



# WGIIS RESEARCH AGENDA

April 9, 2015



## Outline

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- BMD4 research agenda
  - Capital in transit
  - Ultimate Host Country
- Linking TiVA and FDI statistics
- Harmonizing FDI and AMNE/FATS statistics





## Capital in Transit

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- Capital in transit is financing that flows through multiple entities before reaching its final destination
- Leads to double-counting of FDI financial flows, income, and positions
- Affects geographic and industry distribution of FDI statistics
- Exclusion of resident SPEs is an important step to removing capital-in-transit
- To remove all capital-in-transit, a method to segregate capital-in-transit flowing through operating affiliates needs to be developed





## Ultimate Host Country

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- Counterpart to the Ultimate Investing Country
- Presents better picture of where investors are investing and the industries that they are investing in
- BMD4 did not provide guidance for compiling statistics by ultimate host country due to conceptual issues
  - Difficulties in linking specific sources of funding with specific uses
  - FDI by intermediate enterprises may reflect funding provided by their direct investors and funding from other sources, such as local owners or lenders
- Work to clarify concept of ultimate host country to determine if it is feasible to develop methods to allocate outward investment positions and transactions to ultimate host countries





## Integrating FDI into TiVA

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- TiVA identifies portion of exports and imports that are domestic value added
- For foreign-owned firms, some of this domestic value added can be repatriated to the foreign owner: the profits
- First step:
  - Identify portion of domestic value added in exports that can be repatriated by a foreign owner
  - Identify portion of foreign value added in imports that you can repatriate from your foreign affiliates





## Integrating FDI into TiVA

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- Preliminary results available in March
  - Raised many questions about FDI statistics
- Workshop in October 2015 with policymakers and statisticians to discuss these issues and findings





## AMNE or FATS Statistics

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- Statistics that also cover MNEs
- Operating variables: employment, value added, trade, and R&D
- The Council recommended that the WGIIS conduct research on harmonising and integrating FDI and AMNE statistics when it endorsed BMD4





## Why Integrate FDI and AMNE statistics?

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- FDI statistics cover internal financing of MNEs
- AMNE cover their real operations
- Link between financing and real activities of MNEs
- Provide a complete picture of the financing of MNEs
- Financial crisis exposed the lack of data on the cross-border exposures of non-financial MNEs







## Integrating FDI and AMNE statistics

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- Differences in definitions and classification make it difficult to use the statistics together
- WGIIS developed MNE framework so that the data could be used together
  - Better measures of FDI
    - Ultimate host country
  - Supervisory function
    - Internal and external financing of MNEs
  - Link between financial & real operations of MNEs

