Work Group on International Investment Statistics

DRAFT SUMMARY RECORD

7 October 2008

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1. Adoption of the Agenda

1.1 The agenda was adopted. [DAF/INV/STAT/A(2008)2/REV1].

2. Approval of the summary record

2.1 The summary record of 7 October 2008 meeting of the Working Group on International Investment Statistics (WGIIS) [DAF/INV/STAT/M(2008)1] was approved.


3.1 Issues complementing BMD4

3.1.1 Directional Principle

3.1.1.1 The Working Group considered the report of the research agenda electronic discussion group (EDG) on directional principle [DAF/INV/STAT(2008)6]. The report was presented by France, the member country leading the EDG. In line with the mandate of the discussion group, the report had two distinct parts: (i) refining the examples to identify the direction of investments between enterprises (following the residency of the ultimate controlling parent); and (ii) numerical studies to verify the existence or not of negative figures as a direct consequence of the directional principle. The report is an empirical study not calling for any conclusions or recommendations.

4. The report received strong support from various delegations praising the coverage and the quality of the report. One member country expressed concerns regarding the directional principle. On the other hand there was a general agreement and a strong support to establish an efficient and comprehensive communication policy to explain to different user interests the interpretation of FDI statistics according to the directional principle as defined in BMD4. Delegates also noted the complexity of investments of multinational enterprises which can no longer be analysed by a single data series. Developing a communication policy is a part of the work programme of WGIIS and will be prepared imperatively before the release of FDI data according to BMD4 in 2010.

5. In conclusion, WGIIS noted the report and asked that the amended version including the suggested changes to be completed, subject to clearance by WGIIS Bureau.

3.1.2 Issues concerning access to voting power

6. The Working Group considered the interim report of the research agenda electronic discussion group on issues concerning access to voting power [DAF/INV/STAT(2008)8]. The report was presented
by Ireland, the member country leading the EDG. In line with its mandate, the EDG examined the impact on FDI statistics of the phenomenon of an investor acquiring voting power by means other than or in addition to direct ownership of voting equity. In view of estimated increase of the phenomenon, WGIIS considered that it is important to understand the type of operations put in place, the reasons and the impact on FDI statistics.

7. The interim report attempted to describe what is involved under the different arrangements currently known to the EDG. Its coverage and quality were appreciated and the report received a strong support. Delegates were requested to provide by mid-November 2008 further written comments regarding the report itself and the questions raised at the end of the document. Based on the outcome of this written procedure, the final report will be submitted to WGIIS review in March 2009.

3.1.3 Treatment of multi-territory enterprises

8. The Working Group considered the interim report of the research agenda electronic discussion group on the treatment of multi-territory enterprises [DAF/INV/STAT(2008)9]. The report was presented by Ireland, the member country leading the EDG. According to its mandate, the discussion group was asked to examine (i) possible methods to identify a parent entity in a multi-territory enterprise, and imputing the consequential equity positions and income flows; and (ii) ways for recording the changes in the identification of the parent entity in a multi-territory enterprise. However, before undertaking the first step, it was necessary to reach conclusions on the identification of multi-territory enterprises and how they might be treated in FDI statistical compilations.

9. The interim report, appreciated for its coverage and quality, focused on:

   (i) describing examples of cross-border economic activities of entities which might be considered, correctly or incorrectly, as multi-territory enterprises, and,

   (ii) considering aspects of their structure and arrangements which could be important to compilers in determining their treatment.

10. Delegates were requested to provide by mid-November 2008 further written comments regarding the report itself and the questions raised at the end of the document. Based on the outcome of this written procedure, the final report will be submitted to WGIIS review in March 2009.

3.2 Capital in transit

11. The Working Group heard a presentation on the experience of Luxembourg for looking through Special Purpose Entities (SPE) in FDI statistics [DAF/INV/STAT(2008)7]. The methodology is based on a case by case approach to examine a large number of cases which raised for some delegations resource concerns. However, WGIIS praised the clarity of the report and the comprehensive presentation.

12. The interim report¹ of the electronic discussion group on capital in transit research agenda [DAF/INV/STAT(2008)10] could not be discussed due to time constraints at the meeting. WGIIS requested that the document be revised to include minor technical corrections and questions for discussion. WGIIS agreed that the follow-up will be deliberated within the Bureau and co-ordinated with the EDG.

¹ In spite of its very late submission by the EDG, this report was circulated for a possible preliminary presentation of the main issues.
4. **Data quality issues related to FDI statistics of OECD**

4.1 **OECD’s FDI statistics: Data confidentiality**

13. WGIIS considered a background document by the Secretariat [DAF/INV/STAT/RD(2008)7] describing the confidentiality issues that impact the quality of OECD’s FDI statistics and highlighting the need to access confidential data to calculate meaningful OECD aggregates.

14. The Director of OECD Legal Directorate provided the legal background of information provision to the Organisation by its members. In summary, he indicated that there are sufficient legal grounds to start a dialogue for confidential data provision to the OECD: (i) Member countries have the obligation to provide information (including statistics) to the OECD according to Article 3 of the Convention and (ii) there are sufficient legal measures available to assure protection by the OECD of the confidentiality of such data. It was also noted that the OECD Convention is an international treaty ratified by national authorities of all members and has the same legal standing as another national legislation. Besides these legal aspects, in terms of practical considerations it is necessary to assess the technical capacity of the Organisation to protect in a physical and logical sense the confidentiality of data (including publication rules, etc).

15. It was agreed that in order to start a dialogue with member countries more information was required. To this end, the Legal Directorate will circulate a note for the March 2009 meeting of WGIIS.

4.2 **Quality reporting: a U.K. perspective**

16. Owing to time constraints, this item was deferred to March 2009 meeting.

5. **Progress reports by IMF**

17. WGIIS considered document DAF/INV/STAT/RD(2008)8 on Co-ordinated Direct Investment Survey. IMF informed the Working Group that the dedicated Task Force had finalised its task for drafting a survey guide which is posted at the IMF web site. The guide is available in English, French, Arabic, Chinese, Russian and Spanish. To date, 130 countries, out of 190 that were invited, have informed the IMF of their willingness to participate in the CDIS in 2010. Following the completion of the guide, IMF organised 10 regional seminars accommodating 140 participants.

6. **Other Business**

**Current international financial turbulence: Making short-term estimates of cross-border investments**

18. The editor of the OECD Investment Newsletter called for member countries’ contribution for any technical and/or analytical material they may provide for a sound assessment of the impact of the recent financial developments on FDI and for forecasts for the near future.

**Dissemination of official documents**

19. The Secretariat indicated that all official documents of the OECD are disseminated electronically to participants through the online system (OLIS), including confidential documents. Delegations are kindly invited to access WGIIS documents through OLIS upon Secretariat’s notification of their availability on the system.
Dates of future meetings:

25-27 March 2009
6-8 October 2009
23-25 March 2010
5-7 October 2010
**ANNEX**

**LIST OF PARTICIPANTS**

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