



## Thirty-First Meeting of the IMF Committee on Balance of Payments Statistics

Washington, D.C.  
October 24–26, 2018

BOPCOM—18/28  
For information

# Report on the Workshop on the Coordinated Direct Investment Survey (CDIS) Bilateral Asymmetries



## **Report on the Workshop on the Coordinated Direct Investment Survey (CDIS) Bilateral Asymmetries<sup>1</sup>**

*The IMF, in coordination with the Bundesbank, conducted a workshop on the Coordinated Direct Investment Survey (CDIS) Bilateral Asymmetries in Hamburg, during November 7–9, 2017. The workshop hosted discussions on best practices and facilitated the exchange of information on direct investment with a view to reducing asymmetries. The workshop made it possible for participants to have personal contact with individual counterparts via restricted bilateral meetings. These meetings facilitated the exchange of information without revealing confidential data, for instance by sharing lists of resident enterprises involved in direct investment in each country, by cross-checking the number of entities involved in direct investment, or by analyzing bilateral asymmetries based on aggregates by institutional sector and/or economic activity. It eventually permitted participants to identify the main reasons for bilateral asymmetries and let them agree on follow-up actions that are expected to reduce asymmetries. All in all, the workshop was a good example on Recommendation 20 of the Data Gaps Initiative (DGI)-2, which promotes international data sharing.*

### **I. INTRODUCTION**

1. The IMF, in coordination with the Deutsche Bundesbank, conducted a workshop on the Coordinated Direct Investment Survey (CDIS) Bilateral Asymmetries. The workshop took place in Hamburg, Germany, during November 7–9, 2017.
2. The workshop was organized as a follow up to the 2016 IMF Committee on Balance of Payments Statistics meeting and hosted discussions on best practices and facilitated the bilateral exchange of information on direct investment with a view to reducing bilateral asymmetries.

### **II. WORKSHOP SET UP: PARTICIPATION AND ORGANIZATION**

3. The workshop targeted economies with CDIS bilateral asymmetries that exceeded USD25 billion and represented at least 25 percent of the total reported direct investment position with the counterpart economy, for 2015 reference data.
4. 27 participants representing 22 economies and representatives from the ECB, Eurostat, and OECD attended the meeting (see Appendix I). The workshop agenda (Appendix II) combined presentations and bilateral meetings. The international organizations presented current initiatives on bilateral asymmetries and selected economies (Germany, Ireland, Turkey, and the USA) presented their experiences, including on valuation. Participants also discussed conclusions on data and metadata sharing and on the results of the

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<sup>1</sup> Prepared by Emma Angulo and Alicia Hierro, Balance of Payments Division, STA, with contributions by Ursula Schipper, Deutsche Bundesbank.

bilateral meetings. In the bilateral discussions, the respective national legal requirements for the protection of confidential individual data were strictly observed. Moreover, participants were committed to preserve the confidentiality of the data exchanged bilaterally.

5. Intense preparatory work was done in terms of organization and content. The IMF provided participants with: (i) data tables containing the CDIS bilateral asymmetries between each economy and the rest of the counterparts participating in the workshop for 2013 to 2015, with the split between equity and debt; (ii) detailed CDIS metadata; (iii) guidance on how to prepare in advance for a fruitful exchange of information; and (iv) a predefined template to report on bilateral meeting outcomes. In addition, a survey was launched to identify participants' preferences for bilateral meetings; as a result, after a complex matching process, 85 country-pairs were selected for the eight sessions devoted to the bilateral meetings considering preferences, the importance of the asymmetries, and including sessions for all participants (see annex to the agenda). Participants were requested to analyze their largest asymmetries, verify their data, and try to find out the reasons for the asymmetries in advance to the meetings.

6. Eight sessions were devoted to bilateral meetings, where countries exchanged bilateral data and discussed with their counterparts the main reasons for the asymmetries. During the bilateral sessions, participants filled out a predefined template prepared for the workshop (see Appendix III) to report on bilateral meeting outcomes. The outcomes of the bilateral meetings and the follow up actions between countries were discussed at the end of the workshop.

### III. WORKSHOP RESULTS

7. **Participants found the bilateral meetings very useful** (including those between countries which are part of the FDI Network<sup>2</sup>) to identify both general and specific causes of their bilateral asymmetries and to try to solve them. Participants also valued having direct personal contact with counterparts. The outstanding feature of the workshop was the opportunity for each participant to contact as many as eight counterparts, with all meetings being held in a predefined setting. The workshop also provided valuable inputs on potential enhancements of the FDI Network, and on the Recommendation 20 of the DGI-2 on data sharing. Many ideas were discussed on how information can be exchanged without revealing confidential data, such as: sharing lists of resident enterprises involved in direct investment in each country (possibly via the FDI network or publicly available lists from chambers of foreign commerce), cross-checking the number of entities involved in direct investment from each country, or analyzing bilateral asymmetries based on aggregates by institutional sector and/or economic activity.

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<sup>2</sup> A secure mechanism to exchange enterprise level data within the EU.

8. **Participants identified four main reasons for the CDIS asymmetries:** (i) the use of different valuation methods for unlisted equity; (ii) misclassifications and misreporting (e.g., some direct investment positions of construction companies recorded under construction services, or positions recorded under portfolio or other investment rather than in direct investment); (iii) lack of coverage (of some special purpose entities, big companies not included in their data, or missing investments in real estate, debt between fellows, or trade credits between related companies); and (iv) different geographical allocation (some countries misclassified the immediate counterpart economy, mainly due to investments through special purpose entities).

9. **Key inputs on the DGI-2 recommendation on data sharing<sup>3</sup>** included: (i) statisticians should foster better understanding at a political level on data sharing needs within and between countries; (ii) sharing enterprise level data may negatively impact response rate; (iii) sharing lists of the largest resident companies involved in direct investment relationships may be feasible for some countries and should be encouraged; and (iv) nonconfidential data exchange can be useful in identifying asymmetries. The exchange of the number (count) of enterprises in the direct investment population and their size, the comparison of the value of the top-10 or top-20 companies, and the count of key enterprises by industry were very useful to determine whether countries were missing one of the largest companies or if there were valuation differences. Also, sharing data on real estate and information from the media or public financial statements was useful.

10. **Participants provided feedback on the FDI Network and on how to improve its functioning.** There was good feedback on the FDI Network—countries use it as a tool to resolve asymmetries and often feel more confident to exchange confidential data when it is done via the Network. Inputs on potential enhancements of the FDI Network include: (i) share lists of countries' largest 10–25 companies and focus on resolving asymmetries caused by these companies; (ii) share information on population counts and sample sizes; (iii) continue the bilateral meetings (in some cases even tri-lateral); and (iv) exchange information via secure 'chat rooms'.

11. **The main follow up actions agreed by the participants** were: (i) contact their counterparts by email to continue working on reducing asymmetries; (ii) share with their counterparts the list of their resident companies on a direct investment relationship; (iii) exchange data on investments by individuals in real estate by counterpart country to improve coverage through mirror data; (iv) reclassify the data from construction services to direct investment for long term projects; (v) reduce asymmetries as a result of data exchange and send revisions for the December 2018 CDIS release; and (vi) provide higher level of detail in the CDIS metadata questionnaire to help counterparts identify reasons for asymmetries that originate in methodological differences. Participants noted the human resource implications of the follow up actions. All participants emphasized the highly

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<sup>3</sup> STA and the Financial Stability Board (FSB) Secretariat, in collaboration with other international institutions, are leading the work of implementing recommendations to address data gaps revealed by the global crisis (<http://www.imf.org/en/News/Seminars/Conferences/DGI/global-conferences-on-dgi>).

beneficial value added of the workshop; and some underlined the usefulness of conducting this type of workshop more regularly.

12. **Follow up actions.** In May 2018, the IMF followed up with the 22 participating economies on their agreed actions. For this purpose, the IMF launched a short survey (see Appendix IV) to participating economies. Nineteen economies completed the survey. Most of the participating economies (a total of 16) have implemented some follow up actions:

- 12 economies contacted their counterparts to continue working on reducing asymmetries.
- 4 economies shared with their counterparts the list of resident companies on a direct investment relationship.
- 5 economies exchanged data on investments by individuals in real estate by counterpart country to improve coverage through mirror data.
- Other actions undertaken by countries included:
  - Reviewing the allocation of counterpart economies for complex FDI relationships;
  - Sharing microdata through the FDI network;
  - Sharing FDI data by region and industry;
  - Preparing a report on their bilateral asymmetries and an action plan; and
  - Identifying and surveying SPEs.

13. **In principle, bilateral asymmetries should be reduced.** As a result of the follow up actions, eleven economies indicated that their CDIS bilateral asymmetries will be reduced. Some economies will reclassify values that were detected as incorrectly reported (for example from portfolio to direct investment). Others would improve their FDI data coverage by reviewing the survey frame to include new companies identified from the exchange of information with their counterparts, or by including new estimates on real estate based on mirror data provided by their counterpart economies. Some of these data revisions could improve the bilateral asymmetries with some countries but could also exacerbate the asymmetries with other countries. Only seven economies (37 percent) will send data revisions for the December 2018 CDIS release. Other economies are still implementing some changes and expect to send revisions for the December 2019 CDIS release. Most of the participants have already explained or will explain in the CDIS metadata questionnaire the reasons identified for large bilateral asymmetries and whether they have implemented or plan to implement specific actions or changes to reduce data asymmetries.

#### IV. NEXT STEPS

14. The CDIS reporters can continue building on the findings and contacts initiated during the workshop to get a better understanding of the asymmetries and to try to resolve them.

15. The IMF may consider conducting similar workshops in the future. Should future workshops be conducted, some suggestions for improvement could be considered. Participants underscored the usefulness of bilateral meetings and suggested: (i) expanding the time for each meeting; (ii) reducing its number to concentrate on main counterparts; (iii) involving third countries when investments take place through a third economy (e.g., US investing in China through Hong Kong); (iv) designing a predefined template for preparing the bilateral meetings in advance, including more granular data, such as FDI by sector and/or economic activity; and (v) determine a reference year for the bilateral meetings for which both countries consider their data as ‘final’ in order to enable a more meaningful comparison. Some countries showed interest in having follow up bilateral meetings only with their main counterparts, while other countries would prefer bilateral meetings with other new countries.

16. In addition, some participants suggested the need for more precise guidance in *BPM6* on the preferred method for the valuation of unlisted equity.

### Appendix I. Participant List

	<b>First Name</b>	<b>Last Name</b>	<b>Country</b>	<b>Organization</b>
1	Kujtim	Avdiu	Austria	Österreichische Nationalbank
2	Sandro	Fabi Junior	Brazil	Banco Central do Brasil
3	Winnie	King-man	Hong Kong	Census and Statistics Department
4	Wang	Guojian	China	State Administration of Foreign Exchange
5	Wu	Hao	China	State Administration of Foreign Exchange
6	Zhang	Huijuan	China	State Administration of Foreign Exchange
7	Michalis	Ktoris	Cyprus	Central Bank of Cyprus
8	Tjeerd	Jellema	ECB	European Central Bank
9	Irene	Madsen	Eurostat	Eurostat
10	Benoît	Besson	France	Banque de France
11	Hector	Dip	Germany	Deutsche Bundesbank
12	Jens	Walter	Germany	Deutsche Bundesbank
13	Mirco	Lattwein	Germany	Deutsche Bundesbank
14	Susanne	Stollenmayer	Germany	Deutsche Bundesbank
15	Ursula	Schipper	Germany	Deutsche Bundesbank
16	Dietmar	Scholz	Germany	Deutsche Bundesbank
17	Alicia	Hierro	IMF	International Monetary Fund
18	Emma	Angulo	IMF	International Monetary Fund
19	Prithwis	Jena	India	Reserve Bank of India
20	Christopher	Sibley	Ireland	Central Statistics Office (Ireland)
21	Nadia	Accoto	Italy	Banca d'Italia
22	Masako	Kominami	Japan	Bank of Japan
23	Kola	Lendele	Luxembourg	Banque centrale du Luxembourg
24	Jitendra	Bissessur	Mauritius	Bank of Mauritius
25	Emily	Bell	Netherlands	De Nederlandsche Bank
26	Eva	Hagendoorn	Netherlands	De Nederlandsche Bank
27	Maria	Borga	OECD	OECD
28	Vitor	Silveira	Portugal	Banco de Portugal
29	Alexey	Beglov	Russia	Bank of Russia
30	Valeriia	Glubokova	Russia	Bank of Russia
31	Piet	Swart	South Africa	South African Reserve Bank
32	Esther	Lopez	Spain	Banco de España
33	Lisa	Gerweck	Switzerland	Swiss National Bank
34	Burcu	Tasdemir	Turkey	Central Bank of The Republic of Turkey
35	Michael	Hardie	United Kingdom	Office for National Statistics
36	Jessica	Hanson	United States	U.S. Bureau of Economic Analysis



## Appendix II. Agenda

### Tuesday, November 7

- |                         |   |
|-------------------------|---|
| 9:30 a.m. – 9:40 a.m.   | Welcome (IMF, President of the Regional Office in Hamburg, Mecklenburg-West Pomerania and Schleswig-Holstein)   |
| 9:40 a.m. – 9:55 a.m.   | Opening remarks (IMF); administrative matters (Bundesbank); round-table to introduce participants   |
| 9:55 a.m. – 10:15 a.m.  | Workshop objectives, IMF initiatives, and measures for addressing bilateral asymmetries (IMF)   |
| 10:15 a.m. – 10:40 a.m. | Reconciling Bilateral Asymmetries in FDI Statistics in the EU FDI Network (Eurostat)  |
| 10:40 a.m. – 11:00 a.m. | Synthetic measures to assess the quality of the geographical dimension in CDIS (ECB)  |
| 11:00 a.m. – 11:30 a.m. | <b>Coffee Break</b>   |
| 11:30 a.m. – 12:00 p.m. | Reducing discrepancies and asymmetries: what can FDI and Trade in Services Statisticians Learn from each other? (OECD)<br>Country by country reporting under action 13 of the Base Erosion and Profit Shifting (BEPS) initiative (OECD) |
| 12:00 p.m. – 12:20 p.m. | Identifying drivers of asymmetries - the case of reinvested earnings in German CDIS-data (Germany)  |
| 12:20 p.m. – 12:45 p.m. | Metadata questionnaires and on-line access demo (IMF and OECD)  |
| 12:45 p.m. – 2:00 p.m.  | <b>Lunch</b>  |
| 2:00 p.m. – 2:30 p.m.   | Impact of different valuation methods of equity (Turkey)  |
| 2:30 p.m. – 2:55 p.m.   | Valuation of U.S. Direct Investment Positions (USA)   |
| 2:55 p.m. – 3:15 p.m.   | The Ireland and United States asymmetry (Ireland)   |
| 3:15 p.m. – 3:45 p.m.   | <b>Coffee Break</b>   |
| 3:45 p.m. – 4:35 p.m.   | I. Bilateral Meetings (see annex)   |
| 4:35 p.m. – 5:25 p.m.   | II. Bilateral Meetings  |

**Wednesday, November 8**

- 9:15 a.m. – 10:00 a.m. Data Sharing—Discussion by participants:
- a. What can and what cannot be shared
  - b. Legal constraints
  - c. Information based on media or public financial statements
  - d. Possibility of sharing business registers/list of main enterprises involved in FDI to ensure coverage of key players by counterparts
  - e. Seeking the agreement from involved enterprises to share data
  - f. Sharing data on real estate
  - g. Countries previous experiences in data sharing
- 10:00 a.m. – 10:45 a.m. III. Bilateral Meetings
- 10:45 a.m. – 11:05 a.m. **Coffee Break**
- 11:05 a.m. – 11:50 a.m. IV. Bilateral Meetings
- 11:50 a.m. – 12:35 p.m. V. Bilateral Meetings
- 12:35 p.m. – 1:50 p.m. **Lunch**
- 1:50 p.m. – 2:35 p.m. VI. Bilateral Meetings
- 2:35 p.m. – 3:20 p.m. VII. Bilateral Meetings
- 3:20 p.m. – 3:50 p.m. **Coffee Break**
- 3:50 p.m. – 4:35 p.m. VIII. Bilateral Meetings
- 4:35 p.m. – 5:15 p.m. Metadata Sharing—Discussion by participants
- a. Discussion on the usefulness of updated and accurate metadata for their counterparts to identify and understand the asymmetries.

### Annex to the Agenda: Bilateral Meetings

I. Bilateral Meetings			IV. Bilateral Meetings		
Germany	&	Russia	Netherlands	&	Luxembourg
Hong Kong	&	China	Cyprus	&	Austria
Ireland	&	South Africa	France	&	China
UK	&	Luxembourg	Italy	&	Russia
Japan	&	France	Germany	&	UK
Netherlands	&	Brazil	Spain	&	Brazil
Cyprus	&	USA	Hong Kong	&	Portugal
Mauritius	&	Turkey	Switzerland	&	Turkey
Switzerland	&	India	India	&	Japan
Portugal	&	Italy	USA	&	Ireland
Austria	&	Spain	Mauritius	&	South Africa

II. Bilateral Meetings			V. Bilateral Meetings		
Austria	&	Russia	Cyprus	&	Luxembourg
Netherlands	&	UK	Japan	&	Russia
Luxembourg	&	Ireland	UK	&	India
Japan	&	Germany	Italy	&	Ireland
South Africa	&	China	Switzerland	&	Spain
Spain	&	Mauritius	Hong Kong	&	Turkey
Italy	&	India	Mauritius	&	China
Portugal	&	Brazil	Germany	&	South Africa
Switzerland	&	France	Portugal	&	France
USA	&	Hong Kong	USA	&	Netherlands
			Austria	&	Brazil

III. Bilateral Meetings			VI. Bilateral Meetings		
Germany	&	Brazil	Russia	&	China
Netherlands	&	China	Netherlands	&	Japan
Ireland	&	UK	Cyprus	&	Mauritius
Japan	&	USA	Austria	&	South Africa
Portugal	&	Luxembourg	India	&	Spain
Cyprus	&	Russia	Hong Kong	&	Luxembourg
Switzerland	&	Austria	Italy	&	Brazil
Mauritius	&	India	France	&	UK
Hong Kong	&	South Africa	Germany	&	USA
Spain	&	Turkey	Switzerland	&	Ireland
Italy	&	France			

**VII. Bilateral Meetings**

Portugal	&	Cyprus
South Africa	&	Spain
Ireland	&	Netherlands
Germany	&	China
Japan	&	Brazil
USA	&	UK
Italy	&	Austria
Switzerland	&	Luxembourg
Russia	&	India
Hong Kong	&	Mauritius
Turkey	&	France

**VIII. Bilateral Meetings**

Portugal	&	Mauritius
Japan	&	China
Ireland	&	Russia
USA	&	Luxembourg
Switzerland	&	Netherlands
Italy	&	South Africa
Germany	&	Turkey
Cyprus	&	India
Hong Kong	&	UK
Brazil	&	France

### Appendix III. Bilateral Meeting Outcome Report

Participating institutions: \_\_\_\_\_ and \_\_\_\_\_

Identified causes of asymmetries	Economic sector(s) / number of companies	For each (if possible): direction and estimated amount
a) Methodological differences:		
b) National compilation particularities:		
c) Misreporting:		

Note: (a) e.g., valuation methods, estimation methods, definition of relevant statistical units;  
(b) e.g., collection methods, data coverage, application of own methodologies, special institutional  
arrangements; (c) e.g., errors made during compilation process.

Proposed way forward (e.g., measures to reduce identified asymmetries) suggested conceptual  
amendments for future discussion.

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### Appendix IV. Follow up Survey on the CDIS Workshop

1. Country
2. Did you implement any follow up action as a result of the workshop?
  - a. Contact your counterparts to continue working on reducing asymmetries;
  - b. Share with your counterparts the list of your resident companies on a direct investment relationship;
  - c. Exchange data on investments by individuals in real estate by counterpart country to improve coverage through mirror data;
  - d. Reclassify the data from construction services to direct investment for long term projects;
  - e. Other (please specify in the comment box below)
  - f. No follow up actions yet, but plan to do so in the short term
  - g. No

Comments:

*If any answer above is other than NO (g) then go to question 3.  
If the answer is NO (g) then go directly to question 4.*

3. As a result of the indicated actions, will the bilateral asymmetries be reduced?
  - a. Yes (Please indicate the value in the comment box below)
  - b. No

Comments:

4. Are you planning to send revisions for the December 2018 CDIS release, as a result of the workshop?
  - a. Yes
  - b. No

Comments:

5. Have you indicated in the CDIS metadata questionnaire the main reasons identified for large bilateral asymmetries and if you have implemented, or plan to implement, specific actions or changes to reduce asymmetries (Questions 19 and 20)?
  - a. Yes
  - b. No

Comments: