



STATISTICS DIRECTORATE

**National Accounts and Economic Statistics - International Trade Statistics**

**Item 9 a): Report from the 1st OECD Steering Group Meeting on linking Trade and Structural Business Statistics, Ottawa, 19-21 June**

**Tour Europe - Paris La Défense, Salle des Nations, 11-14 September 2006**

*This document has been prepared by Andreas Lindner, OECD for information and discussion under item 9a) of the draft agenda.*

*Delegates are invited to support the initiative outlined and flag possible co-operation with OECD.*

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**ITEM 9(A): REPORT FROM THE 1<sup>ST</sup> STEERING GROUP MEETING ON LINKING TRADE AND STRUCTURAL BUSINESS STATISTICS, OTTAWA, 19-21 JUNE 2006**

**Introduction**

1. In increasingly interconnected, global economies the question gains ground “who is trading and what are the characteristics of trade operators?” To answer this question requires establishing a direct relation between foreign trade and industrial statistics. But these two statistical domains are based upon different concepts (products versus economic activities) and use different classifications (SITC, HS, ISIC, CPC).

2. A better comparability between trade and business statistics could allow measuring the contribution of real economic sectors to trading. Similarly, trade by size of enterprise, broken down by sector of activity, by export markets, and by location (e.g. region) would not only allow analyzing trade effects on employment and value added, but also to “map” sectoral and/or regional performances.

3. The central issue of such an analysis is to try to classify trade operators according to enterprise characteristics and the feasibility of doing so largely depends on the possibility of using or developing common identifiers between the trade register and the business register. Countries are different in their ability to perform such a linking.

4. The EU Member States have made significant progress in this domain through feasibility studies and the development of target indicators, co-ordinated by Eurostat<sup>1</sup>. Encouraged by the promising results, OECD issued a pilot questionnaire in April 2005 to gather views from Non-EU OECD countries to evaluate whether or not a similar approach could be envisaged. To avoid duplication and to ensure consistency across OECD countries, the OECD pilot questionnaire draws extensively on the work done by Eurostat since 2002<sup>2</sup>.

5. The good result of the OECD pilot questionnaire, to which 8 out of 11 countries replied, and where several countries flagged the possibility of going further signalled with OECD on a more detailed follow up which would allow the development of selected key indicators<sup>3</sup>.

**1. The present situation**

6. The situation in Non-EU countries of OECD can be summarized as follows:

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1. See STD/NAES/TASS/ITS(2005)13 *Linkages of Structural Business Statistics and Trade Statistics – Eurostat’s experiences, first results and next steps*. Paper presented at the 6<sup>th</sup> OECD ITS Expert Meeting 12-15 September 2005.
  2. OECD gratefully acknowledges the co-operation from Eurostat (Unit F2).
  3. See STD/NAES/TASS/ITS(2005)14 *Analysis of Answers to OECD’s Pilot Questionnaire to Non-EU Countries on linking Business and Trade Statistics*. Paper presented at the 6<sup>th</sup> OECD ITS Expert Meeting 12-15 September 2005.

**7. Do they hold a register of traders?** Six out of eight countries reported having a trade register, which takes the form of a database. Only 1 country reported having a formal trade register.

**8. What sources of data do they use to update the register of traders?** Customs declarations provide the basis. In half of the responses there is a link to the Business Register and data from fiscal authorities is used as well

**9. Which is/are the unit(s) of reference in the trade register(s)?** Enterprises and establishments constitute together with legal units the reference units used.

**10. Is there at least one common unit of reference between the business register and customs forms/register?** All countries, except one, reported “yes”.

**11. Is the basic statistical unit of the business register linked/Can the basic statistical unit of the business register be linked to customs forms/ register of traders?** Almost all countries can link the basic statistical unit to customs forms/trade registers.

**12. Is the business register linked/can the business register technically be linked to customs forms/the register of traders?** The situation reported was a mix of different identification means, such as the tax registration number, name of the company and its address, the Business Register identification code. Although linkages do well exist, different reporting systems in countries inhibit to some extent linking. The risk of double-counting is acknowledged and the problematic measurement of multi-nationals was highlighted.

**13. Are customs forms/trade registers traders (if applicable)/Can customs forms/registers of traders (if applicable) technically be linked to the business register?** A mixed picture emerges as to countries’ ability to link from customs to business registers. Some countries reported direct links through a shared Business Register identification code with customs declarations, others reported technical problems, such as double counting, or no possible linkages. This area clearly is key for further development and need to be pursued.

**14. Has the country carried out any statistical matching exercise(s) between the trade register(s) and the business register?** Only three countries reported to have done so; this reinforces the statement made above that this should be pursued as a development goal.

15. The above summary excerpt from the questionnaire replies highlights the need to encourage countries to pursue or intensify designing inter-operability of registers. The benefits of a more integrated analysis, integrating the international dimension, are clear. At the 6<sup>th</sup> ITS Expert meeting in September 2005, country delegates asked the Secretariat to pursue this matter with some countries willing to work together with OECD on this matter. The idea of a Steering Group to guide this process had been put forward and was accepted.

## **2. The 1<sup>st</sup> Meeting of the Steering Group in Ottawa, June 2006**

16. Upon invitation from Statistics Canada, the 1<sup>st</sup> Meeting of the OECD Steering Group on linking Trade Statistics with Business Statistics took place 19-21 June 2006 at Statistics Canada, Ottawa. As it was intended, the group was small and composed of:

A. Lindner, OECD (convenor and chair)

D. Dodds, Ph. Armstong, B. Theriault, G. Peterson and others, Statistics Canada (host organisation)

G. Barresse, US Census

K. Nuortila, Eurostat  
O. Hagen, CBS Norway

17. Australia, Iceland and Turkey had been invited to participate but could not attend. All three countries expressed their vivid interest in this matter, didn't exclude to join in latter and had asked OECD to keep them informed about progress made.

18. The 1<sup>st</sup> Steering Group meeting (see agenda attached in Annex) had very fruitful discussions and decided the following:

*a) Terms of Reference*

19. The following has been agreed upon by members of the Steering Group:

- This group will focus on linking both trade registers and business registers and hence, brings together experts from both constituencies. There will be no sub-groups.
- The Steering Group will concentrate on data and indicators
- One annual meeting, in between the OECD ITS and SBSNet meetings. A rotating meeting place amongst core group members is desirable (participants above are the representatives of the core group as of today).
- OECD will try to get on board OECD Asia (Japan, Korea) and OECD Oceania (Australia, New Zealand)
- On an as needed basis, Roundtable Group experts will be informed/consulted and can be invited to the Steering Group meetings. This modus operandi can also apply to other specialist groups.
- The Steering Group will aim at collecting and standardising indicators across countries, improve the international comparability of concepts and definitions and elaborate a manual
- Progress reports will be presented to ITS, SBSNet, CIBE, CSTAT, UNSC, CES, WPSME and other international meetings and to national authorities (NSOs)
- OECD will set up an EDG to this effect
- The Mandate of this Group should be endorsed by CSTAT and UNSC

*b) The name of the groups is:*

**Business Economic Statistics and Trade (BEST) Steering Group.  
The Secretariat is OECD.**

*c) Outcomes*

20. After a detailed review of Eurostat's linkage exercise and the result of the OECD pilot questionnaire on linking SBS with Trade, the Steering Group agreed on the following:

1. OECD to set up an Electronic Discussion Group, called "B.E.S.T. Steering Group", and to propose initial structure. (N.B. This has been done)
2. All members should feed material and background documentations into the EDG (stocktaking exercise)
3. The Steering Group will issue a Manual and members will take responsibility for individual chapters
4. Progress made will be reported to the above constituencies and also advertised using other media such as articles in Newsletters etc.

5. As acceptable threshold, 97% of the total trade value can be considered as starting point (as in the EU)
6. Both enterprise and establishment are accepted as statistical unit; the detailed characteristics of basic units is to be duly documented
7. The group agreed on the growing political relevance of shedding more light on the characteristics of traders vis-à-vis non-traders. Linkages to globalisation analysis, I-O analysis, performance and location of exporters of exporters were recognized.
8. Recommendations on the re-design/improvement of trade registers could be a significant output of this group.
9. The data collected could be a “goldmine” for micro analysis
10. The OECD would be the place for storing an OECD-wide international database on Trade and Production micro-level data. Participating countries (NSOs) would have privileged access and be in control of level of detail (the modalities of such an undertaking are still to be worked out in detail)
11. The next meeting of the Steering Group has been scheduled for **May 2007 in Luxembourg (Eurostat)**. Exact date to be announced.

*d) Proposed standard list of indicators*

21. The group decided to align methodologies as much as possible with Eurostat to be able to have comparable indicators across OECD countries. The first list, based upon Eurostat<sup>4</sup>, is considered to be the priority data collection:

- Matching rates Trade Register and Business Register: This table should provide a yardstick for a global assessment of how well both registers match or not.
- Value of trade by economic sector and employment size class (0-9, 10-49,50-249, 250 +)
- No of enterprises/establishments by economic sector and employment size class (0-9, 10-49,50-249, 250 +)
- Concentration of trade value by top 5/10/20/50/100/500/1000/All enterprises/establishments and ISIC section
- No of enterprises/establishments trade by ISIC section, partner country, and zones ( and, possibly, sub-national regions on a trial basis)
- Value of trade by ISIC section, partner country, and zones ( and, possibly, sub-national regions on a trial basis)
- Trade by number of partner countries
- Number of enterprises/establishments by number of partner countries and ISIC section
- Value of trade by number of partner countries and ISIC section
- Trade on 2-digit level by commodity (HS) and economic activity (ISIC)

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4. European Commission, Eurostat G-3 *Standardisation Document rev. 2, Compilation of External Trade by Enterprise Characteristics*, Doc. MET No879, Luxembourg 31.5.2006

*e) Methodological work*

22. Concerning Non-EU countries of OECD, the process has been put into motion to elaborate the required indicators. A considerable number of methodological considerations and drawbacks have to be taken into account given the very different statistical systems in place in these countries. Therefore, the EDG B.E.S.T. will play a key role in enabling OECD and member countries to compile a methodological recommendations manual.

23. Differences in the global trade collection systems (e.g. special versus general trade and different valuation practices) need to be considered. The scope of sectoral coverage is proposed to be limited to the following ISIC Sections::

- C: Mining and quarrying
- D: Manufacturing
- E: Electricity, gas and water supply
- F: Construction
- G: Wholesale and retail trade
- H: Hotels and restaurants
- I: Transport, storage and communications
- J: Financial intermediation
- K: Real estate, renting and business activities
- M: Education
- N: Health and social work
- O: Other community, social and personal service activities

24. As can be seen, the ISIC Sections A (Agriculture, hunting and forestry) and B (Fishing), as well as L (Public administration and defence, social security) are, thus, outside the scope. As to the actors, all economically active enterprises and establishments and their local and legal units are in scope. Given the diversity of national practices, recommendations to better harmonise the treatment of statistical units across countries would be one of the important outputs of this group.

25. Concerning multinationals, OECD is in the process of formulating recommendations as part of the globalisation work (see agenda item 11(a)). The Steering Group should also pay attention to this aspect of international trade.

26. Besides ISIC, the CPC (Central Product Classification) which is a kind of world-wide equivalent to Eurostat's CPA, could be considered for possible scope of inclusion in this exercise.

27. With respect to employment size-classes, OECD recommends the classes 0-9, 10-49, 50-249, 250+ with persons engaged as variable. There is, thus, a slight difference to "number of employees". Head count is preferred to full-time equivalents.

### 3. The road ahead

28. The process of building up a new database on trade by enterprise characteristics has been put into motion now with the establishment of the Steering Group, its terms of reference and the next steps identified and agreed upon.

29. OECD has created the Electronic Discussion Group “B.E.S.T.” to provide a one-stop-address for this work for collaborating countries. Both countries and OECD can now provide inputs; this is the immediate task for preparing the next meeting. The EDG has the following categories for input:

- Meetings (meeting documents and reports of meetings)
- Methodologies (this category is pre-condition for the next category, the manual)
- Recommendations manual (it is the ambition of the group to elaborate a manual, suitable for Non-EU countries of OECD)
- Globalisation (this category re-groups issues from the globalisation context which impact on the work of this group. For instance, intra-firm trade and multinationals)
- Data and Indicators (this category is intended to assemble the basic data and indicators which have been compiled through this work)

30. As a first step, methodologies need to be assembled on the EDG and compared as to their compatibility, suitability and degree of convergence with EU methods. This is a very important precondition for successfully tackling the next steps. The exact modus operandi and methodologies used in Business Registers and Trade Registers needs to be compiled, compared and analysed. It can be expected that the opinion of other expert groups, such as the Business Register Roundtable Group, will be needed. Since OECD participates in the Steering Group of the Roundtable Group, a bridging and facilitating role of OECD can be safely assumed. Register linking, matching rates and statistical units are part of this fundamental work.

31. Step-by-step, cleared concepts and definitions should be compiled in a pilot recommendations manual for adoption by countries. It seems advisable to make the recommendations sufficiently broad so that they can be also applied by other countries, for instance the Big 5 Non-Member countries of OECD<sup>5</sup>.

32. The list of standard tables for the data to be compiled has been established in close co-operation with Eurostat. Completing these tables should be the main objective of compiling countries. Due attention has to be paid to not disclosing accidentally confidential data.

33. A periodic review is planned to ensure that the project remains on track and is providing pertinent results.

#### 34. *Delegates are invited to:*

1. *Comment on the approach taken.*
2. *Indicate if their country would like to join this project and participate in the Steering Group*
3. *Report on data availability in their country (reference standard tables)*

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5. Brazil, China, India, Russian Federation, South Africa.

## ANNEX

### **1<sup>st</sup> Meeting of the OECD Steering Group on linking Trade Statistics with Business Statistics. 19-21 June 2006 at Statistics Canada, Ottawa**

**Meeting place: Jean Talon Building of Tunney's Pasture (170, Tunney's Pasture Driveway)**

#### **Draft Agenda**

**Date: Monday June 19, 2006.**

**Time: 9h30**

Welcoming Remarks

1. Adoption of the draft agenda
2. Organization/Background
  - Terms of Reference for the Steering Group
    - i. The development of trade registers and the integration of trade statistics with economic production statistics are activities that each has specific challenges. Is the scope of the Steering Group to include one or both of these activities?
    - ii. Membership of the Steering Group
  - National policies need internationally available comparable and information
  - How to achieve international comparability – aligning concepts, characteristics, etc.?
  - The experience in the EU:
    - iii. Objectives
    - iv. Process
    - v. Outcomes
    - vi. Outlook
  - The role of OECD
    - i. Bridging to developed economies outside the EU
    - ii. The process: recommendations, best practice and peer reviews instead of regulations
    - iii. Outcomes
    - iv. Outlook
3. Experiences of member countries
  - Means of gauging member countries' experiences in the integration of trade and production data.

**Tuesday June 20, 2006**

*Exporter Registers*

4. Statistical Units
  - Organizational units – Should these registers be based on legal entity, enterprise or establishment levels of organizations? The issue of legal units versus economic decision units.
  - Size thresholds – international trade (particularly exports are heavily concentrated in large firms. Limiting registers to larger traders can result in efficiencies in processing without losing much value. However thresholds may make longitudinal analysis problematic.

- Linking the basic units SBS <---> Trade: scope, limitations, possible improvements

5. Issues regarding trade registers

- Rationale for registers
- Use as survey population.
- Registers as an integral part of trade statistics programs vs. separate or supplementary activities
- Rules for inclusion in the registers – e.g. trade in any year vs. trade in a particular year.
- Trader registers vs. separate exporter and importer registers

*Linking trade and production statistics*

6. Structural Business Statistics registers and survey frames

- Basic characteristics
- Comprehensiveness
- Strength and weaknesses
- Register design and scope for linkages

7. Globalisation indicators and related analyses

- The new paradigm: national statistics and international economic processes: how can these be reconciled?
- Usefulness of registers for economic analysis
- Usefulness of registers in developing globalization indicators.

8. Linking trade and business activities

- Trade linkage rates and estimation methods for unlinked transactions.
- Linkage of registers to economic production survey results. Issues in linking administrative data to sample survey results.
- Comparison of characteristics of traders to non-traders.

**Wednesday June 21, 2006**

Next steps

*Outcomes*

9. Agreed standards, concepts and methods

10. Documenting the work and providing guidance: a compilers/recommended practice manual for international use

11. Standard list of indicators (by activity, employees, size-classes, partner country etc.): taxonomy for international analysis

12. Data organisation: sharing and pooling data, access to micro-data

*Process*

- Steering Group meeting(s) and frequency
- Reporting to
  - OECD ITS/TIS Expert meetings and SBS Expert meetings
  - OECD CSTAT, UNSC, CES, Roundtable Business Survey Frames
  - National Statistical Offices
- Setting up of an International Discussion Group?
- Setting up of an international database and links to (the perhaps more detailed) national databases
- Access rights and confidentiality guarantees
- Timeframe and next steps. Priorities and sequencing