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*****I**

REPORT

on the 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)0088 – C6-0084/2005 – 2005/0016(COD))

Committee on Economic and Monetary Affairs

Rapporteur: Enrico Letta

Symbols for procedures

- * Consultation procedure
majority of the votes cast
- **I Cooperation procedure (first reading)
majority of the votes cast
- **II Cooperation procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- *** Assent procedure
*majority of Parliament's component Members except in cases
covered by Articles 105, 107, 161 and 300 of the EC Treaty and
Article 7 of the EU Treaty*
- ***I Codecision procedure (first reading)
majority of the votes cast
- ***II Codecision procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- ***III Codecision procedure (third reading)
majority of the votes cast, to approve the joint text

(The type of procedure depends on the legal basis proposed by the Commission.)

Amendments to a legislative text

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the 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)0088 – C6-0084/2005 – 2005/0016(COD))

(Codecision procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to the European Parliament and the Council (COM(2005)0088)¹,
 - having regard to Article 251(2) and Article 285(1) of the EC Treaty, pursuant to which the Commission submitted the proposal to Parliament (C6-0084/2005),
 - having regard to Rule 51 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A6-0332/2005),
1. Approves the Commission proposal as amended;
 2. Calls on the Commission to refer the matter to Parliament again if it intends to amend the proposal substantially or replace it with another text;
 3. Instructs its President to forward its position to the Council and Commission.

Text proposed by the Commission

Amendments by Parliament

Amendment 1 Recital 11

(11) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission.

(11) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission. ***In its resolution of 5 February 2002 on the implementation of financial services legislation², the European Parliament requested that the European Parliament and the Council have an equal role in supervising the way in which the Commission exercises its***

¹ Not yet published in OJ.

² OJ C 284 E, 21.11.2002, p. 115.

executive role in order to reflect the legislative powers of the European Parliament under Article 251 of the Treaty. In the solemn declaration made before the European Parliament the same day by its President the Commission supported that request. On 11 December 2002, the Commission proposed amendments to Decision 1999/468/EC (COM(2002)0719) and then submitted an amended proposal on 22 April 2004 (COM(2004)0324). The European Parliament does not consider that that proposal preserves its legislative prerogatives. In the view of the European Parliament, the European Parliament and the Council should have the opportunity of evaluating the conferral of implementing powers on the Commission within a determined period. It is therefore appropriate to limit the period during which the Commission may adopt implementing measures.

¹ *OJ C 284 E, 21.11.2002, p. 115.*

Justification

Ensuring full call-back rights for the European Parliament in line with BASEL II.

Amendment 2

Recital 11 a (new)

(11a) The European Parliament should be given a period of three months from the first transmission of draft amendments and implementing measures to allow it to examine them and to give its opinion. However, in urgent and duly justified cases, it should be possible to shorten that period. If, within that period, a resolution is passed by the European Parliament, the Commission should re-examine the draft amendments or measures.

Justification

Ensuring full call-back rights for the European Parliament in line with BASEL II.

Amendment 3
Article 4, paragraph 1

1. Member States *may*, whilst complying with conditions as to quality referred to in Article 6, collect the information required under this Regulation using any sources they consider relevant.

1. Member States *shall*, whilst complying with conditions as to quality referred to in Article 6, collect the information required under this Regulation using any sources they consider relevant.

Amendment 4
Article 5, paragraph 1

1. The Commission shall draw up a programme for pilot studies to be carried out by national authorities in the meaning of Article 2 of Council Regulation (CE) No 322/97 *on a voluntary basis to investigate the feasibility and costs of collecting data* on additional variables and breakdowns for inward statistics on foreign affiliates, and of collecting data on outward statistics of foreign affiliates.

1. The Commission shall draw up a programme for pilot studies to be carried out by national authorities in the meaning of Article 2 of Council Regulation (EC) No 322/97 on additional variables and breakdowns for inward statistics on foreign affiliates, and of collecting data on outward statistics of foreign affiliates.

The pilot studies shall be carried out in order to assess the relevance and feasibility of collecting data, taking into account the benefits of the availability of the data in relation to the cost of the statistical system and the burden on enterprises.

Justification

It does not seem that pilot studies will be of use unless on a mandatory basis, particularly as this data is already collected by central banks. The amendment underlines the necessary cost-benefit aspect of the collection of data on foreign affiliates.

Amendment 5
Article 5, paragraph 3

3. On the basis of the *conclusions* of the pilot studies, the Commission shall adopt the necessary implementation measures in accordance with the procedure referred to in Article 10(2).

3. On the basis of the *results* of the pilot studies, the Commission shall adopt the necessary implementation measures *for inward and outward statistics on foreign affiliates* in accordance with the procedure referred to in Article 10(2).

Justification

On the basis of the results of the pilot studies the Commission, in accordance with the procedure referred to in Article 10, shall adopt implementation measures on both, inward and outward FATS. A new legislative procedure for the implementation of outward FATS seems disproportionate and would lead to further, considerable delays in the implementation of outward FATS.

Amendment 6 Article 6, paragraph 4

4. The Commission shall assess the quality of the data transmitted ***on the basis of the quality reports transmitted by the Member States***, and shall define the periodicity of such exercise.

4. The Commission shall assess the quality of the data transmitted and shall define the periodicity of such exercise.

Justification

It is better that the Commission have full responsibility for procuring the information rather than depending on Member States possibly varying results in this respect.

Amendment 7 Article 8, paragraph 2

2. During a transitional period that shall not exceed four years from the first reference year, derogations may be granted by the Commission to Member States when their national statistical systems require major adaptations.

2. During a transitional period that shall not exceed four years from the first reference year, derogations ***from the provisions of this Regulation*** may be granted ***for a limited period*** by the Commission to Member States, ***in accordance with the procedure referred to in Article 10(2)***, when their national statistical systems require major adaptations.

Justification

The amendment clarifies the granting of derogations from the provisions of the Regulation. The Regulatory Committee referred to in Article 10(2) seems to be the adequate body to take respective decisions.

Amendment 8 Article 9

The measures for implementing this Regulation shall be adopted in accordance with the procedure referred to in Article

The ***following*** measures for implementing this Regulation shall be adopted in accordance with the procedure referred to in

10(2). In particular, **these** shall include measures:

- (a) for adjustment to economic and technical developments in the collection and statistical processing of data, as well as the processing and the transmission of results;
- (b) for adjustment of the definitions, if necessary, according to economic and methodological developments;
- (c) for adaptation of the level of detail listed in Annexes I, II and III;
- (d) for the definition of the proper common quality standards and the contents of the quality reports;
- (e) for setting out the appropriate format and procedure for the transmission of results by Member States;
- (f) for the implementation of the results of the pilot studies.

Article 10(2). ***Particular consideration shall be given to the principle that the benefits of such measures must outweigh their cost, and to the principle that any additional financial burden on Member States or enterprises should remain within a reasonable limit.*** In particular **those measures** shall include:

- (a) **measures** for adjustment to economic and technical developments in the collection and statistical processing of data, as well as the processing and the transmission of results;
- (b) **measures** for adjustment of the definitions, if necessary, according to economic and methodological developments;
- (c) **measures** for adaptation of the level of detail listed in Annexes I, II and III;
- (d) **measures** for the definition of the proper common quality standards and the contents of the quality reports ***pursuant to Article 6(3)***;
- (e) **measures** for setting out the appropriate format and procedure for the transmission of results by Member States;
- (f) **measures** for the implementation of the results of the pilot studies ***pursuant to Article 5(3)***.

Justification

The amendment underlines the necessary cost-benefit aspect concerning the implementation of the Regulation.

The scope of powers of the Commission concerning implementing measures should be clearly stated and limited.

Amendment 9 Article 9, paragraph 1 a (new)

1a. Without prejudice to the implementing measures already adopted, upon expiry of a two-year period following the adoption of this Regulation and on 1 April 2008 at the latest, the application of its provisions

requiring the adoption of technical rules, amendments and decisions in accordance with paragraph 1 shall be suspended. Acting on a proposal from the Commission, the European Parliament and the Council may renew the provisions concerned in accordance with the procedure laid down in Article 251 of the Treaty and, to that end, they shall review them prior to the expiry of the period or date referred to above.

Justification

Ensuring full call-back rights for the European Parliament in line with BASEL II.

Amendment 10
Annex I, Section 6, point 4, table, column 2

Title	Title
Exports <i>of goods and services</i>	Exports
Imports <i>of goods and services</i>	Imports
Intra-group export <i>of goods and services</i>	Intra-group export
Intra-group import <i>of goods and services</i>	Intra-group import
	<i>Exports, imports, intra-group exports and intra-group imports shall be broken down into goods and services.</i>

Justification

The creation of separate categories for goods and services enhances the value for analysis of the data as comparisons with data published by the EU main trading partners, which mostly dispose of the same distinction, will be easier. Separate categories for goods and services are in line with the approach taken by the Parliament and the Council concerning Regulation (EC) No 184/2005 on Community statistics concerning balance of payments, international trade in services and foreign direct investment (OJ L35, 8.02.2005, p.23).

Amendment 11
Annex II, Section 2

Section 2

deleted

Pilot studies

For the level of detail covered by this Annex, the Commission will institute pilot studies to be carried out by national authorities in the meaning of Article 2 of Council Regulation (CE) No 322/97

according to Article 5 of this Regulation.

The pilot studies are carried out in order to assess the relevance and feasibility of obtaining data, taking into account the benefits of the availability of the data in relation to the cost of collection and the burden on business.

Justification

See justification for Purvis Amendment to Article 5.

Amendment 12 Annex II, Section 3

The **collection of the** following characteristics, as defined in the Annex to Commission Regulation (EC) No 2700/98 of 17 December 1998 concerning the definitions of characteristics for structural business statistics, **will be the object of pilot studies:**

Code Title

12 11 0 Turnover

16 13 0 Number of **employees**

11 11 0 Number of enterprises

13 31 0 **Personnel costs**

Exports of goods and services

Import of goods and services

Intra-group export of goods and services

Intra-group import of goods and services

12 15 0 **Value added at factor cost**

15 11 0 **Gross investment in tangible goods**

The following characteristics, as defined in the Annex to Commission Regulation (EC) No 2700/98 of 17 December 1998 concerning the definitions of characteristics for structural business statistics, **are to be compiled:**

Code Title

12 11 0 Turnover

16 11 0 Number of **persons employed**

11 11 0 Number of enterprises

If the number of persons employed is not available, the number of employees (code 16 13 0) should be compiled instead.

Justification

It is of utmost importance that at least the three variables mentioned in Annex II, section 2 - turnover, number of persons employed and number of enterprises - are mandatory. For the purposes of consistency with Annex I, the variable 16 13 0 (number of employees) should be changed to 16 11 0 (number of persons employed).

Amendment 13
Annex II, Section 4 a (new)

Section 4a

First reference year and periodicity

- 1. The first reference year for which annual statistics shall be compiled is the calendar year of the entry in force of this Regulation.***
- 2. Member States shall provide data for every calendar year thereafter.***

Justification

See justification for Purvis Amendment to Annex II, Section 3. It is necessary to designate a reference period for which the first set of mandatory statistics on certain characteristics of outward FATS should be compiled, and the frequency of all subsequent statistical compilations.

Amendment 14
Annex II, Section 4 b (new)

Section 4b

Transmission of results

The results shall be transmitted within twenty months from the end of the calendar year of the reference year.

Justification

See justification for Purvis Amendment to Annex II, Section 3. It is necessary to designate a time period within which the mandatory statistics on certain characteristics of outward FATS should be transmitted to the Commission.

Amendment 15
Annex II, Section 4 c (new)

Section 4c

Reports and pilot studies

- 1. Member States shall provide the Commission with a report relating to the definition, structure and availability of the statistical data to be compiled for the purposes of this common module.***
- 2. For the level of detail covered by this Annex, the Commission will institute pilot***

studies to be carried out by Member States pursuant to Article 5.

3. The pilot studies are carried out in order to assess the relevance and feasibility of obtaining data, taking into account the benefits of the availability of the data in relation to the cost of collection and the burden on enterprises.

4. Pilot studies will be conducted for the following characteristics:

Code Title

13 31 0 Personnel costs

Exports of goods and services

Import of goods and services

Intra-group export of goods and services

Intra-group import of goods and services

12 15 0 Value added at factor cost

15 11 0 Gross investment in tangible goods

Justification

See justification for Purvis Amendment to Annex II, Ssection 2. It is necessary to specify which data on outward FATS might be the subject of pilot studies, as defined in Article 5.

EXPLANATORY STATEMENT

1. Background:

The ongoing economic globalisation has far-reaching effects on European employees, businesses and economies. More and more, appropriate statistics are needed in order to help national and EU policy-makers formulate adequate policies and to help enterprises assess ongoing developments.

The data collected provides, among other things, information about capital movements, direct investment, trans-border employment and technological developments. The following aspects of data on the activities of foreign affiliates have particularly to be taken into consideration:

- Trade negotiations with third countries: The implementation and the review of the General Agreement on Trade in Services (GATS) and of the Trade-Related Intellectual Property Rights Agreement (TRIPs) as well as the current and future negotiations on further agreements call for the relevant statistical information to be made available in order to assist the negotiations.
- Proper functioning of the internal market: Regular and good quality Community statistics on the structure and activity of foreign affiliates are essential for an adequate assessment of the impact of foreign-controlled enterprises on the European Union economy. This also helps to facilitate the monitoring of the effectiveness of the internal market legislation.
- Support of competitiveness-enhancing policies: EU-wide compiled information data on foreign affiliates ("FATS") will help Member States and the EU as a whole to better analyse competitiveness of enterprises, sectors or locations and design policies that respond to these challenges. Detailed information on, for instance, how much value-added and employment foreign affiliates create in a given location is indispensable for a sound analysis of the competitiveness of certain locations and what measures might be effective to strengthen the attractiveness of certain regions for business.
- Macro-economic and current account management within the EU: As also pointed out by the European Central Bank, FATS data – in particular those variables related to trade aspects - provide important insights into the effect of transnational corporations' strategies on the trade performance of member states and the EU as a whole. From United States FATS-statistics (no comparable EU figures are available) it is known that trade is by two-thirds dominated by the commercial activities of transnational corporations and their affiliates around the world. A better database on foreign affiliate trade activities is key to understand ex- and import trends and to design appropriate policy responses.

Up to now two types of data collection on foreign affiliates do exist on European and/or member state level:

- 1) Inward statistics, covering all enterprises and all sectors, which are under foreign control (so called "Inward FATS"). They are usually compiled by national statistical institutes in the framework of the
 - a) Structural Business Statistics, and the
 - b) Balance of Payments statistics.

- 2) Outward statistics cover enterprises and branches abroad that are controlled by a company located in the EU. They are usually compiled by central banks and are collected on a strictly voluntary basis in the context of the Balance of Payments statistics ("Outward FATS").

Although all Member States provide data for inward FATS in one or other of the statistical frameworks, it is not possible to calculate EU aggregates as these data collections differ in terms of coverage, variables and methodology.

For outward FATS, only some Member States collect data on a voluntary basis.

The Commission therefore proposes to establish a mandatory common framework for the systematic compilation of Community statistics on the structure and activity of foreign affiliates.

2. Content of the Regulation:

The proposal contains two distinct FATS-modules:

1. A module for inward FATS (Annex 1): It is largely based on data collected in the framework of the Structural Business Statistics (SBS Regulation).
2. A module for outward FATS (Annex 2): It includes a breakdown by country of location and by activity of the foreign affiliates controlled outside the EU. The structure for this module is the same as that used for foreign direct investment in the Regulation for Balance of Payments Statistics.

Most of the provisions for inward FATS are compulsory for Member States, some specific variables (such as intra-group imports and exports) being subject to pilot studies.

The provisions on outward FATS data, by contrast, are entirely voluntary. All of them are subject to pilot studies whose results should be evaluated in the context of a Comitology procedure.

All pilot studies, which are to be carried out by national authorities on a voluntary basis, shall investigate the feasibility and cost of data collection. The pilot studies shall be conducted at the latest within three years after the entry into force of the present Regulation.

The Commission is entitled to grant derogations during a transitional period of up to four years if the Member States' respective national statistical systems require major adaptations.

3. Political Assessment:

In its proposal, which has been discussed since 2001 at Working Group level, the Commission opted for a prudent approach, combining pilot studies and Comitology procedure with relatively long transition periods.

The approach of the Commission should generally be backed as the need for harmonised data in the field of foreign affiliates is evident. Actually, some major trading partners of the EU, such as Japan and the United States, do compile such information, even on a much more detailed level, as a standard practice since more than twenty years. Thus, policy makers in the United States or Japan are much better informed about the trends and strategies of United States transnational corporations, while their European counterparts are left to make their

decisions as regards, for instance, outsourcing and relocations trends, on a de facto non-existent database.

Nevertheless, the following aspects should, from the rapporteur's point of view, be taken into consideration:

- Provisions should not be too far-reaching and should not represent an unnecessary bureaucratic and/or financial burden for the businesses concerned;
- Time lags should not be too long. It is necessary that EU policy makers dispose of similar data as for example their US or Japanese counterparts;
- Transition periods should be adequate and not too long;
- The pros and cons of the Comitology procedure should be carefully weighed against the use of the legislative (Codecision) procedure to implement outward FATS.
- The European Central Bank and other institutions which are particularly in need of adequate statistical information should be closely involved in the development of common standards.

PROCEDURE

Title	Proposal for a regulation of the European Parliament and of the Council on Community statistics on the structure and activity of foreign affiliates		
References	COM(2005)0088 – C6-0084/2005 – 2005/0016(COD)		
Date submitted to Parliament	15.3.2005		
Committee responsible Date announced in plenary	ECON 12.4.2005		
Committee(s) asked for opinion(s) Date announced in plenary	EMPL 12.4.2005	ITRE 12.4.2005	
Not delivering opinion(s) Date of decision	EMPL 31.3.2005	ITRE 25.5.2005	
Enhanced cooperation Date announced in plenary	-		
Rapporteur(s) Date appointed	Enrico Letta 11.4.2005		
Previous rapporteur(s)	-		
Simplified procedure – date of decision	-		
Legal basis disputed Date of JURI opinion	-		
Financial endowment amended Date of BUDG opinion	-		
European Economic and Social Committee consulted – date of decision in plenary	-		
Committee of the Regions consulted – date of decision in plenary	-		
Discussed in committee	14.9.2005	6.10.2005	21.11.2005
Date adopted	22.11.2005		
Result of final vote	+: -: 0:	36 0 0	
Members present for the final vote	Pervenche Berès, Pier Luigi Bersani, Sharon Margaret Bowles, Udo Bullmann, Ieke van den Burg, Jan Christian Ehler, Jonathan Evans, Elisa Ferreira, José Manuel García-Margallo y Marfil, Jean-Paul Gauzès, Gunnar Hökmark, Karsten Friedrich Hoppenstedt, Sophia in 't Veld, Othmar Karas, Piia-Noora Kauppi, Wolf Klinz, Christoph Konrad, Guntars Krasts, Enrico Letta, Cristobal Montoro Romero, Joseph Muscat, John Purvis, Alexander Radwan, Karin Riis-Jørgensen, Dariusz Rosati, Eoin Ryan, Antolin Sánchez Presedo, Peter Skinner, Margarita Starkevičiūtė, Ivo Strejček.		
Substitute(s) present for the final vote	Katerina Batzeli, Jorgo Chatzimarkakis, Catherine Guy-Quint, Ján Hudacký, Werner Langen, Thomas Mann.		
Substitute(s) under Rule 178(2) present for the final vote	-		
Date tabled	23.11.2005		
Comments (available in one language only)	-		