

Title: *Proposed Changes in International Standards for Measuring Foreign Direct Investment*

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This paper will review proposals for changes in international standards for measuring foreign direct investment that are being considered in connection with efforts to revise the IMF's Balance of Payment Manual and the OECD's Benchmark Definition of Foreign Direct Investment. It will focus on conceptual and definitional issues, and how the proposed new standards would differ from the current standards. To the extent allowed by the available data, the impact of the changes on direct investment financial flows and investment positions will be assessed by examining U.S. data. Finally, it will describe how the measurement changes will result in data that will better address emerging issues, such as the increased use of financial shell companies or conduits, the increased emphasis on data quality and symmetry between investing and investor countries, and the increased use of countries of convenience and financial centers that may cloud the picture of ultimate origin, destination, or purpose of the investment.

The changes that will be discussed include proposals relating to the valuation of direct investment equity, particularly for enterprises whose securities are not listed on stock markets, to the borderline between direct investment and other investment as it relates to special purpose entities, and to work on identifying ultimate host and investing countries. Among other issues that will be discussed are proposals for the treatment of collective investment vehicles, such as mutual funds, hedge funds, and private equity funds, and the treatment of debt between financial firms.

A summary will be given of steps that may be taken by the United States to come into compliance with the expected new standards. In addition, a summary will be given of efforts being taken to enhance the capacity of countries, especially developing countries, to provide high quality direct investment statistics. Finally, a summary will be given of a potential coordinated benchmark survey of direct investment. The coordinated survey may involve major countries and all regions of the world.