

Statistics on the structure and activities of foreign affiliates (FATS)*

One of the signs of advancing economic globalisation is the growth in foreign direct investment. Monitoring this development and comparing national economies requires detailed statistics such as those expected by the policy decision-makers of the EU at international negotiations on GATS.¹ For this purpose, a council regulation on Community statistics on the structure and activity of foreign affiliates is currently being discussed at EU level. The aim of the regulation is to gain information on affiliates under foreign control (inward FATS) in the various EU countries and – at a later date – to obtain information on affiliates abroad controlled by investors in the various EU countries (outward FATS). Control of an affiliate is assumed to exist if there is a majority stake – that is, a holding of more than 50% of the capital shares. Inward FATS are to be classified regionally on the basis of the ultimate controlling unit, which in statistical terms means that, in the case of a foreign investor which is itself a dependent enterprise, control is allocated to the parent company's country of domicile. One of the objectives of these statistics is to ascertain the cross-border impact on employment, turnover, value added, imports and exports as well as on the research expenditure of the national economies.

The Bundesbank's annual foreign direct investment survey captures cross-border participations of 10% and more in the capital or voting rights of enterprises and already contains some of the aforementioned information on the investment enterprises' turnover and employees.² The analysis of the latest statistics in line with the requirements for FATS – solely for cross-border majority participations – gives the following results (more detailed information is contained in the table on page 56) at the end of 2003 for the key figures³ for enterprises abroad in which German investors have direct or indirect⁴ majority participations and for enterprises in Germany in which non-residents

have direct or indirect majority participations, the information being classified according to the ultimate controlling unit.

At the end of 2003, there were records of just under 20,000 enterprises abroad in which German investors held a majority stake. Conversely, there were only slightly more than 8,400 enterprises in Germany which were under foreign control. Enterprises in the EU countries accounted for almost half of the German participating interests. Of the other industrial countries, it was primarily the United States, with almost 3,000 enterprises, that featured as a major investment country for German residents. The relatively major importance of the transition and developing countries may be seen in the fact that German investors held participating interests in a total of more than 5,400 enterprises there, which was more than they held in the industrial countries outside the EU. At the end of 2003, for example, a very large number of participating interests were recorded in Poland and the Czech Republic. Overall, German investors' interest in the countries in transition was focused on enterprises in the manufacturing sector, which accounted for almost half of the investment companies in these countries.

Investors from other EU countries played the greatest role in the case of foreign-controlled enterprises in Germany. Most investors from other industrial countries came from Switzerland (with 1,095 participating interests) and the United States (1,699). Investors from the transition and developing countries had only a minor impact on the corporate landscape in Germany, with stakes in fewer than 5% of foreign-controlled enterprises in Germany.

At the end of 2003, there were only about two foreign majority stakes in Germany for every five German majority stakes held abroad. However, such enter-

* Foreign affiliates statistics. — 1 General Agreement on Trade in Services. — 2 Investment enterprises with a balance sheet total equivalent to over €3 million are captured. — 3 The key figures do

not include the holding companies which hold other reportable stakes. — 4 Participations of directly held investment companies are deemed to be indirect. The percentages of participating interests are

prises in Germany had a much greater average turnover and, at €740 billion, attained almost two-thirds of the turnover achieved by German investors in their affiliates abroad. German investors' foreign turnover was spread more or less equally between the EU countries and the other industrial countries, notably in France (€94 billion), the United Kingdom (€107 billion) and, in particular, the United States (€329 billion). The transition and developing countries together contributed only 18% to German investors' turnover abroad.

Just over 3.7 million people worked in enterprises abroad in which German investors had a majority stake; 38% of these were in other EU countries, slightly more than one-quarter in the industrial countries outside the EU and (at 37%) a fairly high percentage in the transition and developing countries. In Poland, the Czech Republic and Hungary alone a total of just under half a million employees worked in enterprises under German control. At the end of 2003, about 1.9 million persons worked in Germany in enterprises under foreign control, and more than half of these employees were in affiliates of investors from EU countries. At the end of 2003, there was almost an equal balance in the number of employees in enterprises in the industrial countries outside the EU in which Germans had a majority stake and the number in German enterprises controlled by investors from the industrial countries outside the EU.

In terms of numbers, majority participating interests in enterprises in the manufacturing sector accounted for one-third of the majority stakes on both sides. In 2003, these accounted for 42% of the foreign turnover arising from German majority stakes and just over 54% of foreign investors' turnover in Germany. At around 57%, there was an almost equally large percentage of persons employed in cross-border

majority-controlled manufacturing enterprises in both cases. The manufacture of motor vehicles abroad was of particular importance for German investors: in 2003, this economic sector accounted for almost two-fifths of foreign turnover in manufacturing and more than one-quarter of the numbers employed. At around 30%, the percentage of enterprises engaged in the wholesale and retail trades and in the maintenance and repair of motor vehicles, motorcycles and personal and household goods ("trading affiliates") was likewise significant in both directions. Whereas enterprises in Germany accounted for only 29% of the turnover of foreign investors, 37% of foreign turnover was generated in these enterprises. On a percentage basis, the number of employees in this economic sector was about 20% on both sides of the participating interest relationships. More than half of the trading affiliates of German investors were domiciled in other EU countries.

While enterprises engaged in financial intermediation, especially "Other financial intermediaries" (763 participating interests), played a major role for German investors with almost 1,900 majority stakes abroad, this economic sector was only of secondary importance for foreign investors in Germany given that they had fewer than 350 participating interests. A different picture emerges in the services sector sub-area "Real estate, renting and business activities". At the end of 2003, these economic segments accounted for no more than 14% of German investors' foreign participating interests but almost one-quarter of the foreign-controlled enterprises in Germany. The turnover achieved by foreign investors in these enterprises amounted to €49 billion and, in absolute terms, therefore exceeded the sum achieved by German investors in this segment abroad (€40 billion). It was primarily in the economic sector "Other business activities" that foreign investors showed a marked interest.

not multiplied in the chain. A secondary majority stake exists when both the investor holds a majority participation in a primary invest-

ment company and this primary investment company holds a further (secondary) majority participation in an enterprise.