

Community statistics on the structure and activity of foreign affiliates

2005/0016(COD) - 15/03/2005 - Legislative proposal

PURPOSE : proposal to create common statistical standards for the production of comparable statistics on the structure and activity of foreign affiliates.

PROPOSED ACT : Regulation of the European Parliament and of the Council.

CONTENT : Economic globalisation affects businesses and statistics are needed in order to help national and EU policy-makers formulate appropriate policies and to help enterprises assess ongoing developments. In addition, statistics are necessary to assist in various other policy areas, e.g. the functioning of the internal market or the implementation of the GATS (General Agreement on Trade in Services). The voluntary collection of data on the structure and activity of foreign affiliates in the Member States has shown that it is feasible to collect data. Inward statistics on foreign affiliates (Inward FATS) have been collected in the framework of Structural Business Statistics, by breaking down business statistics by the nationality of the enterprises exercising the foreign control. Inward FATS have also been collected in the framework of Balance of Payments statistics, by generating data for the subset in which foreign direct investment has attained a level corresponding to foreign control. Data for statistics on the activity of affiliates abroad (Outward FATS) are collected on a strictly voluntary basis in the Balance of Payments framework. They are also based on extensions of the variables collected for foreign direct investment, for the foreign affiliates that are controlled by the direct investor.

Although all EU15-Member States provided data for inward FATS in one or other of the statistical frameworks, it was not possible to calculate EU-15 aggregates as these data collections differed in terms of coverage, variables and methodology. As all users depend on the availability of EU aggregates, it was necessary to harmonise the data collection of inward FATS in order to establish a common framework for the production of coherent FATS. For outward FATS, only nine Member States collect data on a voluntary basis.

The proposed regulation specifies the deliverables expected, while leaving it to the discretion of the Member States to decide on the best way of obtaining those deliverables. The proposal regarding FATS is the fruit of numerous consultations and meetings with Member States, a large majority of which support it.

The regulation contains two common modules, for inward FATS (Annex 1) and for outward FATS (Annex 2).

The common module for inward FATS (Annex 1) is largely based on data collected in the framework of Council Regulation 58/97 concerning Structural Business Statistics (SBS Regulation). The collection of the characteristics allows the extent and intensity of globalisation in the internal market to be measured and provides information about capital movements, direct investment and technology. The direct link to structural

business statistics allows a comparison of foreign-controlled enterprises with nationally controlled enterprises, and the differences in productivity, performance and profitability can thus be analysed easily as well as the impact on economic performance measured in terms of growth, employment and research and development.

The activity breakdown based on the NACE gives information on the distribution of foreign control in the economy of the reporting country and the respective international competitiveness of certain sectors. The breakdown by controlling country shows the role of specific foreign countries as domicile for enterprises controlling affiliates in the EU Member States and the attractiveness of individual Member States.

The common module for outward FATS (Annex 2) also includes a breakdown by country of location and by activity of the foreign affiliates controlled abroad. The structure of the detail for the characteristics proposed is the same as that used for foreign direct investment in the Draft Regulation for Balance of Payments Statistics. Opposition by Member States to a previous version presented to the SPC in September 2003 entailed that all characteristics for outward FATS, as defined in Annex II, will be subject of pilot studies. For inward FATS, as the information requested by the users goes beyond the scope of the draft regulation, pilot studies are planned to assess whether data collection is feasible for additional detail.

FINANCIAL IMPLICATIONS:

- Budget lines and headings: 29 02 01 Statistical Information Policy.
- Overall figures :
- Total allocation for action: EUR 2.150 million for the period 2005-2007.
- Period of application: Yearly data collection and compilation starting from the year after entry into force of the regulation.
- Overall multiannual estimate of expenditure: Schedule of commitment appropriations/payment appropriations – total over the period of application - EUR 2.150 million. This comprises grants to national authorities for pilot studies.
- Technical and administrative assistance and support expenditure is 0.
- Existing human resources will be reallocated for the management and the needs of the programme, no other resources are necessary. This amounts to EUR 648.000.