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Measuring Foreign Direct Investment and Related Income Flows

Note by the International Monetary Fund

Summary

The need for high quality data on foreign direct investment for compiling both the international and the national economic accounts will be presented in this note. The most effective way of assuring the availability of high quality and comprehensive data on foreign direct investment is to conduct a survey. But, there are a number of difficulties associated with measuring direct investment. To improve the quality and availability of data on foreign direct investment used in the international and national economic accounts and to solve problems in identifying direct investment entities and the collection of the data on a consistent basis, the International Monetary Fund, in conjunction with its interagency partners, has launched the 2009 Coordinated Direct Investment Survey.

I. Introduction

1. The collection of high quality data on foreign direct investment (FDI) is a challenge in compiling both the international and the national economic accounts. This chapter sets out why FDI poses such a challenge, and describes an international survey that aims to alleviate the measurement issues.

2. FDI is an important category in the international accounts, and is one of the five functional categories used as the primary basis for classifying data on financial transactions, positions, and income. A foreign direct investment relationship occurs when an investor in one economy has an ownership interest giving a significant degree of influence or control over the management of an enterprise in another economy. By convention, direct investment exists when an investor owns at least 10 percent of voting power. FDI is associated with a longer-term commitment than other forms of cross-border investment, and often involves features such as the provision of new funds and technology transfers. However, FDI in strategic sectors of the domestic economy can give rise to national concerns.

3. FDI is also important in the national economic accounts. Earnings on FDI are often a major component of property income from abroad in the distribution of income accounts. Also, net property income from abroad is added to domestic production (GDP) to derive gross national income (GNI). The reinvestment of these overseas earnings is recorded as lending to the rest of the world in the financial account of the national accounts. In addition, data on these FDI transactions are recorded separately as memorandum items in the several financial account categories (debt securities, loans, equity, trade credit, other).

4. Experience has shown that the most effective way of assuring the availability of high quality and comprehensive data on FDI is to conduct a survey. No other method is as effective in identifying enterprises that are foreign owned or that have investments abroad, and surveys are important in obtaining data on such items as earnings and direct investment positions. The International Monetary Fund's 2009 Coordinated Direct Investment Survey (CDIS) is a major global statistical undertaking that is intended to improve the quality and availability of data on FDI used in the international and national economic accounts.[1] At its meeting in November 2009, the IMF Committee on Balance of Payments Statistics agreed with the IMF's proposal to convert the CDIS into an annual exercise, which will promote improvements in the quality and availability of data on FDI through future years.

II. Background

5. The conceptual framework of the balance of payments and international investment position (as found in the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6))[2] is entirely consistent with that of the 2008 System of National Accounts (2008 SNA)[3], however, the data are organized differently. One of the major differences between the two frameworks is the use of functional categories in the balance of payments and international investment position accounts. The five functional categories are direct investment, portfolio investment, financial derivatives (other than reserves) and employee stock options, reserve assets, and other investment. These

1 The CDIS home page can be found at http://www.imf.org/external/np/sta/cdis/index.htm.
2 Available at: http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm
3 Available at: http://unstats.un.org/unsd/sna1993/sui.asp.

functional categories are essentially based on the motivations of the investor, as opposed to the instrument-based classification in the 2008 SNA.[4]

6. FDI is a major category of cross-border investment. Unlike other categories of cross-border investment, it brings a significant degree of influence (and, more often, control) over the direct investment enterprise that receives equity investment. The relationship between enterprises involved in direct investment tends to be lasting. FDI also has nonfinancial dimensions, such as management expertise, technology transfer, marketing, and market access that are not usually associated with other forms of cross-border investment. Enterprises in a direct investment relationship are more likely to trade with each other. FDI tends to provide a stable source of funds during periods of market stress.

7. An FDI relationship involves a direct investor, a direct investment enterprise, and sometimes a fellow enterprise. A direct investor is an entity or group of related entities that is able to exercise control or a significant degree of influence over another entity (the direct investment enterprise) that is a resident of a different economy. A direct investment enterprise is an entity subject to control or a significant degree of influence by a direct investor, obtained through holding 10 percent or more of voting power. Fellow enterprises do not meet the threshold of equity investment in each other, but are in a direct investment relationship because they have a common investor, who is a direct investor in at least one of them. The structural arrangements are often complex, and a single entity may be, at the same time, a direct investor, a direct investment enterprise, and a fellow enterprise in its relationships to other enterprises.

8. Under BPM6, data on direct investment may be shown on either an Asset/Liability basis (this basis is used for compiling the international economic accounts under BPM6) or on a Directional Principle basis (this basis is usually preferred for analyses at sub-global levels, such as by individual country or industry). On the Asset/Liability basis, assets and liabilities are shown in the account on a gross basis. On a Directional Principle basis, data at high levels of aggregation are netted. On this basis, data are shown separately for inward and outward direct investment. Inward direct investment includes assets and liabilities between resident direct investment enterprises and their direct investors; in addition, it includes assets and liabilities between resident and nonresident fellow enterprises if the ultimate controlling parent is nonresident. Outward direct investment includes assets and liabilities between resident direct investors and their direct investment enterprises; in addition, it includes assets and liabilities between resident and nonresident fellow enterprises if the ultimate controlling parent is resident. Several of the measurement challenges associated with direct investment exist only in connection with data that are on a Directional Principle basis. The terms “inward” and “outward” direct investment are used when referring to this presentational basis.

9. The number of economies reporting inward FDI investment positions to the IMF’s Statistics Department rose from 71 economies that reported data for end-1998 data to 99 economies that reported data for end-2008. The number reporting outward FDI positions also grew strongly, from 61 economies reporting FDI positions for end-1998 to 90 economies that reported data for end-2008. At the same dates, the value of the global reported inward direct investment positions rose from $3,764 billion to $21,405 billion, and the value of reported outward direct investment positions grew from $4,647 billion to $22,760 billion. These increases in value captured not only the increase in the number of

[4] This is not to say that instrument classification is not used in the balance of payments/IIP. The financial instruments used in BPM6 are the same as those used in the 2008 SNA. They are, however, at the secondary level of classification, below the functional categories.

economies reporting, but also improved coverage and actual increases in investment by those who were already reporting.

10. In regard to the top ten recipients of direct investment (inward FDI), the value reported rose from $3,010 billion for end-1998 to $10,790 billion for end-2008, or about three and a half times as large. See Table 1. The composition of the top ten changed substantially. Whereas the United States remained the top recipient throughout this time, with its inward direct investment almost tripling, Luxembourg and Mainland China gained prominence as recipients of direct investment, becoming second and sixth largest recipients of direct investment as at the end of 2008, with stocks of $1,516 billion and $876 billion, respectively. (Neither of these economies produced estimates of their direct investment positions for end-1998.) Spain saw the stock of its inward direct investment increase almost five and a half times, while Belgium, Germany, China Hong Kong SAR, and the Netherlands each saw the stock of their inward direct investment rise to more than three and a half times their end-1998 levels. Canada and Australia dropped out of the top ten over that period.

Table 1
Top Ten Recipients of Inward Direct Investment and Value 1998 and 2008 Positions (In billions of U.S. dollars)

Economy	Value of Inward Direct Investment, 1998	Economy	Value of Inward Direct Investment, 2008
United States	920	United States	2,646
France	548	Luxembourg	1,516
United Kingdom	355	France	1,029
Germany	252	United Kingdom	986
China, P.R.: Hong Kong	225	Germany	949
Belgium	180	China, P.R.: Mainland	876
Netherlands	164	China, P.R.: Hong Kong	835
Canada	143	Belgium	671
Spain	118	Spain	639
Australia	105	Netherlands	638
Total of top ten	3,010	Total of top ten	10,785

11. For direct investment abroad, the top ten direct investing economies (outward FDI) saw the value of their total investment increase from $4,065 billion for end-1998 to $12,897 billion for end-2008, or tripling. See Table 2. The United States remained the top investing economy throughout this period. Its total direct investment abroad in 2008 was more than three times its 1998 level. As with inward direct investment, one of the more striking changes between 1998 and 2008 was the emergence of the importance of Luxembourg as a major outward direct investor. (In 1998 it did not produce estimates of direct investment abroad. It is notable that Luxembourg is the home economy for a large number of special purpose entities that are engaged in pass-through finance.) Switzerland, Germany, China Hong Kong SAR, the Netherlands, and the United Kingdom all more than tripled their stock of direct investment abroad. Canada and Italy dropped out of the top ten, replaced by Luxembourg and Belgium.

Table 2
Top Ten Providers of Outward Direct Investment and Value 1998 and 2008 Positions (In billions of U.S. dollars)

Economy	Value of Outward Direct Investment 1998	Economy	Value of Outward Direct Investment 2008
United States	1,196	United States	3,698
France	747	United Kingdom	1,567
United Kingdom	515	Luxembourg	1,465
Germany	365	France	1,302
Japan	270	Germany	1,248
Netherlands	229	Netherlands	821
China, P.R.: Hong Kong	223	China, P.R.: Hong Kong	775
Switzerland	184	Switzerland	726
Canada	171	Japan	680
Italy	165	Belgium	615
Total of top ten	4,068	Total of top ten	12,897

III. Statistical Treatment Recommended in International Standards

12. As noted earlier, direct investment is a balance of payments concept (as a functional category) as well as a category or component involving several areas of the national accounts. In the 2008 SNA, these include the treatment of the retained earnings of direct investment enterprises in the income and financial accounts, and the recording of direct investment transactions as memorandum items in the financial account.

13. Unlike most other institutional units, which retain all their saving, direct investment enterprises are deemed to retain only that portion of their saving that is not attributable to their direct investor(s). That is, direct investment enterprises are deemed to distribute their saving to their direct investors in proportion to the equity share held by the latter on the rationale that, given its influence on the direct investment enterprise, the direct investor makes the saving decision, not the direct investment enterprise. The (imputed) income flow from the direct investment enterprise to the investor is referred to as reinvested earnings and the counterpart imputation in the financial account is referred to as the reinvestment of earnings in BPM6.

14. There is a parallel treatment in the 2008 SNA. Reinvested earnings on foreign direct investment are identified as a separate category within the entrepreneurial income and allocation of other primary income account.

'Retained earnings of a corporation or quasi-corporation are equal to the distributable income less the dividends payable or withdrawal of income from the corporation or quasi-corporation respectively. If the foreign direct investment enterprise is wholly owned by a single foreign direct investor (for example, a branch of a foreign enterprise), the whole of the retained earnings is deemed to be remitted to that investor and then reinvested, in which case the saving of the enterprise must be zero. When a foreign direct investor owns only part of the equity of the direct investment enterprise, the amount that is deemed to be remitted to, and reinvested by, the foreign investor is proportional to the share of the equity owned. (See 2008 SNA, para. 7.139)'

15. As a consequence of treating reinvested earnings as an income flow and reinvestment of earnings as a financial account flow, reinvested earnings are included in the calculation of GNI or the investor economy (positive) and the economy of the direct investment enterprise (negative).

16. Reinvestment of earnings is not identified separately within the main body of the financial account in the 2008 SNA; it is included indistinguishably with equity (there are separate sub-categories for listed shares, unlisted shares, and other equity in the 2008 SNA financial account). However, the 2008 SNA recommends that all financial account transactions in foreign direct investment be recorded as memorandum items to the account.

'Transactions in financial assets and liabilities arising from the provision of, or receipt of, foreign direct investment are to be recorded under the appropriate categories: debt securities, loans, equity, trade credit or other. However, the amounts of foreign direct investment included within each of those categories should also be recorded separately as memorandum items. (See 2008 SNA, para. 11.129)'

17. In addition, although not explicitly identified, direct investment positions (assets and liabilities) will be recorded within the instrument detail in the (national and sector) balance sheet accounts. Often, because of limitations in data sources, and the difficulty in obtaining a market value as there is no observable price (much direct investment is 100 percent owned by the direct investor), the value of direct investment equity is initially obtained at book value.

IV. Measurement Problems

18. There are a number of difficulties associated with measuring FDI. These include:

(a) Identifying the units that meet the definition of direct investor, direct investment enterprise, and fellow enterprise;[5]

(b) Differences in the level of consolidation between business registers, particularly where different registers are used for international and national account purposes;

(c) Conducting a survey so that the respondents provide data according to the concepts used in direct investment;

(d) Ensuring that the data reported by the direct investor are reported using information from the books of the direct investment enterprise abroad.

19. The development of a business register that identifies whether or not an entity is in a direct investment relationship is an important step toward comprehensively identifying key units in direct investment relationships. Most business surveys that collect information feeding into the national accounts do not routinely collect information on whether an entity is in a direct investment relationship. To build a register that includes that information may require considerable effort. In addition, because much of the information (both financial and on equity holders) may not be routinely produced for any internal company purpose, it often takes persistence on the part of the statistical agency to obtain the information from the respondent. This is true even where data collection is supported by statutory authorities

[5] For further detail, see the discussion of the Framework for Direct Investment Relationships in Chapter 6, Section B (and particularly Box 6.1) in BPM6, and Annex 4 of the OECD Benchmark Definition of Foreign Direct Investment, fourth edition (available at: http://www.oecd.org/document/33/0,3343,en_2649_33763_33742497_1_1_1_1,00.html).

that protect the confidentiality of the data reported and carry substantial penalties for nonresponse.

20. A further complication may occur in regard to consolidation of statistical units, particularly where separate agencies have responsibility for compiling data for the international and national economic accounts. This issue can even arise where a single agency has such responsibility but uses different registers for compiling data for the international and national accounts. In particular, for national accounts purposes, often economies include each individual enterprise on their national registers. In contrast, for international economic account purposes (such as for measuring direct investment flows and positions), economies often consolidate domestic units that are under common control for statistical purposes, in much the same fashion that a business consolidates business units for reporting to stockholders. As a consequence of these differences in consolidation, there may be inconsistencies in classification by industry, domestic sector, etc. of direct investors, direct investment enterprises, and fellow enterprises between the international and national economic accounts.

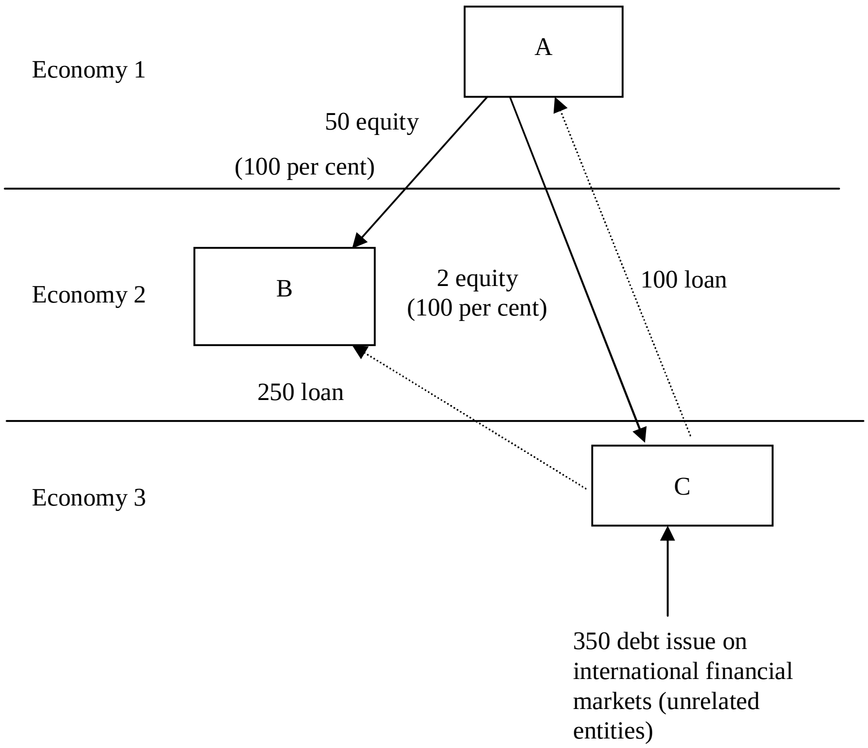
21. It also is noteworthy that, looking just within the international economic accounts, the degree of consolidation can affect whether a given statistical unit is recorded in inward or outward foreign direct investment.[6] This is because consolidation may affect whether or not a given unit is a fellow enterprise. This is significant because, under the new international statistical standards, a resident fellow enterprise is recorded in inward (or outward) foreign direct investment stocks or flows depending upon the location of its ultimate controlling parent. Specifically, under the new standards, a given resident fellow enterprise's stocks and flows vis-à-vis its non-resident fellow enterprises are recorded in outward FDI if the resident enterprise's ultimate controlling parent is a resident, and are included in inward FDI if the resident enterprise's ultimate controlling parent is a non-resident. In contrast, a resident direct investor's stocks and flows vis-à-vis its foreign direct investment enterprises are always recorded in outward direct investment, and a resident direct investment enterprise's stocks and flows vis-à-vis its foreign direct investor are always recorded in inward direct investment.

22. Identifying fellow enterprises is particularly difficult, because the concept is not based on the equity holder of the investor/investee. A common situation involves the following:

[6] Presentations of data on direct investment are typically on an Asset/Liability basis (this basis is used for compiling the international economic accounts under BPM6) or on a Directional Principle basis. On an Asset/Liability basis, data on assets and liabilities are shown on a gross basis. On a Directional Principle basis, data are shown separately for inward and outward direct investment. Inward direct investment includes assets and liabilities between resident direct investment enterprises and their direct investors; in addition, it includes assets and liabilities between resident and nonresident fellow enterprises if the ultimate controlling parent is nonresident. Outward direct investment includes assets and liabilities between resident direct investors and their direct investment enterprises; in addition, it includes assets and liabilities between resident and nonresident fellow enterprises if the ultimate controlling parent is resident.

Diagram 1

Direct Investor (Enterprise A) and Its Two Direct Investment Enterprises (Enterprises B and C)



23. In the above diagram, Enterprise A (in Economy 1) holds all the equity in Enterprise B (in Economy 2) and in Enterprise C (in Economy 3). (Thus, enterprise A is a foreign direct investor in foreign direct investment enterprises B and C.) Enterprise C raised funds on international financial markets and then lends the funds to Enterprises A and B. If the compiler in Economy 3 approaches Enterprise C to collect data on FDI, it has to be explained that the loan by Enterprise C to Enterprise B should be recorded in FDI, even though Enterprise C owns no equity in Enterprise B. Similarly, the compiler in Economy 2 has to be very careful to explain that the lending to Enterprise B should be recorded in FDI.[7] Indeed, Enterprise C's lending to Enterprise A is also FDI (referred to as "reverse investment"), because all equity and debt positions between related entities are recorded in FDI (except where both parties are certain types of financial intermediaries). These aspects of the definition of FDI are not straightforward, and it can be difficult to convert the definition into survey report questionnaires, or to collect and compile data that are fully consistent with the definition.

24. Another statistical challenge is that information on equity holdings is often not recorded on the same basis by the direct investor as it is by its direct investment enterprise. There are several reasons for this, of which the following are important. First, while the direct investment enterprise will record its accumulated retained earnings as part of owners'

[7] Positions between Enterprises B and C are recorded in FDI because both of these enterprises are under the control or influence of the same direct investor (Enterprise A).

equity, it is not uncommon for the direct investor to record its investment in the direct investment enterprise at acquisition price, and make no further adjustment. A second reason is that, whereas the direct investment enterprise may adjust its assets and liabilities to reflect current market prices or exchange rates, with the concomitant adjustment to owners' equity, these adjustments may not be included on the books of the direct investor. Data from the books of the direct investment enterprise are preferred in compiling estimates of international investment positions or national balance sheets in the international and national economic accounts, because these books reflect values that are more consistent with the market value principle that is preferred in compiling both sets of accounts.

V. Proposals for Operational Treatment in the Accounts

25. Much work is being done to help address some of the problems in identifying direct investment entities and the collection of the data on a consistent basis. For example, a number of barriers to the exchange of confidential data within Europe have been removed, and major efforts are underway worldwide to improve the compilation of data on FDI that are consistent with the updated standards. In particular, the IMF, in conjunction with its interagency partners – including the ECB, Eurostat, the OECD, UNCTAD, and the Word Bank – has launched the 2009 Coordinated Direct Investment Survey (CDIS).

26. The CDIS has attracted considerable support. As of December 2009, 132 economies have indicated a willingness to participate (see Table 3). The purpose of the CDIS is to improve the quality of direct investment position statistics in the international investment position and by immediate counterpart economy. Specifically, the objectives of the CDIS are to collect the following data items, with a measurement date of December 31, 2009:

'For all economies, comprehensive and harmonized data on direct investment positions, broken down between equity and debt, and for debt to be further broken down between claims and liabilities, by economy of direct investor (for inward direct investment), or of direct investment enterprise (for outward direct investment).'

27. Data for both inward and outward direct investment positions are sought.

Table 3
Economies Indicating an Interest in Participating in the CDIS (as of December 2009)

N. America & Caribbean	Latin America	Europe: EU	Europe: Non EU	Former non EU Soviet Union	Middle East and North Africa	Sub-Saharan Africa	East and South Asia and Pacific
Aruba	Argentina	Austria	Albania	Armenia	Bahrain	Benin	Australia
Barbados	Bolivia	Belgium	Bosnia	Azerbaijan	Iran	Botswana	Bangladesh
Canada	Chile	Bulgaria	Croatia	Belarus	Israel	Burundi	Bhutan
Grenada	Costa Rica	Czech Rep.	Iceland	Georgia	Jordan	Cameroon	Cambodia
Guyana	Ecuador	Denmark	Macedonia	Kazakhstan	Kuwait	Cape Verde	China PR
Haiti	El Salvador	Estonia	Montenegro	Kyrgyz Rep.	Lebanon	Comoros	China HK SAR
Jamaica	Honduras	Finland	Norway	Moldova	Libya	Congo DR	China Macao SAR
							Fiji
Netherlands Antilles	Mexico	France	Serbia	Tajikistan	Oman	Cote d'Ivoire	India
Trinidad and Tobago	Nicaragua	Germany	Switzerland	Russian Federation	Syria	Ethiopia	Indonesia
United States	Panama	Greece	Turkey			Gabon	Japan
	Paraguay	Hungary		Ukraine		Gambia, The	Korea (Rep. of)
	Peru	Ireland				Ghana	Malaysia
	Uruguay	Italy				Guinea-Bissau	Maldives
		Latvia				Guinea	Mongolia
		Lithuania				Kenya	Myanmar
		Luxembourg				Madagascar	Nepal
		Malta				Mauritius	New Zealand
		Netherlands				Morocco	Pakistan
		Poland				Mozambique	Philippines
							Samoa
		Portugal				Namibia	Solomon Islands
							Sri Lanka
		Romania				Rwanda	Thailand
		Slovakia				Seychelles	Tonga
		Slovenia				Sierra Leone	
		Spain				Somalia	
		Sweden				South Africa	
		United Kingdom				Swaziland	
						Tanzania	
						Uganda	
						Zambia	
Total	132						

28. To maximize coverage, quality and consistency, the IMF formed a Task Force in June 2007 to prepare a Guide on the CDIS. In addition to the IMF's interagency partners, eleven jurisdictions also participated in the Task Force[8]. The Guide was prepared in a near final form by March 2008 and posted to the IMF web site. The final version in English has been translated into Arabic, Chinese, French, Russian, and Spanish. These documents can be found on the CDIS website at http://www.imf.org/external/np/sta/cdis/index.htm.

29. In addition to the Guide, the IMF, with the support of its interagency partners, conducted 10 regional seminars on the CDIS in 2008. These were held in Barbados (for economies and jurisdictions in the Caribbean and Atlantic); China PR; Luxembourg[9] (for members of the European Union and of the European Free Trade Association); Malaysia (for economies in East and South Asia and the Pacific); Mexico (for Latin American economies); Oman (for economies in the Middle East); Slovenia (for formerly centrally planned economies in South East Europe and Central Asia); Tunisia (for Francophone African economies); and South Africa (for Anglophone African economies). As a result of these seminars, it was clear that many participants are well advanced and needed no further input from the IMF, whereas others needed further assistance.

30. In 2009, to maximize the effectiveness of the IMF efforts to assist countries to participate in the CDIS, workshops were held in four regions where further input from the IMF was needed. These were Anglophone African countries (in South Africa), Francophone African countries (in Tunisia), jurisdictions in the Caribbean and the Atlantic (in Barbados), and countries in South and East Asia (in India). These workshops focused on the model survey questionnaires that the IMF had prepared, and the participants' implementation plans, especially with regard to the development of a survey frame, the identification of respondents, and their communications strategies. In addition, the IMF held one-on-one meetings with China PR and Russia to address issues of particular significance for these countries.

31. The CDIS data are scheduled to be reported to the IMF by the end of September 2010, and they are scheduled to be published by the end of 2010/early 2011. Revised data will be submitted to the IMF by the end of March 2011 and these should be published in June or July 2011. In addition to the data, participants will be asked to provide metadata and indicate what improvements have been introduced as a result of conducting the CDIS.

32. The IMF is considering undertaking post-survey workshops in early 2011. The purpose of these workshops would be to review the results, explore what had been successful and what needs further work, help move participants to adopt the international standards, and to review future plans of participants.

VI. European statistical developments to improve data quality on direct investment

33. Many of the problems indicated above are clearly evident in bilateral data (in particular for transactions) within the European Union (EU). To address these problems, the EU (member states, the ECB and Eurostat) has initiated two significant projects. The first is the "FDI Network" which aims at ensuring that transactions above 2 billion euros (and a few below that threshold) between members of the EU are captured and reported

[8] The jurisdictions were: Brazil, China PR, China Hong Kong, France, Japan, Mexico, the Netherlands, Oman, South Africa, United Kingdom, and the United States.

[9] Two seminars were held in Luxembourg as there were too many participants to be accommodated in one seminar.

consistently by both parties. The second initiative is the creation of the EuroGroups Register (EGR). The purpose of the EGR is to create a business register of all the major multinational enterprise groups in Europe, together with the legal entities (and country of residence) of the constituent parts of those groups. The aim of both of these initiatives is to lead to comprehensive and consistent reporting to national authorities. These initiatives are still evolving and are still in the early stages; progress to date has been positive.

VII. Recommended Future Work on the Issue

34. With continued strong international support for the CDIS and continued research into direct investment data compilation and analytical issues, the quality of data on direct investment used in both the international and national economic accounts will be substantially improved. For example, with improved data collection by an economy, as well as the availability of bilateral counterpart data ("mirror data") from other economies participating in the CDIS, there will be better coverage and consistency of balance sheet information for both equity and debt, assets and liabilities, and there will be benefits to the flow accounts as well. Indeed, the Guide identifies a number of income and financial account items that economies may choose to collect as part of the CDIS (these additional items will not be reported to the IMF). These include the collection of data on all aspects of direct investment income (interest, dividends, and reinvested earnings) and financial account transactions by instrument. The availability of mirror data can help an economy target areas where its own data may be weak.

35. A further benefit from CDIS participation may be improvement in the quality of data on foreign-controlled enterprises—such as statistics on the Activities of Multinational Enterprises (AMNE statistics), and the closely related data on Foreign AffiliaTes Statistics (FATS) and data on the foreign-controlled sector of the national accounts.

36. The work underway in various task forces and statistical committees should also further improve the quality of direct investment data used in the macroeconomic accounts. The consolidation issue that was described above will be taken forward to and examined by these groups. In particular, work has been conducted in European task forces and statistical committees where direct investment issues have been studied, and the IMF is looking at direct investment issues as part of its work program on the BPM6 Compilation Guide. Also, under a joint ECB/Eurostat initiative and in close cooperation with FDI compilers in EU Member States, the FDI Network was formed in mid-2009. It has improved FDI data by facilitating a secure exchange of information between national compilers on large transactions.

37. We are pleased to be reporting that the CDIS and these other international efforts have been receiving strong support, and we are optimistic of further support and progress in the months ahead. To that end, the IMF Committee on Balance of Payments Statistics, at is meeting in Shanghai, China PR, in November 2009, gave very strong support to the IMF proposal that the CDIS become an annual undertaking. As a result, the 2009 CDIS will be the first in a series of annual surveys that will sharpen our understanding of cross-border investment and substantially improve the data used in the economic accounts.

VIII. References

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