

Direct Investment Task Team: Inaugural Meeting

Compendium of Issues - List of Topics

June 9, 2020

Goals of the update

- ▶ Provide guidance addressing developments since BPM6 and BD4
- ▶ Address measurement issues in direct investment (DI)
 - ▶ DI statistics originally defined to measure long term and ‘real’ investments (initially tangible but now expanded to intangible investments)
 - ▶ However, other factors, in particular fiscal optimisation, play an important role in DI
 - ▶ Makes it difficult to interpret FDI statistics
 - ▶ Analysis shows DI is driven by changes in tax regimes and short-run movements in U.S. monetary policy to a much greater extent than would have been expected if the flows were actually the long run, ‘bricks and mortar’ type of investment that analysts typically infer from DI statistics (Blanchard and Acalin, 2016)
- ▶ Better capture globalisation in macroeconomic statistics
 - ▶ Understand and analyse role of DI in globalisation
 - ▶ Particular focus on MNEs and how they structure their businesses—and report their activities—can affect how we measure the economy

Categories of issues

- ▶ Issues have been divided into high priority and medium priority
- ▶ Can also identify those issues that affect the DI statistics included in the core BoP and IIP accounts and supplemental presentations
- ▶ Issues affecting the core measures can be further broken down into:
 - ▶ Identifying the boundaries of DI—what is in and what is out
 - ▶ Measurement issues and treatment of specific transactions and entities
- ▶ Supplemental presentations are those that provide useful additional information
- ▶ Many issues are related to others on the list
 - ▶ And to work of other groups
 - ▶ Need for coordination

Core issues: Boundaries of DI

| Issue | Priority | Related group |
|--|----------|---------------|
| D.3 Treatment of collective investment institutions | H | FITT |
| D.5 Eliminating imputations for entities owned or controlled by general government for fiscal purposes | H | |
| D.8 Public private partnerships | M | |
| D.10 Can DI be achieved other than by ownership of equity? | M | |
| D.11 Removing debt between affiliated insurance corporations and pension funds | M | |
| D.12 Including intra-concern derivatives in DI | M | |

Core issues: Measurement & treatment of specific transactions & entities

| Issue | Priority | Related group |
|--|----------|---------------|
| D.2 Valuation of unlisted equity | H | |
| D.4 Corporate inversions | H | |
| D.7 Sectoral breakdown of DI | H | |
| D.13 Treatment of large construction financed by government | M | |
| D.15 Treatment of payments made by non-resident affiliates on behalf of DI enterprises | M | |
| D.16 Treatment of retained earnings | M | |
| D.17 Identifying superdividends and the borderline between dividends and withdrawals of equity | M | |

Supplemental presentations

| Issue | Priority | Related group |
|--|----------|---------------|
| D.1 Greenfield and extensions of capital | H | |
| D.6 Ultimate investing country/ultimate host country and removing pass-through capital | H | |
| D.9 Reconciling DI statistics with Foreign Affiliate (FATS) and Activities of MNEs (AMNE) statistics | M | |
| D.14 Financial conduits | M | |

Issues covered by other TT linking to DITT

| Related group | Issue | Priority |
|-------------------|---|----------|
| BPTT / GZTT (SNA) | B.1 Nationality concept | H |
| BPTT / GZTT (SNA) | B.13 Considering separate institutional units of special purpose entities (SPEs) that are resident in a different territory to that of their owners | H |
| FITT | F.2 Asymmetric treatment of retained earnings between direct and portfolio investment and potential extension to domestic relationships | H |

Questions for Task Team Members?

DITT may consider, as appropriate, other direct investment issues raised by its members, which can be relevant for the *BPM6* and *BD4* updates. Research issues labeled as high priority should be the core of the work of the group. It is intended that after **June 2022** no new issues will be considered for inclusion in the new manual.

- ▶ Are there additional issues that need to be addressed?