

**SADC Workshop on Statistics of
International Trade in Services**

Foreign Affiliates Statistics

**Johannesburg, South Africa
10-12 February 2016**

Typical questions on globalization, the monitoring of GATS and other

- Is a part of the economy controlled by foreigners? To which extent? Which sectors? By which countries?
- What are the characteristics of foreign affiliates compared to national firms?
- What is the relative importance of mode 3?
- What is the impact of foreign investment on your economy?

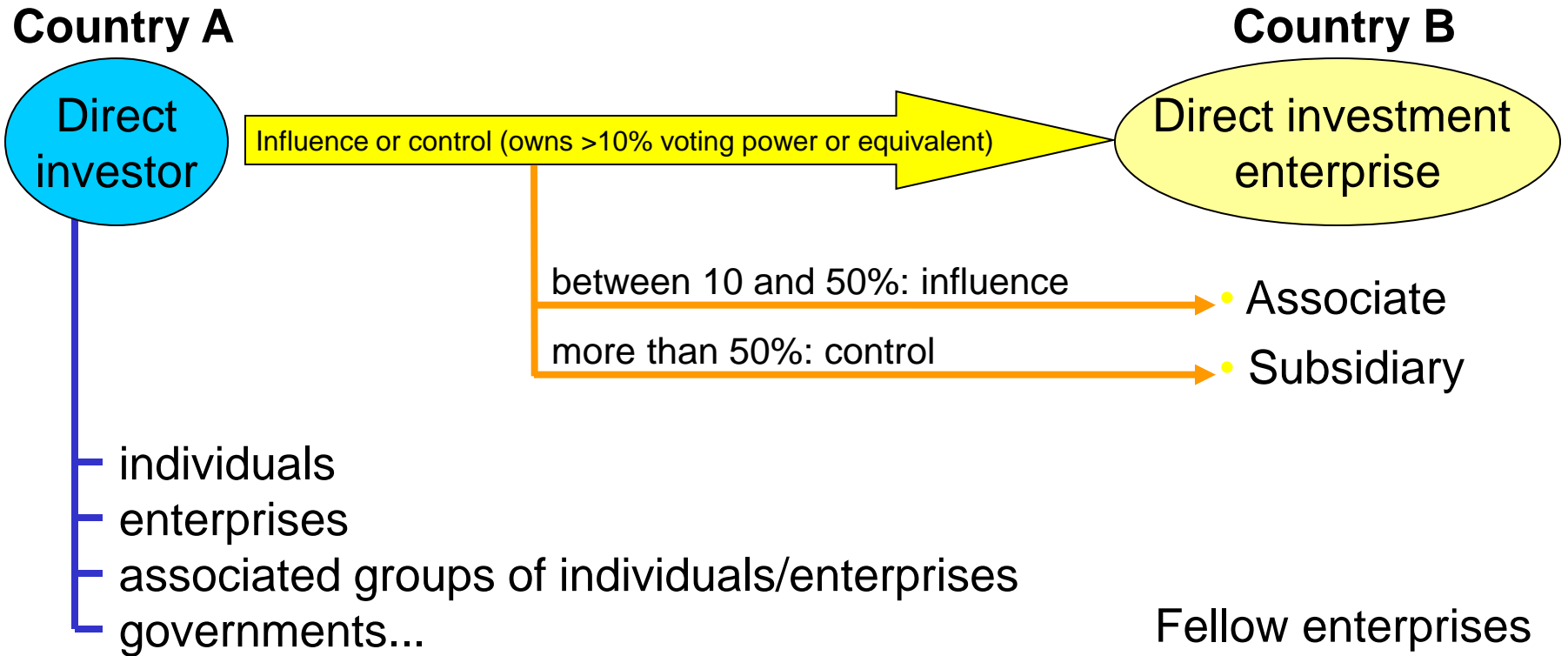
Usefulness of FATS

Guidelines for measuring the activity of foreign affiliates

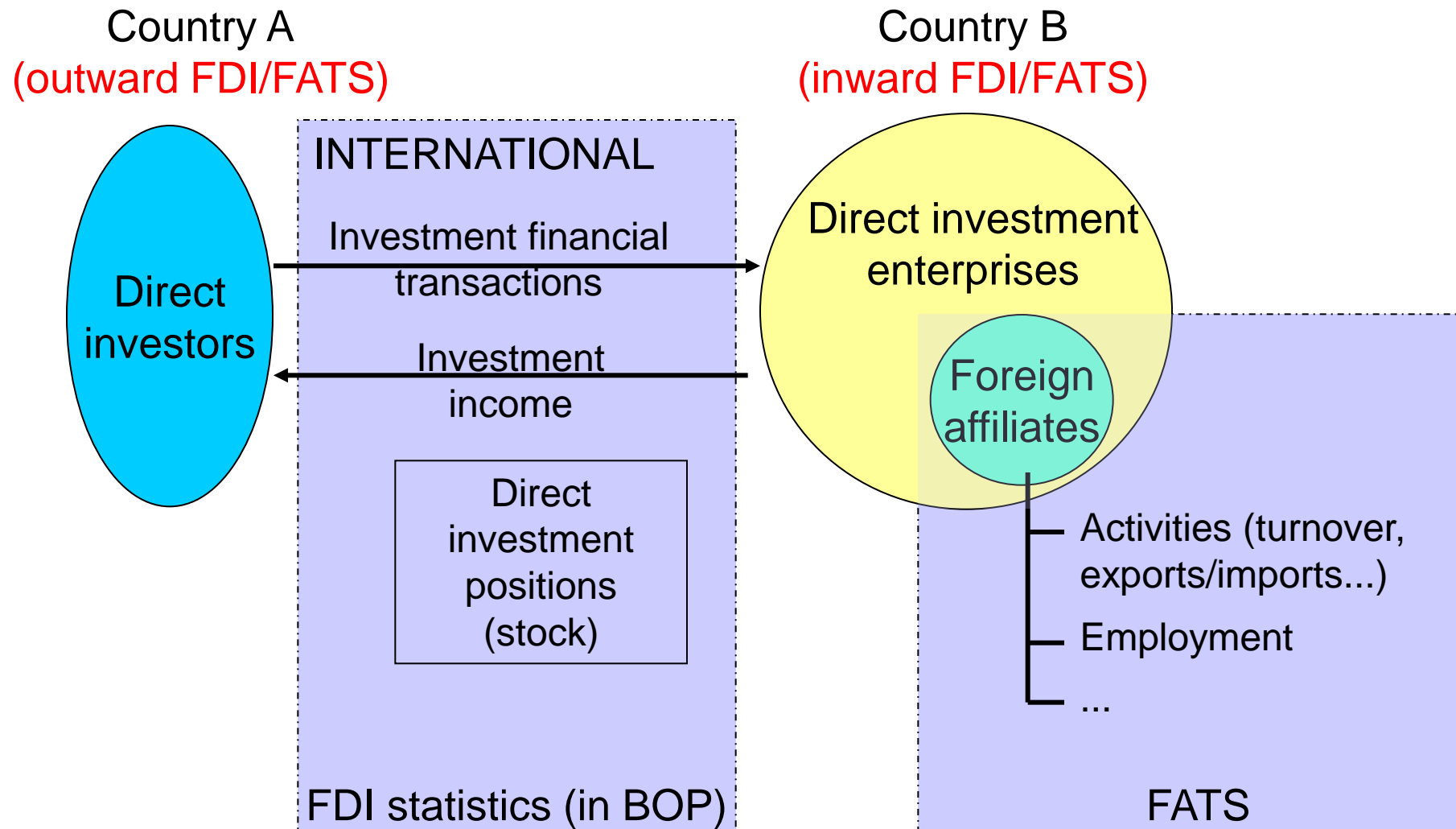
- **What are FATS useful for?**
 - Focus on services measuring Mode 3 (commercial presence),
 - Help understand the phenomenon of globalisation.
- **What do FATS measure?**
 - Range of indicators on the activity of controlled foreign affiliates
 - Inward and outward FATS
 - With a particular focus on services

The FDI Universe

FDI: the direct investor makes an international investment to obtain a lasting interest in an enterprise abroad



FDI Statistics and FATS



Firms Covered in FATS

- **Control criteria**

Majority-controlled foreign affiliates (*a single foreign investor owns more than 50% of voting power*):

Includes subsidiaries

Excludes associates

Directly or indirectly

- **Types of producers**

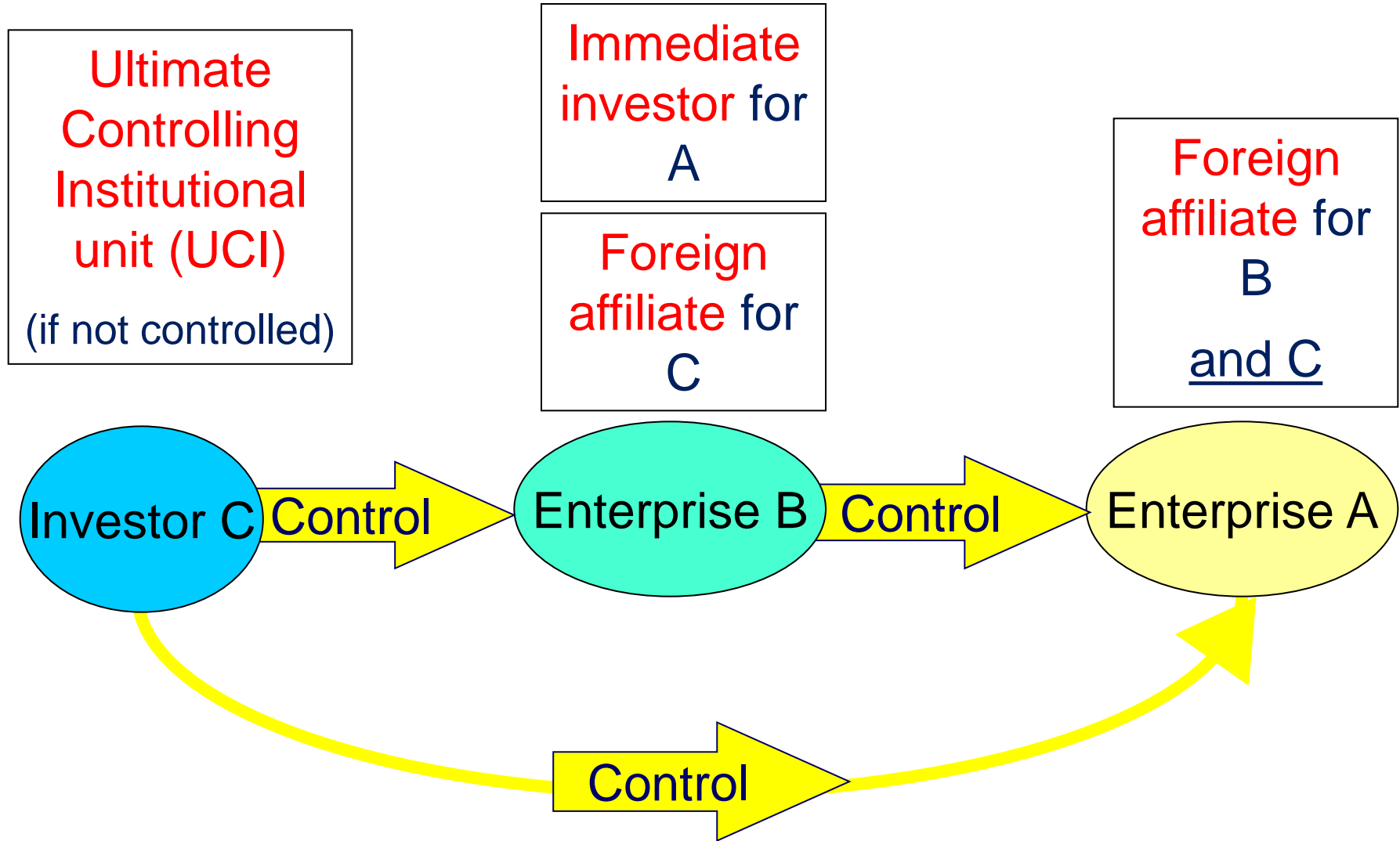
All affiliates (i.e. producing goods, services)

- **Supplementary firms where relevant (e.g. multiple controllers)**

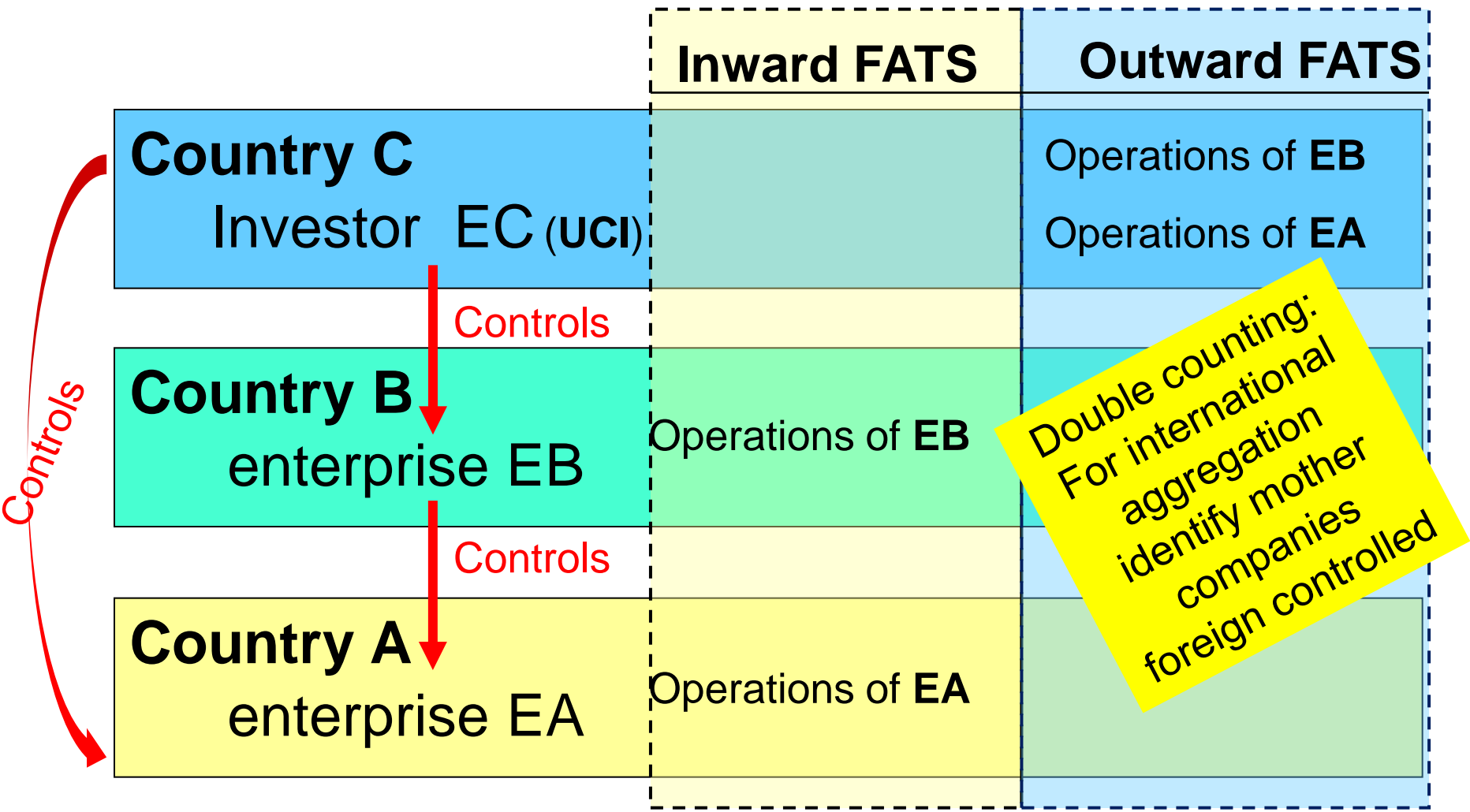
« Control »

- FATS compiled, as a first priority, for foreign-**controlled** subset of foreign affiliates
- Control defined in Framework for Direct Investment Relationships (FDIR) – BPM6
- Control deemed to exist if majority ownership (i.e. control of **more than 50%**) of the voting power at each stage of ownership chain.

« Control »: an essential concept



Recording of Inward and Outward FATS



Economic Variables for FATS

Most are drawn from SNA 2008

Basic FATS variables
(minimum recommended by MSITS)

- Sales (turnover) and/or output
- Employment
- Value added
- Exports and imports of goods and services
- Number of enterprises

- Assets
- Compensation of employees
- Net worth
- Net operating surplus
- Gross fixed capital formation
- Taxes on income
- Research and development expenditures
- Purchases of goods and services

Additional FATS variables

**Only for inward
FATS**

Existing Statistics on Resident Enterprises

Which sources?

- Existing statistics on resident enterprises (employment, turnover...), e.g. collected through annual business surveys

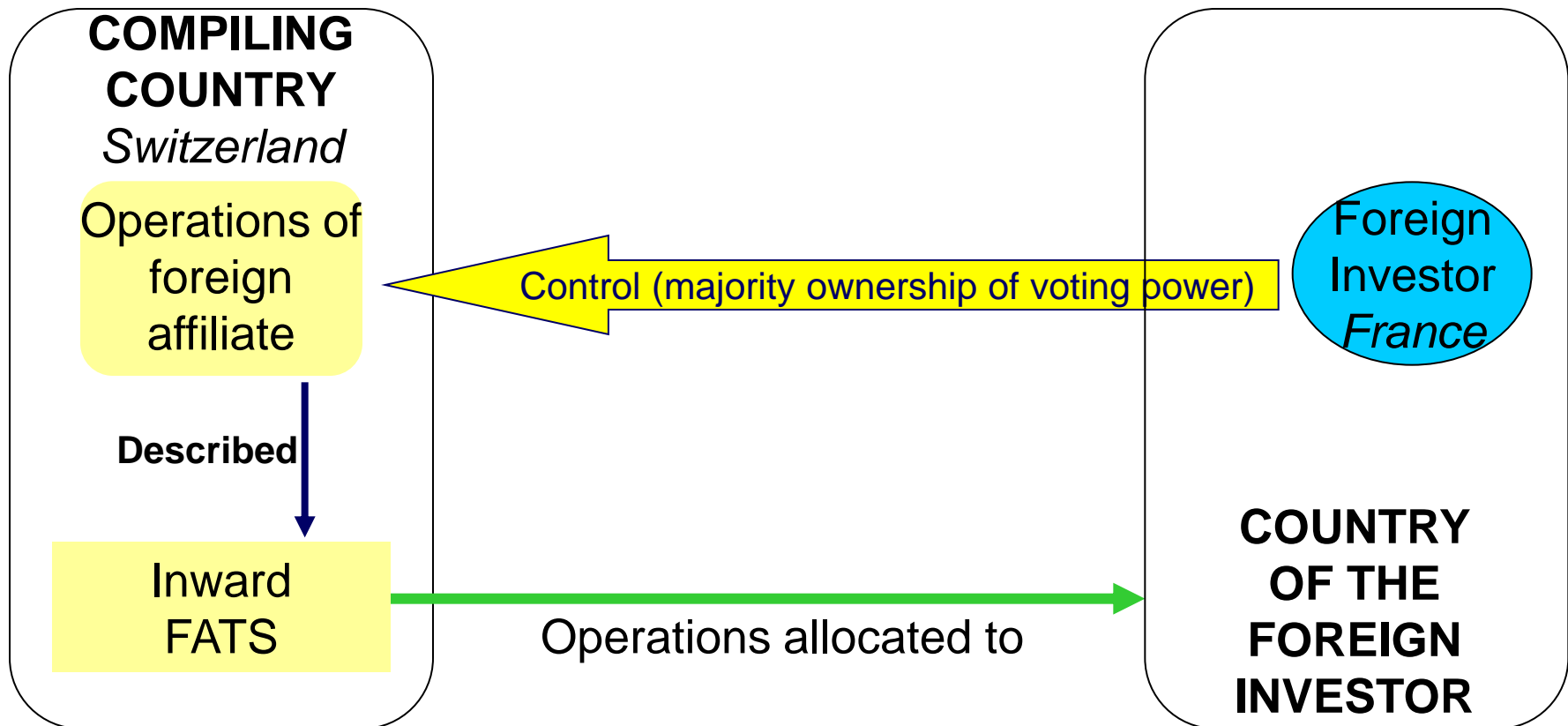
How can FATS be obtained?

- Identify inward FATS population within resident enterprises, and
- Aggregate data collected across the foreign-owned population of resident enterprises

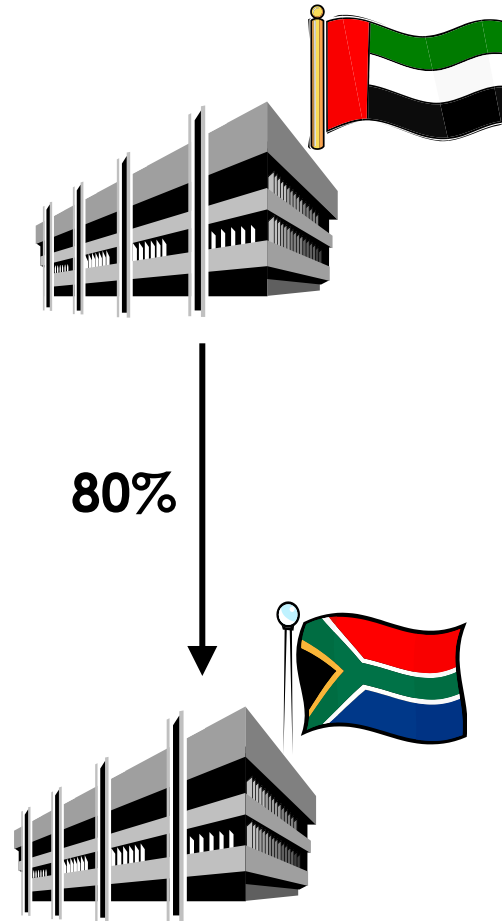


Geographical Attribution of Inward FATS (1/2)

Foreign-controlled affiliates in the compiling country (INWARD FATS)



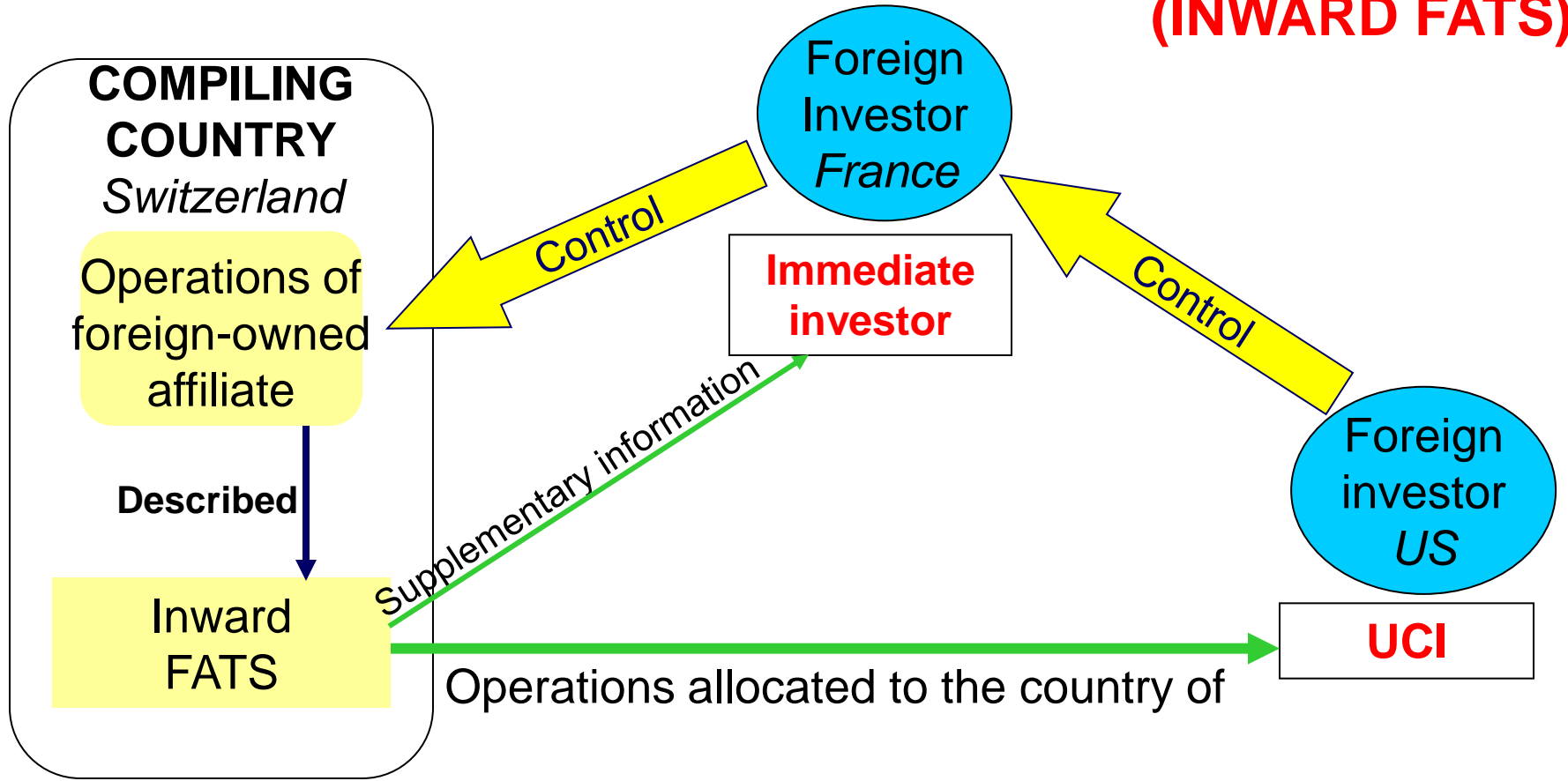
Inward FATS



Foreign investor is **immediate controller**
and **ultimate controlling institutional unit (UCI)**

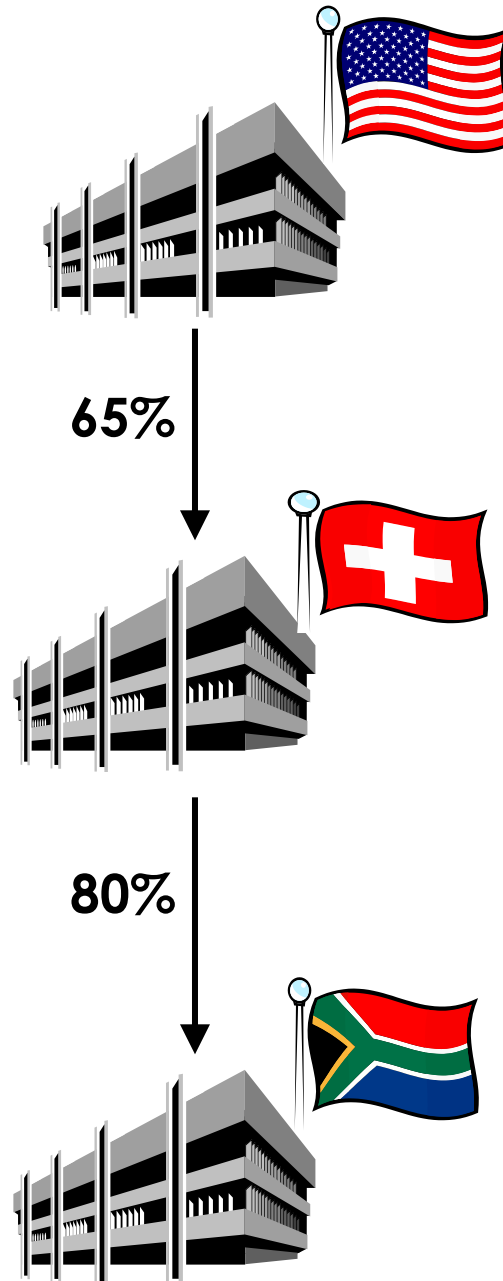
Geographical Attribution of Inward FATS (2/2)

Foreign-controlled affiliates in the compiling country (INWARD FATS)



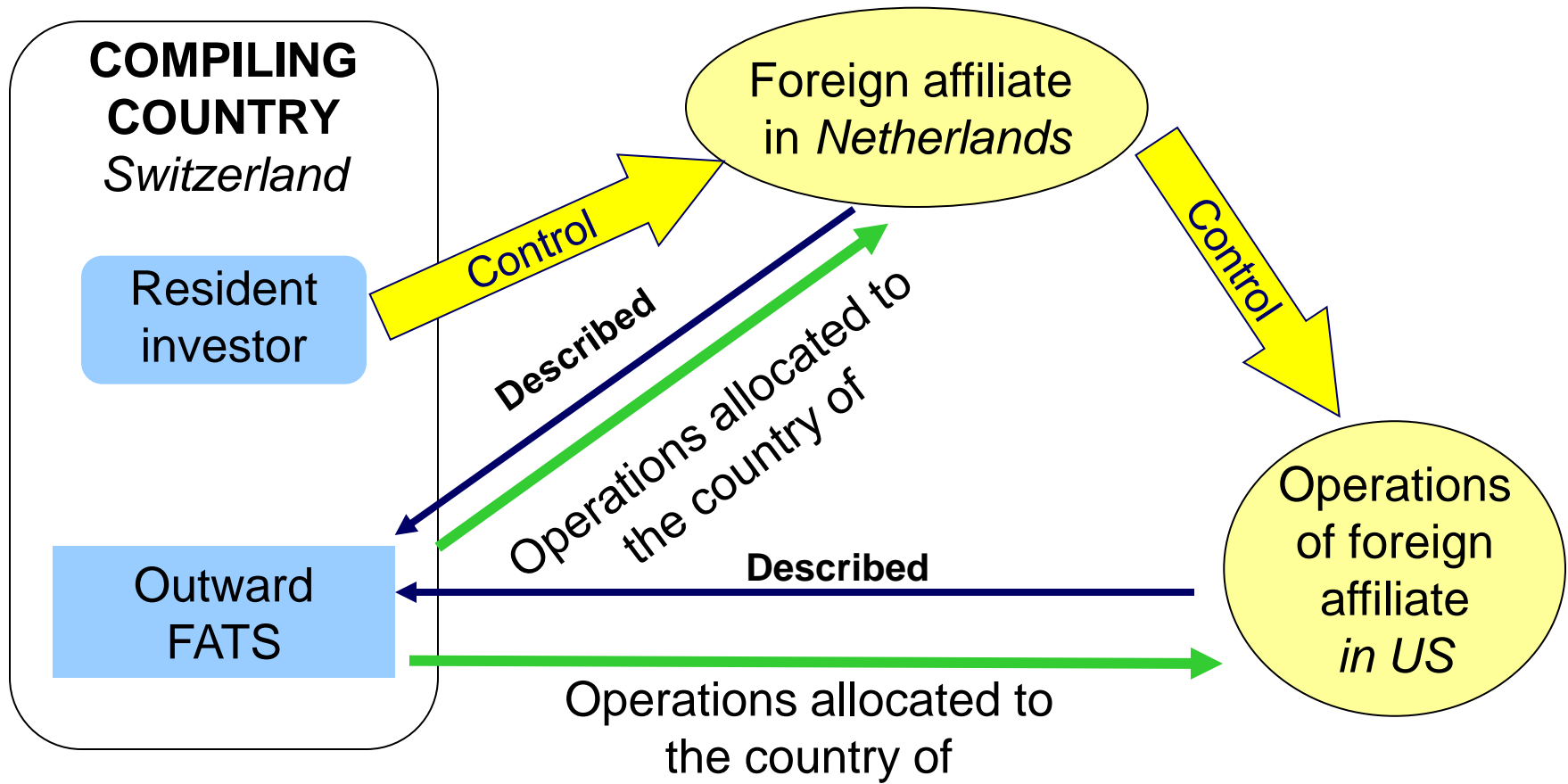
Inward FATS

Where to allocate
FATS variables?

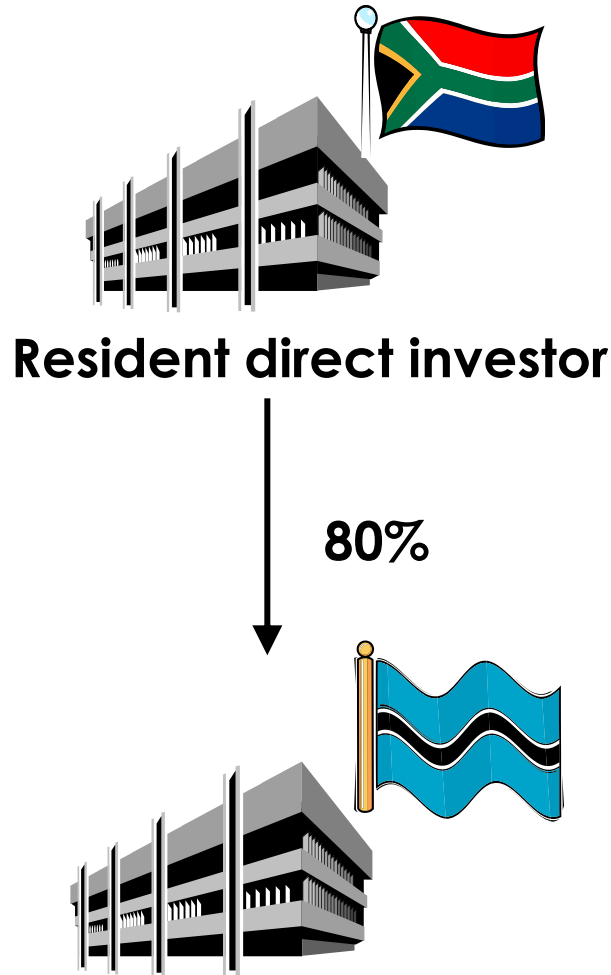


Geographical Attribution of Outward FATS

**Foreign affiliates of investors of the compiling country
(OUTWARD FATS)**



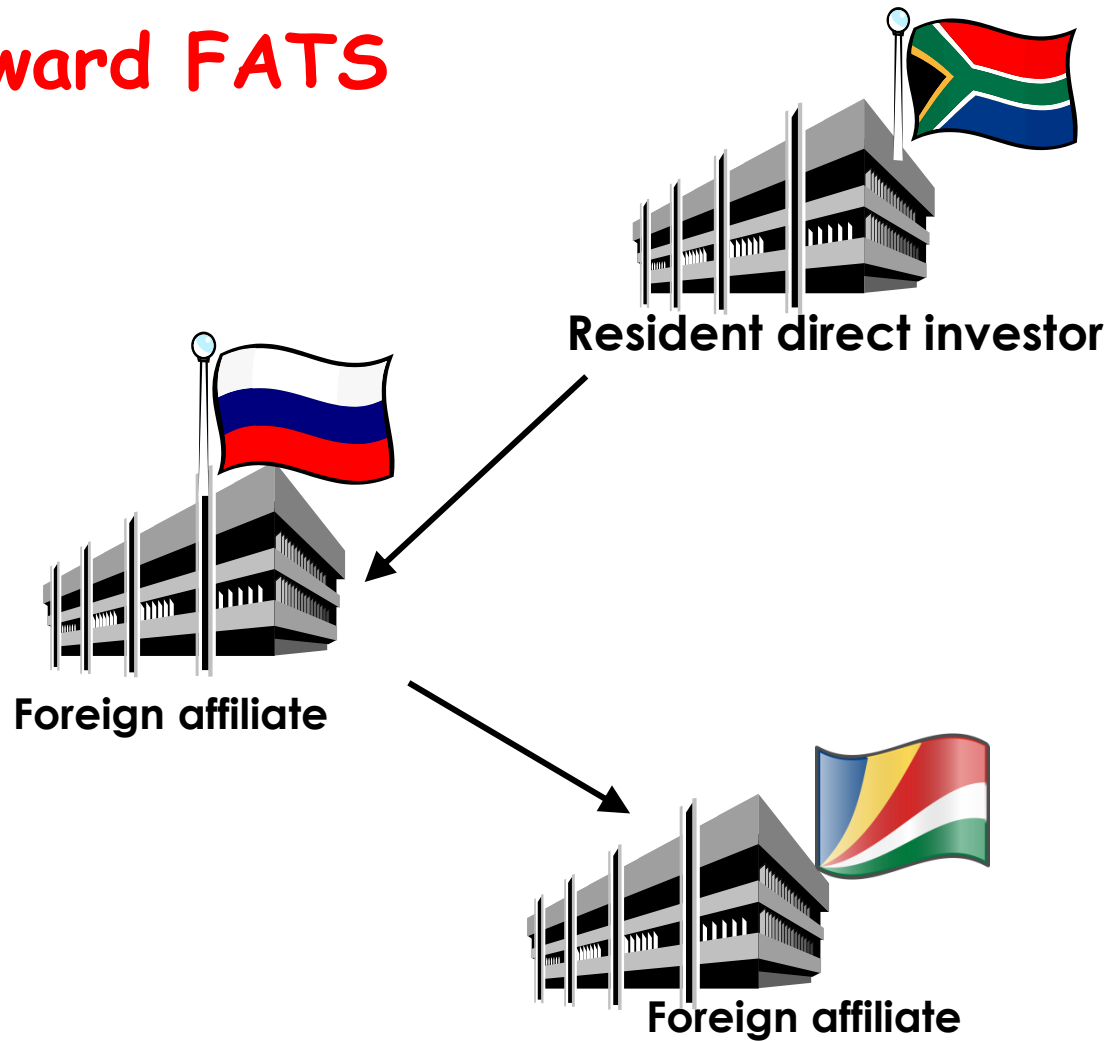
Outward FATS



Resident direct investor is the **immediate controller**

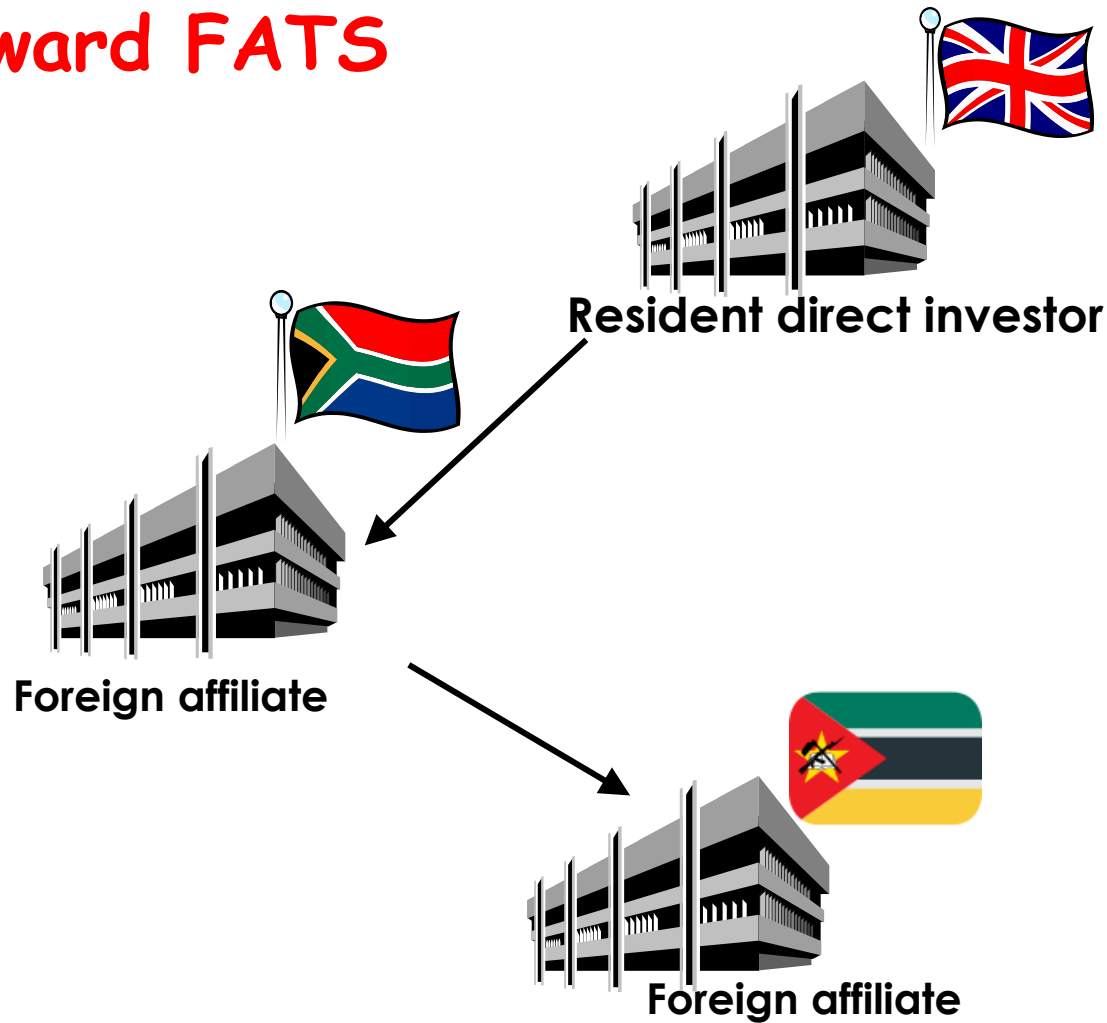
And the **ultimate controlling institutional unit**

Outward FATS



How to allocate FATS variables?

Outward FATS



How to allocate FATS variables?

Classification by Activity and by Product

- **FATS variables classified as a first priority on an activity basis**
 - Foreign affiliates classified by their **primary activity**
 - According to ISIC Categories for Foreign Affiliates in services (**ICFA Rev.1**)
- **Long-term priority...**
 - FATS variables such as sales, imports and exports should also be broken-down by **product** according to EBOPS 2010 (at least total goods and total services)
- ICFA can be **linked** with EBOPS (to a limited extent)

ICFA 2010

ICFA headings/elements

ISIC Rev. 4 code

AGRICULTURE, FORESTRY AND FISHING

Crop and animal production, hunting and related service activities

Support activities to agriculture and post-harvest crop activities

Forestry and logging

Support services to forestry

Fishing and aquaculture

Section A

div. 01

group 016

div. 02

group 024

div. 03

MINING AND QUARRING

Mining support service activities

Section B

div. 09

MANUFACTURING

Repair and installation of machinery equipment

Section C

div. 33

ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY

Electric power generation, transmission and distribution

Section D

class 3510

WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES

Section E

Water collection, treatment and supply

div. 36

Sewerage

div. 37

Waste collection, treatment and disposal activities; materials recovery

div. 38

Remediation activities and other waste management services

div. 39

ICFA 2010 (continued)

ICFA headings/elements

ISIC Rev. 4 code

CONSTRUCTION

Section F

WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES

Section G

Wholesale and retail trade and repair of motor vehicles and motorcycles

div. 45

Wholesale trade, except of motor vehicles and motorcycles

div. 46

Retail trade, except of motor vehicles and motorcycles

div. 47

TRANSPORTATION AND STORAGE

Section H

Land transport and transport via pipelines

div. 49

Passenger rail transport, interurban

class 4911

Freight rail transport

class 4912

Other passenger land transport

class 4922

Freight transport by road

class 4923

Transport via pipeline

class 4930

Water transport

div. 50

Sea and coastal water transport

group 501

Inland water transport

group 502

Air transport

div. 51

Warehousing and support activities for transportation

div. 52

Postal and courier activities

div. 53

ICFA 2010 (continued)

ICFA headings/elements

ISIC Rev. 4 code

ACCOMMODATION AND FOOD SERVICE ACTIVITIES

Accommodation

Food and beverage service activities

Section I

div. 55

div. 56

INFORMATION AND COMMUNICATION

Publishing activities

Publishing of books, periodicals and other publishing activities

Software publishing

Motion picture, video and television programme production, sound recording and music publishing activities

Programming and broadcasting activities

Telecommunications

Computer programming, consultancy and related activities

Computer programming activities

Computer consultancy and computer facilities management activities

Other information technology and computer service activities

Information service activities

Data processing, hosting and related activities; web portals

Other information service activities

News agencies activities

Other information service activities n.e.c

Section J

div. 58

group 581

group 582

div. 59

div. 60

div. 61

div. 62

class 6201

class 6202

class 6209

div. 63

group 631

group 639

class 6391

class 6399

ICFA 2010 (continued)

ICFA headings/elements

ISIC Rev. 4 code

15	Education	section P (85)
16	Human health and social work activities	section Q (86 to 88)
16.1	Human health activities	86
16.2	Residential care and social work activities	87 to 88
17	Arts, entertainment and recreation	Section R (90 to 93)
17.1	Creative, arts and entertainment activities	div. 90
17.2	Libraries, archives, museums and other cultural activities	div. 91
17.3	Sporting and other recreational activities; gambling and betting activities	div. 92+93
18	Other service activities	section S (94 to 96)
18.1	Activities of membership organizations	94
18.2	Repair of computers and personal and household goods, other personal service activities	95 to 96

FATS, AMNE: Some Vocabulary

- FATS = Foreign Affiliates Statistics
- Previous name: Foreign Affiliates Trade in Services Statistics or Foreign Affiliates Trade Statistics
- Just a naming change but same data set
- AMNE: Activities of Multinational Enterprises
- FATS are a subset of AMNE statistics
- Exclude activities of ultimate parent enterprises

FATS Surveys

Two possibilities

Specific FATS surveys

Adding FATS variables to FDI surveys

but ...

Generally preferable because

- Burden for FDI firms-not FATS
- FDI surveys: more frequent (quarterly)

REMEMBER

Foreign Affiliates Statistics (FATS)

- **Usefulness for measuring Mode 3 (commercial presence) and to understand globalisation**
- **Focus on the operations of controlled foreign affiliates**
 - of resident direct investors abroad (**outward FATS**)
 - of foreign direct investors, in the compiling economy (**inward FATS**)
- **Five basic variables, and additional variables**
 - Attributed by partner country
 - Classified as a priority on the basis of the primary activity of the foreign affiliate (ICFA – focus on services)