

EUROPEAN CENTRAL BANK

OPINION OF THE EUROPEAN CENTRAL BANK

of 31 May 2005

at the request of the Council of the European Union concerning a proposal for a regulation of the European Parliament and of the Council on Community statistics on the structure and activity of foreign affiliates (COM(2005) 88 final)

(CON/2005/16)

(2005/C 144/09)

1. On 6 April 2005, the European Central Bank (ECB) received a request from the Council of the European Union for an opinion on a proposal for a regulation of the European Parliament and of the Council on Community statistics on the structure and activity of foreign affiliates (hereinafter the 'proposed regulation').
2. The ECB's competence to deliver an opinion is based on the first indent of Article 105(4) of the Treaty establishing the European Community. In accordance with the first sentence of Article 17.5 of the Rules of Procedure of the European Central Bank, the Governing Council has adopted this opinion.
3. The objective of the proposed regulation is to establish a common framework for the systematic production of Community statistics on the structure and activity of foreign affiliates. On the one hand, under this framework Member States will report data on foreign affiliates resident in the compiling country but controlled by a foreign institutional unit. Annex I to the proposed regulation lays down a common module for such inward statistics on foreign affiliates (hereinafter 'inward FATS'). On the other hand, the reporting of data on foreign affiliates not resident in the compiling country but controlled by an institutional unit resident in the compiling country is currently voluntary and will be subject to pilot studies to be conducted by some Member States at the latest within three years after entry into force of the proposed regulation. Annex II to the proposed regulation lays down a common module for such outward statistics on foreign affiliates (hereinafter 'outward FATS').
4. The ECB welcomes the proposed regulation. By defining a common framework, the proposed regulation should improve the comparability of data on foreign affiliates throughout the EU, thereby making them more suitable for aggregation at the EU and/or euro area level and more reliable for all users. Data on foreign affiliates are currently compiled by national statistical institutes (usually inward FATS) and central banks (usually outward FATS) of the Member States. The compilation methods used are in line with the proposed regulation and such data should also assist the ECB in assessing economic developments relating to the activity of large corporations and their foreign affiliates inside and outside the euro area. Specifically, these data are considered valuable for investigating both trends in euro area trade and price-setting behaviour, as well as for understanding the economic impact of foreign direct investment on, for instance, competitiveness or employment.
5. In this context, the ECB would take the opportunity to comment on certain specific provisions of the proposed regulation. The ECB notes that the proposed regulation does not make the provision of outward FATS mandatory with immediate effect. Only after a period of three years will it be possible to assess the results of the pilot studies to be conducted in some Member States. The ECB regrets that although the data flows provided for balance of payments statistics in Section 2 of Annex I to Regulation (EC) No 184/2005 of the European Parliament and of the Council of 12 January 2005 on Community statistics concerning balance of payments, international trade in services and foreign direct

investment ⁽¹⁾ indicate separate categories for goods and services, goods and services are not categorised separately in this way in the proposed regulation. If such data are not categorised separately, their value for analysis will be reduced and it will be harder to compare them with data published in the countries that are the euro area's main counterparts.

6. Another issue is the deadline of 20 months from the end of the reference year for Member States to transmit inward FATS currently provided for in Section 5 of Annex I to the proposed regulation. This would appear to be the maximum possible time limit for ensuring a regular assessment of economic developments involving (frequent) changes in the structure of large corporations and the number, size, and sector of economic activity of their affiliates. The ECB therefore encourages the Parliament and the Council to consider the possibility, after an evaluation of pilot studies, of reducing the proposed deadline in the medium term, at least for aggregated data (e.g. 'Level 1', as referred to in the proposed regulation). This would bring it more in line with the timeliness for reporting aggregated data on foreign direct investment laid down in Regulation (EC) No 184/2005, which provides for a deadline of nine months.
7. Following a more detailed assessment of Annexes I to III to the proposed regulation the ECB notes that Section 6 of Annex I to Regulation (EC) No 184/2005 entitled 'Geographical breakdown levels' includes an additional item entitled 'U4 Extra-euro-zone' alongside other EU-wide items. The ECB considers that in order to produce the euro area aggregate, it would be useful to include a similar reference to the 'Extra-euro area' in Annex III to the proposed regulation as an additional geographical breakdown level under the heading 'Level 1'. Finally, the Explanatory Memorandum refers to 'EU-15' (and alternatively 'EU15-Member States'); the ECB proposes that it should refer instead to the current 'EU-25' or 'EU-25 Member States'.

Done at Frankfurt am Main, 31 May 2005.

The President of the ECB

Jean-Claude TRICHET

⁽¹⁾ OJ L 35, 8.2.2005, p. 23.