

**Summary of Outcomes of the
Second Meeting of the Direct Investment Technical Expert Group
(DITEG)
for
IMF Committee on Balance of Payments Statistics
and
Workshop on International Investment Statistics**

December 6-9, 2004

IMF Headquarters

Washington, D.C.

The second meeting of the Direct Investment Technical Expert Group (DITEG) was held during December 6-9, 2004 at IMF Headquarters, in Washington, D.C.. This report indicates issues/topics for which the DITEG will prepare outcome papers and summarizes the discussions/recommendations on issues/topics for which the DITEG will not prepare outcome papers at this stage. This report also summarizes decisions of DITEG on processes, future agenda, and other administrative matters.

I. ISSUES/TOPICS OF THE SECOND MEETING

Issue #1: Valuation of direct investment equity

See outcome paper (to be prepared by Mr. Sanchez Muñoz) but the issue is to be brought back to DITEG for further consideration at the March 2005 meeting

Issue #3: Indirect investment: Fully consolidated system

See outcome paper (to be prepared by Mr. Davies). The issue is to be brought back to DITEG for further consideration at the March 2005 meeting.

Issue #4, 28 and 29: Mergers and acquisitions, Greenfield investments, and Extensions of Capital

See outcome paper (to be prepared by Ms Bertrand with input from Mr. Ridgeway).

Issues #7 and #8: Reverse investment and directional principle

See outcome paper (to be prepared by Mr. Kozlow)

Issue #9: SPEs, shell companies, holding companies: Sectorization

See outcome paper (to be prepared by Ms. Aarsman)

Issue #11: SPEs: Inclusion in direct investment of transactions between nonfinancial direct investment enterprises and affiliated financial SPE

See outcome paper (to be prepared by Mr. Sanchez Muñoz) At the request of Ms Bertrand, the issue was deferred to March 2005 meeting when (a) DITEG is to consider a background document (to be prepared by Ms Bertrand) including the results of additional information requested by WIIS in October 2004; and (b) Mr Sanchez Muñoz is to report on the outcome of ECB's meeting on SPEs to be held in January 2005.

Issue #12: Country identification (Ultimate beneficial owner/Ultimate destination)

See outcome paper (to be prepared by Mr. Passerini/Mr. van Wersch, with input from Mr. Kozlow and Mr. Davies). The issue is to be brought back to DITEG for further consideration at the March 2005 meeting

Issue #13: Round tripping

See outcome paper (to be prepared by Mr. Ng)

Issue #14: Permanent debt

See outcome paper (to be prepared by Ms. Montanjees). The issue is to be brought back to DITEG for further consideration at the March 2005 meeting.

Issue #15: Land and buildings owned by nonresidents

Issue not taken up; will be discussed at the March 2005 meeting of DITEG

Issue #16: Use of maturity and instrument split

See outcome paper (to be prepared by Mr. Joisce)

Issue #17: Multiterritory enterprises

Issue not taken up; will be discussed at the March 2005 meeting of DITEG

Issue #18: Application of direct investment to government

Issue not taken up; will be discussed at the March 2005 meeting of DITEG

Issue #20: Define terms more clearly

See outcome paper (to be prepared by Mr. Ridgeway). The issue is to be brought back to DITEG for further consideration at the March 2005 meeting.

Issue #21 and 21A: Various special cases: Banking activities and Transfer pricing between banks

See outcome papers (on Issue #21: to be prepared by Mr. De Boeck on banking activities; and on Issue #21A: to be prepared by Mr. Thomas)

Issue #21B: Various special cases: Shipping

Issue not taken up; will be discussed at the March 2005 meeting of DITEG

Issue #21C: Various special cases: Construction and natural resource exploration

Issue not taken up; will be discussed at the March 2005 meeting of DITEG

Issue #22 Other capital (focusing on short-term instruments)

See outcome paper (to be prepared by Ms. Aarsman)

Issue #23: Intercompany transactions and amounts outstanding with fellow subsidiaries

Issue not taken up; will be discussed at the March 2005 meeting of DITEG

Issue #24 Direct investment stock (financial versus economic measurement)

Issue not taken up; will be discussed at the March 2005 meeting of DITEG

Issue #25: Valuation of real estate

Issue not taken up; will be discussed at the March 2005 meeting of DITEG

Issue #26: Accounting methods and the IAS

Issue not taken up; will be discussed at the March 2005 meeting of DITEG

Issue #27: Principles for classification by industry

Issue not taken up; will be discussed at the March 2005 meeting of DITEG

Issue #28: Greenfield investment

See #4, #28 and #29 above

Issue #29: Extensions of capital

See #4, #28 and #29 above

Issue #30: Mutual funds

Issue not taken up; will be discussed at the March 2005 meeting of DITEG

II. ADMINISTRATIVE MATTERS

The DITEG agreed that

- the outcome papers are to be prepared by the authors of the relevant issues papers. It was agreed that drafts would be prepared by December 23, 2004, if at all possible, for transmittal to the DITEG secretariat;
- all items not taken up at the December 2004 meeting, as well as those items for further discussion, will be discussed at the March 2005 meeting;
- the group will continue its work through electronic communication (including EDG);
- the secretariat will circulate the draft outcome papers and summary of the conclusions to the members who will provide their comments within two weeks to the secretariat. After the outcome papers and summary of conclusions are finalized, they will be posted on the IMF's, OECD's and BEA's external website;
- by mid-January 2005 the Secretariat is to circulate to the members of the group a questionnaire for comments on the acceptability (or otherwise) and for ranking of various valuation principles and that DITEG members will provide their responses by 31 January 2005. The Secretariat will collate and circulate the results of the questionnaire by 7 February 2005;
- the Australian Bureau of Statistics will update the paper presented at the June 2004 meeting, considering all the alternatives, included in the outcome paper of the June 2004 meeting on estimating direct investment equity stock (including methods such as OFBV and the use of capitalization ratios to OFBV). The paper will also suggest an order of preference for the different approaches.
- all additional background papers (or revised issues papers) to be circulated by February 7, 2005;
- Mr. Ridgeway, assisted by Mr. Davies, would prepare a first list of items for inclusion in a glossary of terms for both the new manual and the revised benchmark definition;

- the ECB will report on the outcome of the January 2005 ad-hoc workshop on SPEs. Should meaningful proposals on how to solve the statistical problems linked to the existence of SPEs arise from the workshop, the ECB would write an issues paper for the March 2005 meeting of DITEG;
- the OECD will prepare a background paper on country practices and definitions for the March 2005 meeting of DITEG. The paper will also be considered by the DITEG's parent committees (OECD Workshop on International Investment Statistics and IMF Balance of Payments Committee);
- the ABS will provide a reconciliation of the differences in the definitions of direct investment (FCS) relationships in the Textbook and the BD, and a demonstration of the influence of cross-border holdings in the FCS;
- the BEA will experiment with their data to try to quantify the differences in their application of the FCS between the US and other systems, to the extent possible;
- the next, and final (pro tem) meeting of the DITEG will be held during March 7-11, 2005, at the OECD, in Paris.