
Appendix 4. Statistics on the Activities of Multinational Enterprises

A. Introduction

References:

Eurostat, *Recommendations Manual on the Production of Foreign Affiliates Statistics*

Organisation for Economic Cooperation and Development (OECD), *OECD Benchmark Definition of Foreign Direct Investment* (fourth edition), Chapter 8 FDI and Globalisation

OECD, *OECD Handbook on Economic Globalisation Indicators*, Chapter 3 The Economic Activity of Multinational Enterprises

United Nations, *Manual on Statistics of International Trade in Services*, Chapter IV Foreign Affiliates Statistics and the International Supply of Services

A4.1 In addition to the statistics on direct investment (DI) described in this *Manual*, information on foreign-controlled enterprises is provided through statistics on the Activities of Multinational Enterprises (AMNE statistics) and the closely related Foreign Affiliates Statistics (FATS). AMNE statistics cover a range of variables on these direct investment enterprises, described below. This wider dataset is compiled separately from balance of payments and international investment position statistics (although the data may be collected in the

framework of DI compilation), as the data relate to the overall holdings and activities of direct investment enterprises rather than just positions and transactions by them with related enterprises. That is, the objective of AMNE statistics is to provide an additional perspective on the impact of direct investment that is complementary to data on international flows and positions. This appendix is designed to give an overview of the nature and compilation of AMNE statistics for the information of balance of payments compilers and users who may be considering this extended range of information.

A4.2 AMNE statistics may be produced for both foreign-controlled enterprises in the compiling economy (a subset of inward foreign direct investment; so called “inward AMNE”) and foreign affiliates controlled by the compiling economy (a subset of outward foreign direct investment; so called “outward AMNE”). In addition, outward AMNE also may cover the activities of resident direct investors.

A4.3 AMNE statistics can be important for the analysis of the performance of domestically- and foreign-controlled enterprises, both in absolute terms and relative to the larger domestic and foreign universes of enterprises. Direct investment enterprises may be involved in activities such as research and development that benefit the domestic economy but may not be recorded as balance of payments transactions. Also, data on transactions in goods and services (with both residents

and nonresidents) can provide an additional perspective to balance of payments data, as transactions by direct investment enterprises with unrelated persons could be significant.

A4.4 When the General Agreement on Trade in Services (GATS) was negotiated, four modes of supplying services were identified.¹ One of these, mode 3, the supply of services through commercial presence, i.e., direct investment. AMNE statistics for enterprises that produce services provide information that allows for the negotiation and monitoring of GATS agreements and other trade agreements. However, AMNE statistics are not limited to suppliers of services, and also cover manufacturing, mining, and other activities.

A4.5 Detailed discussion and recommendations for measuring AMNE and for FATS is found in the *Manual on Statistics of International Trade in Services* (Chapter IV, Foreign Affiliates Trade in Services Statistics),² in the *OECD Handbook on Economic Globalisation Indicators*, and in the fourth edition of the *OECD Benchmark Definition of Foreign Direct Investment*, Chapter 8 FDI and Globalization. A summary is provided here.

¹ For a discussion on GATS and modes of supply, refer to the *Manual on Statistics of International Trade in Services* (Chapter V Modes of Supply).

² *MSITS* focuses on foreign affiliates producing services, but notes that most of its recommendations (all other than those related to industry/product groupings) for compiling these statistics are equally applicable to goods and services.

B. Coverage

1. Universe or population

A4.6 AMNE statistics cover those direct investment enterprises in which the direct investor (or a group of investors in combination) directly or indirectly holds or controls a majority of the voting power (i.e., subsidiaries). This differs from the scope of direct investment enterprises due to the exclusion of associates. These statistics follow the definition of direct investment discussed in this *Manual* (paragraphs 6.8–6.24)³ in that coverage is defined as those enterprises with majority foreign ownership of the voting power by a single investor or a group of investors acting together; only those enterprises with foreign control are covered.

A4.7 Countries that are able to do so may wish to provide supplemental statistics covering cases in which foreign control may be deemed to be present, even though no single foreign direct investor holds a majority stake.

2. Economic variables for AMNE statistics

A4.8 Basic variables of substantial interest may include: sales (turnover) and/or output; employment; value added; exports and imports of goods and services; and number of enterprises.

A4.9 Other variables that might be collected to supplement these data include: assets (both financial and nonfinancial); compensation of employees; net worth; net operating surplus; gross fixed capital formation; taxes on income; research and

³ And the *OECD Benchmark Definition of Foreign Direct Investment* (fourth edition) (*BD4*).

development expenditures; total purchases of goods and services; and intra-group exports and imports.

A4.10 The definitions of these variables are given in the *2008 SNA* and in the documents referenced above. It is also useful to have data for the total population or for the domestically-controlled enterprises on the same basis as AMNE statistics on inward DI, so performance can be compared with foreign-controlled enterprises.

C. Statistical Units

A4.11 In principle, most AMNE statistics could be collected at either the enterprise (company) level or the level of individual business locations or establishments. Some indicators, such as total assets, are more naturally collected from enterprises than from establishments. DI statistics are usually collected from enterprises, so collection of AMNE statistics at this same level facilitates linkages between the two types of data. However, because enterprises are more likely than establishments to have activities in multiple industries, data that are classified on the basis of primary activity can be more difficult to interpret for enterprises than for establishments. There are thus advantages and disadvantages associated with each basis of collection, and no recommendation is made as to the appropriate statistical collection unit. AMNE statistics often will be developed in the context of existing statistical systems, in which the statistical units are already defined, and in these cases there may be little choice in the units used.

D. Time of Recording and Valuation

A4.12 Time of recording and valuation are consistent with the *Manual*. Flow variables, such as output or value added, should cover the whole of the reference period (usually a year), and should be measured on an accruals basis. Stock variables, such as assets and net worth, should be as at the end of the reference period. All transactions and position variables in principle should be measured at market value.

E. Attribution of AMNE Variables

1. Geographic

A4.13 For statistics on foreign-controlled enterprises in the compiling economy (inward AMNE statistics), the geographical attribution should be by the economy of the ultimate controlling investor. However, to facilitate links with DI data, compilers are encouraged also to provide some data in which attribution is based on the economy of the immediate investor (that is, the first foreign parent). Statistics for foreign enterprises controlled by investors resident in the compiling economy (outward AMNE statistics) should be attributed based on the location of the enterprises whose activities are being described.

2. By activity and by product

A4.14 Ideally, all AMNE variables should be attributed on the basis of the industrial activities of the establishment or enterprise, according to the United Nations *International Standard Industrial Classification of All Economic Activities* (ISIC).

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A4.15 In addition, particular variables such as sales or output, exports, and imports may be attributed by the types of products produced and sold. Data on a product basis would identify the specific types of goods and services delivered through foreign-controlled enterprises and could most readily be compared with data on goods and services delivered through trade between residents and nonresidents, and to domestic production. However, some variables, such as value added and employment, do not readily lend themselves to a product classification.

A4.16 As a longer-term goal, compilers are encouraged to work toward disaggregating by product some or all of the variables that lend themselves to this basis of attribution (such as sales (turnover) or output, exports, and imports). Product-based statistics are free of problems of interpretation related to secondary activities and are consistent with the basis of classification used for trade in goods and services in the balance of payments.

F. Compilation Issues

A4.17 There are two basic approaches, not necessarily mutually exclusive, to developing AMNE statistics. The first is to conduct surveys that directly request information on the operations of the covered enterprises (appropriate for both inward and outward AMNE statistics). The second identifies the subset of existing domestic enterprise data that is

accounted for by foreign-owned firms (for inward AMNE statistics only). DI registers may be used in either case to identify the units to be covered (as well as the economy of attribution, in the case of inward AMNE statistics).

A4.18 For both inward and outward AMNE statistics, questions about key AMNE variables might be added to existing surveys of direct investment transactions and positions. However, because DI surveys may be conducted more frequently than AMNE statistics are required (for example, quarterly rather than annually) and require a quick turnaround, and also because AMNE statistics are needed for only the controlled portion of the DI universe, separate surveys may be a more appropriate way to proceed.

A4.19 For inward AMNE statistics, it should be possible to link the DI statistics to the existing domestic economic statistics (for example, as collected for national accounts purposes) through the use of information on ownership structure to identify those resident enterprises that are foreign-controlled, as well as identifying the residence of the owner. AMNE statistics would be obtained as an aggregation of statistical variables across the foreign-controlled statistical population.

A4.20 Additional questions may have to be added to DI surveys if information on the ultimate controlling parent is to be obtained.