

## **Glossary on Foreign Affiliate Trade Statistics**

### **Classification – Product or industry**

The GATS requires information on the sales of services from foreign affiliates on a product basis. However, at the present time no country is in a position to collect sufficient data at this level. The new *Manual on Statistics of International Trade-in-Services* has recommended that compilers proceed on an industry or economic activity basis for the present time. In Canadian FATS, the activity of each foreign affiliate is collected on the basis of the North American Industry Classification System (NAICS).

### **Country of origin**

Most countries compile foreign direct investment statistics according to the *Balance of Payments Manual* (5th Edition, International Monetary Fund, 1993), which recommends that direct investment position statistics be allocated to the immediate host or investing country. Therefore, given the current situation, the immediate basis will be accepted as the most expedient way of producing FATS. In the longer-term, the UBO (Ultimate Beneficial Owner) approach is encouraged. Ideally, reporting countries would report on both bases for different analytical purposes.

### **Economic variables**

#### **i) Sales or Gross operating revenue**

Enterprises are instructed to exclude investment income from gross operating revenue, as it is conceptually different from sales. Special instructions are provided for banks, insurance companies and holding companies where the definition of sales can be more complex.

#### **ii) Employment**

Enterprises are asked to report the average annual number of employees for each foreign affiliate.

### **Foreign direct investment (FDI)**

FDI is an investment of a resident entity in one economy obtaining a lasting interest in an enterprise resident in another economy. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence by the investor on the management of the enterprise. Outward FDI is synonymous with Canadian direct investment abroad (CDIA).

### **Ownership**

For purposes of FATS, majority-owned foreign affiliates, that is enterprises in which the direct investor owns more than 50% of the voting shares, are included in the universe. Economic variables are attributed in their entirety to a single country and are not factored down by ownership shares.