

STATISTICS DIRECTORATE

National Accounts and Economic Statistics – International Trade Statistics

BALANCE OF PAYMENTS WORKING GROUP

Progress report on the draft Regulation on FATS statistics

OECD INTERNATIONAL TRADE STATISTICS MEETING (ITS) AND OECD-EUROSTAT MEETING OF EXPERTS IN TRADE IN SERVICES STATISTICS (TIS)

Château de la Muette, Paris

26 – 29 April 2004

Room 6

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EUROPEAN COMMISSION
EUROSTAT

Directorate C: Economic and monetary statistics
Unit C-4: Balance of payments



19 February 2004

BP/04/07

BALANCE OF PAYMENTS WORKING GROUP

18 – 19 MARCH 2004

Quetelet Room, BECH Building

Kirchberg, Luxembourg

Starting: 18 March at 9:30 a.m.

Ending: 19 March at 4:00 p.m.

PROGRESS REPORT ON THE DRAFT REGULATION ON FATS STATISTICS *

1. Background

In June 2003 the CMFB discussed a version of the draft regulation on FATS. Following that meeting some amendments were introduced. In particular, a new article 11 was introduced in which the role of the CMFB is formalised.

The draft regulation was subsequently discussed at the SPC meeting of September 2003. Further changes were required by the SPC, particularly as concerns the part on outward FATS. Some delegates considered

* **Website :** <http://forum.europa.eu.int/Members/irc/dsis/bop/home>

that quality would not be sufficient to cover user needs, whilst the burden on businesses might be high. They proposed to carry out cost-benefit analysis studies before having a regular data collection.

Other delegations disagreed with this concern because the register for outward FDI statistics could be used and the quality would be comparable.

Consequently, Eurostat proposed to implement the module of outward FATS through pilot studies within the framework of the Regulation. As a result the FATS Regulation could be kept as a framework regulation for both inward and outward FATS. The Commission could thus explore the possibilities for co-financing the pilot studies and could analyse together with the Member States the results, costs and benefits.

The FATS Joint Working Group was consulted by written procedure in November 2003 and a “narrow” majority was in favour of this solution, whilst in the discussion in the SBS Steering Group in November 2003, the large majority was in favour of this solution.

Besides this point on outward FATS, there were still diverging views on few items for which Eurostat could not yet reach a final decision. Hence Eurostat has made further modifications to the draft regulation and launched one last round of consultations aiming at reaching a consensus in the SPC in May 2004. **Annex 1** summarises the results of the last consultation of the FATS JWG, while the resulting version of the Draft Regulation is given as **Annex 2**.

Finally, on 19 February 2004, a meeting took place between Eurostat and several Directorates General of the Commission (Trade, Enterprise, Education and Culture) concerned by the FATS project.

All of these DGs expressed their disappointment and concern with the lack of data on outwards FATS considering the importance they have for many relevant policy purposes.

2. Follow up

Once the results of this last consultation of the FATS JWG are integrated, a revised proposal for the FATS regulation will be sent for a last opinion of the CMFB. The objective is to have a finalised version for presentation to the SPC in May 2004 integrating comments from all parties involved in the issue.

ANNEX 1

Summary of the second FATS JWG consultation regarding the Draft FATS Regulation

20 countries have sent their replies to the second consultation.

Below, Eurostat's proposals and the conclusions drawn from the comments:
Eurostat proposed to change the module on outward FATS into pilot studies

This proposal was brought up in the SPC in September 2003 because some delegates considered the quality would not be sufficient to cover user needs, whilst the burden on businesses might be high. Thus, it was proposed to carry out pilot studies first including cost-benefit analysis before having a regular data collection.

Others disagreed with this concern because the register for outward FDI statistics could be used and the quality would be comparable.

Eurostat proposed to change the module outward FATS into pilot studies. Like this, the FATS Regulation could be kept as a framework regulation for both inward and outward FATS. The Commission could thus explore the possibilities for co-financing the pilot studies and could analyse together with the Member States the results, costs and benefits.

In the first consultation of November 2003 a "narrow" majority was in favour of this solution, whilst in the discussion in the SBS Steering Group in November 2003, the large majority was in favour of the solution.

In the second consultation, 17 countries were in favour of the solution, in two countries the National Statistical Institute was in favour, but the Central Bank objected changing the module on outward FATS into pilot studies. 1 country did not comment this question.

Conclusion: Eurostat's proposal is adopted.

Eurostat proposed to keep the original version of article 4, data sources

One Member State requested in the SPC that article 4 should specify exactly the respondents. For the previous consultation of the FATS JWG in November 2003, Eurostat proposed to keep the original version in the sense of having a clearly output-oriented regulation, but drafted a possible solution for a revised version of article 4 which would be similar to the article about data sources in the SBS-Regulation.

Both versions are quoted here again:

Original version:

1. Member States may, whilst complying with conditions as to quality referred to in Article 6, collect the information required under this Regulation using any sources they consider relevant.

2. Natural and legal persons required to supply information shall, when responding, comply with the time limits and definitions set by the national institutions responsible for the collection of data within the Member States in accordance with this Regulation.
3. Where the required data cannot be collected at a reasonable cost, best estimates may be transmitted.

Revised version:

1. Member States shall acquire the necessary data required under this Regulation.
2. Member States may acquire the necessary data using a combination of different sources specified below, applying the principle of administrative simplification:
compulsory surveys: the legal units, to which the statistical units called on by the Member States belong or of which they are composed, shall be obliged to give accurate and complete information within the prescribed deadlines,
other sources which are at least equivalent as regards accuracy and quality,
statistical estimation procedures where some of the characteristics have not been observed for all of the units.
3. In order to reduce response burdens, the national authorities and the Community authority shall, under the limits and the conditions fixed by each Member State and by the Commission in their respective spheres of competence, have access to administrative data sources covering the fields of activity of their own public administrations to the extent that these data are necessary to meet the accuracy requirements referred to in Article 6.
4. Member States and the Commission, within their respective fields of competence, shall promote the conditions for increased use of electronic data transmission and automatic data-processing.

Eurostat proposed to keep the original version because it is more in line with an output-oriented regulation.

In the first written consultation, there was a narrow majority for keeping the original version of article 4, whilst in the SBS Steering Group a majority had no preferences and could accept both solutions.

In the second written consultation, 19 countries did not object keeping the original version, whilst one country did. However, two of the 19 countries would have preferred the revised version.

Conclusion: Eurostat's proposal is adopted.

Eurostat proposed to make the production value into an optional variable for credit institutions

The production value would be necessary for a correct evaluation of the relevance of foreign control in credit institutions.

A majority of Member States reported in the written consultation and in the SBS Steering Group that the production value is available from existing statistics, in particular SBS, whilst some have difficulties in collecting this variable.

Following the discussions in the SBS Steering Group, Eurostat had changed the production value into an optional variable.

In the second written consultation, 17 countries did not object, but one country and the NSI in another country did. It was proposed to keep turnover for NACE section J except for credit institutions. This

proposal should be taken into account. In detail: turnover should be kept for NACE section J with production value as a proxy for NACE class 65.

Conclusion: Eurostat amends the proposal. In the Draft FATS Regulation, Annex 1, Section 2, last sentence, ‘production value’ will be replaced with ‘turnover’. The footnote (*) will be replaced with ‘For NACE Rev. 1.1 division 65 turnover will be replaced by production value.’

Eurostat proposed to make the collection of data for NACE sections M, N and O into pilot studies for module inward FATS

One proposal made by the countries in the written consultation and in the SBS Steering Group was to delete the data collection of NACE sections M, N and O from activity breakdown level 3 because these activities are not collected within SBS. As these data are available from other sources in some countries, we proposed to test the data collection in pilot studies and to add the following sentence to paragraph 5 of section 6, reports and pilot studies, of annex 1, the common module for inward statistics on foreign affiliates:

“Pilot studies will also be conducted to study the feasibility of compiling data for activities in NACE sections M, N and O.”

In the second written consultation, 17 countries did not object, whilst 3 countries did. From the comments received it seems that the alternatives were not made clear enough. If M, N and O are not changed into pilot studies, they have to be kept as compulsory in the Regulation due to the great user demand. The inclusion of pilot studies on M, N and O into the SBS Regulation received general support in the written consultation of National Statistical Institutes on the amendment of the SBS Regulation, so the approach is coherent for both regulations.

Conclusion: Eurostat’s proposal is adopted.

Eurostat proposed to modify the proposed activity breakdown for inward FATS, level 3 by deleting some aggregates

In general, countries supported the proposed reduction of the level of detail in the written consultation, whilst users would like to keep a detailed breakdown. OECD requests a more detailed breakdown in the frame of the data collection that will be foreseen with the handbook on economic globalisation indicators.

In the SBS Steering Group meeting, confidentiality was specified as the main reason for further reducing the level of detail. However, a further reduction of the activity breakdown would not be accepted by the users. Additionally, Eurostat needs the detail to calculate EU aggregates and takes all the necessary measures to ensure the confidentiality of data transmitted according to the Confidentiality Regulation¹.

In order to reduce the number of 3-digit breakdowns requested and to avoid requesting 4-digits breakdowns, Eurostat proposed a number of special aggregates in the written consultation. Of those, Eurostat proposes to keep the aggregates: high-technology, medium-high-technology, medium-low-technology, low-technology, high-technology services and knowledge intensive services, as these are of high interest to the users. The compilation of these aggregates according to level of technological intensity, for which an agreed OECD-Eurostat-definition was used, is also recommended in the handbook on economic globalisation indicators. Eurostat proposes to delete the other previously included aggregates

¹ Council Regulation (EURATOM, EEC) N° 1588/90 of 11 June 1990 on the transmission of data subject to statistical confidentiality to the Statistical Office of the European Communities, OJ No. L 151, 15.6.1990, p. 1.

(information and communication technology, capital intensive and labour intensive) from the draft regulation.

In the second written consultation, 19 countries had no objections, whilst in one country the NSI had no objections, but the CB did.

Conclusion: Eurostat's proposal is adopted.

Eurostat proposed to include the 1%-Rule for the variables 22110 and 22120

In the previous written consultation of the FATS JWG and in the SBS Steering Group it was proposed that the "1%-Rule" for the variables 22110 (total intramural R&D expenditure) and 22120 (total number of R&D personnel) be added into the FATS regulation in accordance with the SBS-Regulation, Annex 2. Eurostat proposed to add the following footnote in relation to these two variables into Annex1:

"If the total amount of the turnover or the number of persons employed in a division of NACE Rev. 1 Sections C to E represent, in a Member State, less than 1% of the Community total, the information necessary for the compilation of statistics relating to characteristics 22 11 0 and 22 12 0 need not to be collected for the purposes of this Regulation. If necessary for Community policy requirements, the Commission may, in accordance with the procedure laid down in Article 10(2) of this Regulation, request ad hoc collection of this data."

In the second written consultation, 18 countries did not object, whilst one country did. One country proposed that the variables 22110 and 22120 should not be included in the FATS Regulation because they are already included in R&D statistics. In the Draft R&D Regulation, no breakdown by foreign control or ownership is foreseen. In addition, the variables total intramural R&D expenditures and total number of R&D personnel will be collected only every second year, but they are needed yearly. Furthermore, the statistical units are not identical in both draft regulations.

Conclusion: Eurostat's proposal is adopted.

The results of the second consultation can be seen in detail from annex 2.

Summary tables of comment given

Item	No	Yes	Comments
Do you object to changing the module on outward FATS into pilot studies?	BE (NSI)	BE (CB)	NSI could not participate in pilot studies.
	DE		Only variables number of enterprises, number of employees and turnover.
	EE		
	EL		
	ES		Only pilot studies for variables turnover, number of employees (or number of persons employed), number of enterprises, exports of goods and services and imports of goods and services. Deleting intra-group export of goods and services, intra-group import of goods and services, value added at factor cost, gross investment in tangible goods.
	FR		Reference to indirect control should be deleted in article 5.
	IE		Some concerns about how these and other pilot studies will be assessed. Regarding Article 5.3, who will deem them successful or not.
	IT (ISTAT)	IT (UCI)	UCI: We share the opinion that the register for outward FDI statistics could be used and the quality would be comparable. Moreover, the introduction of pilot studies in a Regulation and the potential ambiguity of an uncertain comitology appear questionable.
	LT		
	LU		
	HU		
	NL		However, the results of the pilot should be incorporated in the final regulation.
	AT		Serious doubts concerning the possibility to collect 'value-added'. Level of detail should be 3-digit.
	PL		
	PT (CB)		
	SI		
FI			
UK		The timing of the pilots will be important for the UK given our other commitments.	
TR			

Item	No	Yes	Comments
Do you object to keeping the original (shorter) version of article 4, data sources?	BE		CB: This solution favours the consistency with the BoP Regulation where the text is similar.
	CZ		
	DE		But would prefer the “revised” version because it would be a better legal basis if additional surveys are necessary.
	EE		Although formulation of different data sources gives better legal basis for data collection (Bank of Estonia).
	EL		
		ES	The revised version of article 4 is preferred because it would be similar to the article about data sources in the SBS Regulation.
	FR		
	IE		Prefer “original” version.
	IT		
	LT		
	LU		
	HU		
	NL		
	AT		
	PL		
	PT		CB: Agree in keeping the original (shorter) version of article 4, because this version has a larger scope and list all relevant sources. NSI: Nevertheless, the revised version does not seem to restrict the ability of the compiler to choose, at any time, the best data sources available given the existing restrictions. In this sense, we do not have any objections on the revised version as well.
	SI		
	FI		
UK		The original wording is preferable.	
TR			

Item	No	Yes	Comments	
Do you object to making the variable 'production value' as <u>optional</u> for credit institutions?	BE			
	CZ			
	DE		Turnover should be kept for NACE section J except credit institutions.	
	EE			
	EL			
	ES			
	FR			
	IE			
	IT (UIC)	IT (ISTAT)		ISTAT: We do not have problem to collect or estimate this variable.
		LT		If NACE groups 65.12 and 65.22 would be optional, it would be impossible to calculate 'production value' for division 65 as foreseen in the draft regulation. 'Production value' for all division 65 has to be optional.
	LU			
	HU			
	NL			
	AT			
				PL: Decision has to be taken by Insurance Supervisory Commission.
	PT (NSI)			The variable 'production value' is available for Portuguese credit institutions; however we do not have any objection to making this variable as optional.
	SI			
FI				
UK			We would have difficulties providing this variable given our present sources.	
TR				

Item	No	Yes	Comments
Do you object to making data collection of NACE sections M, N and O into pilot studies for the module on inward FATS?	BE		NSI: The calculation of inward FATS seem unusual for M, N and O.
	CZ		
		DE	To be consistent with SBS.
	EE		Data are produced in the framework of SBS (Statistical Office).
	EL		
	ES		Coherence with SBS Regulation.
	FR		
	IE		See comments for point 1.
	IT		
		LT	
	LU		
	HU		
	NL		
	AT		
	PL		
	PT (NSI)		The scope of FATS Regulation should be the same of SBS Regulation. Therefore NACE sections M, N and O could be included into pilot studies, for the inward FATS module.
	SI		
	FI	NACE sections M, N and O should first be included in SBS Regulation.	
UK		Proposal needs aligning with SBS-R amendments. Section N is most problematic.	
TR			

Item	No	Yes	Comments
Will you object to keeping the aggregates high-technology, medium-high-technology, medium-low-technology, low-technology, high-technology services and knowledge intensive services?	BE (NSI)	BE (CB)	CB: We would favour a limitation to level 1 and level 2; level 3 appears a supplementary constraint. We favour consistency with BoP Regulation.
	CZ		
	DE		Question of quality of the aggregates.
	EE		
	EL		
	ES		
	FR		
	IE		
	IT		
	LT		
	LU		
	HU		
	NL		
	AT		
	PL		
	PT (NSI)		We do not have anything to object because these size classes are more aggregated of the ones fixed on the SBS Regulation.
	SI		
	FI		
	UK		Provided these are well defined. Preference is to exclude but not strong.
	TR		

Item	No	Yes	Comments
Will you object to adding the 1%-Rule for the variables 22110 and 22120?	BE		NSI can not provide these data. CB: In theory seems favourable but the practice supposes a priori measurement.
	CZ		
		DE	Data are necessary to calculate aggregates. The number of MS for which the rule is important is increasing. There will be a high lack of information. The majority of small MS will decide about the data delivery for the big countries.
	EE		
	EL		
	ES		
	FR		
	IE		
	IT		
	LT		
	LU		
	HU		
	NL		
	AT		
	PL		
	PT (NSI)		Variables 22110 and 22120 have some quality problems related with low response rate on business survey.
	SI		
			FI: Variables 22110 and 22120 are already included in R&D statistics and do not, thus, need to be included in inward FATS.
	UK		
	TR		

**ANNEX 2
DRAFT REGULATION**



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels,
COM(2003)

Draft Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

On Community statistics on the structure and activity of foreign affiliates

(Text with EEA relevance)

(presented by the Commission)

EXPLANATORY MEMORANDUM

(Non available)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

On Community statistics on the structure and activity of foreign affiliates

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 285(1) thereof,

Having regard to the proposal from the Commission²,

Having consulted the European Central Bank in accordance with Article 105(4) of the Treaty³,

Acting in accordance with the procedure laid down in Article 251 of the Treaty⁴,

Whereas:

- (1) Article 99(3) of the Treaty requires the Commission to submit reports to the Council in order to enable the Council to monitor economic developments in each of the Member States and in the Community as well as the consistency of economic policies with certain broad guidelines.
- (2) Under Article 133(2) and (3) of the Treaty, the Commission must submit proposals to the Council for implementing the common commercial policy and the Council must authorise the Commission to open the necessary negotiations.
- (3) The implementation and the review of the General Agreement on Trade in Services (GATS) and of the Trade-Related Intellectual Property Rights' Agreement (TRIPs) as well as the current and future negotiations on further agreements call for the relevant statistical information to be made available in order to assist the negotiations.
- (4) Regular and good quality Community statistics on the structure and activity of foreign affiliates in the whole economy are essential for an adequate assessment of the impact of foreign-owned enterprises on the European Union economy. This would facilitate the monitoring of the effectiveness of the internal market and the progressive integration of the economies in the context of globalisation. In this context, multinational enterprises are playing a leading role, but also small and medium-sized enterprises can be concerned by foreign control.

² OJ C [...], [...], p. [...].

³ OJ C [...], [...], p. [...].

⁴ OJ C [...], [...], p. [...].

- (5) For the preparation of economic, competition, enterprise, research, technical development and employment policies in the context of the liberalisation process statistics on foreign affiliates to measure direct and indirect effects of foreign control on employment, wages and productivity in particular countries and sectors are necessary.
- (6) The information provided under existing Community legislation or available in Member States is insufficient, inadequate or insufficiently comparable to serve as a reliable basis for the work of the Commission.
- (7) European Parliament and Council Regulation (EC) No .../...⁵ establishes a common framework for the systematic production of Community statistics on Balance of Payments, International Trade in Services and Foreign Direct Investment. As Balance of Payments statistics cover only partially the data included in the GATS agreement, it is essential that detailed statistics on foreign affiliates be produced regularly.
- (8) Council Regulation (EC, Euratom) No 58/97⁶ as last amended by Council Regulation (EC, Euratom) No. 2056/2002⁷ and Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical unit for the observation and analysis of the production system in the Community⁸ established a common framework for the collection, compilation, transmission and evaluation of Community statistics on the structure and activity of businesses in the Community.
- (9) The compilation of national accounts according to the Council Regulation (EC) No 2223/96⁹ of 25 of June 1996 on the European System of Accounts in the Community requires comparable, complete and reliable business statistics on foreign affiliates.
- (10) Collectively, the Manual on Statistics of International Trade in Services of the United Nations, the Balance of Payments Manual (5th edition) of the International Monetary Fund, the Benchmark Definition on foreign direct investment and the Manual on Economic Globalisation Indicators of the Organisation for the Economic Co-operation and Development define the general rules for compiling international comparable statistics on foreign affiliates.
- (11) The production of specific Community statistics is governed by the rules set out in Regulation No 322/97¹⁰.
- (12) Since the objective of the action to be taken, namely the creation of common statistical standards for the production of comparable statistics on foreign affiliates, cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale or effects of the action, be better achieved at Community level, the Community may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary to achieve that objective.

⁵ OJ L [...], [...], p. [...].

⁶ OJ L 14, 17.1.1997, p.1

⁷ OJ L 317, 21.11.2002,p.1.

⁸ OJ L 76/1, 30.3.1993, p.1.

⁹ OJ L 310, 30.11.1996, p.1.

¹⁰ OJ L 52, 22.2.1997, p. 1.

- (13) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission¹¹.
- (14) The Statistical Programme Committee and the Committee on Monetary, Financial and Balance of Payments Statistics have been consulted.

HAVE ADOPTED THIS REGULATION:

Article 1

Subject matter

This Regulation establishes a common framework for the systematic production of Community statistics on the structure and activity of foreign affiliates.

Article 2

Definitions

For the purpose of this Regulation, the following definitions apply:

- “Foreign affiliate” shall mean an enterprise resident in the compiling country on which an institutional unit not resident in the compiling country has control, or an enterprise not resident in the compiling country on which an institutional unit resident in the compiling country has control.
- “Control” shall mean the ability to determine the general policy of an enterprise by choosing appropriate directors, if necessary. Enterprise A is deemed to be controlled by an institutional unit B when B controls - directly or indirectly - more than half of the shareholders’ voting power or more than half of the shares.
- “Branches” shall mean local units without separate legal entity, which are dependent on foreign owned enterprises. They are treated as quasi-enterprises.
- “Statistics on foreign affiliates” shall mean statistics describing the overall activity of foreign affiliates.
- “Inward statistics on foreign affiliates” shall mean statistics describing the activity of foreign affiliates resident in the compiling economy.
- “Outward statistics on foreign affiliates” shall mean statistics describing the activity of foreign affiliates abroad controlled by the compiling economy.
- “Ultimate controlling institutional unit of a foreign affiliate” shall mean the institutional unit, proceeding up a foreign affiliate’s chain of control, which is not controlled by another institutional unit.

¹¹ OJ L 184, 17.7.1999, p. 23.

- “Enterprise”, “Local unit” and “Institutional unit” shall have the meaning attributed to it in Regulation (EEC) No 696/93 of 15 March 1993¹² on the statistical unit for the observation and analysis of the production system in the Community.

Article 3

Submission of data

Member States shall submit to the Commission (Eurostat) data on foreign affiliates for the characteristics, the economic activities and the geographical breakdown as referred to in Annexes I, II and III.

Article 4

Data sources

1. Member States may, whilst complying with conditions as to quality referred to in Article 6, collect the information required under this Regulation using any sources they consider relevant.
2. Natural and legal persons required to supply information shall, when responding, comply with the time limits and definitions set by the national institutions responsible for the collection of data within the Member States in accordance with this Regulation.
3. Where the required data cannot be collected at a reasonable cost, best estimates may be transmitted.

Article 5

Pilot studies

1. The Commission shall draw up a programme for pilot studies to be carried out by Member States to investigate on the feasibility and costs of collecting data on additional variables and breakdowns, and of collecting data on the activity foreign affiliates controlled abroad.
2. The Commission programme for pilot studies shall be consistent with Annexes I and II.
3. On the basis of the conclusions of the pilot studies, the Commission shall adopt the necessary implementation measures in accordance with the procedure referred to in Article 10(2).
4. The pilot studies shall be conducted at the latest within five years after the entry into force of this Regulation.

Article 6

Quality standards and reports

1. Member States shall take all measures necessary to ensure the quality of the data transmitted according to common quality standards.
2. Member States shall supply the Commission (Eurostat) with a report on the quality of the data transmitted (hereafter referred to as “quality reports”).
3. The common quality standards as well as the content of the quality reports shall be specified by the Commission in accordance with the procedure referred to in Article 10(2).

¹² OJ L 76, 30.3.1993, p. 1.

4. The Commission shall assess the quality of the data transmitted on the basis of the quality reports transmitted by the Member States, and shall define the periodicity of such exercise.

Article 7

Recommendations manual

The Commission shall publish a recommendations manual in close co-operation with the Member States, which contains supplementary guidance concerning the Community statistics produced pursuant to this Regulation.

Article 8

Timetable and derogations

1. Member States shall compile the data according to the implementation timetable as specified in Annexes I and II.
2. During a transitional period that shall not exceed four years from the first reference year, derogations may be granted by the Commission to Member States when their national statistical systems require major adaptations.

Article 9

Implementing measures

The measures for implementing this Regulation shall be adopted in accordance with the procedure referred to in Article 10(2). In particular, these shall include measures:

- for adjustment to economic and technical developments in the collection and statistical processing of data, as well as the processing and the transmission of results;
- for adjustment of the definitions, if necessary, according to economic and methodological developments;
- for adaptations of the level of detail listed in Annexes I, II and III;
- for the definition of the proper common quality standards and the contents of the quality reports;
- for setting out the appropriate format and procedure for the transmission of results by Member States;
- for the implementation of the results of the pilot studies.

Article 10

Committee

1. The Commission shall be assisted by the Statistical Programme Committee, established by Decision 89/382/EEC, Euratom.
2. Where reference is made to this paragraph, Articles 5 and 7 of Decision 1999/468/EC shall apply, having regard to the provisions of Article 8 thereof.

The period referred to in Article 5(6) of Decision 1999/468/EC shall be three months.

3. The Committee shall adopt its rules of procedure.
4. The European Central Bank and the national central banks attend the meetings of the Committee as observers, for the purpose of this Regulation.

Article 11

Co-operation with the Committee on Monetary, Financial and Balance of Payments Statistics

In implementing this Regulation, the Commission shall request the opinion of the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) on all matters falling within the competence of this committee, notably about all measures for adjustment to economic and technical developments concerning the collection and statistical processing of data, the processing and transmission of results, in accordance with Article 2 of Council Decision 91/115/EEC.

Article 12

Report on implementation

The Commission shall, within five years of the entry into force of this Regulation, submit a report to the European Parliament and the Council on the implementation of this Regulation. In particular, this report shall:

- assess the quality of the statistics produced;
- assess the benefits accruing to the Community, the Member States, the providers and users of statistical information of the statistics produced in relation to the costs;
- assess the progress of the pilot studies and their implementation;
- identify areas for potential improvement and amendments considered necessary in light of the results obtained and the costs involved.

Article 13

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, [...]

For the European Parliament
The President
[...]

For the Council
The President
[...]

ANNEX I

COMMON MODULE FOR INWARD STATISTICS ON FOREIGN AFFILIATES

Section 1

Statistical unit

The statistical units are the enterprises and all branches, which are under foreign control as defined in Article 2.

Section 2

Characteristics

The following characteristics as defined in the Annex to Commission Regulation (EC) No 2700/98 of 17 December 1998 concerning the definitions of characteristics for structural business statistics¹³ are to be compiled:

Code	Title
11 11 0	Number of enterprises
12 11 0	Turnover
12 12 0	Production value
12 15 0	Value added at factor cost
13 11 0	Total purchases of goods and services
13 12 0	Purchases of goods and services purchased for resale in the same condition as received
13 31 0	Personnel costs
15 11 0	Gross investment in tangible goods
16 11 0	Number of persons employed
22 11 0	Total intra-mural R&D expenditure (*)
22 12 0	Total number of R&D personnel (*)

If the number of persons employed is not available, the number of employees (code 16 13 0) should be compiled instead.

Variables total intra-mural R & D expenditure (code 22 110) and total number of R & D personnel (code 22 120) are only required to be compiled for activities in NACE sections C, D, E and F.

For NACE section J only the number of enterprises, turnover (***) and the number of persons employed (or the number of employees instead) should be compiled.

Section 3

Level of detail

Data shall be provided according to the concept of 'ultimate controlling institutional unit' with the geographical breakdown level 2-IN combined with the activity breakdown level 3 as specified in Annex III and the geographical breakdown level 3 combined with total activity.

¹³ OJ L 344, 18.12.1998.

(*) If the total amount of turnover or the number of persons employed in a division of NACE Rev. 1.1 Sections C to E represent, in a Member State, less than 1% of the Community total, the information necessary for the compilation of statistics relating to characteristics 22 11 0 and 22 12 0 need not to be collected for the purposes of this Regulation. If necessary for Community policy requirements, the Commission may, in accordance with the procedures laid down in Article 10(2) of this Regulation, request ad-hoc collection of this data."

(**) For NACE Rev. 1.1 division 65 turnover will be replaced by production value.

Section 4

First reference year and periodicity

1. The first reference year for which annual statistics shall be compiled is the calendar year of the entry into force of this Regulation.
2. Member States shall provide data for every calendar year thereafter.

Section 5

Transmission of results

The results shall be transmitted within 20 months from the end of the reference year.*Section 6*

Reports and pilot studies

1. Member States shall provide the Commission with a report relating to the definition, structure and availability of the statistical data to be compiled for the purposes of this common module.
2. For the level of detail covered by this Annex, the Commission will institute pilot studies to be carried out by Member States according to Article 5 of this Regulation.
3. The pilot studies are carried out in order to assess the relevance and feasibility of obtaining data, taking into account the benefits of the availability of the data in relation to the cost of collection and the burden on business.
4. Pilot studies will be conducted for the following characteristics

Code	Title
	Exports of goods and services
	Imports of goods and services
	Intra-group export of goods and services
	Intra-group import of goods and services

5. Pilot studies will also be conducted to study the feasibility of compiling the variables total intramural R & D expenditure (code 22 110) and total number of R & D personnel (code 22 120) for activities in NACE sections G, H, I, J, K, M, N and O, and to assess the relevance, feasibility and costs of breaking down the data as specified in section 2 into size classes measured in terms of number of persons employed. Pilot studies will also be conducted to study the feasibility of compiling data for activities in NACE sections M, N and O.

ANNEX II

COMMON MODULE FOR OUTWARD STATISTICS ON FOREIGN AFFILIATES

Section 1

Statistical unit

The statistical units are the enterprises and all branches abroad that are controlled by an institutional unit resident in the compiling economy, according to the definitions contained in Article 2.

Section 2

Pilot studies

For the level of detail covered by this Annex, the Commission will institute pilot studies to be carried out by Member States according to Article 5 of this Regulation.

The pilot studies are carried out in order to assess the relevance and feasibility of obtaining data, taking into account the benefits of the availability of the data in relation to the cost of collection and the burden on business.

Section 3

Characteristics

The collection of the following characteristics, as defined in the Annex to Commission Regulation (EC) No 2700/98 of 17 December 1998 concerning the definitions of characteristics for structural business statistics¹⁴, will be the object of pilot studies:

Code	Title
12 11 0	Turnover
16 130	Number of employees
11 11 0	Number of enterprises
	Exports of goods and services
	Import of goods and services s
	Intra-group export of goods and services
	Intra-group import of goods and services
12 15 0	Value added at factor cost
15 11 0	Gross investment in tangible goods

Section 4

Level of detail

Data shall be provided with the detail by country of location and by kind of activity of the foreign affiliate specified in annex 3. The detail by country of location and kind of activity shall be combined as follows:

- Level 1 of the geographical breakdown combined with Level 2 of the activity breakdown.
- Level 2-OUT of the geographical breakdown combined with level 2 of the activity breakdown.
- Level 3 of the geographical breakdown combined with data on total activity only.

¹⁴ OJ L 344, 18.12.1998.

ANNEX III

LEVELS FOR DETAILED INFORMATION BY GEOGRAPHY AND BY ACTIVITY

GEOGRAPHICAL	Level 1	Level	2-OUT
D4	Extra-EU-15	D4	Extra-EU15
		IS	Iceland
CH	Switzerland	LI	Liechtenstein
		NO	Norway
		CH	Switzerland
		BG	Bulgaria
		HR	Croatia
		RO	Romania
		RU	Russian Federation
		TR	Turkey
		EG	Egypt
		MA	Morocco
CA	Canada	NG	Nigeria
US	United States of America	ZA	South Africa
		CA	Canada
		US	United States
		MX	Mexico
		AR	Argentina
		BR	Brazil
		CL	Chile
JP	Japan	UY	Uruguay
		VE	Venezuela
		IL	Israel
		CN	China
		HK	Hong Kong
		IN	India
		ID	Indonesia
		JP	Japan
		KR	South Korea
		MY	Malaysia
		PH	Philippines
		SG	Singapore
		TW	Taiwan
		TH	Thailand
		AU	Australia
D6	Candidate Countries	NZ	New Zealand
Z8	<u>Extra EU-15 non allocated</u>	Z8	Extra EU-15 non allocated
C4	Offshore Financial Centers	C4	Offshore Financial Centers¹

Level 2-IN**A1 World total (all entities including compiling country)****Z9 Rest of the World (excluding compiling country)****A2 Controlled by the compiling country****D2 EU-15 (Intra-EU-15)**

BE Belgium

DK Denmark

DE Germany

GR Greece

ES Spain

FR France

IE Ireland

IT Italy

LU Luxembourg

NL Netherlands

AT Austria

PT Portugal

FI Finland

SE Sweden

UK United Kingdom

CY Cyprus

CZ Czech Republic

EE Estonia

HU Hungary

LT Lithuania

LV Latvia

MT Malta

PL Poland

SI Slovenia

SK Slovak Republik

D4 Extra-EU15

IS Island

LI Liechtenstein

NO Norway

CH Switzerland

BG Bulgaria

RO Rumania

TR Turkey

RU Russian Federation

IS Israel**CA Canada****US United States****JP Japan****CN China****HK Hongkong****AU Australia****C4 Offshore Financial Centers****Z8 Non-allocated**

Level 3

AD	Andorra	EE	Estonia	KZ	Kazakistan	QA	Qatar
AE	United Arab Emirates	EG	Egypt	LA	Lao People's Democratic Republic	RO	Romania
AF	Afghanistan	ER	Eritrea	LB	Lebanon	RU	Russian Federation
AG	Antigua and Barbuda	ES	Spain*	LC	Saint Lucia	RW	Rwanda
AI	Anguilla	ET	Ethiopia	LI	Liechtenstein	SA	Saudi Arabia
AL	Albania	FI	Finland*	LK	Sri Lanka	SB	Solomon Islands
AM	Armenia	FJ	Fiji	LR	Liberia	SC	Seychelles
AN	Netherlands Antilles	FK	Falkland Islands (Malvinas)	LS	Lesotho	SD	Sudan
AO	Angola	FM	Micronesia, Federated States of	LT	Lithuania	SE	Sweden
AQ	Antarctica	FO	Faroe Islands	LU	Luxembourg*	SG	Singapore
AR	Argentina	FR	France*	LV	Latvia	SH	St Helena
AS	American Samoa	GA	Gabon	LY	Lybian Arab Jamahiriya	SI	Slovenia
AT	Austria*	GB	United Kingdom*	MA	Morocco	SK	Slovakia
AU	Australia	GD	Grenada	MD	Moldova, Republic of	SL	Sierra Leone
AW	Aruba	GE	Georgia	MG	Madagascar	SM	San Marino
AZ	Azerbaijan	GG	Guernsey (No official ISO 3166-1 country code,	MH	Marshall Islands	SN	Senegal
BA	Bosnia and Herzegovina	GH	Ghana	MK ¹⁵	Macedonia, the Former Yugoslav	SO	Somalia
BB	Barbados	GI	Gibraltar	ML	Mali	SR	Suriname
BD	Bangladesh	GL	Greenland	MM	Myanmar	ST	Sao Tome and Principe
BE	Belgium*	GM	Gambia	MN	Mongolia	SV	El Salvador
BF	Burkina Faso	GN	Guinea	MO	Macau	SY	Syrian Arab Republic
BG	Bulgaria	GQ	Equatorial Guinea	MP	Northern Mariana Islands	SZ	Swaziland
BH	Bahrain	GR	Greece*	MQ	Martinique	TC	Turks and Caicos Islands
BI	Burundi	GS	South Georgia and the South Sandwich Islands	MR	Mauritania	TD	Chad
BJ	Benin	GT	Guatemala	MS	Montserrat	TG	Togo
BM	Bermuda	GU	Guam	MT	Malta	TH	Thailand
BN	Brunei Darussalam	GW	Guinea-Bissau	MU	Mauritius	TJ	Tajikistan
BO	Bolivia	GY	Guyana	MV	Maldives	TK	Tokelau
BR	Brazil	HK	Hong Kong	MW	Malawi	TM	Turkmenistan
BS	Bahamas	HM	Heard Island and McDonald Islands	MX	Mexico	TN	Tunisia
BT	Bhutan	HN	Honduras	MY	Malaysia	TO	Tonga
BV	Bouvet Island	HR	Croatia	MZ	Mozambique	TP	East Timor
BW	Botswana	HT	Haiti	NA	Namibia	TR	Turkey
BY	Belarus	HU	Hungary	NC	New Caledonia	TT	Trinidad and Tobago
BZ	Belize	ID	Indonesia	NE	Niger	TV	Tuvalu
CA	Canada	IE	Ireland*	NF	Norfolk Island	TW	Taiwan, Province of China
CC	Cocos (Keeling) Islands	IL	Israel	NG	Nigeria	TZ	Tanzania, United Republic of
CD	Congo, the Democratic	IM	Isle of Man (No official ISO 3166-1 country code,	NI	Nicaragua	UA	Ukraine
CF	Central African Republic	IN	India	NL	Netherlands*	UG	Uganda
CG	Congo	IO	British Indian Ocean Territory	NO	Norway	UM	United States Minor Outlying
CH	Switzerland	IQ	Iraq	NP	Nepal	US	United States
CI	Côte d'Ivoire	IR	Iran, Islamic Republic of	NR	Nauru	UY	Uruguay
CK	Cook Islands	IS	Iceland	NU	Niue	UZ	Uzbekistan
CL	Chile	IT	Italy*	NZ	New Zealand	VA	Holy See (Vatican City State)
CM	Cameroon	JE	Jersey (No official ISO 3166-1 country code,	OM	Oman	VC	St Vincent and the Grenadines
CN	China	JM	Jamaica	PA	Panama	VE	Venezuela
CO	Colombia	JO	Jordan	PE	Peru	VG	Virgin Islands, British
CR	Costa Rica	JP	Japan	PF	French Polynesia	VI	Virgin Islands, US
CU	Cuba	KE	Kenya	PG	Papua New Guinea	VN	Viet Nam
CV	Cape Verde	KG	Kyrgyzstan	PH	Philippines	VU	Vanuatu
CX	Christmas Island	KH	Cambodia (Kampuchea)	PK	Pakistan	WF	Wallis and Futuna
CY	Cyprus	KI	Kiribati	PL	Poland	WS	Samoa
CZ	Czech Republic	KM	Comoros	PN	Pitcairn	YE	Yemen
DE	Germany*	KN	St Kitts and Nevis	PR	Puerto Rico	YT	Mayotte
DJ	Djibouti	KP	Korea, Democratic People's Republic of (North	PS	Palestinian Territory, Occupied	YU	Yugoslavia
DK	Denmark*	KR	Korea, Republic of (South Korea)	PT	Portugal*	ZA	South Africa
DM	Dominica	KW	Kuwait	PW	Palau	ZM	Zambia
DO	Dominican Republic	KY	Cayman Islands	PY	Paraguay	ZW	Zimbabwe
DZ	Algeria						
EC	Ecuador						

¹⁵

"Provisional code that does not affect the definitive denomination of the country to be attributed after the conclusion of the negotiations currently taking place in the United Nations"

ACTIVITY BREAKDOWN LEVELS

Level 1	Level 2	
	ICFA	NACE rev. 1 ¹⁶
TOTAL ACTIVITY	TOTAL ACTIVITY	Sec C to O (excluding L)
MINING & QUARRYING	MINING AND QUARRYING Of which: Extraction of petroleum and gas	Sec C Div 11
MANUFACTURING	MANUFACTURING Food products Textiles and wearing apparel Wood, publishing and printing TOTAL textiles + wood activities Refined petroleum prod. And other treatments Manufacture of chemicals & chemical products Rubber and plastic products TOTAL petroleum, chemic., rubber, plastic products	Sec D Subsection DA Subsection DB Subsections DD & DE Div 23 Div 24 Div 25
Petrol., chem., rubber, plastic prod.	Metal products Mechanical products TOTAL metal and mechanical products Office machinery and computers Radio, TV, communication equipments TOTAL machin., comput., RTV, comm. equip.	Subsection DJ Div 29 Div 30 Div 32
Office mach., comp., RTV, comm. eq.	Motor vehicles Other transport equipment TOTAL vehicles + other transport equipment Manufacturing n.i.e.	Div 34 Div 35
Vehicles, other transport equip.	ELECTRICITY, GAS AND WATER	Sec E
ELECTRIC., GAS & WATER	CONSTRUCTION	Sec F
CONSTRUCTION	TOTAL SERVICES	
TOTAL SERVICES	TRADE AND REPAIRS Sale, maintenance and repair of motor vehicles and motor cycles; retail sale of automotive fuel Wholesale trade and commission trade, except of motor vehicles and motor cycles Retail trade, except of motor vehicles and motor cycles; repair of personal and household goods	Sec G Div 50 Div 51 Div 52
TRADE AND REPAIRS	HOTELS AND RESTAURANTS	Sec H
HOTELS & RESTAURANTS	TRANSPORTS, STORAGE AND COMMUNICATION Transport and storage Land transport; transport via pipelines Water transport Air transport Supporting and auxiliary transport activities; activities of travel agencies Post and telecommunications Post and courier activities Telecommunications	Sec I Div 60, 61, 62, 63 Div 60 Div 61 Div 62 Div 63 Div 64 Group 641 Group 642
TRANSP., STORAGE AND COM.	FINANCIAL INTERMEDIATION Financial intermediation, except insurance and pension funding Insurance and pension funding, except compulsory social security Activities auxiliary to financial intermediation	Sec J Div 65 Div 66 Div 67
FINANCIAL INTERMED.	REAL ESTATE ACTIVITIES RENTING OF MACHINERY AND EQUIPMENT WITHOUT OPERATOR AND OF PERSONAL	Sec K, Div 70 Sec K, Div 71
COMPUT. & RELATED ACT.	COMPUTER AND RELATED ACTIVITIES	Sec K, Div 72
RESEARCH & DEVELOP.	RESEARCH AND DEVELOPMENT	Sec K, Div 73
OTHER BUSINESS ACT.	OTHER BUSINESS ACTIVITIES Legal, account., market research, consultancy Legal activities Account., bookkeeping and audit.; tax consult. Market research and public opinion polling Business and manag. Consultancy activities Architectural, engineering and other tech. act. Advertising Business activities n.e.c.	Sec K, Div 74 Group 741 Class 7411 Class 7412 Class 7413 Class 7414, 7415 Group 742 Group 744 Group 743, 745, 746, 747, 748
	EDUCATION	Sec M
	HEALTH AND SOCIAL WORK	Sec N
	SEWAGE AND REFUSE DISPOSAL	Sec O, Div 90
	ACTIVITIES OF MEMBERSHIP ORGANIS. N.E.C.	Sec O, Div 91
REC., CULT., SPORTING ACTIV.	RECREATIONAL, CULT., SPORTING ACTIVITIES Motion picture, radio, tel., other entertain. activ. News agency activities Library, archives, museums, other cultural act. Sporting and other recreational activities	Sec O, Div 92 Group 921, 922, 923 Group 924 Group 925 Group 926, 927
	OTHER SERVICE ACTIVITIES	Sec O, Div 93

¹⁶

Council Regulation (EEC) No 3037 of 9 October 1990 on the statistical classification of economic activities in the European Community, and Commission Regulation (EEC) No 761/93 of 24 March 1993 amending Council Regulation (EEC) No 3037 on the statistical classification of economic activities in the European Community.

Not allocated

Level 3 (NACE Rev. 1.1)	
Heading	Requested level of detail
Total activity	Sections C to K
Mining and quarrying	Section C
Manufacturing	Section D All subsections DA to DN All divisions 15 to 37 Aggregates: High-technology (HIT) 24.4, 30, 32, 33, 35.3 Medium-high-technology (MHT) 24 except 24.4, 29, 31, 34, 35.2, 35.4, 35.5 Medium-low-technology (MLT) 23, 25-28, 35.1 Low-Technology (LOT) 15-22, 36, 37
Electricity, gas and water supply	Section E All divisions (40 and 41)
Construction	Section F (Division 45) All Groups (45.1 to 45.5)
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	Section G All divisions (50 to 52) Groups 50.1+50.2+50.3, 50.4, 50.5, 51.1 to 51.7 Groups 52.1 to 52.7
Hotels and restaurants	Section H (Division 55) Groups 55.1 to 55.5
Transport, storage and communication	Section I All divisions Groups 60.1, 60.2, 60.3, 63.1+63.2, 63.3, 64.1, 64.2
Financial intermediation	Section J All divisions
Real estate, renting and business activities	Section K Division 70 Division 71 or groups 71.1+71.2, 71.3 and 71.4 Division 72 and groups 72.1 to 72.6 Division 73 Division 74, the aggregate 74.1 to 74.4 and 74.5 to 74.8
	Aggregates: High-technology services 64, 72, 73 Knowledge intensive market services 61, 62, 64, 70-74