INDEX

1. INTRODUCTION
2. BRAZILIAN FOREIGN CAPITAL LEGISLATION
3. FOREIGN DIRECT INVESTMENT POSITION (STOCKS) IN BRAZIL
   1. Types and Mechanisms
   2. FDI position statistics and methodology (data coverage)
   3. Foreign Capital in Brazil (recent projects)
   4. FDI data sources
   5. FDI Valuation procedures and concepts adopted
   6. Data dissemination
   7. Brazilian Direct Investment Abroad
4. FOREIGN DIRECT INVESTMENT FLOWS IN BRAZIL
5. FOREIGN DIRECT INVESTMENT STATISTICS IN THE UNITED STATES
   1. Legal aspects
   2. FDI statistics and methodology in U.S.
   3. FDI coverage
   4. Financial and Operating Data
   5. FDI Valuation and concepts adopted
   6. Data dissemination and Clientele
6. OECD BENCHMARK DEFINITION FOR FDI
   1. Deviations from the OECD Benchmark Definition
   2. Brazilian and U.S. FDI Statistics
7. CONCLUSION
8. BIBLIOGRAPHY
9. FDI TABLES
INTRODUCTION

Foreign Direct Investment (FDI) statistics, especially due to the globalization process, have been frequently observed as a supplementary indicator to understand the strategy of the international investors. The increasing importance of multinational enterprises has stimulated interest in the area of direct investment statistics among policy makers, analysts and statisticians.

Nevertheless, FDI data between countries shows certain divergences. Some countries have a more flexible legislation for hosting FDI rather than others and there are some discrepancies in terms of definitions, concepts and methodology used. More and more countries are working together to harmonize their statistics, and consequently, make them comparable so that it can become possible to exchange comprehensible information on this issue between nations.

The Central Bank of Brazil (BACEN) is concerned as well about the importance of producing accurate and efficient statistical data on capital movements. This data is an important input provided to the Government, who is aware of the impact of the capital flows on the economy, especially in relation to the effectiveness of its macroeconomic policies.

This paper gives an overview of the concepts and methodologies on FDI statistics adopted in Brazil and the criteria used in the United States to produce FDI data. It makes a brief comment on the international comparability and relates some of the discrepancies of these both statistics mainly in relation to the international recommendations.

2. BRAZILIAN FOREIGN CAPITAL LEGISLATION

Foreign investments in Brazil are regulated by Law no. 4.131, issued on 11.03.62, modified by Law no. 4.390, dated 08.09.64, supplemented by the Decree no. 55.762, dated 02.17.65 (direct investments). The operational aspects are subject to the coordination and control of the Central Bank of Brazil, for which the Department of Foreign Capital (FIRCE) is in charge.

Foreign capital consists of goods, machines and equipment entered in Brazil without initial expenditure of currency, destined to the production of goods or services, as well as the financial and monetary resources inflow to be applied at the economic activities. As far as in both cases, the capital belongs to households or firms, resident, domiciled or headquartered abroad.

The foreign capital Law ensures the same legal treatment to foreign capital as that accorded to the national capital, under the same conditions. It prohibits all forms of discrimination not established in Law and determines that such investments have to be registered with the Central Bank of Brazil.

The Registration Certificate (CR) is issued by FIRCE. Applications should be made at the Central Bank of Brazil regional offices within 30 days after the capital inflow or the respective accounting registration in the case of earnings reinvested, irrespective of any tax or emolument payment.

The Registration Certificate stands as an official recognition of the investment, as required by Law. It permits remittances of profits and / or dividends abroad and return of the invested capital, at any time, without the need for additional authorization, have the societal and fiscal legislation been observed and any other applicable norms fulfilled.

Although being in force for more than 3 decades, certainly the control motivation by which the foreign capital Law was created has been altered by an attitude much more favorable to foreign investments.

Understanding the importance of foreign investments to the modernization of the Brazilian economy, the Brazilian Government, through the Central Bank of Brazil, regulated new mechanisms for the foreign resources inflows with the intention to incentive the entry of foreign capital. Following, some of these mechanisms are stated:
a. direct investment in stock market by institutional investors constituted abroad;

b. Depositary Receipts Mechanism;

c. investments in stock market within the Mercosur area;

d. Fixed Income Funds - Foreign Capital;

e. Real State Investment Funds;

f. Mutual Funds of Investment in Merging Enterprises.

In the Central Bank scope, the creation of the Electronic Declaratory Registration system for the Portfolio Investments, on 12.01.96, must be highlighted; it substitutes the old procedures with paper emission by electronic means. A similar system will also be developed for the Direct Investment.

Besides, the modernization of the capital legislation to better attend the demands required by the market evolution is being considered. There are some studies on this matter; a Law project is being discussed in the National Congress aiming at making foreign capital more attractive and giving privilege to the long-term investment. Thus, following the international tendency towards the control liberalization on the capital account and the flexibility of the exchange rules.

### 3. FOREIGN DIRECT INVESTMENT POSITION IN BRAZIL

#### 3.1. Investments (Types and Mechanisms)

There are many forms of investing in the country open to foreign investor as direct investment, credit conversion, reinvestment, portfolio investment and privatization. However, this part discusses particularly about Foreign Direct Investment.

In general, most FDI controls more than 90% of the Direct Investment enterprises, but the requirement of registration in the Central Bank of Brazil applies to all types of Foreign Investment, having no threshold for the equity capital. However, when the foreign investments occur in the stock markets or in Funds, they are not considered as Direct Investment, but as Portfolio Investment; apart from those cases, the investments are considered as FDI.

Since the main objective of this transaction is participation in the profits of the company receiving the investment, direct investment is characterized as an investment of lasting permanence.

In Brazil, direct Investments can be effected through the entry of resources into the country in the form of currency or goods (machines and equipment). Another way is through the conversion of amounts that could be remitted abroad, but which are used to institute or increase the capital stock of companies already constituted or authorized to function in the country (in the case of branches of foreign companies). The concept of Direct Investment as management control is not being evaluated.

Several legal and administrative measures have been adopted by the new administration to encourage foreign capital, such as the simplification of procedures; the reduction of the tax rate and; the publication of the criteria applied by the Central Bank for the granting of the foreign capital registration.

Some mechanisms related to direct investment used by foreign investors are described bellow:

a) *Investment in Currency:*
Foreign direct investment in currency does not depend on prior authorization of the Central Bank, and is carried out through the financial resources inflow in the Floating Exchange Rates Market (MCTL). In this category, the investment must be channeled to the economic activity, through the acquisition of stock participation or subscription to the capital of an ongoing or new company, which usually take the form of a corporation or a limited liability company.

The opening of branches of foreign companies is permitted, though this depends on prior authorization by means of presidential decree.

Resources inflows and remittances abroad resulting from the investment made must be processed through banks authorized to deal with foreign exchange in Brazil.

In this case, registration is made in the currency entered in the country while. For the purposes of the accounting of the foreign investment, the corresponding value in national currency is calculated on the basis of the exchange rate in force on the closing day of the exchange transaction.

\(b\) Investment in Goods:

Import of goods, without exchange covering, destined for the capital capitalization of Brazilian enterprises is subject to the Declaratory Electronic Registration in the Central Bank of Brazil (ROF). The company will have to trench the foreign participation within 180 days after the customs procedures.

The goods, machines and equipment have to be destined to the production of goods or services and have economic lifetime greater than 05 years (5 years depreciation period).

The registration of these investments is made in the currency of the country of origin of the goods or of the country in which the investor is domiciled or headquartered. Like the investments in currency, remittances abroad resulting from these investments should be processed through banks authorized to operate in foreign exchange.

\(c\) Investment through rights conference:

Investments in intangible goods (trademarks, patents or credits for payment of technology), aiming at the capital capitalization, are allowed provided. However, the National Institute of Industrial Property (INPI) must recognize them. The type of transaction also depends on the legal instrument authorizing the transference or the right of use.

\(d\) Reinvestment:

By reinvestments, it is considered the profits of companies established within the country and attributed to residents, domiciled or headquartered abroad, proportionally to their participation, when such profits are reinvested in the same company from which they proceeded or in another sector of the national economy.

The reinvestment registration is effected simultaneously in the national currency and in the currency of the country to which the earnings could have been remitted; these figures are aggregated in the already existent registration in the name of the investor responsible for the initial investment.

For registration purpose, the profits and the reserves included are those of the last balance of the foreign capital receptor.

\(e\) Remittances of Profits or Dividends:

Foreign remittances of profits or dividends abroad have as limit the percentage of the foreign investor participation registered applied on the amounts capitalized or distributed by the company receiving the
investment. Since 01.01.96, these remittances became exempt from income tax.

f) Capital Return:

Capital return transaction is exempt from income tax and, under the terms of the Foreign Capital Registration Certificate, is processed automatically without the need of further authorizations. The remittance limit is that of the foreign currency value stated on the Certificate (investments and reinvestments).

However, in the case of sale, only the product of the sale of the stocks or quotas mentioned on the Certificate may be expatriated. While, in the case of dissolution or the reduction of the capital of the company, the proportional value or that attributed to the stocks or quotas indicated on the Certificate may be expatriated.

g) Capital Gain:

Capital gain is the positive difference between the sale cost and the acquisition cost of goods or liabilities (the amount of value earned in the realization of the registered participation, which exceeds the foreign currency value stated on the CR).

The realization of the participation is effected through sale or redemption of the corresponding stocks or quotas; through reimbursement of these shares, in those cases determined in law, or through the dissolution of the company receiving the foreign investment, in proportion to the amount distributed to the investor.

3.2. FDI position statistics and methodology

FDI position statistics are produced by FIRCE, the Foreign Capital Department. FDI data comprises only equity capital, i.e., resources applied directly in the capital of enterprises established in the country.

Inward direct reinvestments must be registered in the CB within 30 days after the capitalization. Changes in foreign participation derived from acquisitions of society organization are object of registration at the Central Bank of Brazil;

Following, a list of items computed in the FDI position data and another list with those items not considered as direct investment.

Included in FDI position data:

- Investments inflows and outflows in foreign currency and in form of goods and reinvestments;
- Conversions of loans and other credits into investment and investment into goods;
- Loans and other credits remittable abroad can be converted into investment;
- Land, structures and immovable equipment and objects are considered as FDI only when they are converted into the capital of a FDI enterprise;

Not included in FDI position data:

- Capital gains outflows, earning outflows and intercompany loans;
- Earnings data include only net payments of profits and dividends and net capitalized profits and dividends;
○ debt transactions are not classified as FDI but as external debt transactions, even those made as intercompany loans or intergroups; thus, incomes on intercompany debts are computed together as all other interests paid to / received from abroad;

○ transactions worked out through securities issued abroad are also considered as debt;

○ transactions using stock markets or investment funds are considered as Portfolio Investment and they are not computed in FDI statistics, except ownership acquisitions under privatization programs;

○ quasi-corporation;

○ land and buildings properties of non-residents are considered as FDI and included in FDI statistics of flows, but they are not computed in FDI position figures;

○ FDI statistics include only amounts used to capitalize enterprises; thus, amounts capitalized used to expenditures related to natural resources exploration are not included in FDI statistics;

○ registration at the CB is required only for investments made directly by non-residents; thus, FDI position statistics do not include indirectly owned enterprises.

3.3 Foreign Capital in Brazil (recent projects)

The Foreign Capital Department (FIRCE) has been developing several activities in order to modernize the Department and promote the quality of its products.

In 1996, with the objective to produce an extensive and at the same time detailed data, the Central Bank of Brazil (BACEN) made the first survey on foreign capital. It intends to make other surveys, at least, every 5-year period (the Census Project is in charge of the surveys and analyses). That Survey includes indirect investment information. By using the surveys mentioned, the BACEN will be able to compile earnings data on indirectly owned enterprises, data on gains and losses under other concepts besides the net payments concept now available, and data on dividends as of the date they are payable for inward FDI.

The BACEN, through FIRCE, is developing a new system for FDI, the Declaratory Electronic Registration System - "Registro Declaratorio Eletronico" (RDE). In this new System, all transactions will be electronically reported to the BACEN, directly by the resident enterprises. Therefore, with the transactions being carried out on line, it will be possible to obtain the data in a more efficient and quicker way. With the implementation of this new system, it is expected that it will be possible to include intercompany loans in FDI position data.

Besides, another project is being developed, the Foreign Capital Statistics Improvement Project - "Projeto Melhoria das Estatisticas de Capitais Estrangeiros" (MECE), which is in charge of promoting the link of the systems of the Department with the Exchange Department System and the connection with the Income Revenue Services System (this latter is to check the basic data such as name, address, and economic sector classification). It is also updating its table according to the National Industry Classification of the Institute of Geography and Statistics (IBGE). Another important task of the MECE is to create a series of aggregated data to make its analysis easier and to provide its users a better range of information. The MECE is revising the Companies Register - "Cadastro de Empresas da Area FIRCE" (CADEMP), which is the main source of the statistics as regard its basic data. In sum, it is responsible for improving the data quality, i.e., its consistency and availability.

The Scientific Information Approach Project - "Tratamento Cientifico das Informacoes" (TCI) is another Project being carried out along with the other activities of the Department. Its major objectives are to
evaluate foreign capital data demands, follow the market evolution, assess the data available and analyze it to better subsidize the Government and the Central Bank itself in the economic policy taking, and provide the other users the best possible information. The TCI is taking into account the international recommendations (IMF, OECD).

3.4 FDI Position Data Sources:

FDI position data is extracted from the certificates of registration, the main source for the time being. There is a gap between the disbursement or the capital return date and the issue of the certificate (as the foreign capital Law nr.4131 states 30 days to request the registration at the Central Bank of Brazil which will issue the certificate only when the documentation is complete). The sources are indicated below:

- The Certificate of Registration is the main source of the position data on FDI. Resident enterprises provide the CB basic and capital data about their companies as required in the CR.
- Resident enterprises annually provide CB some data on foreign affiliate status and result.
- Exchange Contract: the exchange control system provides data on FDI position for checking purposes.
- Data published on companies/institution composition as "Guia Interinvest", "The Bankers Almanac", are used as well.
- Data processing base of the Internal Revenue Services (SRF) provides basic data of the national enterprises (the foreign investment receptors) according to the tax-payers General Registration (only basic data)
- National Classification of Economic Activities of the Brazilian Institute of Geography and Statistics (IBGE). The industry activity classification used involves 102 codes, broadly aggregated. In the system that is being developed, the code will be changed to the current IBGE national industry classification, which includes 751 codes.
- RDE – Investment (Declaratory Electronic Registration System): in development.
- Foreign capital CENSUS: data being processed.

3.5. FDI Valuation and concepts adopted

Valuation of assets in the FDI position: the valuation method used for equity capital and reinvested earnings is the Book Value. Amounts are registered in both national currency and investor’s or transaction's foreign currency.

Considering that the registration is effected in the currency of foreign transaction, statistics on foreign direct investment position (stocks) are processed, converting all those currencies to the American dollar based on three distinct valuations:

a. conversions to US Dollar at historical cost, i.e., the rate at the parity of the month of the inflow, outflow and or reinvestment actually occurred;

b. conversions to US Dollar at current cost, i.e., the rate at the parity of the current date (the ruling rate at the compilation s date);

c. conversions to US Dollar at historical cost (a) and updated according to the US consumer price index.
These conversions are made for the inward FDI data. For the outward FDI, we use only the conversion to US dollar at historical cost (a). The development of a new system for outward FDI has been requested. And it is expected that under this new system, it will be possible to calculate stocks with the same prices and exchange rate adjustments for outward FDI, as mentioned above for inward FDI.

The information obtained in Brazil on stocks are based on two different concepts: the investor country (the country where the investing company is domiciled) and the foreign holding country (the country of the majority owned investing company), observing international recommendation for the last one.

### 3.6 Data dissemination

The data on FDI are published quarterly, on the Central Bank of Brazil Bulletin, based on the two concepts describe previously (company and holding) with the following aggregation:

- by country of company and by year of inflow or capitalization
- by country of holding and by year of inflow or capitalization
- by country of company and by sector (major countries)
- by country of holding and by sector (major countries)

The direct investment position data published by the CB, which are based on the Certificate of Registrations issued up to the end of the period, is not subject to further revision.

The last FDI position published up to now is June 30th, 1995 and it is expected that, with the implementation of the new system for FDI, we will be able to produce more consistent and updated data.

### 3.7. Brazilian Investment Abroad:

Registration on capital remittances abroad are kept in data base in the Central Bank of Brazil which are also characterized as direct participation in the capital of companies domiciled abroad.

Equity capital and reinvested earnings amounts are registered in the currency of the foreign direct investment enterprise or in the currency of the transaction.

Outward direct reinvestment data is available annually, reported by the investor, but that information is not yet included in a computer system.

Statistics on Brazilian Investment abroad are not published yet, apart from those in the Balance of Payments. However, its elaboration is expected to follow the same methodology adopted for inward direct investment (RDE - Brazilian Investment Abroad).

### 4. FOREIGN DIRECT INVESTMENT FLOWS IN BRAZIL

(FDI flow statistics and methodology in Brazil)

The Economic Department of the Central Bank (DEPEC) produces FDI flows data and publishes statistics on foreign direct investment for both stocks and flows. This part gives a brief description of the data on direct investment flows.

**Data Coverage:**

The FDI flows data in the Balance of Payments of Brazil includes:
- conversion of any foreign credit liable to be remitted abroad into FDI;
- investment in goods: whether importing any goods the importer has to fill out a form in which there is a field for information regarding the means of payment. All investment of this kind must be registered at the Central Bank (FIRCE). This registration increases the investors registered investment position in Brazil;
- investment in foreign exchange: investments made in foreign currency, which have to be exchanged for domestic currency. Investments (and all other transactions) may be done in domestic currency as well, but are not included under the foreign liabilities position of Brazil, this does not, however have a significant effect on the match between flows and stocks due to the small amounts involved;
- long term intercompany loans;
- reinvested earnings: they refer to the amount of distributed profits that are capitalized and registered at FIRCE;
- Inter-company debt transaction figures include only long-term inter-company loans. All other inter-company debt transactions are included in the Financial Account and classified under debt instruments.

**Data Sources:**

Data on FDI flows is supplied by different sectors.

Data on investment in national currency is supplied by the Exchange Department, which collects these data based on registrations made by banks. Data on FDI in foreign exchange is based on foreign exchange contracts where the classification is made directly by the resident enterprise. The basic source of the FDI flows is the consolidation of the exchange statistics.

Data on conversions is collected by the Foreign Capital Department, to which all conversions are reported by foreign direct investors who wish to convert previous capital inflows into direct investment.

The Ministry of finance, which also compiles all data on imports, supplies data on investment in goods.

For operating reasons, it is difficult to compare flows and changes in stocks. Studies are under way in order to improve coherence between these figures in Brazil.

The new data collecting system being developed will make the reconciliation of FDI flows statistics with FDI stocks statistics easier. Through this new system it will be possible to get more integrated and detailed data on flows.

**5. FOREIGN DIRECT INVESTMENT IN THE UNITED STATES**

(FDI Statistics Methodology of U.S.)

The Bureau of Economic Analysis (BEA) is in charge of producing the U.S. FDI statistics. The BEA conducts a variety of surveys on both U.S. direct investment abroad and foreign direct investment in the United States. The data concepts and survey methods employed for both types of investment are identical in most respects. Though, it will be given more emphases to the statistics from the perspectives of U.S. direct investment abroad (USDIA).

**5.1. Legal Aspects**
The earliest direct investment surveys conducted by the U.S. Government were voluntary. In the 1950’s, however, as U.S. direct investment abroad began to grow sharply, the quality of the voluntary reports began to deteriorate significantly and many reports arrived too late to be included in the current estimates. A number of large companies began to stop reporting on those surveys not required by law. Therefore, legislation was enacted making the surveys mandatory.

All foreign direct investments in U.S. business enterprises, including all ownership of real estate other than for personal use, are subject to mandatory reporting to the BEA under the International Investment and Trade in Services Survey Act.

Over the history of the U.S. government’s direct investment data collection program, in addition to the mandatory prerequisite to provide data quality, the confidentiality of company-specific data has been assured. This feature is extremely important because companies do not want such information to be used against them, either by their competitors or by other government agencies. Therefore, under the Act, no company-specific information (including company names) may be released to unauthorized persons outside of the Bureau.

5.2. FDI Statistics and Methodology in U.S.

Direct investment implies that a resident in one country has a lasting interest in and a degree of influence over the management of a business enterprise in another country. The criterion used in the United States to distinguish direct investment from other types of investment is based on the guidelines established in the IMF and OECD international recommendations.

Accordingly, direct investment occurs when one U.S. resident acquires at least a 10 percent equity interest in an incorporated business located in a foreign country, or the equivalent interest in an unincorporated business. Thus, USDIA is the ownership or control, directly or indirectly, by one U.S. resident of 10 percent or more of the voting securities of an incorporated foreign business enterprise or the equivalent interest in an unincorporated foreign business enterprise. A U.S. company that undertakes such investment is called a U.S. parent company, and a foreign business so owned is called a foreign affiliate. The combined transactions between the parent and its affiliates are called U.S. multinational company.

Data Collection:

U.S. direct investment data is based on 2 types of data collected by the BEA: 1) balance of payments and direct investment position data; 2) financial and operating data. The first type of data focuses solely on the value of transactions between U.S. parent companies and their foreign affiliates and the second type provides a variety of indicators of the overall domestic and foreign operations of U.S. MNC’s, irrespective of the degree of funding by U.S. parent.

The data are collected in two types of surveys: benchmark surveys (or censures) and regular sample surveys. Benchmark surveys, which are currently conducted every 5 years, are the most comprehensive surveys in several respects: first, they collect both types of data; second, they cover virtually the entire population or universe of U.S. MNC’S in terms of value; and third, they collect the widest variety of data items.

In addition to the benchmark surveys, BEA conducts quarterly and annual sample surveys. The balance of payments and direct investment position data are collected in quarterly surveys, and the financial and operating data are collected in annual surveys. In the sample surveys, reports are not required for small affiliates, in order to reduce the reporting burden on the U.S. companies that must file. Instead, BEA estimates the data for these affiliates by extrapolating forward their data from the most recent benchmark survey on the basis of the movement of the sample data. Thus, coverage of the U.S.- MNC universe is complete in non-benchmark, as well as benchmark, periods.
More detailed topics on direct investment can be found in the Bureau monthly journal: *Survey of Current Business*.

### 5.3. Data Coverage

Balance of payments and direct investment position data cover U.S. parent's investment in their foreign affiliates, their return on that investment, and sales of services between parents and affiliates. These items are essential inputs to the U.S. economic accounts, although some items have analytical value outside of that framework.

The U.S. direct investment position abroad is used to construct the international position account, which measures the accumulated stocks of U.S. assets abroad and foreign assets in the United States, i.e., the U.S. parent equity in and net outstanding loans to their foreign affiliates.

While the direct investment position measures the total outstanding level of direct investment at a given point in time, direct investment capital flows measure net additions or removals of direct investment capital during a given period. These are funds that U.S. parent companies provide to their foreign affiliates (outflows), net of funds the affiliates provide to their parents (inflows). They can be supplied in equity capital, intercompany loans and reinvested earnings. Equity capital outflows occur when U.S. parents establish an affiliate or increase their equity stake in an existing affiliate; inflows occur when parents sell, or reduce their stake in, an existing affiliate. Intercompany debt flows encompass loans that U.S. parents make to their foreign affiliates and loans that affiliates make to their U.S. parents. Reinvested earnings are U.S. parent's claim on the undistributed profits of their foreign affiliates. Direct investment capital flows are needed to construct the capital account of the balance of payments.

Direct investment income is U.S. parent's return on investment in their foreign affiliates. It is comprised of U.S. parent's claims on the earnings (or profits) of foreign affiliates and; U.S. parent's net receipt of interest from foreign affiliates. Sales of services between parents and affiliates include such items as royalties and license fees, and charges for services such as advertising, accounting, or research and development. Direct investment income and sales of services are needed to construct the current account of balance of payments and to construct gross national product.

### 5.4. Financial and Operating Data

Financial and operating data is somewhat newer than the balance of payments type data. It provides a wide variety of indicators of the overall operations of U.S. MNC's and of the separate operations of their foreign affiliates on the U.S. and host economies, which cannot be addressed by balance of payments data alone. They encompass traditional financial statement items (such as assets and sales) as well as non-financial items needed to assess the impact of MNC's (such as employment and merchandise trade).

Financial and operating statistics include data on balance sheets and income statements, sales by type (such as goods or services) and destination (such as local or non-local), employment and employee compensation, U.S. merchandise, technology and external financing.

Compared with direct investment balance of payments and position data, financial and operating data for MNC.s are much less widely available. In fact, the United States is one of only a very few countries that now produce such data. However, the need for such data is becoming more widely recognized, and several countries are trying to find ways to develop them. The main factors that have heightened interest in these data include the increasing economic interdependence of world economies, the adoption by many companies of global business strategies and internationally integrated production process, and the increasingly common practice of broadening bilateral and multilateral commercial agreements. Moreover, it covers not only trade issues, as in the past, but also investment issues.
5.5. FDI Valuation and Concepts adopted

Valuation:

The direct investment position estimates are carried at three distinct valuations: historical cost, current cost and market value. The historical cost position measures USDIA at its book value. Book value is used by MNC’s when reporting direct investment to BEA, mainly because historical cost is the accepted basis for company accounting records both in the United States and many other countries. Its analytical usefulness is limited because it reflects prices of several years and thus cannot be interpreted as either a constant or a current dollar value.

To estimate the current value of the foreign direct investment position, the BEA has developed current-cost and market-value estimates of the position. These two measures not only enhance the analysis of direct investment but also put direct investment on valuation bases consistent with those used for other types of assets included in the International Investment Position (IIP).

Country Classification:

The direct investment position and balance of payments data are classified by country of foreign parent rather than by country of Ultimate Beneficial Owner (UBO). Any transactions with other members of the foreign parent group are assigned to the countries of the other members. This classification is consistent with the U.S. balance of payments methodology, which requires that each transaction be assigned to the foreign country with which it occurred.

Industry Classification:

Data can be classified by industry in three ways: Industry of U.S. affiliate, industry of sales, and industry of UBO. The most widely used classification is by industry of U.S. affiliate.


5.6. Data Dissemination and Clientele

Data on FDI produced by BEA is available through a variety of means: in publications (both in the SURVEY and in separate data publications), on diskette, on CD-ROM (the National Trade Data Bank CD-ROM, and on the Internet. Additional information can be obtained in the International Investment Division, BEA, U.S. Department of Commerce.

The statistics on MNC, including direct investment, support numerous activities by the government and the private sector such as:

- compilation of the U.S. economic accounts by BEA;
- conduct of bilateral and multilateral negotiations to reduce barriers to investment and trade;
- studies by academic and government researchers to assets the impact of U.S. investment abroad on the U.S. and foreign economies;
- strategic planning by U.S. businesses.

6. OECD BENCHMARK DEFINITION FOR FDI

Several International organizations have set forth guidelines for the compilation of balance of payments and direct investment position data. The most detailed recommendations specifically

Recently, the international guidelines have undergone major revisions, as part of an internationally coordinated effort to modernize and extend international standards for economic accounting and to improve harmonization among recommendations of different organizations. It provides comprehensive and detailed international standards for recording both positions (stocks) and flows related to direct investment. The recommendations cover a wide range of issues, including concepts and definitions, time of recording, geographical allocation, and valuation.

### 6.1. Deviations from the OECD Benchmark Definitions:

Direct investment statistics are currently available for approximately 100 countries; though, many of these countries’ statistics deviate significantly from the international guidelines. One of the most common deviations is the lack of information on reinvested earnings. Another common deviation is the use of a percentage-ownership threshold different from the recommended 10-percent level for identifying an investment as "direct". For example, the United Kingdom, Germany and Italy use a threshold of 20 percent. In addition, some countries do not use ownership percentages as the sole criteria for defining direct investment; instead, they attempt to evaluate individual investments subjectively in determining whether the degree of influence or control is consonant with the general concept of direct investment. In the case of Brazil, there is no threshold for a direct investment relationship.

A few other variances from international guidelines may be observed in the statistics of some countries. Among some relevant causes of asymmetries in the field of FDI are the following topics: 1) discrepancies linked to the Data Collection System; 2) discrepancies linked to the geographical, sectoral and directional allocation principle; 3) discrepancies linked to the treatment of specific transactions like the short term credits and specific activities like construction, exploration research, financial intermediaries, bank and the public sector; 4) several calculations method of the reinvested earnings (RIE), also different affectations period of the same reinvested earnings. For instance: some countries exclude certain types of intercompany debt from direct investment, while others may exclude investment in certain industries. Still other countries base their statistics on government approvals of investments rather than on actual flows of funds.

### 6.2. Brazilian and U.S. FDI statistics:

Both statistics differ a lot in many aspects. This part shows some of these divergences:

The way of gathering the data is distinct. While Brazil produces its FDI position statistics by extracting the figures from the certificate of registration, the U.S. BEA collects the data through a survey process. Another distinction between these data is the time of recording. As the ways of gathering the data differ, the time of recording is diverse as well.

The concept and methodology adopted on FDI is not the same; for instance, Brazilian statistics, for the time being, do not consider the threshold participation limit of 10 percent to classify the direct investment. Though the U.S. consider the criterion of ownership or control of 10 percent or more of an enterprise’s voting securities or the equivalent, this criterion used to distinguish direct investment from portfolio investment is somewhat arbitrary.

Brazil uses the book value for equity capital and reinvested earnings valuation, while U.S. use the market value as one of its FDI position valuations;

The U.S. Department of Commerce, when releasing the data results on direct investment, add the intercompany loans. This criterion is used by the IMF, OCDE. It is accepted that the loan transaction
(which implies interest payment) between an affiliate and its parent or between two affiliates, must be considered as direct investment, even if there is no profits or dividends to be transferred afterwards. In Brazil, the Central Bank does not compute intercompany loans as direct investment, though it intends to adjust its statistics with the implementation of the new system.

Due to these discrepancies, it seems not feasible to make further comparison. However, it is possible to make some assumptions in relation to the industry classification. Though Brazilian statistics are being improved in order to obtain a more significant industry classification, it is possible to observe that the current classification in terms of percentage (industry concentration) is quite close to that described by the U.S. statistics.

The U.S. data on direct investment presented in this paper conform closely to the international guidelines. The data of other countries generally conform less closely, and thus often are not comparable with BEA data, but efforts to improve conformity are under way in many countries as in the case of Brazil. As result, the international comparability of direct investment statistics, while incomplete, is improving and should continue to improve as these efforts continue.

7. CONCLUSION

Due to its importance, a lot has already been discussed and pointed out by several groups and organizations in regard to FDI data. Then, this paper simply tried to pull some of this information together particularly in relation to the U.S. and Brazilian FDI statistics; however, it requires a more detailed study and analysis.

Given the globalization process, all countries and all major international economic and financial agencies need to engage more seriously in efforts to formulate better policies and fairer rules; thus, providing benefits of integration to all countries. In this context, it is even more crucial to have effective, comprehensive and comparable data on FDI to subsidize countries to choose the best economic policies.

As the participation of Foreign Direct Investment is becoming more significant world wide, more attention is being given to such information. Consequently, it is expected that soon complete and more comparable information will be available to be used as an additional economic analysis resource.

Although generic, this study shows the importance of adopting the same approaches for the FDI data production. Thus, making sense to exchange the information on foreign capital produced by Brazil and the United States and obtaining a better use of the available data. Therefore, further elaboration on these statistics might be worthwhile.

8. BIBLIOGRAPHY


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9. FDI TABLES (ANNEXES)4

(Some of the FDI statistics produced by Brazil and the United States)

9.1 **Brazilian FDI Position Statistics:**

Foreign Investments and Reinvestments in Brazil - *(position June, 1995)*

- Distribution by holding's country and inflow or capitalization year
- Distribution by holding's country and industry *(Total and United States)*
- Foreign Direct Investment in Brazil *(preliminary data)*
- Foreign Direct Investment by Economical Sector *(summary)*
- Ranking of the ten biggest investors *(summary and graphic)*

Brazilian Investment Abroad *(position December, 1996)*5

- Distribution by country and by year
- Distribution by country and by industry *(Total and United States)*
9.2 U.S. FDI Position Statistics:

- Foreign Direct Investment Position in the United States on a Historical Cost Basis and Direct Investment Income, by Country of Each Member of the Foreign Parent Group and by Country of Ultimate Beneficial Owner, 1995-96

- Direct Investment Position Abroad on a Historical-Cost Basis: Industry Detail for Selected Countries, 1996