic issue when collecting financial data from enterprises, but they vary widely across the world both in substance and implementation. When estimating FDI stocks on a ‘fair value’ basis it is difficult to reconcile accounting amounts with market valuations when stock market prices are volatile, and the way in which the goodwill item is treated can in particular have an important effect.

[1] “Measurement, Classification, and Reporting of Services Activities: an international perspective”, Obie Whichard, Bureau of Economic Analysis, US Department of Commerce. WSC, Atlanta, 1999.

[2] Ibid. page 20.

[3] “Chapter I: introduction to the concept of economic globalisation and its measurement”, (DSTI/EAS/IND/SWP(2002)2, of 21 March 2002), OECD, Paris: § 10.

**Time scale for implementation** The likely time scale over which implementation of the MSITS recommendations will be spread can be gauged by the dates set in the proposed EU regulation on services statistics. This draft proposal specifies how the 15 Member States should compile statistics on international trade in services, foreign affiliates trade, FDI and balance of payments, under a common framework and with a harmonised methodology. The regulation would require Member States to carry out regular periodic surveys to collect this data, including on the non-resident transactions of foreign affiliated enterprises, which would be obtained from their resident affiliates or branches.

Data will be compiled for the categories of FDI and Extended Balance of Payments Classification System (EBOPS) as recommended in MSITS, starting with the calendar year 2003 for BOP and some FDI data, and 2005 for the full FDI data. An initial set of variables for FATS statistics are to be compiled for inward and outward FATS ie

turnover, employment, number of enterprises, imports, exports, value added and gross fixed capital formation, with partner data for over 50 countries. The reference year for the first three variables and inward FATS data is to be 2004, and for outward FATS data 2005. For the last four variables the first reference year is to be 2007.

There is no provision initially for compiling the further FATS variables mentioned in MSITS – ie assets, net worth, operating surplus, taxes, compensation of employees and R&D expenditure – nor for compiling data on the services products sold by foreign affiliates, the final step in the MSITS recommendations, which would enable direct comparisons to be made with EBOPS data.

Nor has any provision been included at this stage to show services sales disaggregated from goods sales for FATS statistics, nor for such services sales, the disaggregation between intra-firm (related) and unrelated parties.

### **Publication of FATS data meeting the new standard**

It seems likely that the US will publish more or less complete FATS data much earlier than the EU, and possibly Canada may be ahead of the EU as well. [ The position of Japan is . . . *further information is being sought* ]. The US already provides a great deal of information on the activities of affiliates under foreign ownership established in the US – inward FATS. Many other countries compile similar data for firms established in their own territory. However, the US leads by a long way in publishing detailed data on the activities of their foreign affiliates in markets abroad – outward FATS.

No country appears as yet to have made public the order in which it will implement the recommendations of MSITS, and the time scale for phasing in the full set of steps. It must be the case that for the developing countries the challenge will be very stiff, and the timescale for rollout far more extended than for the EU Member States.

### **Conclusion**

The projected compilation of FATS statistics as recommended in the forthcoming Manual on Statistics of International Trade in Services will become a crucial part of the basic data for national policy makers, trade negotiators and analysts of the economics of globalisation and the intensity of interaction involved. It is to be hoped that governments instruct their national statistical offices to begin the task immediately, for it is not a moment too soon, and allocate sufficient resources for the new tasks to be adequately discharged. The glaring gap between the wealth of detail for long available on myriad manufactured and agricultural products, and the almost complete absence of so many variables on services trade, sorely needed for economic analysis, must be progressively closed without delay.

## **Annex I: Foreign affiliates trade in services (FATS) statistics**

The chapter of the *Manual* concerning Foreign Affiliates Trade in Services (FATS) describes the recommended treatment of information on foreign affiliates.

National Statistical Offices report statistics on production and employment to the UN, World Bank, ILO and OECD, for example, compiled according to the System of National Accounts (SNA). While, no doubt, countries are moving towards the 1993 standard, the national activity classifications used are not yet harmonised, and so there are substantial differences in SNA production figures. Although series of figures are available in both current and constant prices from most countries, they are not comparable in the main because deflation methods vary. Thus the UN has to publish statistics at a high level of aggregation, making estimates to fill in gaps in the series, but it cannot correct for services not surveyed in the first place. The employment figures are also not generally consistent enough for making comparisons, and the ILO is only able to provide a comparable series for 23 countries.

The plaintive comment made by OECD in 1991 is probably still largely true, that "classification differences make it impossible to calculate total value added or total employment for the whole OECD area, for any single services activity" ["Output and employment in service industries", OECD, Paris].

The recommendations of the *Manual* are designed, in some part, to correct this situation, and they centre around the answers to four questions:

- 1 What is the 'universe' of firms to be covered?
- 2 How are the data to be grouped - by country, activity and product?
- 3 What variables should be compiled?
- 4 How might the statistics be developed?

### **Coverage**

The *Manual* interpolates clear definitions for the ownership criteria to interpret the general GATS concepts of ownership, control and affiliation in order to clarify which enterprises should be included as foreign affiliates for statistical purposes. In principle the basic criterion is majority-ownership by a single direct investor, or an associated group of investors acting in concert, which is broadly consistent, though differing somewhat, from the SNA concept of a foreign-controlled enterprise. Guidance is given on sorting out problems relating to chains of ownership, the absence of one dominant investor, and borderline cases.

Because some firms produce both goods and services, even if one or the other is a secondary activity, it is recommended that all foreign affiliates be covered, but the activity classification to be used for reporting to international organisations provides more detail for services than for goods.

### **Allocation by country, activity and product**

The ease of applying a single treatment for attributing and classifying data to countries, activities and products varies sharply according to whether the focus is on foreign affiliates within the compiling economy (inward FATS) or those owned abroad by resident persons (outward FATS). In the first case, variables are routinely collected on resident enterprises whatever their ownership, but if it is desired to separate out the country of an investor it may be difficult to ascertain whether it is the immediate one ('first foreign parent'), but if not, beyond that successively, to trace back to the ultimate investor ('ultimate beneficial owner' - UBO). Where, unusually, they are not the same, the UBO should be identified according to the guide rules, including cases of equal ownership by residents of more than one country. In the case of outward FATS statistics the allocation should be to the country where the various activities traced are carried out.

The activity of a foreign affiliate is to be allocated according to groups derived from ISIC: this classification, given in full in the *Manual*, is called the ISIC Categories for Foreign Affiliates (ICFA). If two or more activities are carried on, the allocation is to the most important, or primary, activity. Where firms that are classified as manufacturers also supply services, the service activities should, if possible, be identified separately (and of course vice versa, though this may not be so common); and secondly, the products that such firms produce should be classified on a product basis, and the services ones shown separately for any comparisons involving BOP data.

As a longer-term goal it is recommended that the variables which relate directly to products should be disaggregated between them. For instance, the sales, output, exports and imports of each product should be shown separately.

### **Variables**

The basic variables that should be collected in the first instance are the numbers of enterprises, their value added, sales (turnover) and/or output, employment (which links with the GATS Mode 4) and exports and imports. There could be many more which countries may wish to add, such as assets, net worth, operating surplus, gross fixed capital formation, taxes on income, and expenditure on research and development.

Only some of these variables can be used to make comparisons with EBOPS figures because there are variables that cannot conceptually be equated with a product classification. They include the numbers of enterprises and their investments, assets, net worth, and possibly also data on employment, operating surplus, research and development costs and so on which cannot readily be directly allocated to services products.

Users will have to be aware that the more information that is made available to National Statistical Offices by foreign enterprises, the more the likelihood is that their publications will have to suppress some data on grounds of confidentiality, because by using different viewpoints one can more easily conclude to which enterprise, or small group of them, that the information relates.

## **Allocation by origin and destination**

The geographical allocation of trade flows is of key importance both for policy and analytical purposes as well as for bilateral and multilateral negotiations. Country or regional analysis of trade in services - whether associated with balance of payments transactions, foreign direct investment or FATS - is a necessary complement to both product and economic activity classification systems. To the extent feasible, an identical geographical basis should be utilised for all related sets of services statistics. The geographical allocation of balance of payments-related data is to the country where the provider, or acquirer, of the service is resident.

## **Foreign affiliates - the technical details**

Chapter IV of MSITS deals with the international sales of services that are made “through direct investment enterprises, or affiliates, established in the countries of foreign customers.” (4.1) The collection of information from affiliates in all economic sectors is envisaged, because until this is done, the total amount of services produced in aggregate cannot be ascertained.

Since BOP figures record the sales transactions between residents and non-residents, the first variable chosen for the FATS collection is also sales so as to have a comparable measure for comparisons between the ‘cross-border’ and ‘commercial presence’ modes of supply. (4.3)

Further variables suggested for compilation are those “required for an adequate assessment of the economic effects of affiliate operations and of measures to liberalise the delivery of services through the commercial presence mode of supply.” (4.4)

“FATS statistics may be developed for both foreign-owned affiliates *in* the compiling economy (inward FATS) and foreign affiliates *of* the compiling economy (outward FATS).” When WTO Members make specific commitments under the GATS these affect the entry and operation of foreign affiliates in their own jurisdiction, and as a quid pro quo they expect their trading partners to make bindings “with a view to enhancing the ability of their firms to supply services in those countries.” (4.5)

MSITS envisages that “data on inward FATS are often easier to collect than data on outward FATS. The entities covered are located in the compiling country, and data for them would ordinarily already be included in the country’s domestic enterprise statistics. Thus, compiling data for them may involve only identifying the foreign-owned subset of domestically located firms and tabulating existing data for them. For outward FATS, in contrast, the entities covered are located outside the compiling economy and generally would not be covered by existing data. Furthermore, there may be legal or practical obstacles to surveying them directly; generally, the data would have to be collected from resident direct investors rather than from the foreign affiliates themselves. [..] Nonetheless, .. some countries have successfully compiled data for outward FATS as well.” (4.6)

The relationship of FATS statistics to foreign direct investment statistics is introduced in MSITS as follows:

“4.8 Foreign direct investment (FDI) financial transactions and related investment position (stock) and income measures are not, strictly speaking, FATS variables because they do not pertain to the overall operations of foreign affiliates, but relate only to transactions between and positions with direct investors and their foreign affiliates. In addition, FDI measures are ordinarily compiled with respect to transactions and positions with all foreign affiliates, whereas FATS variables are [ ] to be compiled only with respect to affiliates in which the direct investor holds a majority interest.”

“4.9 Notwithstanding these differences, FDI statistics should be considered an important adjunct to FATS statistics. Countries that cannot implement compilation of FATS statistics immediately may find that FDI statistics can provide an alternative interim indicator of commercial presence. In addition, FDI statistics can be used in conjunction with FATS statistics to indicate the extent to which the operations of affiliates were financed with funds from direct investors, as well as the extent to which the income generated by affiliates accrues to direct investors.”

MSITS indicates that its “recommendations for FATS statistics centre around the answers to four questions.

- (1) What is the universe of firms to be covered?
- (2) How are the data to be grouped: by country, by industrial activity, or by product?
- (3) What variables should be covered?
- (4) How might the statistics be developed?” (4.14)

The assessment in the present study refers to the recommendations which answer the first three questions:

- (1) “As to firms covered, the *Manual* recommends that FATS statistics cover all firms that are majority owned by a foreign direct investor.”
- (2) “Data on such firms *in* the compiling economy should be grouped geographically, primarily on the basis of the country of ultimate beneficial owner but, if possible, with some data also being provided on the basis of the country of the immediate investor (first foreign parent). Data on foreign affiliates *of* the compiling economy should be grouped according to the country of location of the firm whose operations are being described. Concerning grouping by industry or product, the first priority is for a grouping by industry, into categories—termed *ISIC* Categories for Foreign Affiliates (ICFA)—drawn from the *ISIC* (Revision 3). Not all FATS variables lend themselves to a product breakdown, but for those that do, the breakdown for services should be on a basis compatible with EBOPS.”
- (3) “Several specific variables are suggested for collection, to include at least the following basic measures of foreign affiliate activity:

- (1) sales (turnover) and/or output,
- (2) employment,
- (3) value added,
- (4) exports and imports of goods and services, and
- (5) number of enterprises.” (4.15)

Further variables to be compiled are “on additional aspects of the operations of foreign affiliates, such as assets, net worth, operating surplus, gross fixed capital formation, taxes on income, research and development expenditures, and compensation of employees.” (1.24)

“Detail of sales by product is desirable, not least because of the potential comparability between FATS data and trade between residents and non-residents. While compilation on this basis may well have to remain a long-term goal for most countries, as a first step toward a product basis, countries may wish to disaggregate sales in each industry as between services and goods.” (1.25)

### **Recommendations on compiling services statistics: the set of elements for phased implementation.**

MSITS recommends a complete set of ten elements for compilers to implement related to international trade in services.

Those that concern investment abroad and the activities of foreign affiliates are as follows, quoted directly from MSITS:

#### Foreign Direct Investment (FDI) statistics

1.20 Collect complete statistics on foreign direct investment (i.e., the flows, income, and period-end positions) classified by *ISIC* activities to be complementary to the FATS statistics. For those countries that must delay the implementation of FATS statistics, FDI statistics provide an alternative interim indicator of commercial presence.

#### FATS: basic variables

1.21 Record certain basic FATS statistics, such as sales (turnover) and/or output, employment, value added, exports and imports of goods and services, and number of enterprises. For achieving comparability when reporting to international organisations, these are classified by specified activity categories based on *ISIC* (i.e., the *ISIC* Categories for Foreign Affiliates [ICFA]).

#### Trade in services by partner country

1.22 Compile statistics on trade in services by partner country. [...] In the case of FATS and FDI, it would be to report partner country detail both in the aggregate and for the major industry categories within ICFA. [...] [I]t is recommended that countries give a higher priority to providing data with respect to their most important trading partners. To the extent possible, countries should use a common geographical basis for all three sets of statistics.

#### FATS: further details

1.24 Augment the basic FATS statistics by compiling data on additional aspects of the operations of foreign affiliates, such as assets, net worth, operating surplus, gross fixed capital formation, taxes on income, research and development expenditures, and compensation of employees.

1.25 Detail of sales by product is desirable, not least because of the potential comparability between FATS data and trade between residents and non-residents. While compilation on this basis may well have to remain a long-term goal for most countries, as a first step toward a product basis, countries may wish to disaggregate sales in each industry as between services and goods. In addition, countries that are building their statistical systems for FATS on existing data systems that already include product detail may wish to use this detail from the outset because it could help them in monitoring commitments under the GATS that are specified in terms of services products. Similarly, countries that are building their FATS data systems from the ground up should consider the feasibility of providing for a product dimension.

Trade between related<sup>5</sup> and unrelated parties

1.27 Within the statistics on trade in services between residents and non-residents, separate out the trade with related parties from that with unrelated parties.

GATS modes of supply

1.28 Allocate the transactions between residents and non-residents over the GATS modes of supply. The simplified procedure set out [later in the Manual] may be used as a starting point in compiling a first approximation of this allocation.

Extract from Box 1.2 International trade in services

International trade agreements concerning services, in particular those embodied in the GATS, make provision for agreement on suppliers moving to the country of the consumer.

To reflect this type of trade, the *Manual* extends the definition of *international trade in services* to include the value of services provided through foreign affiliates established abroad, described here as *Foreign Affiliates Trade in Services* (FATS). Such trade is described in Chapter IV.

Services are also supplied by individuals located abroad, either as service suppliers themselves or employed by service suppliers including those in the host country. A large part of this type of trade in services is covered by the *BPM5* and FATS frameworks. The rest is discussed in Annex I.

N.B. Although this *Manual* extends the scope of the term international trade in services, it is not suggesting that these extensions be regarded as imports or exports.

Economic variables for FATS

4.46 A wide range of economic data or variables—operational and financial—in regard to FATS may be pertinent for analytical and policy purposes. The selection of the variables to be collected should be based primarily on their usefulness in implementing the GATS and in analysing globalisation phenomena. The practicalities of data availability also must be considered. With such considerations in mind, this *Manual* recommends that the FATS variables to be collected include at least the following basic measures of foreign affiliate activity: (i) sales (turnover) and/or output, (ii) employment, (iii) value added, (iv) exports and imports of goods and services, and (v) number of enterprises. Although these variables constitute a basic set that can provide answers to a variety of questions, additional measures of foreign affiliate activities may prove useful in addressing specific issues. The *Manual* suggests several measures that might be considered for collection by countries that are able to compile such additional information. Most of both the “basic” and the “additional” variables were drawn from the *1993 SNA*, as were their definitions.

Other variables

4.67 Although not included as priority items, there are other FATS variables of significance, perhaps for certain countries of equal or greater importance than some of those previously discussed. As is the case

---

<sup>5</sup> Trade with related enterprises is defined to include trade with all enterprises with which there is a direct investment relationship.

for the priority items, comparisons with the total economy and with specific sectors can be effected and used for assessing the impact of foreign-controlled enterprises on home and host economies.

4.68 Among such variables, which are listed and defined below, are those already collected by some countries. (The definitions are drawn from the *1993 SNA*, which may be consulted for additional details.)

*Assets*—Entities over which ownership rights are enforced and from which economic benefits may be derived by their owners by holding or using them. These include both financial assets and non-financial assets, whether produced or non-produced.

*Compensation of employees*—The total remuneration, in cash or in kind, payable by an enterprise to an employee in return for work done by the employee during the accounting period.

*Net worth*—The difference between the value of all assets—produced, non-produced, and financial—and all liabilities.

*Net operating surplus*—Measured as value added (gross), less compensation of employees, consumption of fixed capital, and taxes on production, plus subsidies receivable.

*Gross fixed capital formation*—Measured by the total value of a producer's acquisitions, less disposals, of fixed assets during the accounting period plus certain additions to the value of non-produced assets realised by productive activity. (Fixed assets are defined as produced assets that are themselves used repeatedly, or continuously, in processes of production for more than one year.)

*Taxes on income*—These consist of corporate income taxes, corporate profit taxes, corporate surtaxes, and so forth, and taxes that accrue to owners of unincorporated enterprises as a result of the income of those enterprises. Taxes on income include only taxes in the host country of the affiliate and not any taxes paid by the parent in the home country as a result of income earned or distributed by the affiliate. Taxes on income are usually assessed on the total income of corporations from all sources and not simply profits generated by production.

*Research and development expenditures*—Expenditures for activities undertaken for the purpose of discovering or developing new products (goods and services), including improved versions or qualities of existing products, or discovering or developing new or more efficient processes of production.

## **Annex II: Compilation of FATS statistics: selected countries**

In the detailed notes below ‘the DSTI report’ refers to the OECD globalisation survey, described in their publication “Results of the first two surveys of the activity of foreign affiliates in the services sector (FATS)”, by the Directorate of Science, Technology and Industry.<sup>6</sup>

### **Canada**

Inward FATS: No statistics are published, and no plans to do so have been made public.

Outward FATS: Published variables are estimates for sales of goods and services, employment and numbers of majority-owned non-bank foreign affiliates for 1999. A breakdown for five geographical areas and twelve NAICS sectors is provided.

Methodological imputation was made for the under-reporting due to non-response to the official survey. The 2000 data are being analysed and should be released in 2002.

OECD globalisation surveys: No data are reported for Canada in the DSTI report.

### **European Union**

Inward FATS: In 1997 an EU ‘FATS Task Force’ reported on the feasibility of compiling data on inward FATS (‘FATS Task Force Report’) following which Eurostat launched a pilot study under the Structural Business Statistics Framework in late 1998. Eight Member States made arrangements to test the feasibility of data collection. Data were published for the reference year 1996 by Eurostat – ‘Statistics in Focus: foreign owned enterprises’ (Theme 4, 5/2000), which related to some services activities in five Member States. Data collection for 1997 was extended to manufacturing and construction. Eight Member States submitted results, which were published in March 2001 as ‘Foreign Owned Enterprises in the EU: results for eight Member States - Data 1997’.

A brief extract of the results for the 1998 data was published in the Statistics in Focus series - Theme 4, 20/2001. Data for the reference years 1996 to 1998 are available in detail in the Eurostat database NewCronos, Theme 4, SBS-domain.

Data for the UK are included in the publications and in NewCronos; those for Germany are available for three economic variables for the reference year 1998; and those for France will be available for the reference year 1999, and data for ten Member States will be published both in NewCronos and the Statistics in Focus series.

These surveys do not yet cover all the requirements of MSITS.

As FATS data are also collected in the framework of the balance of payments statistics, in March 2002 a FATS Joint Working Group was held to devise a harmonised methodology both for the Structural Business Statistics and Balance of Payments Statistics frameworks involving national statistical institutes and Central Banks respectively. Such joint data collection should improve the quality of data collection and avoid duplication. These methodological developments in the EU are linked to the ongoing work at OECD on

---

<sup>6</sup> ref: DSTI/EAS/IND/SWP(2001)8, Paris, 2 March 2001.

globalisation indicators. An OECD observer attended the EU FATS Joint Working Group, and Eurostat participated in an OECD session on globalisation in April 2002.

Outward FATS: Data on turnover and employment are collected for nine Member States,<sup>7</sup> and the 1998 data for eight Member States are in NewCronos. Updates with data for 1999 and 2000 will be made by the end of 2002 or shortly thereafter.

## France

Inward and Outward FATS: No data have yet been published by the National Statistical Institute (INSEE), but it plans to do so shortly. France did not participate in the Eurostat pilot study work, but has provided data for the reference years indicated above in the section on the EU.

OECD globalisation surveys:

Inward FATS: The data cover turnover and employment, value added, exports and imports shown separately for foreign affiliates owned from 21 countries and disaggregated over 18 service sectors for all combined.

Outward FATS: Similar data are shown for French-owned affiliates abroad in 28 countries and some other regions, and in total for the 18 sectors.

## Germany

Inward and Outward FATS: Data have been published by the Bundesbank since 1976 - the latest being for the year 2000. They are derived from the FDI stocks statistics but only include turnover and headcounts of employees. Germany did not participate in the Eurostat pilot study work, but has provided data for the reference years indicated above in the section on the EU.

OECD globalisation surveys:

Inward FATS: The German data cover turnover and employment shown separately for foreign affiliates owned from 21 countries and disaggregated over 13 service sectors for all countries combined. The data relate to majority owned foreign affiliates, and both to immediate owner and Ultimate Beneficial Owner (UBO). However, there is double counting in cases where ownership of a foreign affiliate is from two or more countries, as each owner is allocated with the whole turnover and employment figures.

Outward FATS: Similar data are shown for German-owned affiliates abroad in 26 countries and some other regions, and in total for the services sectors.

## Japan

Inward and Outward FATS: The annual report for 2001 on the mandatory census of establishments and enterprises, recently published by the Ministry of Economy, Trade and Industry (METI), the successor to MITI, includes disaggregated data on firms with 50% or more foreign ownership in all sectors. A Japanese system of classification is used at the 3 digit level for establishments. Data for 2000 include the number of firms, establishments and workers, but not sales or profits. Similar data is published on outward FATS. The annual surveys by METI of inward FDI are not mandatory, suffer from poor

---

<sup>7</sup> Austria, Belgium, Finland, France, Germany, Greece, Luxembourg, Portugal and Sweden.

return rates, and do not cover the real estate and financial services sectors, nor all types of foreign establishment.

OECD globalisation surveys:

Inward FATS: Data from the former Ministry of International Trade and Industry (MITI) 'Trends in Business' survey were sent to OECD. The DSTI report shows a chart with the total services turnover in 1994 of foreign affiliates in Japan owned by persons in the US, Europe and Asia, and employment in those firms in 1994. OECD also holds data from MITI for value added, exports and imports of these foreign affiliates owned by persons in the same three geographic areas. However, there is no disaggregation by service sectors.

Outward FATS: MITI also sent data on turnover and employment in 1994 for Japanese-owned foreign affiliates in 23 countries (including the US, UK, Canada, Germany, France, Italy and Mexico) as shown in the DSTI charts. Other data sent included overall exports and imports of services. Wholesale and retail trade figures are disaggregated from the services totals.

The Japanese Mission in Geneva says that Ministry of Foreign Affairs (MOFA) has only recently become aware of the significance of the FATS data in the GATS context and will be considering what should be done next. However the statistical expertise resides in other Ministries - including METI - which have not yet focused on the GATS requirements and the MSITS recommendations.

**Note summarising survey material received from METI**

METI, and its predecessor, MITI, have carried out annual surveys on: (a) foreign owned firms in Japan (hereafter FOFJs) where the foreign holding is one third or more, since 1967, and (b) Japanese affiliates overseas (JOAs), since 1971; the latter includes affiliates with 10% or more Japanese holdings, and separately any sub-subsidiaries which are owned as to 50% and over by one or more of these affiliates. More variables are collected for FOFJs than JOAs, except every third year when further details are collected on JOAs. Some variables are also collected on the Japanese parent firms of the JOAs when they report on their overseas affiliates.

The standard variables for FOFJs and JOAs include capital and investment, employment, sales, purchases, R&D expenses, sales and general administrative expenses, salaries, some other expenses, profit, tax and retained earnings.

The service sector classification used is specific to Japan and is used for the FOFJs and Japanese parents of JOAs (except that broadcasting is included for the parents). Coverage is limited, though there is somewhat fuller coverage - and a different classification used - for the JOAs themselves. The major services sectors omitted even from the survey of JOAs are: some business services (including R&D), real estate, post, courier, telecoms, audiovisual, distribution, education, environmental, insurance and some banking and securities services, health, tourism, some cultural services, and transport.

Intra-firm exports and imports are collected for FOFJs and the Japanese parents of JOAs, but only trade with Japan for JOAs themselves (ie without disaggregating the intra-firm component).

In these surveys the figures for service sales are not disaggregated from those for goods, and so services produced by manufacturers are included as goods sales, and vice versa.

These surveys are not mandatory and there is rather a low response rate - about 50%.

Additional information on FOFJs comes from the establishment and enterprise censuses which are conducted every five years by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, with less comprehensive surveys in the intervening years. However, the variables on FOFJs are very limited.

It is clear that the combined effect of these survey characteristics makes the data unreliable for comparisons between the different survey results, and even less dependable for comparisons with other countries. Overall the situation falls well short of the MSITS recommendations on compiling FATS statistics.

## **United Kingdom**

Inward and Outward FATS: Data have not been published by the Office for National Statistics (ONS). However, some data have been supplied to OECD under the globalisation surveys, and more detailed data to Eurostat as part of a pilot exercise on inward FATS, as noted above for the EU. Legal problems currently prevent the ONS from collecting outward FATS, and therefore movement is not expected soon.

OECD globalisation surveys:

Inward FATS: The UK data cover majority-owned foreign affiliates in the service sector other than financial services. Turnover and employment data for 1997 are shown in nine disaggregated service sectors, and in total for all services by foreign affiliates owned by persons in 25 countries, and the other EU 14 Member States.

Outward FATS: No data were supplied to OECD by the ONS.

## **United States of America**

Inward FATS: The BEA 'Annual Survey of Foreign Direct Investment in the US' (BE-15) collects the information from Majority-Owned US Affiliates (MOUSAs) needed to comply with the MSITS recommendations for both the 'basic variables' and 'further details' (as shown in paragraphs 1.21 and 1.24/4.68 of MSITS – see Annex I above). However, information not presently collected is the disaggregation of the services sales by product, so as to be comparable with BOP data, as recommended in paragraph 1.25, because this has so far been considered as too burdensome for respondents. Data on the trade in services of MOUSAs with trading partners required in paragraph 1.22 are not collected by this survey, as they are available from the BEA BOP surveys.

Outward FATS: There is a parallel BEA form 'Annual Survey of US Direct Investment Abroad' (BE-11) which covers Majority-Owned Foreign Affiliates, or MOFAs. Again, MSITS paragraphs 1.21 and 1.24/4.68 can be satisfied, but not 1.25, and the data for 1.22 are derived from the BOP surveys.

As to geographical allocation, the US practice conforms with MSITS recommendations in that data on MOFAs relate to the countries where the affiliates carry on their activities, and data on MOUSAs relate to the countries of residence of the Ultimate Beneficial Owners.

The BEA is the primary collector for data on services delivered through affiliates, and publishes much of this data. Extracts also appeared in the International Trade Commission publication ‘Examination of US Inbound and Outbound Direct Investment’ (No 3383, January 2001), and an article on “US International Services” in the November 2001 issue of the Bureau of Economic Analysis publication “Survey of Current Business”.

OECD globalisation surveys: The BEA submitted data for inward and outward FDI to OECD, and this is reflected in the DSTI report, but it lacks data on the exports and imports of services by MOFAs and MOUSAs.

### **Annex III: Challenges in compiling data for GATS Mode 3**

This Annex describes the key challenges to NSOs in compiling data for the GATS Mode 3 form of supply – referred to as Foreign Affiliates Trade in Services (FATS) statistics in the forthcoming UN Manual on Statistics of International Trade in Services

**Central register of Economically Active Units** The starting point is greatly influenced by the fact that the various ministries responsible for different aspects of the economy typically have their own set ways of compiling data, each with a different purpose. This applies, for example, to the ministries of agriculture, manufacturing industry, transport, construction, telecoms, commerce, health and social security. In some countries even the classification system and methodology differ between these sets of data.

For financial services the finance ministry (or treasury) is usually the dominant player, and the national statistical office may have to defer, even where it has responsibility for data collection and compilation for the whole economy. Typically, banks and insurance firms will be surveyed separately using two distinct registers of such enterprises.

There will be a company register for incorporated enterprises, and a list of enterprises making tax returns. In addition there will be other databases for various surveys and censuses. Often the failure by firms to make returns will reduce the number of cases on which calculations can be made and estimates based.

In some countries there will be no one centrally agreed register of economically active entities (EAEs) and legal units to form the basic reference point for databases of economic statistics for trade. Registers will have to include both government and private sector EAEs, profit and non-profit enterprises, whether incorporated or not, such as partnerships and sole traders.

From an inspection of which authority is in charge of compiling FATS data for the OECD publication, it would appear that there are four typical configurations: (i) NSOs acting alone; (ii) central banks acting alone; (iii) specific bodies responsible; and (iv) NSOs and central banks in cooperation. The latter two are almost similar, perhaps, but in practice outward FATS data has been compiled only in the second and third cases. [Information from Frederic Boccard, Banque de France, in correspondence, March 2002.]

**Foreign Direct Investment (FDI)** The OECD Benchmark Definition of Foreign Direct Investment provides operational guidance - within the conceptual framework of the IMF BPM5, and as an elaboration of it - on how foreign direct investment data should be compiled to meet internationally agreed standards.

Surveys to record flows and stocks of FDI in many countries have a long history, and are usually compiled by the central bank. One problem is that these surveys can be based on an unsure, possibly shifting, sub-set of the total of EAEs. It will be a composite picture patched together from different sources, including company accounts, tax registers, returns from banks and insurance firms, each differently utilised for estimating inward and outward FDI.

The newly-won independence of some central banks, and fresh demands in the EU of the European Central Bank, are causing changes both as to which authorities are to collect financial data, and the methods for doing so, for instance by raising the thresholds for surveys.

Reporting to the IMF and OECD has been undertaken by units in different ministries and often uncoordinated. This applies not only to FDI data, but also to balance of payments, FATS and other globalisation indicators such as assets, taxes on income, compensation of employment and R&D expenditure. In some cases this currently renders invalid any comparison across such data even within one country, let alone between countries.

Accounting standards are a basic issue in this connection, but they vary widely across the world both in substance and implementation. Work on the creation of a “Framework for the Preparation and Presentation of Financial Statements” has been progressing well at the International Accounting Standards Board. The Board was recently re-constituted to increase its representativeness and hence its credibility and legitimacy. The framework sets out the concepts that underlie the preparation of financial statements, and under this various “International Financial Reporting Standards” are issued.

When estimating FDI it is difficult to reconcile accounting amounts with market valuations when stock market prices are volatile. The way in which the goodwill item is treated can in particular have an important effect.

**Units, and ownership** The entity unit itself is problematical: agreement will have to be reached on how to define an enterprise, an establishment, a company, a branch, an outlying unit and so on, as well as how to handle joint ventures and foreign affiliates.

The identification of foreign owned entities has relied on different criteria for data on inward and outward FATS, and the coding of non-resident EAEs is problematic. Most countries have simply not collected data on non-resident activities. For MSITS the threshold for FATS will be anything over 50% of equity and/or control (even if by only one voting share), though the qualitative criteria to determine control may be less clear. The distinction between control and mere possession of shares has to be adequately drawn.

The IMF points out that “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, those that are not considered foreign-controlled enterprises may also be in direct investment relationships with nonresident direct investors” [“Balance of Payments Compilation Guide”, paragraph 691, IMF, 1995]. In the case of IMF data on FDI an ‘associated’ firm is one where the investment is between 10% and 50%, and in a subsidiary where it is over 50%. A branch is a wholly owned unincorporated subsidiary. The definitions of subsidiary, associate and branch are common across SNA, BPM5, and the OECD benchmark definition of FDI.

While FATS data are dealing solely with subsidiaries in IMF parlance, it is nevertheless important that where such subsidiaries in turn own subsidiaries within the compiling economy - or abroad - that these are included in the data. An estimate of the difference of

doing so or not, can be as high, for instance, by a factor of 1 to 2.2, if the French case is a likely reference. [Frederic Boccara, Banque de France, in correspondence, March 2002].

The treatment of holding companies with extended chains of control can be very complex and easily give rise to inter-country variances, including double counting. The first ‘layer’ of the subsidiaries of a holding company may be considered but the analysis not carried down or accounted for pro-rata, in respect of shares held, in turn, by those subsidiaries in any ‘sub-subsidiaries’. OECD has issued recommendations on how to treat Special Purpose Entities (SPEs) of multi-national enterprises,<sup>8</sup> which often involve intricate situations, and MSITS recommends they be followed. SPEs engage primarily in international transactions with few or no local operations where they are registered, and are variously called financing subsidiaries, holding companies, base companies or regional headquarters.

**Employees** The basic unit to record the number of employees will have to be normalised, whether it be for persons employed full time over the period of a whole year, the head count on a certain date, or part-timers aggregated up into full time equivalents.

**Disaggregating goods and services** Many manufacturers supply services, and these can account for a significant proportion of services production. It is important to separate out the goods and services activities of all foreign affiliates and, eventually, the services products resulting from such productive activities.

There are problems arising from the incorporation of goods in certain figures purporting to be services only. Examples arise in the travel category; computer software, consultancy, and implementation; construction; and government services. Intra-firm transactions especially for large scale manufacturing, can incorporate much of services. The residual category ‘Services between related enterprises n.i.e’ (n.i.e. = not included elsewhere) is for items that cannot be specifically classified elsewhere, and covers payments from branches, subsidiaries and associates to their parent enterprise or other related enterprises, as contributions, for example, to general management overheads, and reimbursement of expenses.

**Misleading comparisons** Comparisons of performance between foreign affiliates in a country with the performance of the entire ‘local’ sector can give a misleading impression. Often the foreign affiliates are part of regionally or globally active multinational enterprises and should more properly be compared with locally owned multinationals, rather than the whole set of firms which includes predominantly small enterprises weighted heavily to one and two person entities. The significance of this becomes clearer when the high concentration of firms is taken into consideration – for example in France some 80 groups account for about 25% of employment and half of operating profits.<sup>9</sup>

---

<sup>8</sup> Benchmark Definition of Foreign Direct Investment, 3<sup>rd</sup> edition, 1996, OECD, Paris

<sup>9</sup> Chabanas and Vergaud of INSEE (1997), quoted in “Enterprises and globalisation: multi-nationalisation and factors of national growth in France”, Frederic Boccara, in *New Economic Realities*, Statistics Canada.

**Confidentiality** For economists outside government organisations the issue of confidentiality of certain data can rise in importance. Governments undertake not to publish information which can reveal the position of individual groups or enterprises. The reality is that for smaller trade flows and smaller economies, where a variety of factors are being displayed in statistical tables, data in an increasing number of ‘cells’ has to be suppressed. This is very frustrating when attempting to make comparisons between sectors and countries for a particular year, as well as over a number of years.<sup>10</sup>

For example, the German Bundesbank takes account of 8,000 German investors and 30,000 direct investment enterprises abroad for outward FDI, and about 12,000 such enterprises for inward FDI. The figures for the majority-owned subset for MSITS reporting would be lower. “With 140 countries and 50 economic sectors you will often meet the confidentiality problem” [Beatrix Stejskal-Passler, Bundesbank, in personal communication, January 2002].

At the appropriate international fora it will have to be examined how data can be improved by the exchange of information on bilateral flows of trade and investment between partners, and comparisons made of methodological variations causing reconciliation differences in ‘mirror’ cells of data. National disclosure rules may, however, reduce the potential benefits of this approach.

---

<sup>10</sup> To appreciate this, visit [www.statistics.gov.uk/statbase/](http://www.statistics.gov.uk/statbase/), find the ‘Overseas Direct Investment (Business Monitor MA4) publication, and look at tables 3.3 and 6.3 which show outward and inward FDI for various countries in a few broad service sectors. FDI figures relate to any lasting investment of 10% or more in equity capital. For the FATS statistics the threshold will be more than 50% resulting in fewer investors being included. Furthermore the disaggregation of service sectors will be greater. It therefore seems likely that the confidentiality ‘problem’ will be a significant one.

**ANNEX IV: Foreign Affiliates Trade in Services (FATS)  
FATS Statistics: a comparative picture of the situation in early 2002**

	Factors to assess		USA	Canada	France	Germany	UK	Japan		Eurostat	EU	OECD
										Pilot survey	Regulation	Globalisation
Line		[1]				[2]				[3]	[4]	[5]
	Central business register		Yes	Yes	Yes	Yes	Yes	No		by MS [3]	Yes	n/a
	Use of other sources		Yes	Yes	Yes	No	Yes	Yes		by MS [3]	Yes	n/a
	Benchmark survey		5 yearly	No	No	Yes	No	3 yearly		by MS [3]	??	n/a
	Annual survey		on sample	Yes	Yes, stock	Yes, stock	Yes	Yes		by MS [3]	Yes	2-yearly
	Inwards FATS		Yes	No	Yes	Yes	Yes	Yes		Yes	Yes	Yes
	Outward FATS		Yes	Yes	Yes	Yes	No	Yes		under study	Yes	Yes
	Published - recent year		1999	1999	No [7]	2000	1999	2000 [8]		5 MS 1996	n/a	1999
	Services separate		Yes	Yes [6]	Yes	Yes	Yes	Only rough		Yes	Yes	Yes
	OECD globalisation input		Yes	No	Yes	Yes	Yes	Yes '97		n/a	n/a	n/a
	Immediate (I) / UBO		UBO	n/a	I	I + UBO	UBO	I		UBO	UBO	either
	FDI statistics - services separate		Yes	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes
	Basic FATS variables											
	Sales (turnover), and/or output		Yes	Yes	Yes	Yes	Yes	Yes		if available	In '04 Out '05	Yes
	Employment		Yes	Yes	for inward	Yes	Yes	Yes		if available	In '04 Out '05	Yes
	Number of enterprises		Yes	Yes	Yes [7]	Yes	Yes	Yes [8]		if available	In '04 Out '05	if available
	Value added		Yes	No	Yes	No	Yes	estimated		if available	In/Out '07	Yes
	Exports/imports goods, services		Yes	Yes/No	Yes	No	Yes	No		if available	In/Out '07	Yes
	FATS further details											
	Gross fixed capital formation		Yes	No	No	in 2002	Yes	Part [8]		??	In/Out '07	if available
	Assets		Yes	No	No	in 2002	No	Yes [8]		??	No	if available
	Net worth		Yes	No	No	in 2002	No	Yes [8]		??	No	if available

	Operating surplus	Yes	No	No	No	No	profit only	??	No	if available
	Taxes on income	Yes	No	No	No	No	No	??	No	if available
	R & D expenditure	Yes	No	No	No	No	Yes	??	No	if available
	Compensation of employees	Yes	No	No	No	No	Yes	??	No	if available
	Trade in services: partner countries	for 40	for 59	for 21-28	for 26	for 38	up to 23 [8]	No	over 50	No
	Disaggregate sales: goods/services	NAICS	NAICS	18 sectors	12 sectors	9 sectors	No	??	??	if available
	Services sales by products	No	No	No [7]	No	No	No	No	No	No
	Trade: related / unrelated par	Yes	No	No	No	No	No	No	No	No
	GATS modes of supply	No	No	No	No	No	No	No	No	No
Acronyms: MS = Member States; NAICS = North American Industrial Classification System; n/a = not applicable; UBO = Ultimate Beneficial Owner										

Notes: [1] This column gives the paragraph reference numbers from The Manual on Statistics of International Trade in Services to be published later in 2002.

[2] German FDI stock data have been compiled by the Bundesbank since 1976; line 33 - includes any countries where FDI is recorded; line 34 - NACE 2-digit for those countries.

[3] Eurostat pilot FATS survey: 8 Member States (MS). Caution on comparisons due to methodological differences.

The EU Directive 'Structural Business Statistics Regulation' aims at harmonising MS register methodology.

[4] The EU draft proposal for a regulation aims at a common framework for BOP, FDI and FATS data with a harmonised methodology. The planned first reference years are shown. All EU Member States will have to comply eventually. The notes in the columns for France, Germany and the UK show the current position.

[5] The OECD report 'Measuring Globalisation' published in 1999 gave data up to 1997 mainly relating to manufacturing and inward investment. Data on services for 2001, published in 2002 in Volume II, gives the variables indicated in lines 20-24.

[6] Canada makes corrections for under-reporting in the separated-out services figures.

[7] France: line 14 - 2002 publication aimed at; line 24 - goods and services together; line 35 - product data being compiled.

[8] Japan: line 14 - Outward FATS benchmark survey in 1998 - simplified survey in 2000.

The METI surveys are 'Trends in Business Activities of Foreign Affiliates' (for inward FATS) and 'Overseas Business Activities' (for outward FATS).

The information collected varies each year in line with policy needs. The response rate is low, and the quality of returns unsatisfactory.

line 22 - The response rate varies each year; line 26 - Capital invested only; lines 26 and 27 - Benchmark years only.

line 33 - data sent to OECD shows the US, Europe and Asia separately for inward FATS, and 23 countries for outward FATS.

## ANNEX V: Acronyms

What do the acronyms used in statistics publications stand for?

- BD3:** Benchmark Definition of Foreign Direct Investment, third edition, 1996  
(*of OECD*)
- BEA:** US Bureau of Economic Analysis, part of the Department of Commerce
- BOP:** balance of payments
- BPM5:** Balance of Payments Manual, fifth edition, 1993 (*of the IMF*)
- CPA:** Classification of Products by Activity (*of the EU*)
- CPC:** Central Product Classification, Version 1.0, 1998 (*of the UN*)  
(replaced the Provisional version of 1991)
- COFOG:** Classification of the Functions of Government (*of the UN*)
- EAE:** economically active enterprise (*of Eurostat*)
- EBOPS:** Extended Balance of Payments Classification System (*of the UN*)  
(for services cross-border trade) (*as used in MSITS*)
- ESA:** European System of Accounts, 1995 edition (*of Eurostat*)
- Eurostat:** the Statistical Office of the European Communities
- FATS:** Foreign Affiliates Trade in Services (*as used in MSITS*)  
Outward FATS statistics: statistics relating to foreign affiliates abroad  
Inward FATS statistics: statistics relating to foreign affiliates in the compiling economy
- FDI:** foreign direct investment (*as used in BPM5*)  
Outward FDI – an investment made in an entity established abroad  
Inward FDI – an investment made by a foreigner in the compiling economy
- First shot:** ‘first foreign parent’ - the first foreign parent is the first foreign person in the chain of ownership of the affiliate – also known as the ‘immediate owner’
- FISIM:** financial intermediation services indirectly measured (*as used in BPM5*)
- GATS:** General Agreement on Trade in Services, of the World Trade Organisation
- GDP:** gross domestic product
- GNI:** gross national income
- GNP:** gross national product
- GNS W/120:** Services Sectoral Classification List, GATT, 1991
- HS:** Harmonised Commodity Description and Coding System, 1996 (HS96)  
(*of the UN*)
- ICFA:** ISIC Categories for Foreign Affiliates  
(*for GATS FATS statistics - as used in MSITS*)
- ICSE:** International Standard Classification of Status of Employment (*of the UN*)
- IIP:** international investment position – in FDI statistics
- IMF:** International Monetary Fund
- Immediate owner:** see First Shot
- IMSM:** International Migration Statistics Manual, Revision 1 (*of the UN*)
- IMTS:** International Merchandise Trade Statistics, Revision 2 (*of the UN*)
- INSEE:** the French Statistical Office
- ISCED:** International Standard Classification of Education (*of the UN*)
- ISCO:** International Standard Classes of Occupations (*of the ILO*)
- ISIC:** International Standard Industrial Classification of All Economic Activities,  
Revision 3 (M 4, Rev. 3, 1990) (*of the UN*)

**ISO:** International Standards Organisation

**MOFA:** US term for Majority Owned Foreign Affiliate – a firm outside the US owned and controlled by one or more US firms and/or persons

**MOUSA:** US term for Majority Owned US Affiliate – a firm established in the US owned and controlled by one or more foreign firms and/or persons.

**MNP:** the movement of natural persons – relates to the GATS Mode 4 supply ie the ‘temporary presence’ of foreign workers

**MSITS:** Manual on Statistics of International Trade in Services (*of the UN*)

**NACE:** General Industrial Classification of Economic Activities (*of Eurostat*)

**NEC:** (- n.e.c.) not elsewhere classified

**NIE:** (- n.i.e.) not included elsewhere

**OECD:** Organisation for Economic Cooperation and Development

**ONS:** Office of National Statistics, UK

**Pink Book:** publication on balance of payments statistics by the ONS, UK

**SBS:** Structural Business Statistics – compiled in the EU (*of Eurostat*)

**SCAC:** Standard Country or Area Codes for Statistical Use, (M 49, Rev. 3) (*of the UN*)

**SICTA:** Standard International Classification of Tourism Activities  
(*of the World Tourism Organisation*)

**SITC:** Standard International Trade Classification, Revision 3

**SIM:** “Recommendations on Statistics of International Migration” Revision 1, 1998

**SMEs:** Small and Medium-Sized Enterprises

**SNA:** System of National Accounts, 1993 (*of the UN*)

**SPE:** special purpose entity (defined in BD3)

**TSA:** Tourism Satellite Account

**UBO:** Ultimate Beneficial Owner - the first person in the chain - beginning with and including the first foreign parent - that is not majority owned by another person.

**UN:** United Nations

**UNSD:** UN Statistical Division

**WTO:** World Trade Organisation

**WTO-OMT:** World Tourism Organisation

**WTTC:** World Travel and Tourism Council