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STATISTICS DIRECTORATE

Working Party on International Trade in Goods and Trade in Services Statistics

REPORT ON THE OUTCOME OF THE 3rd MEETING OF THE STEERING GROUP ON LINKING BUSINESS AND TRADE STATISTICS (BEST), 12-13 April 2010, at OECD

4-6 October 2010, OECD Headquarters, Paris

Item 6 a) of the agenda.

This activity, launched by OECD in close co-operation with Eurostat, is yielding more and more concrete results and responds to a well-identified policy need. At the 2nd WPTGS meeting, several delegates presented promising developments under the agenda item "Linking Trade with Enterprise Characteristics (TEC)". The background document STD/WPTGS(2010)17 Annex, prepared by OECD, integrated these WPTGS components setting out the policy needs, answers found and challenges encountered. This background document should be read together with this brief report for a better understanding from the wide WPTGS audience, not participating in the BEST Steering Group. Both this report and background document are submitted to delegates of the 3rd WPTGS meeting 4-6 October 2010 for discussion and comments.

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REPORT ON THE OUTCOME OF THE 3RD MEETING OF THE STEERING GROUP ON LINKING BUSINESS AND TRADE STATISTICS (BEST)

OECD, 12-13 APRIL 2010

A. Introduction

This was the 3rd meeting of the Steering Group on linking Business and Trade Statistics (BEST), the 1st meeting took place 2007 in Ottawa, hosted by Statistics Canada, the 2nd meeting took place 2008 in Luxembourg, hosted by Eurostat. The agenda and list of participants can be found at the end of this note.

This activity, launched by OECD in close co-operation with Eurostat, is yielding more and more concrete results and responds to a well-identified policy need. At the 2nd WPTGS meeting, several delegates presented promising developments under the agenda item “Linking Trade with Enterprise Characteristics (TEC)”. The **background document STD/WPTGS(2010)17 Annex**, prepared by OECD, integrated these WPTGS components setting out the policy needs, answers found and challenges encountered. This background document should be read together with this brief report for a better understanding from the wide WPTGS audience, not participating in the BEST Steering Group. Both this report and background document are submitted to delegates of the 3rd WPTGS meeting 4-6 October 2010 for discussion and comments.

B. Data development updates

The chair welcomed the participants. He introduced to the group the new Head of the TBS Division, Dominique Guellec.

After the adoption of the draft agenda and the minutes of the 2nd BEST meeting, the chair thanked the Steering Group members for their updates sent to OECD according to the OECD framework (standardisation exercise) and related information. This co-operation is highly appreciated and allows having comparable data across OECD countries and with Eurostat.

Canada:

Canada presented the Exporter and Importer Databases, the results, the migration process and future phases. This database is considered a key area by policy makers¹.

Due to financial budget constraint, Statistics Canada reported on new principles in place: every division must adopt common rules (centralization of software, corporate services) and ensure that priorities

¹ See STD/TBS/WPTGS(2010)17 Annex paragraph 3.

are in line with agency policy (cost recovery: engagement from policy department to share the cost if the program is relevant). This re-organisation provided the opportunity to re-design the BR program, which is now much more advanced than 3 year ago:

- Rolling updates: reception of monthly and timely data for the entire, complete BR universe
- Data are linked with US data (US importers declaration)
- Large companies with several companies: the current year profile of the company is applied to the whole longitudinal time series to separate out the effect of industrial reorganization (net of mergers or split) and to trace establishments, not enterprises which may change the name due to take over's etc.
- Each year, a new database is created, completely independent, due to the difference of structure of the business community that changes over time. The quality of the previous databases is diminishing with older reference years.
- Survival rates: reaching 1 million \$ CAN sales during the first 2-3 years is considered crucial for survival
- Statistics Canada plans to migrate from mainframe computer to network servers; this is expected to facilitate databases linking

The group was impressed by the progress shown.

United States:

The Census Bureau updated the group on progress made in the OECD Standardisation Exercise, Trade and Business Registers.

- The profile is created by matching export trade data to the Census Bureau's Business Register
- The Profile press Release created by the Foreign Trade Division is supported by the US International Trade Administration².
- The first standardization exercise in 2007 focused on export data for 2003, while the 2nd exercise used 2005 export profiles
- HS classification was converted to CPC, and NAICS to ISIC Rev. 3.1 for the OECD and the OECD Geonomenclature was used for geographical breakdowns; all confidential cells were removed
- New developments include
 - Creation of a prototype profile of US importing companies and submission to OECD thereafter

The group warmly welcomed the work and planned developments.

² See paragraph 4 of STD/TBS/WPTGS(2010) Annex. Immediately after the BEST Steering Group meeting, the ITC visited OECD and expressed its high interest in the TEC exercise since this standardisation across OECD countries enables the ITC to compare US SMEs with EU SMEs export performance and competitiveness ("Obama SME Export Initiative")

Israel:

The CBS reported on their “International trade by economic activities, employment assize classes and number of enterprises “activity.

- Employment data by company is generated through matching of Social Security numbers and Company registration numbers
- Customs ‘data is used for merchandise trade of companies
- The trade and employment variables are matched through Company registration numbers
- The Herfindahl-Hirschman Index is used for calculating concentration indices of exports
- Because of the accession to OECD, Israel plans to move from special trade system to general trade system, and, thus, also be in line with the UN.
- As for Canada, the export/import register is considered very import by economists and policy makers
- Planned developments/extensions include:
 - Matching trade values by economic activity and partner countries
 - Number of enterprises by economic activity and number of partner countries
 - Extension to Statistics on international Trade in Services

The Group welcomed in particular the extension to trade in services; as in some other countries³, the extension to services is a promising and challenging work.

Eurostat:

Eurostat reported that the TEC exercise is not any more called" a standardization exercise", which was a first phase of development; it moved now into the “acquis” stock of EU statistics, with – since mid-2009- a regulation requiring member states to mandatorily compile TEC statistics.

- History : 6 rounds of data collection (1st testing, findings -> changes)
- 2005,2006,2007 are stabilized comparable data
- Census approach of the business community (rather than sample approach), which provides solid basis
- Regulation of statistical framework: all EU Member States are obliged to report (2009 for Intra EU trade, in 2010 Extra EU trade)
- Deadline: 18 months after reference year (delay due to the time to have the BR updated)
- Data of 2007 data collection exercise will be disseminated in the coming weeks of this meeting
- Excel template built with validation formulas

³ See 2nd WPTGS meeting 2009 Website www.oecd.org/std/its/wptgs2009

- VAT data is used to estimate the non-collected data on intra-EU trade: Because of the exemption thresholds, smallest traders representing majority of traders are excluded from Intrastat reporting. This trade represents however only max.3% of the total trade value.
- Compilation guide under preparation: a more comprehensive guide is planned
- TEC is one cluster of the MEETS program to decrease the administrative burden faced by enterprises and to facilitate linking across databases.

Concerning the enterprise numbers in Intrastat and Extrastat, which are non-additive because of double-counting, OECD asked whether through the use of unique IDs this problem could be overcome. Eurostat answered, that there are some methodological problems and its feasibility varies between Member States and one has to live with this limitation for the time being.

Norway:

The Norwegian delegate gave a brief oral update on the Norwegian TEC exercise. He stated that the exclusion of the oil industry (offshore drilling) would allow a better comparability.

Because Norway is a small economy, a major problem identified is confidentiality. Hence, large companies meet quickly the confidentiality suppression threshold.

The delegate stated a need for secure data exchange mechanisms.

Eurostat asked to include confidential data in the first instance, duly flagged, which then will be suppressed and eventually allocated at a higher, non-confidential, level. This also helps for data validation checks. Canada asked how data are transmitted to Eurostat? Who is responsible for the confidentialisation method? Eurostat responded that confidentialisation is entirely the member states' responsibility and Eurostat cannot interfere.

OECD:

OECD presented the TEC data compilation and metadata in OECD DotStat. Then, the link of TEC to the broader context was given⁴. It was stated that

- Policy and statistics can be mutual drivers
- TEC opens up an entirely new policy dimension (e.g. international competitiveness of SME across OECD countries)
- But challenges persist, such as how to better reflect in TEC global business decisions, encompassing both goods and services, but also MNEs
- More work on harmonizing and updating of statistical units need to be done (including an international statistical unit, such as the one developed by the National Information and Statistics Council CNIS of France)
- Progress to more systematically include services, as witnessed at the 2nd WPTGS meeting, was acknowledged and examples were given⁵

⁴ See details in STD/TBS/WPTGS(2010)17 Annex

⁵ See the section "Challenges" of STD/TBS/WPTGS(2010)17 Annex

- Potential future policy needs were addressed, such as
 - Infrastructure demand for transportation (addition of mode of transport variables)
 - Impact of economic shocks at firm level (crisis aftermath)
 - Firm-level analysis of the import contents of exports
 - Better understanding of the characteristics of individual exporting firms and firms participating in global values chains
 - Policy design for “integrative” trade (trading of tasks), considering company structures.

C. Improving the scope of linked trade and business data and indicators and globalization/competitiveness related extensions

There was an interesting exchange about the development agenda and further research.

Canada: Statistics Canada stated the user-driven nature of this exercise.

- Notion of survival is key: hence, 1 million \$ CAN threshold is a key figure
- What are the sources of export growth?
- Trade registers can be linked to find business characteristics: what are the domestic activities of a specific trader (development of an index of foreign exposure: share of revenue/expenses derived from exports/imports,
- Exchange rate fluctuation impacts are very important: enterprises that have a high foreign share of business activities are impacted more than those with rather domestic activities only
- Number of trade relationships (number of countries, number of customers) is a source of export growth (extensive or intensive), how the customer company is successful; or being entrepreneur in a specific region.
- Number of customers: there is information about the customer in the declaration form, but there are linking problems: if there are 2 addresses, problem to know if it is the same enterprise
- Determinants of growth: through domestic success or market success from importing customer abroad? Which of the 2 is the driving force?
- An interesting question from the Finance Department: are we taxing exports by applying duties on imports?

Eurostat: these types of analysis are important from a country perspective, but some of them do not easily fit into international comparison

OECD: many SMEs are trading with only one partner country due to geographical proximity. This could be a field for bilateral studies.

United States: we have difficulties adding new indicators in the US, since we have to stick to hot policy topics, such as the Obama initiative)

- Job creation : linking exports and jobs,
- How SME become larger
- Exporters, multinational markets, survival

Norway: No planned further developments. We need first to build up longer time series, since the BR declarations start as from 2004 only.

Eurostat: Need to get the domestic content into the picture.

Israel: Development focus is on missing TEC data

- More data by partner country
- Services data at enterprise level (difficult)
- The variable “revenues” is needed

Eurostat: Eurostat reported on the reorganization of Eurostat in July 2010. There will be a new unit on climate action and another one on government deficit statistics. Trade is encompassing goods and services and FDI statistics. This unit will be called “International Transactions Unit”. An update was also given regarding the MEETS programme, which is intended to facilitate database linking (TEC was given as a good example) to create a momentum for other areas to join in. Besides TEC, other important components of MEETS are globalization indicators (OECD reference), statistics on entrepreneurship, statistics on enterprise groups and statistics on climate change.

D. ORBIS

OECD presented the ORBIS database, an international micro-level database for structural analysis. This database has been bought by 7 OECD Directorates from Bureau Van Dijk Electronic Publishing (BVDEP). It contains 44 million company records covering more than 200 countries.

Despite a wealth of data, several shortcomings were identified:

- Bias concerning the definition of the statistical unit
- Structural bias
- Different variables definitions
- Poor data quality
- Lack of consistency with official data

United States: ORBIS data is much higher than the US TEC export figures, certainly due to the fact that ORBIS attempts to approximate total trade, while TEC’s starting point is the number of exporting enterprises.

Canada: Somewhat similar to the US remarks, ORBIS overstates Canadian exports by 40 %!

Nevertheless, it was felt that benchmarking TEC with global databases is an interesting exercise.

E. Steering Group discussion on the way forward

Steering Group decision: the distinction between domestic market orientation versus international market orientation should be made, allowing getting a picture of total activities. Also exchange rate fluctuation should be taken into consideration as well as questions, such as “do we tax exports by import duties”?

TEC Handbook: agreement that OECD should go ahead, in close co-operation with Eurostat. This handbook from OECD should provide the methodological framework and provide a compilation guide (such as the one OECD drafted for the UN IMTS Compilation manual (Chapter 11).

Eurostat reported on the EU compilation guide structure which includes

- Description of target population, coverage and statistical units
- Description of source data and registers
- Description of nomenclatures, breakdowns and variables
- Instructions for data linking, including the treatment of specific cases (changes in business demography, role of headquarters, etc.)
- Description of indicators and rules to compile them
- Rules for imputation and estimation
- Recommendations for treatment of confidential data
- Instructions on data transmission from NSIs to Eurostat
- Metadata and quality reporting

The chair thanked all participants and indicated that TEC has gained considerable momentum and increased interest, what was also witnessed by the last WPTGS meeting. He informed participants that the US International Trade Commission had contacted OECD regarding TEC and was highly interested in the results only TEC can provide, namely comparing US and other countries SMEs, using identical nomenclatures, thresholds and standard variables. ITC will visit OECD (the visit took place on 14th April 2010). Also other countries, such as Australia and Brazil are interested in joining in. A first draft or structure of the Handbook could be provided to the WPTGS.

Agenda of the 3rd meeting of the Steering Group BEST OECD, 12-13 April 2010

Starting at 10h

Monday 12th April

1. Welcome and opening

Adoption of the draft Agenda

Adoption of the report of the 2nd Meeting of BEST Steering Group

2. Data updates from

- a. Canada
- b. United States
- c. Israel

Coffee break

- d. Norway
- e. Eurostat update
- f. OECD update

Lunch break

3. Discussion about how to improve the scope of linked trade and business data/indicators: the experience of Canada, United States, Norway and Israel

- a. How far could we go beyond the existing indicators list ?
- b. What are country experiences or plans to further develop this data set and what are its uses by policy/business?
- c. Specific methodological problems requiring further thought?

Coffee break

4. Globalization-related extensions:

- a. Services (see WPTGS papers UK, AUT, BRL)
- b. Linkages: Patents, R&D, ICT, competitiveness, etc.

- c. New Indicators to be included, suitable for this exercise (e.g. Herfindahl, but also others)

Israel: presentation on Herfindahl Index

17h30 OECD Cocktail invitation for BEST Steering Group

Tuesday, 13th April, starting at 9h30

5. General discussion on micro-level data:

- a. This register-based statistical programme has significant potential to integrate more fully micro-business statistics. What would be the scope to more systematically link to “micro-level databases”, such as the ORBIS database?

Presentation of ORBIS

- b. Scope for having an international, micro-data type, database on business and trade with an acceptable degree of comparability? In such a case confidentiality and access rules need to be addressed.

- 6. Any other business and time/place of the next BEST Steering Group meeting.

Closing of the 3rd Meeting BEST

NB: Following demand from some participants, we could close around lunchtime or around 15h

List of participants

BEST Steering Group members:

Chair: A. Lindner, Head TACS, OECD/STD
Sh. Arieli, Head BoP and FT, CBS, Israel
Ph. Armstrong, Head Exporter Register, Statistics Canada
A. Behrens, Head Unit G-2, Eurostat
E. Gonnard, Statistician, OECD/STD
O. Hagen, Senior Advisor, SSB, Norway
J. McHugh, US Census Bureau, United States
M. Nadeau, Manager Exporter and Importer Database, Statistics Canada
K. Nuortila, Administrator, Eurostat

Other participants:

D. Guellec, Head TBS, OECD/STD
M. Lunati, Head Business Statistics, OECD/STD
S. Pinto, OECD/STD