



Stichting Onderzoek Multinationale Ondernemingen

Centre for Research on Multinational Corporations

Methods section

This section describes the methods used in the two different maps. Data is used from the International Monetary Fund (IMF), the United Nations conference on Trade and Development (UNCTAD), the US Bureau of Economic Analysis (BEA) and the Organization for Economic Co-operation and Development (OECD). These organisations collect data on bilateral (from one country to another) direct investment stocks and flows. We look only at the FDI stocks, which are the total investments from one country in another country (investment positions) at a given time. For the analysis we used the year 2011 because it was the most recent year for which all the above-named organisations provided data.

The OECD and the UNCTAD both exclude SPE related investment for the Netherlands, Luxembourg, Austria and Hungary. In addition the OECD is in the process of updating statistics to expand the countries that provide SPE data. The bureau for economic analysis (BEA) from the US provides data for holdings, which is very similar to SPEs. Their bilateral data is the most comprehensive and also shows data for notorious tax havens such as Ireland and the UK. This data is, however, limited to investments to and from the US.

Method map 1: Inward FDI stock, SPE and genuine, in selected economies, in 2011

This data is composed of two different groups of countries for which two different methods were used. The first method is based on OECD and IMF data and shows SPE-related FDI stock for the Netherlands, Luxembourg, Austria and Hungary. The second method is based on 'Activities of U.S. Multinational Enterprises' (AMNE) data of the BEA and the IMF and shows SPE-related FDI stock for Ireland, UK and Switzerland.

Data for: Netherlands, Luxembourg, Austria and Hungary

The SPE data for these countries was calculated by comparing two sets of data and follows the same methodology as discussed below, which is used in the second map.

1. The OECD excludes SPE-related investment positions for and into the Netherlands, Luxembourg, Austria and Hungary.
2. The IMF data includes SPEs figures for all bilateral FDI data.
3. If we therefore subtract the OECD (excluding SPEs) from the IMF (including SPEs) data, the SPE portion of total genuine direct investment to and from the Netherlands, Luxembourg, Austria and Hungary in any other given country remains, allowing us to calculate the percentage of SPE-related investment stocks in a total reported stock.



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Note that the data used in this map is the world total, meaning the FDI stock of the world into these economies. The second map consists of FDI stock of the (mainly European) countries involved.

Data for: Ireland, UK and Switzerland

The method used to calculate the total share of SPEs in the total inward FDI stocks for these three countries is based on the assumption that FDI from the US into these three economies is similar to global investments into these countries and can be generalised. In other words the shares of SPEs in the FDI outward stocks from the US to Ireland, UK and Switzerland are assumed to be the same as the SPEs share in the outward FDI stock of, for instance, Germany, to Ireland, UK and Switzerland. The BEA data provides figures for the share of SPEs in FDI from and to the US. This share is then deducted from global FDI figures from the IMF (that include SPEs). The result is an estimate of the share of global SPE related FDI based on US data.

Where to find the data

The BEA: US FDI abroad: Country by industry detail

<http://www.bea.gov/international/di1usdbal.htm>

The BEA is an agency of the US Department of Commerce. The BEA produces FDI estimates based on annual and quarterly surveys of US direct investment abroad, foreign direct investment in the United States, income flows associated with those investments, and other economic activities of multinational enterprises.

The data is found in the section 'U.S. Direct Investment Abroad: Balance of Payments and Direct Investment Position Data'. In this section go to 'country by industry detail' and open the data under the header 'position on a historical-cost basis. In this data you will find the SPE data under the heading of 'holdings'.

IMF: Coordinated Direct Investment Survey

<http://data.imf.org/?sk=40313609-F037-48C1-84B1-E1F1CE54D6D5&slid=1390030109571>

The Coordinated Direct Investment Survey (CDIS,) is a worldwide statistical data collection effort led by the IMF designed to improve the availability and quality of data on direct investment, both overall and by immediate counterpart economy. The CDIS is conducted annually starting with data for end-2009. Data for the most recent year are released before end-December of the following year, and revised data are usually released in June. Participation in the CDIS is voluntary.

Bilateral FDI stock data per country is reported under Table 3: Direct Investment Positions. Note: There are differences in data reported as inward and outward FDI stocks held by a



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reporting economy and inward stocks reported by the counterpart economy. There are often significant differences caused by different national statistical offices being responsible for supplying data and possibly using different data collection and reporting methods. The IMF provides a comparison of the two reported figures in Table 3.

For the analysis of the first map, we use the data provided under the column 'Inward Reported by Economy' for the Netherlands, Luxembourg, Austria and Hungary. For the UK, Ireland and Switzerland we use 'Inward reported by counterpart'. The reason for this difference is that Irish reporting on inward FDI differs too much from the values reported by its counterpart.

OECD: bilateral FDI statistics by partner country

<http://stats.oecd.org/Index.aspx?QueryId=64220>

The OECD is a member based organisation of the most advanced economies of the world which among other provides international statistics on FDI. We use the OECD Benchmark Definition of Foreign Direct Investment 3rd Edition (BMD3) for this analysis.

Method map 2: comparing FDI data from IMF and UNCTAD to uncover mailbox companies

This map draws from UNCTAD and IMF data and calculates the SPEs in a similar way as the first group discussed above

1. The UNCTAD *excludes* SPE-related investment positions for the Netherlands, Luxembourg, Austria and Hungary.
2. The IMF data *includes* SPEs figures for all bilateral FDI data.
3. If we therefore subtract the UNCTAD (excluding SPEs) from the IMF (including SPEs) data, the SPE portion of total direct investment from the Netherlands, Luxembourg, Austria and Hungary in any other given country remains.

For example: Greece reports to the IMF the inward investment it receives from the Netherlands, including SPE-related investments. The Netherlands reports to the UNCTAD its outward direct investment position in Greece, excluding SPEs. If we subtract the Dutch outward data set reported to the UNCTAD to the inward investment positions reported by Greece to the IMF, we get an estimation of the SPE-related investment from the Netherlands to Greece and thus an idea of the scale of tax avoidance in Greece through the use of Dutch mailbox companies.

Where to find the data?

IMF: Coordinated Direct Investment Survey (see above)



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<http://data.imf.org/?sk=40313609-F037-48C1-84B1-E1F1CE54D6D5&slid=1390030109571>

For the analysis of the second map, we use the data provided under the column 'Outward Reported by Economy'.

UNCTAD: Foreign direct investment data

<http://unctad.org/en/Pages/DIAE/FDI%20Statistics/FDI-Statistics-Bilateral.aspx>

The Division on Investment and Enterprise of UNCTAD engages in research and policy analysis and provides technical assistance to developing countries. UNCTAD publishes the annual World Investment Report and analyses trends in international investment (data). The reports increasingly focus on SPE-related investment data; UNCTAD now also provides a specification of SPE-related investment for the above-mentioned four countries. To find the FDI stock for the above-named four countries in any given country, excluding all SPE-related investments, choose the country and year of which you want to analyse bilateral investment positions and find the inward FDI position of the Netherlands, Luxembourg, Hungary or Austria for that country.