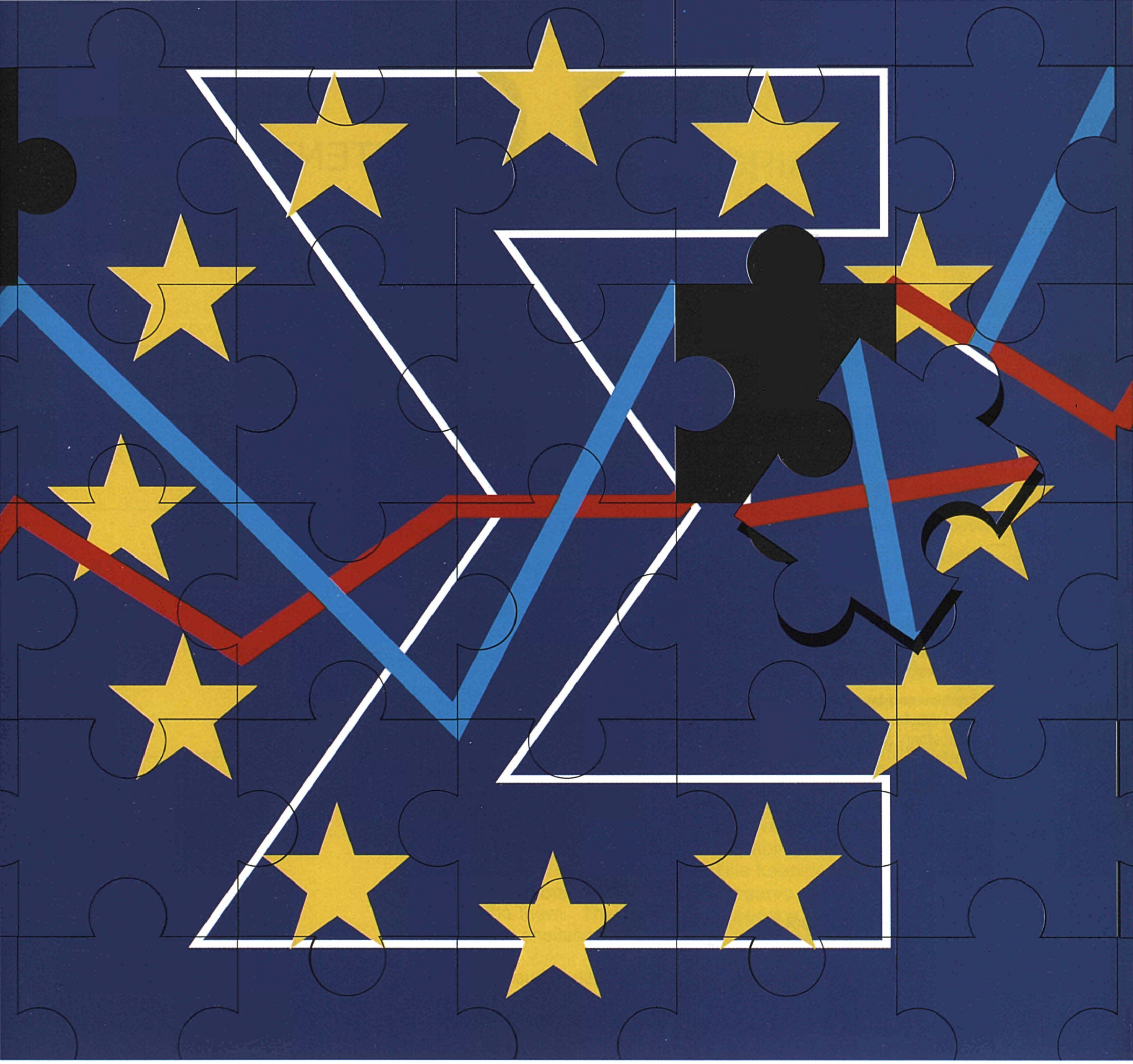

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EDITORIAL

The 'services revolution' is gaining ground ineluctably, carrying in its train much that is intangible, hard to grasp and difficult to quantify. Service statistics have long striven for the means of gauging its strength, mapping its contours and assessing its progress.

These complex statistics are now taking physical form. Their inception was complicated by obscurity in many sectors and problems of detail which could not be resolved until powerful technical resources finally allowed data and their metadata, sources, methods, approaches and perspectives to be brought together in a single architecture.

Eurostat is stepping up its work on service statistics, part of the broader boom area of business statistics, the better to take up the major challenges which the new World Trade Organization will raise in the near future.

We must have the means to take action at such a crucial juncture.

Business statistics are fast becoming a management tool. Private and public operators are discovering the wealth they can offer. If management by objectives all too often lacks reference points, management by statistics can underpin the whole edifice.

Given the role of supporting Community integration policies, European statistics have assumed the weighty task of providing objective information to the European public, to enterprises and to all economic and social operators while keeping abreast of all significant developments in order to observe, measure, assess and describe them. They are at your service.

Daniel Byk
Chief Editor
Head of Unit 'Public relations, dissemination and statistical digests'

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Director of dissemination and public relations, computer processing and relations with ACP countries

FROM GATT TO GATS

Figuring out the agreement on services
Interview with David Hartridge and Guy Karsenty

Getting to grips with the details is the problem confronting everyone who is involved with the operation of the new World Trade Organization, which at last gives a rightful place to trade in services. Statistical data will have to be greatly broken down so that commitments can be monitored. There is a need for business accounting practices to be tidied up — and for more transparency in one of the key service sectors: financial services.

"GATS" (General Agreement On Trade in Services) will start its activities in GATT's GENEVA offices.

David Hartridge took an MA at Oxford University in PPE (politics, philosophy and economics) and joined the GATT Secretariat in 1975. In 1979 he was appointed counsellor for industry, energy and the internal market in the Office of the UK Permanent Representative to the EEC in Brussels. Between 1980 and 1985 he was chef de cabinet of the Director-General of GATT. He was Director at the Office for Multilateral Trade Negotiations when the Uruguay Round was launched. Since 1993 he has been Director of the Group of Negotiations on Services, the division responsible for Uruguay Round negotiations on trade in services.

Guy Karsenty studied computer science and economics at the Universities of Grenoble and Aix-en-Provence. Until 1989 he served as a junior official for economic affairs at Unctad (United Nations Conference on Trade and Development), after which he joined the statistics and information systems division of GATT as a database administrator and subsequently senior statistical officer (with particular responsibility for statistics on services).

The General Agreement on Trade in Services (GATS) is part of the Final Act embodying the results of the Uruguay Round of multilateral trade negotiations which got under way under GATT auspices at Punta del Este (Uruguay) in September 1986.

THE BACKGROUND

On 24 September 1984 Mr A.W. Clausen, President of the World Bank and of the International Finance Corporation, spoke of the next 10 years when he addressed the Board of Governors:

'Our prospects will depend on a key factor: the climate of trade. There has been a great deal of change in recent years — but for the worse. The steady progress until the end of the 1970s towards a greater opening of the trade system has given way to a rise of protectionism and a reinforcement of trade barriers.

The dangers inherent in continued protectionism are all too clear. The resumption of genuine lasting growth in the industrialized nations and recovery in the developing countries will come to nothing unless the liberalization of trade is actively revived.

Pious words are no longer enough and it is now crucial for governments to start taking concrete measures to liberalize trade before the gains of the 1960s and 1970s are completely eroded by the mistakes of the 1980s. It is high time to launch, under GATT auspices, a new round of multilateral trade negotiations dealing in particular with non-tariff barriers and matters which are of special interest to developing countries. Without negotiations and without an easing of protectionist pressure, the climate of trade will be very unsettled in the medium term.'

Mr Clausen ended his speech, back in 1984, by recalling that 20 years earlier Arnold Toynbee had said that our era would be remembered not for its abominable crimes or its amazing inventions but because for the first time since the dawn of time one had dared believe that it was possible to bring the benefits of civilization to the whole human race. 'More than 40 years after the historic meeting at Bretton Woods, it would be well to think on those words. The founding fathers of these institutions dared to believe that it was possible to restore order to a world economy in shambles, to nurse it forward and to attempt the great adventure of development. Faced with the phenomenal challenges which the next 10 years will bring, we also have to dare to believe that it is possible to reduce poverty and ensure the economic and social progress of the developing world.'

But are the phenomenal challenges which Mr Clausen spoke of really behind us? The World Trade Organization (WTO) which is being set up could well be an even greater challenge.

THE MOST STRIKING DEVELOPMENT

It is an extremely complex agreement, consisting of a maze of commitments, reciprocal considerations and interlinked conditions, which is supposed to enter into force on 1 January 1995.

'That is what we intend and what everyone is hoping. To my mind, this is the most striking development in everything that has moved the GATT system forward since its inception. The GATT rules are going to see the addition of the sector which is showing the most growth and vitality in international trade, i.e. trade in services.

Half a century of effort

It should come as no surprise to anyone. The growth in services was expected, and the desire to have them included in the negotiations goes back to 1947! It has taken half a century to achieve the plan.

Important implications

Many governments had to devote a tremendous amount of effort to achieve this result. It is difficult to imagine now the significance of everything that has been negotiated. One of the difficulties — and not the least of them — in assessing these implications is the lack of statistics.

David Hartridge, Director (Group of Negotiations on Services Division) in GATT.

We are well aware that we shall have a great need for statistical information. At the moment the data are quite inadequate, very hard to obtain, and very difficult to compare. And this holds true not only at the international level; at the national level, too, there are lots of contradictions.

Definitions first

We have to kick off in the right place. We are going to need to build an entire information system which is totally lacking at the moment. We have to know everything: what trade in services means, why it grows more quickly or slowly, how it is doing in relation to trade in goods, etc.

Measuring contributions

Let me give an example. Hitherto, the financial contributions which GATT members made to the organization's budget were calculated on the contracting partners' relative share of world trade in goods. The question now arises: should their contributions not be based on trade in services as well? In theory, yes. But we do not have data which are reliable enough on the volumes achieved by the contracting parties. This purely organizational aspect is probably not the first which should be considered here, but it is nevertheless important to find a speedy answer to this question.'[1]

Cross-references

'The European Communities regularly supply GATT with statistics on imports related to customs tariffs. In the field of goods we thus have very detailed statistics on products, with records of the customs duties negotiated under GATT, so that we can show duties alongside the values for trade in goods.'[2]

Coordination with the entire European statistical system

How does the European statistical system help in this? Probably quite a bit. Statistics on products were boosted by the Prodcom Regulation,[3] by virtue of which the statistical offices of the Member States in the European statistical system are required to supply Eurostat with their annual results no later than six months after the year of observation. There is a Community regulation[4] which guarantees the confidentiality of the data.

European statistics on services is now looking at how to apply an approach along the lines of the Prodcom Regulation to the services sector. This naturally calls for a great deal of work on classifications, and a methodology which is much more detailed than the methodology used solely for goods. Every institution involved in statistics on services is watching the development of this work with tremendous interest.

GENERAL AND SPECIFIC REQUIREMENTS

'It must be admitted that the GATS agreement has practically no specific provisions on statistics. The statistical knowledge we are going to need appears more as a set of related implications than as a series of specific demands.

Obvious difficulties

As an example, the Council for Trade in Services, which is to administer the agreement, has to carry out a regular assessment which is both general and sectoral. Figures will be needed to quantify these two approaches. Even at the general level, however, we do not expect the collection of satisfactory statistics to be an easy matter.

Who owns what?

Many services are in fact marketed by "establishments", and this practice is not limited to major enterprises. It is common right down to the level of small enterprises. The fact is that there are no reliable statistics on these "establishments", even at government level. This is a gap which has to be filled without delay.'[1]

It goes without saying that it is essential to know who owns or controls whom and who is linked or affiliated to whom. Article XXVIII (paragraph n) of the GATS agreement defines a juridical person as:

- 'owned' by persons of a Member if more than 50% of the equity interest in it is beneficially owned by persons of that Member;
- 'controlled' by persons of a Member if such persons have the power to name a majority of its directors or otherwise to legally direct its actions;
- 'affiliated' with another person when it controls, or is controlled by, that other person; or when it and the other person are both controlled by the same person.

Current business and company registers are far from providing all the data which are needed to make such distinctions. So where can they be found? That is something for statisticians to get their teeth into!

Assessing commitment value

'The GATS agreement consists of two main parts: a framework agreement and specific commitments on the part of the contracting parties. At the moment, 95 country commitments have been made, with the European Communities signing one commitment on behalf of all their Member States. These schedules of specific commitments which were tabled at Marrakesh are binding commitments which allow for no exceptions unless accompanied by the payment of compensation to the countries which are unfavourably affected by the withdrawal of a commitment. It will therefore be necessary to make a very speedy assessment of the compensation which should be paid in the event of non-compliance with a commitment. It is thus important to be able to calculate with utmost accuracy the value of a commitment formerly made and the value of any new commitment which might be made in place of an old one which has been withdrawn or has not been complied with.'[1]

How can the European statistical system help in this process of ongoing monitoring of commitments?

Making use of what we have

Information requirements fall into two different types which have to be distinguished at the outset: the general requirements for the purpose of quantifying the framework agreement and the requirements for specific statistics for the purpose of monitoring the commitments made by contracting countries in a particular sector.

'The GATT approach is to use primarily the data we already have, even if they are generally inadequate.

One of the main sources of statistical information currently used is the balance of payments published by the IMF, although the data it supplies are highly aggregated. We are looking for a greater breakdown of data from the OECD and Eurostat, where we have noticed that a fair amount of work is being done to secure the increasingly detailed data which are an essential requirement. At the IMF, too, the emphasis on the problems of greater detail has resulted in the appearance of a new methodological manual for a breakdown of services in the balance-of-payments headings. In the medium and the long term, therefore, it is reasonable to expect that we shall have more detailed information that we have at present.

As for the general needs of statistical information, we have to focus on the need to develop information on foreign direct investment, since the GATS agreement covers transactions of foreign enterprises on national territory.

We are watching the work which is being done by the OECD and Eurostat in this area as well, with their new publications on foreign investment, but these provide no information on non-European countries. In addition, the information which is published is still inadequate in relation to the GATS agreement. It is not enough to know about investment incomes and flows; we also need to know about sales by foreign enterprises on national territory.

While our initial approach is to make the best of what we have, we are making every effort — in spite of very poor resources in this field — to take a parallel approach aimed at a general improvement of statistics.'[2]

Coordinating improvement

'The United Nations Statistical Commission has agreed to set up a new task force whose main objective will be to attempt to coordinate the work undertaken in the various organizations dealing with statistics of trade in services and to map out its terms of reference.

Operating at international level, this steering committee will approach the matter in a way which will allow it to decide how to get GATS requirements included in the work of every international organization, the initial aim being to solve a whole range of conceptual problems affecting statistics on services. It is likely that a new methodological manual will appear, laying down future rules for the collection of data in line with the needs of the GATS agreement. It will be a lengthy business, which is going to get under way fairly quickly.

We want to mention the high degree of cooperation which we have noted among the main actors in this: the OECD, Eurostat and the IMF. All data, even the most detailed, which any of them produce must be compatible, and a common coding system will have to be introduced.

The basic fault

One thing that will have to be done is to repair the basic fault which we mentioned before: the statistical data system based on the balance of payments has now reached its limits, as far as we are concerned. All the breakdowns of data which have been asked for by both Eurostat and the OECD are not yet up to the requirements of the GATS agreement. They do not match the sectors for which the countries negotiated.

The GATS agreement naturally supports all the exceptional work which is currently being done at Eurostat, the OECD and the IMF. It will quickly lead to more detailed data, and that is no little progress. But we ought to point out that they are not yet giving proper consideration — probably because of reluctance of some members — to the needs of the GATS agreement, even for the main sectors. For the future, we feel that some thought should be given to veering away from the balance of payments and to fostering the idea of statistics on services which go way beyond that framework.'[2]

USA and Europe

Is the US statistical system ahead of Europe when it comes to statistics on services?

'The fact is that statistics in the United States has made use of considerable resources in managing to identify, for example, transactions between subsidiaries and parent companies, even in a balance-of-payments context. It has also apparently reached a high degree of detail, and major methodological work is under way to merge statistics on direct investment with international transactions on services. At the political level, the United States has really understood the importance of statistics on services and has made the necessary resources available. Europe has not done so — not yet. The USA has also put in place the proper legal bases, by making it compulsory to provide a lot of data which are not required in Europe, where the knee-jerk reaction is still all too often to hide behind the pretext of confidentiality.'[2]

THE FOUR ANGLES

What angle should you take in looking at the statistical information requirements of the GATS agreement? This defines trade in services (Article I, paragraph 2) as the supply of a service:

(a) from the territory of one Member into the territory of any other Member;

(b) in the territory of one Member to the service consumer of any other Member;

(c) by a service supplier of one Member, through commercial presence in the territory of any other Member;

(d) by a service supplier of one Member, through presence of natural persons of a Member in the territory of any other Member.

A process under way

'It is simultaneously from these four angles, according to the four types of service, that we shall need to have clarification on arrangements for market access and to be able to monitor them in statistical terms. A classification of services, provided by the Secretariat, has made it possible to record Members' commitments in a dozen categories and more than a hundred subcategories.

When the negotiations ended on 15 December 1993, the governments adopted a programme of work involving the continuation of negotiations in four sectors: maritime transport, basic telecommunications, financial services and movement of natural persons supplying services. Three working parties have already made some progress in these areas and we are expecting the talks on financial services to get under way, since agreement has already been reached by the committee responsible.

To be continued

Other matters, mentioned in the agreement, will also have to be the subject of negotiation:

- government procurement in services (public contracts for services);
- subsidies;
- safeguards, or protective measures which a country might be prompted to take if it felt adversely affected or threatened by imports (as in the GATT, there is provision in the GATS agreement for safeguard clauses);
- a working party will be set up to devise multilateral disciplines for professional services; it was agreed that priority had to be given to the accountancy sector;
- a programme of work is particularly aimed at Article VI of the agreement, which covers greater harmonization and simplification of domestic regulations which, whether by design or by accident, create difficulties of market access for foreign service suppliers.'[1]

Three principles

The GATS agreement is based on three main principles:

(a) comprehensive coverage of services: in theory, no sector is excluded;

(b) national treatment: each Member shall accord foreign suppliers treatment which is no less favourable than that which it accords its own suppliers;

(c) non-discrimination among Members of the agreement.

'If these principles were applied 100%, free trade in services would already be a reality. Given that there are no tariff barriers to services, it is the regulatory barriers which create differences between foreign and national suppliers of services.

After laying down these three main principles, the negotiations dealt with the exceptions. The schedules of commitments in fact comprise:

- first of all, the schedules of sectors where access is accorded and guaranteed, and where a commitment is made, quite freely: governments may well accord access in one area but not in another (for example, the United States made no commitment on maritime transport and the European Community made no commitment in the audiovisual sector);
- the schedules of commitments may include what can be called limitations to market access: a classic example would be travel agencies, since access to this professional activity may be subject to binding provisions, particularly with regard to guarantees and bonds; these provisions must be included in the schedules of commitments but they are subsequently consolidated; retraction would jeopardize the commitment;
- limitations to the principle of national treatment may also be in-

cluded: a Member may decide to maintain a measure which provides different treatment for a foreign supplier, but the clause must be recorded in the agreement and kept there.'[1]

MATTERS OF TOP PRIORITY

Information — and sources

'One of our top priorities is to design the database and the information system which we need to encourage. Not only do we have to devise information systems but we also have to decide on how best to collect such information. We are very interested in the work being done at the OECD and Eurostat in this connection.

Focusing knowledge

What we have to set up here is what will most likely become a focal point for bringing together the maximum amount of knowledge, experience and expertise on trade in services as such. There is nowhere at present dealing with trade in services in general. It will be our job to provide this focal point of expertise and ability.

Coping with disputes

One priority task, which will be part of the normal work of the Secretariat, concerns the settlement of disputes among Members. And there are bound to be disputes in the services sector, just as there now about trade in goods. Each time it will involve urgent work on matters which are very tricky in political terms and on problems which are quite specific, which have to be dealt with immediately in accordance with very short deadlines which are laid down in the agreement. And if we are going to iron out these disputes, statistical data will be of prime importance in ensuring objective discussion.

Urgent: financial services

The most urgent matter at the moment is definitely the negotiations on financial services. There is already an agreement whereby these negotiations are scheduled to finish within six months after the entry into force of the GATS agreement, i.e. by July 1995 in all probability. There is not much time!

The fact is that the current schedules show that the industrialized nations have almost all made commitments in the financial services sector. For many, it is obvious that it is a key sector in negotiations, a field with a tremendous amount of business activity.

The contracting parties will in fact be free to reconsider the commitments they have made in this sector, to amend or improve them, or to withdraw them. The aim of the negotiations which are under way is of course to achieve improvements in the existing commitments, but if any Member is not satisfied with the way things turn out, it will be able amend or withdraw its offer or any commitments it has made. In view of the importance of this sector for many countries, it would be a real pity if any commitments were withdrawn.

This explains the prime importance we attach to ensuring the success of these negotiations and to getting existing commitments further improved. For the time being, the talks are being held mainly at bilateral level, but there is an agreement for the matter to be referred to the Financial Services Committee before the negotiating deadline, so that it can prepare the multilateral procedure which will be its culmination.

During the seven years of negotiation which have just ended, a tremendous amount of technical work has resulted in success. The way ahead is already mapped out in many areas. There still have to be bilateral negotiations to improve what is on offer and to settle problems at national level, and sometimes these are problems which are politically sensitive. It is no easy task to persuade the financial sector that it has to be more open. But we can calm their fears: there is no need or obligation to abandon "prudential" rules which it is felt should be kept in place, and all the checks which have proved necessary can be retained, provided that any foreign operator who enters the market is subject to the same financial rules as national operators.'[1]

EUROPE IN THE FOREFRONT

Is the fact that Europe is a single market an important step towards the liberalization of services?

'One of the most important factors in the process of GATT liberalization was the move towards integration within the Community. When the Common Market was created and duties cut within it, the direct implication was the potential existence of discrimination against the rest of the world. This was an underlying factor in prompting negotiations for even greater liberalization.

While the creation of the Community had been welcomed and encouraged by the United States for sound political and economic reasons, the US reaction could have been more negative or more strained when the Community became a major trading power, which nowadays is even bigger than the United States. It did not turn out like that. On the contrary, the American reaction was very positive and consisted of combating any chance of discrimination by simply eliminating the possibility. This was the thinking behind the Kennedy Round.

I am convinced that the development of the single market in Europe and the moves towards the internal liberalization of services such as banking and insurance, as well as many others, provided tremendous stimulus for the GATT negotiations. It is my belief that everything that has happened depended to a large extent on the progress of the Community and the dismantling of customs barriers. And the same is true for what is going to happen with the GATS agreement. The introduction of economic and monetary union and the abolition of "monetary barriers" which will necessarily occur at the same time should in all probability produce results which are as effective, as far as the GATS agreement is concerned, as the impact on GATT of abolishing customs barriers.'[1]

Making the most of the Uruguay Round

In an explanation of how the agreement signed in Marrakesh in April 1994 involved both a reworking of the rules of the world economy and a considerable lowering of barriers to trade, Sir Leon Brittan wrote recently:

'According to a rough statistical analysis, the tariff aspect alone would have a potential impact on our economy similar to that which resulted from the creation of the single market. However, while those who negotiate agreements open the way to opportunities, they cannot impose prosperity. To exploit these opportunities, enterprises must be stimulated and prompted to become aware of the changes which are in the wind. They have to give serious thought to how they can make the most of them. I would suggest two ways of stimulating enterprises to make the most of the Uruguay Round: getting it known and working out a cooperation strategy.'[5]

That is exactly what we are planning to do!

[1] Interview with Mr David Hartridge, Director at GATT (Group of Negotiations on Services Division), Geneva, 3 June 1994.

[2] Interview with Mr Guy Karsenty, Senior Statistical Officer at GATT, Geneva, 3 June 1994.

[3] Prodcom is the name of the project which resulted in Regulation (EEC) No 3294/91 of 19 December 1991, published in OJ L 374 of 31 December 1991.

[4] See Regulation (EEC) No 1588/90.

[5] *EURInfo* No 184, April 1994, p. 10.

OBSERVING THE REVOLUTION

Interview with Mr Photis Nanopoulos

The quiet but profound 'services revolution' is well under way. Statistics are striving to size up the advances being made on every front and are even taking the lead. The offspring of the IT-statistics couple are probably very gifted children...

On leaving the Greek Air Force Engineering School, Photis Nanopolous studied mathematics and physics at the Institute of Mathematics in Strasbourg and then informatics and statistics at Nancy University, where he obtained his doctorate in information theories. He subsequently went to the United States and obtained a PhD in statistics at Berkeley. On his return to France he obtained a doctorate (number and probability theory), and taught at Strasbourg University and later at Athens Technical University. He joined Eurostat in 1983 as Director of business statistics.

AN 'ELUSIVE REVOLUTION'?[1]

Our economy lives by a process of constant change, and its 'tertiarization' is one of the most obvious outward signs. But does this tertiarization follow on from the spectacular expansion of services, or is it simply the consequence of the gradual atrophy of agriculture and industry? Can we usefully cast some statistical light on the study of this phenomenon using traditional approaches?

'The "services revolution" still raises almost ontological questions for many analysts: is there really an issue to be considered? In the current explosion of service activities (in both employment and production terms), can any new elements be identified which might call the validity of our benchmarks for analysis into question?'[1]

A GLOBAL APPROACH

For too long now, service statistics have only attracted interest within the European statistical system as a function of the importance attached to a particular policy at any given time.

'Service statistics came into their own with the Single Act. The internal market now calls for an entirely new, global, approach to business statistics.

The reason for this approach is simple: since services are a hugely diversified sector, the only way to deal with them beyond the confines of the sectoral vocabulary is to adopt a global approach. To be able to compare services and industry, it is necessary to be able to set them both in a very broad context. This is the genesis of the "global approach methodology" we are applying to services.'[2]

Then by sectors

Once these general concepts are clearly identified and fixed, the global approach can be narrowed down into sectors. The next level of development will be the sectoral approach. Since every sector has its peculiarities, it is vital to size them up at every point.

'All this has enabled us to carry out very interesting exercises not only in theoretical terms but also in practice, allowing us to channel everyone's energies and to determine how much progress has been made in each area ... .'[2].

Service statisticians' initiatives

'Historically, it was at the DGINS Conference in Palmela (Portugal) in 1986 that the Directors-General took the very important decision to make services a priority domain within the Statistical Programme and to set up a Coordinating Committee on Service Statistics (CCSS). This committee took the lead on all subsequent measures at European level and succeeded in correctly channelling all the energies available at the time. Its role was effectively one of monitoring all Community service statistics.

Eurostat and Member States' action, thus coordinated by the CCSS, developed in tandem with the work of a more academic circle, commonly known as the "Voorburg Group". At regular meetings, representatives of statistical services worldwide make up a kind of "Committee of wise men", who observe problems, exchange points of view and deliberate at a remove from the action. They themselves took the decision to move ahead in stages.'[2] Their task is made particularly difficult by a lack of expertise at national level.[3]

Clear distinctions

At the meeting of the Voorburg Group held in Oslo in late 1993, Eurostat recommended a number of distinctions in the development of European business statistics:

- a common framework for all enterprises:

This involves defining the general information to be collected annually for all enterprises (including service enterprises). This common framework should make it possible to introduce a proper European survey of enterprises and define a set of common concepts, standards and methods which also take account of the specific requirements for each domain of statistics on enterprises;

- a specific framework for statistics on energy and industry:

This framework should incorporate the various elements of statistics on industry: themes, concepts and variables from the annual survey on structure and activity, production statistics and short-term indicators. The framework for industry should therefore be a suitable methodological source for integrating specific sectoral developments (textiles etc.) and contribute to the organization of the statistical collections required;

- a specific framework for statistics on services:

Here too, a general approach will assist comparisons of the various sectors and a sectoral approach will allow the in-depth treatment of important priority sectors. The priorities in Community terms are statistics on the retail trade, services offered to enterprises, transport activities, hotels and travel agencies, information and communication services, and financial and audiovisual services;

- a specific framework for transport and tourism activities:

The main objectives are to review the transport Directives and to extend them to statistics on transport by air and sea and to implement the Decision on tourism.[4]

BEGINNING TO GLIMPSE THE HORIZON

Doubts to be dispelled

'It is undeniable that service activities are, almost by definition, heterogeneous and it is therefore important to allocate them to series before making any all-embracing analytical judgements on them. Furthermore, it is important to recognize what components of the spectacular development of so-called tertiary activities owe more to short-term trends than to structural features: these are important factors which justify the idea that the return of the global economy to the path to economic growth would be accompanied by the ebbing of service activities. Only once these doubts have been dispelled will analysts be able to demonstrate convincingly the structural importance of services to production, employment and trade in decades to come.'[1]

What should European service statistics cover? All of the internal market and every accompanying policy: are the general aspects to be tracked using the global approach devised while also responding to sectoral demands?

'The domain is very vast and gaining increasing influence on the structure of business statistics in general; the centre of gravity is shifting noticeably from industry towards services, which are twice the size of industry and 10 times as complicated ... and we cannot overlook the fairly closed attitudes in certain sectors, such as banking and insurance, which make many inter-sectoral studies extremely difficult to carry out.'[2]

New approaches

New approaches to data collection and processing have given rise to strong competition.

'For example, we have seen the emergence of new legal concepts, such as the Council's framework Decisions, which allow the sector to be surveyed from various angles. We are currently operating in a general legislative framework, with the Council asking the Commission and the Member States to draw up a programme covering several years, allowing the statistical coverage of this sector to be organized by virtue of preliminary analyses of users' needs.'[2]

'Statistical marketing'?

'The services sector is one of the first in which preliminary studies have actually been carried out at every level (international, Community, worldwide) in order to establish the different operators' information requirements before organizing large-scale statistical campaigns. The latest report to the Council setting out users' requirements in terms of service statistics is practically complete. This operation is a kind of first, which we tested on a smaller scale in the tourism sector. This type of approach enabled us to grasp the complexity and diversity of demand.'[2]

A 'market study', or marketing before beginning statistical operations? Why not?

'Work in another area: tying in with the work of the Voorburg Group, the various national statistical systems were analysed, following which it was possible to record what each one was capable of, to compare the parts of the picture which the various statistical offices could bring to the whole and to draw the conclusions on the basis of which the "pilot surveys" could be carried out and directed.'[2]

Pilot surveys

Yielding a wealth of information in return for a modest investment, the pilot surveys perfectly accomplished the twin tasks of analysing requirements and taking stock of what was to hand, and then seeing to first things first. In the light of these experiments, it was finally possible to build up a methodological framework.

A FIRST

'We are working towards enshrining this methodological framework in a Recommendation to the Council, which we will publish once it has been approved. That will be a first in the process of building up the legal foundation for European statistics. The publication of the methodological documents adopted by the Council will confer official status on our requests for statistical information on services, while stressing the different priorities which exist from one Member State to another, whereupon it will be possible to harmonize how these are dealt with a priori and not a posteriori.

It will then be of little import if some partners move ahead faster or slower than others, because the essential has been achieved in that they will all be moving in the same direction! If we had not made the commitment to drafting a global methodology and had dwelt only on the sectoral aspects of interest to us, everyone would have been tempted to develop his own methodology, which would have left us facing a simply titanic harmonization job. Instead, we will now be producing broadly harmonized statistics from the very outset.

Maximum publication

We know that service statistics suffer, at user level, from a lack of experience and knowledge. We therefore believe that we will have to publish the maximum on this subject so that a user can easily find the medium which will explain to him quickly what the right figure is, what the right concept is, what it corresponds to and what the underlying reality is. This is important in any domain of statistics, but it is even more essential in a new sector, where users have as much, if not more, to learn as producers.

Networked collection

Alongside these developments, the advent of new technologies and initiatives such as IDA (interchange of data between administrations) has encouraged Eurostat to promote the launch of a plan to collect data by networks. This is part of a much vaster project DSIS (Distributed statistical information system — framework).

The idea will be to construct a common framework around everything connected with telematics and telecommunications within Eurostat and the Commission, on the one hand, and in the NSIs and the national administrations, on the other, and to organize the necessary links with all the international public or private systems which are suppliers or users of statistical information.'[2]

This pooling will be based on:

- telematic linking of the national administrations' statistical information systems;
- the use of standards for the different information systems designed to describe, exchange and organize data access and sharing;
- carefully structured concepts and harmonized methodologies to encourage joint services;
- pooling results to avoid duplication of effort;
- joint technological improvement, to provide competitive statistical services in an open European information market.

From networks to enterprises

'For a long time now, the head of an enterprise could no longer be satisfied with information from within the firm; if he is going to make sound decisions, he needs points of reference on the outside.

Management by statistics

Statistical standards are going to allow him to classify the mass of information of all kinds that he receives and to extract the essential from it. They are going to allow him to make comparisons with similar enterprises in his sector. They will make it possible — and this is the key feature for a manager — to think ahead, to plan more carefully and to draw up a better strategy. There is scope for the exploitation of a vast potential for communication between enterprises and national and Community statistical systems.'[5]

One of the most hopeful expectations as regards the deployment of services — the development of the trans-European networks and more especially information networks — brings with it a particularly heavy demand for statistics.

'We are cruelly short of an instrument for measuring the services entrusted to the networks, on account of the generic nature of many of those services: from something as simple as electronic mail transfer to digital image processing. (...) How will this be reflected at statistical level? We would like as soon as possible to have figures covering trade in networked services and the flows of services circulating in these networks.'[6]

The requisite infrastructure

Setting up the requisite infrastructure to support these various developments is, of course, one of Eurostat's objectives. They also include:

- the development of regularly updated registers of statistical units containing key data on enterprises. This would provide a basis for carrying out surveys, monitoring short-term trends, checking information already provided to the authorities, operating panels and for many other aspects of the use of registers;
- the alignment of statistical and accounting concepts, allowing the data from statistical questionnaires to be computerized, thereby reducing the response burden on enterprises;
- the use of new technologies to collect and transmit data taking advantage of the capacities of EDIFACT;
- fast information systems, authorizing operations such as calculating estimates or monitoring specific short-term trends.[4]

REGISTERS

Regulation adopted

'The Regulation on registers, adopted in July 1993, lays down how the appropriate registers are to be organized, a major concern when service enterprises are constantly on the move, always changing shape. At the very least, we must be able to trace their demographics and know who the populations are at all times. There is no sense in conducting surveys on service enterprises on the basis of five-year-old registers!

This Regulation provides a sound legal basis and at the same time enables the NSIs to collect information held by other administrations. It is, therefore, the beginnings of a networked collection application.

Various administrations will be able to link up to the NSIs so that information available at administrative level in enterprises (particularly service enterprises) can be processed at statistical level. The implementation of IDA will improve the links between the NSIs and Eurostat.'[2]

And what about multinationals?

'Hitherto, business statistics have never served for anything more than observation at national level and, therefore, multinational groups have eluded statisticians. But today decision-making centres are quite clearly shifting and being cut back in entities which stride across borders. The need to observe these phenomena, to measure their development and constantly to determine how far they go was broadly underlined in the framework of the GATT agreements (and more especially in the development of what is now becoming the GATS — the General Agreement on Trade in Services — and the WTO — the World Trade Organization), which require close observation of bodies with multinational characteristics in the market-place.

But observing these groups is a particularly tricky business. The lack of liaison between national registers hampers group observation for business statistics. If "register networks" do not allow them to be observed as multinational units and the national registers go no further than identifying the national fractions, often without indicating any links, it will be impossible to compile real group statistics.

That is why we are trying to set up a databank on the activities of groups of enterprises, bringing together information on the largest European and worldwide groups and on their branches and subsidiaries — at least at Community level — so as to be able to put a figure on their importance in our economy.

It will be necessary to list what enterprises form each group's sphere of consolidation, and to determine each enterprise's geographical location, main activity and certain accounting data. Obviously, individual data are neither useful nor sought out as such, but they are necessary for aggregation purposes. In particular, this approach will allow the weight of a group to be defined in geographical terms, in terms of its activity, or in terms of both, and a great number of ratios calculated to assess the differences between countries and activities. That evidently entails being able to muster maximum information from several different sources to obtain the widest possible range of data concerning the greatest possible number of enterprises belonging to the groups concerned.'[2]

The wind from the North

The creation of the European Economic Area brought us closer to the EFTA countries and, as far back as 1991, allowed us to stress the benefits of the statistical use of registers, particularly in the Scandinavian countries:

'Here too, all the EFTA countries, including Switzerland, have fairly comprehensive company registers. The Scandinavian countries probably have the advantage in that they can obtain a large proportion of their statistics from the tax records. Company accounts are thus the main source of business statistics. In many European countries, this practice is unthinkable at present, either because figures are declared after too long a time lapse or because there is too much of a distortion between the tax picture and the reality, or because too many data quite simply slip through the tax net. Many requirements have to be met, in fact, if statistics gleaned from tax sources are to be truly representative. But the Scandinavian countries have shown that it can be done! Provided the State is equipped to come down very heavily on offenders, so that it ultimately costs a company less to be open and honest rather than to cheat. A European standard format of accounts would of course solve things nicely.'[7]

THE TECHNOLOGICAL REVOLUTION

Advances in statistics, IT, telecommunications, office automation, etc. are gathering pace. There is increasing demand for electronic data interchange on a massive scale, both from industry and from the public sector (financial, fiscal or legal data).

'It is in this context that a large number of new measures are being implemented to incorporate decisive advances into the Commission's fourth framework R&D programme (with priority going to new collection systems and information systems for businesses). Henceforth, the Commission's full range of research programmes will as often as possible include measures initiated and coordinated by Eurostat under the banner of the DOSIS programme (Development of statistical information services).

As for business statistics and telematic networks in particular (the SERT project), the exchange of information between administrations and enterprises should be able to draw on the very latest technologies. This drive will contribute to the strengthening of the European software industry, which will target more small and medium-sized enterprises. By intensive use of EDI and electronic form filling, SERT should aim to exploit the information already available in companies' information management sub-systems to the full.

To facilitate such developments, a business statistical information base (BISE) will provide the key link between enterprises and the outside world via the telematic networks to be systematically used in statistics. Enterprises will then not only be able to provide statistical information they themselves produce but will also have the new and important option of receiving it by the same route. Our aim is not just to provide information but also to provide the tools for processing it. The networks will thus acquire considerable added value. This is very important, because these new possibilities for interaction will uncover a hitherto all but unknown dimension of the usefulness of statistics to businesses. The need for good organization of the links between businesses and their administrations then becomes a priority for all concerned.

We will put businesses' information systems in touch with other giant statistical systems: this will open up a wealth of new service applications for development in vast areas which remain to be explored...!

Stimulating activities marrying IT and statistics will spawn new products, the "children of the services revolution", and those of the concomitant technological revolution. Service statistics will have to make a very great effort to stay abreast of them.

The integration of statistical information in other kinds of business information will create surprising symbioses and give an extra impetus to the development of telematic networks which we are trying to encourage. Without support from the Community this kind of initiative would not cross over national boundaries in Europe, and often fail to achieve critical mass. The cost of not uniting Europe in this domain would be considerably greater than that of the undeniably gigantic efforts which we are obliged to make together!'[2]

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[1] B. Lanvin: 'Information, commerce international des services et développement', *L'Europe face à la nouvelle économie de service* — Publications de l'institut universitaire d'études européennes, Geneva (editors Orio Giarini and Jean Rémy Roulet) — ISBN 2-13-041915-1, Paris, Presses Universitaires de France, 1988, p. 156.

[2] Interview with Mr Photis Nanopoulos on 21 April 1994.

[3] See also in this edition the contribution from Mr Hugues Picard, one of the leading members of the Voorburg Group, 'The statistical challenge of market services'.

[4] P. Nanopoulos: 'Proposal for a meta-classification of services in the context of the European system of business statistics', eighth meeting of the Voorburg Group, Oslo, 27 September to 1 October 1993.

[5] P. Nanopoulos: 'DOSES — its genesis, its results and its future — Research and development in European official statistics', Luxembourg, Office for Official Publications of the European Communities, 1993, p. 70 — Catalogue number: CA-80-93-501-EN-C.

[6] Interview with Mr Michel Carpentier, Director-General of DG XIII, on 17 February 1994.

[7] Heinrich Brüngger, 19 December 1991.

eurostat

FIGURING OUT THE MARKET

Comments by John Mogg

The new scale of the internal market has to be measured on a day-to-day basis. Financial services have to leave the uncharted areas of statistics. Straight questions and answers.

THE CURRENT SITUATION

'The constantly increasing economic importance of the services sector is universally acknowledged. In spite of this, the statistical instruments which should make it possible to measure properly the significance of this sector in the European economy are not yet available. There are major breaks in a large number of time series by sector, and there is generally very little harmonization of concepts and definitions at European level, in spite of the fact that the need for proper statistics on the market in services has been clearly acknowledged by the Council.' [1 2]

Invaluable collaboration

'DG XV has been very closely involved in the work which followed this decision, especially with regard to the analysis and evaluation of users' needs in relation to statistics on services. We have also helped with the development of the overall framework represented by the manual on statistics on services and the manuals dealing with the sectors they cover, especially insurance and financial services.

In return for this investment, DG XV expects to be fed statistics on services via the Mercure database. There are three main areas which are of particular interest:

(a) the significance of each services sector in economic activity, in terms of value added and employment;

(b) the significance of international trade in this sector, including transactions carried out via intermediate establishments;

(c) the economic consequences, for each services sector, of the implementation of the internal market.'[1]

STRAIGHT QUESTIONS AND ANSWERS

Banking system

Do you think that the European statistical system gives satisfactory coverage of the banking system? What do you think should be improved?

'The banking sector is clearly important in itself, if only in terms of the value added it contributes to the economy, and in terms of jobs. Furthermore, it supports the financial system on which our economies are based.

In spite of this importance, statistics at the level of such fundamental concepts as assets and liabilities, receipts, expenditure and final accounts are not available on a harmonized basis throughout the Community. The first decision that statisticians should take, on the basis of Community legislation, should be to define just what a bank or credit institution is.

That said, a certain amount of work has already been done by Eurostat in cooperation with the Member States with the aim of finding a solution to these problems. I fully realize that other efforts are being made, this year, with a view to getting somewhere with the manual on financial services.'[1]

Financial links

As you monitor the internal market, what are you particularly expecting from Eurostat regarding information on the financial links between European enterprises?

'DG XV's main requests in this area concern the overall assessment of the economic impact of internal market planning, rather than specific data on the financial links between enterprises. This assessment effort should be applied to services as well as to the manufacturing sector.

If we are going to make such analyses, we need to have the relevant statistics so that we can measure changes in the extent of internationalization and in economies of scale — although this is not quite so important in the case of services — and the effects of competition, productivity, competitiveness, costs and prices.'[1]

IDA — room for improvement

All the major players in the internal market must be interested in initiatives such as the IDA project (interchange of data between administrations), with its massive application of technology. What improvements can be expected for statistics from the introduction of this type of project in the internal market?

'DG XV feels that, as far as the internal market is concerned, telematics networks linking administrations are vital as an aid to administrative cooperation. The aim of the proposals which the Council is now considering, including the IDA project, is to lay down the legal basis for the Community contribution to the implementation of these networks. IDA is an instrument — and a significant one — but it is not an end in itself.

These telematics networks should provide economic solutions for the collection, processing and dissemination of statistical data. They should make it possible, for example, for enterprises and individuals to supply more easily and more cheaply the information which is needed for statistics. Administrations should also make an effort to end duplicated returns.

Last of all, the administrations involved should see to it that users actually get a standard of service which matches the resources which have been put in.'[1]

Network effects

As trans-European networks are developed, what new statistical insight are you expecting from Eurostat to enable an assessment of the effect these networks are having on the internal market?

'The development of statistics which could measure the flows moving through the trans-European networks, together with the level of investment in these networks, will make it possible to provide decision-makers with basic data. These statistics are usually available at Member State level and are sometimes the result of studies carried out by private organizations. They are usually not harmonized at Community level, however, and this makes it difficult to establish comparisons between countries. The problem is not so much in the development of new statistical instruments as in the compilation of existing statistics and their validation and presentation in a European rather than a national context.'[1]

Estimation techniques

Collecting data for the compilation of reliable statistics on services runs up against major problems of identification, methodology, quantification, etc. In this connection, do you think that statistics can — or should — make greater use of estimation techniques (panels of enterprises, for example) than in other domains, such as agriculture and industry?

'The work which we said we have actively participated in involves a significant commitment on our part in terms of human and financial resources, which in the long term will prove to be a sound investment. The data which are collected in a harmonized system of this kind will do away with the need for estimates, which as a rule produce less reliable results.

Be that as it may, DG XV does not view the development of enterprise panels as an alternative method of estimation, but rather as a new and important statistical instrument. In our case, its use could improve the perception and understanding of industries' response to the progress of the internal market. That is why we are watching the project with keen interest and why our departments are giving every support to these efforts.'[1]

FEEDBACK

Statistics on services — not so simple. Sizing the internal market in all its variations — not so obvious. The financial world — not so open.

Appeal to readers

Do you want to have some kind of dialogue with statisticians working on services? Perhaps offer them some comments, remarks, suggestions?

Here are a few questions that you might want to think about. We'll be happy to hear from you![3]

Private or public?

Community statistical surveys covering enterprises in the manufacturing and services sectors are supposed to provide a clear distinction between private and public enterprises.

In your opinion, is statistics doing enough to make this distinction, especially in the case of enterprises in the services sector?

Public contracts for services

Monitoring of public contracts for the provision of services probably needs quantitative information which is more difficult to obtain than data on contracts for the supply of goods.

Does the European statistical system provide suitable information for monitoring this policy? Are there any additions/improvements/new directions which you might suggest?

Employment on the rise?

It seems that the trend towards a growing number of jobs in the services sector is becoming noticeable, particularly in the area of non-market services, in all the Member States. What conclusions do you draw from this observation?

What statistical clarification would you like to have from Eurostat so that you can follow the changing pattern of employment in the services sector, and especially in financial services?

Social dumping?

There are some big question marks hanging over the change in society as a result of connecting Europe's telematics networks with the rest of the world. Europe could be overwhelmed, via such networks, by services provided by third countries, sometimes on the other side of the world, at prices which wage differentials would make intolerable.

How should European statistics shed light on this phenomenon which is already under way, especially in the financial sector?

Direct investment

What is your opinion regarding statistics on investment, especially direct investment, which are produced by the European statistical system?

A European accounting plan

Efforts to work out a European accounting plan continue to make progress. Europe's statisticians are hoping to make their contribution so that everyone — especially software designers, public accounting services, etc. —- is ready at the right time to introduce as needed the parameters which will make it possible to convert accounting data into statistical data. What recommendations would you make for statistics on services in this connection?

Berne Union statistics

Is there enough statistical insight to monitor and follow the process of harmonizing how European exports are covered, especially with regard to the insurance companies which are members of the Berne Union? Their involvement — covering risks of non-payment by foreign debtors, political and related risks, etc. — is decisive in setting up deals which should ensure that all operators/exporters in Europe have the same opportunities when it comes to securing the best conditions of financing for their business operations.

Is the confidentiality of the data held by those involved in providing public and private insurance for (mainly) political risks not a barrier to transparency, which the wider perspective usually developed by the European statistical system could overcome?

Choosing information

'In choosing information, journalists tend to apply the proximity test, referring not to the person supplying the information but to the one it is aimed at. The latter is going to be a much more willing reader if he can relate what he is reading to his own concerns. This means that in an article on trade, it is not off the mark to think that the readership is going to include far more traders, in the widest sense of the term, than statisticians.' [4]

We hope that these words will be read by a lot of non-statisticians, and that a lot of them will be prompted to write to us.

[1] Comments by Mr John Mogg, 26 May 1994.

[2] Council Decision 92/326/EEC establishing a two-year programme (1992 to 1993) for the development of European statistics on services.

[3] Answers and comments should be sent to: Eurostat, SIGMA - Bulletin , Unit A2 — Public Relations, Jean Monnet Building, L-2920 Luxembourg.

[4] A. Charraud and D. Teman: *Courrier des Statistiques* No 54-55, October 1990, INSEE, Paris, p. 66.

THE END OF THE BEGINNING

Interview with Mr Marco Lancetti

In comparison with statistics on agriculture and industry, statistics on services have until recently been practically non-existent. This will no longer be the case in the future: after a launch requiring a range of major preparatory work, the body and volume of these statistics is growing and publications will be numerous and regular, as will contacts with the media!

Marco Lancetti joined the Commission straight from Rome University (where he studied statistical and actuarial science). before working for the United Nations Statistical Office in New York and Geneva on external trade statistics. Having returned to the Commission, he was put in charge of managing both the Cronos database and short-term statistics. From 1978 onwards he was in charge of the balance-of-payments section before heading the unit responsible for the distributive trades, services and transport in the Directorate for business statistics.

THE MAJOR PRELIMINARY WORK

The Regulations adopted on statistical units (Council Regulation (EEC) No 696/93 of 15 March 1993), the NACE Rev. 1 classifications (Council Regulation (EEC) No 3037/90 of 9 October 1990), the amendments to NACE Rev. 1 (Commission Regulation (EEC) No 761/93 of 24 March 1993) and the coordination of business registers for statistical purposes (Council Regulation (EEC) No 2186/93 of 22 July 1993) represent essential, basic tools for statistics on services.

'The implementation of the Council Decision of 18 June 1992 establishing a biennial programme (1992-93) enabled the preliminary work to be structured into five components:

(a) analysis and assessment of user demand for statistics on services;

(b) establishment of a methodological framework for statistics on services;

(c) putting in place the organizational and technical components of a European system of statistics on services;

(d) pilot surveys among service enterprises, as required;

(e) development of basic statistical tools.

With this work completed in accordance with the Council Decision, we are preparing an assessment report on the results obtained, together with proposals for continuing the work. The Commission will put this report before the Council during 1994.

Draft Council Regulation concerning structural statistics on enterprises

In parallel with the preliminary work on statistics on services, there has also been considerable work on revising the Directives on the collection of industrial statistics so that, wherever possible, these two major information systems can be brought together under a consistent framework on business statistics. A draft Regulation on structural statistics on enterprises was drawn up with a structure designed from the outset to cover the sectors industry, trade and distribution, so that it would then be possible to choose from a number of modules which could be combined to best complete the coverage of statistics on services. Its various annexes would hang together through a joint industry-services module with a number of variables applying to all sectors.

In the case of several of these modules, discussions with the Member States have been concluded, the classification systems are ready and the major preliminary work has been completed.

Implementation of the Regulation on the registers

Now that the Regulation on registers has been approved, the Member States are currently engaged in implementing it. However, the demography of European enterprises, particularly SMEs and one-man businesses, is extremely changeable and unstable. Many legal units are obviously set up only for tax purposes: this phenomenon is clearly much more in evidence in the field of services than in industry.

It should be pointed out that the idea of interlinking between Member States' registers is not included in the Regulation, and the lack of such provisions limits the analysis of certain very important aspects of the phenomena observed, such as globalization, relocation of production and employment, etc.

Close cooperation

Our statisticians are working closely with EFTA statisticians in this field: analysing user requirements, developing the methodology on services, pilot surveys, collecting data on the Mercure database; all this work is being carried out in the very broad context of the EEA, in which the EFTA countries participate fully.

These countries are highly advanced, particularly as regards the establishment and use of business registers. They will be able to give their partner countries the benefit of their experience in this field where there are often problems in carrying out a simple census of existing enterprises because of the very large number of small and medium-sized firms, especially one-man businesses, making up this sector.

One-man businesses

The activities and very existence of these one-man businesses are very difficult to survey. It requires campaigns to raise their awareness of the usefulness and necessity of having a statistical coverage of their fields, so that they will benefit from getting a better picture of themselves in relation to similar businesses.

Services to individuals and the community

Another facet of the complexity of establishing and implementing registers is the area of services to individuals and the community. The considerable changes which are currently emerging where market and non-market activities overlap will require further work to refine relatively complex interfaces if this information is to be captured.

EXTENDING THE SCOPE

The European Parliament has asked us to extend the scope of our work on services beyond business services to include services to individuals and the community. This approach leads us to a comparison of market and non-market services in order to distinguish between services from private operators (which could be a commercial undertaking, a non-profit-making body or a consumer association, etc.) and services provided by government.

Adaptation difficulties

The difficulties in trying to adapt definitions of variables for enterprises to governments very quickly become apparent and it is necessary to resort, for example, to the standards advocated in the national accounts. A whole range of methodological work is required to move from the concept of "service enterprise" to "government provider of services"; it requires considerable liaison and classification work, as central governments have often presented the information in terms of purpose of consumption.

Purposes of consumption

That is why one avenue of our work focuses on determining the links between services provided and services consumed. Under household consumption, it has been possible to identify "baskets" of services provided/consumed, particularly in the context of tourism.

As regards enterprises, it was evident that, apart from a former United Nations classification system more orientated towards industry, we had no system of classifying enterprises' purposes of consumption to identify services consumed in relation to services provided.

This research into the links between the provision and consumption of services naturally led us to examine government consumption, with a view to comparing statistics on services by the private sector and statistics on the same types of services by government departments.

Reconstructing total expenditure

An analysis of health expenditure, for example, and its allocation among private and public institutions should enable total expenditure and its breakdown to be reconstructed. We are pursuing this work in cooperation with the United Nations Economic Commission in Geneva, in a joint OECD-Eurostat working group.

In the midst of privatization...

The methodologies emerging from comparing public and private expenditure on services to individuals and the community must take account of the phenomenon of privatization (which seems to be rapidly expanding). It is now very important to be able to clearly identify the volume of services which previously emanated directly from the public sector and which now tend to pass through the private sector.

The observation of services to individuals and the community is vital for all the countries of the EEA, as well as, and perhaps more so, for countries moving over to a market economy. This economic transition is in fact nothing more than a gradual privatization of the whole economy.

Identifying the *économie sociale*

In coordination with DG XXIII, we are carrying out a pilot project on methodological development followed by implementation in practice in order to compare various sectoral registers and identify the parameters of the *économie sociale* (cooperatives, mutual associations, non-profit-making bodies, etc.).

Developing an information system based on sectoral registers covering the *économie sociale* is one of the main objectives in the statistical programme. The interesting aspect of this project is that it forces statisticians to develop techniques for working on several registers simultaneously, enabling the central register to be amended, tested and augmented at the same time as continually validating the processed information so as to avoid redundant data, additional satellite registers, double counting, etc.'[1]

THE NEW WORLD TRADE ORGANIZATION

One of the major achievements of the Uruguay Round was the setting-up of the World Trade Organization (WTO) with the task of managing and developing the agreement.

'It is quite possible that in the future there will no longer be "Rounds" like the one which has just ended, instead there will be ongoing negotiations of a less spectacular and dramatic nature but certainly operating with greater efficacy. In the WTO one can see the "third institution" which Keynes had in mind at Bretton Woods and which was dashed by the Cold War. It is therefore to be hoped that the WTO will strive to operate with an effectiveness approaching that of the World Bank or the IMF rather than of comparable United Nations organizations such as the FAO or Unctad.'[2]

Although special attention was devoted to services, negotiations are still going on about many of them, including some of the biggest sectors: '... in the course of the negotiations, maritime transport was dropped from services because of the USA's inflexible line (talks will continue until mid-1996), as was a part of financial services for which the Americian position was one of the most selective, preferring bilateral agreements and reciprocity to generalizing the most-favoured nation clause. Lastly, the cultural side — including the audiovisual sector — was excluded at the last minute in the face of European, and particularly French, reservations.'[2]

Henceforth it will be under the new GATS negotiating process that talks on services will have to be held.

GATS: opening-up of services

Alongside GATT, there will therefore be GATS (General Agreement on Trade in Services), which will apply the same logic to services as GATT applied for goods: there is once again the most-favoured nation rule which GATS members will have to undertake to apply to one another.

An empty framework to fill!

It will be up to GATS to fill out a legal framework which was found to be wholly lacking at the conclusion of the Uruguay Round as regards services.

"We have already made mention of the exceptions for the two sectors of finance and maritime transport, both at the request of the United States. There is an element of paradox here in that in 1986 it was the United States which pushed for the inclusion of services in the Uruguay Round. In the case of financial services, the United States was wanting to limit the scope to reciprocity *vis-à-vis* the countries of Latin America or Asia which the US considered still too closed: the US obtained an eighteen-month derogation from the most-favoured nation clause (which the US would have traded with the Europeans for their backing-down on the audiovisual sector). Lastly, in addition to the withdrawal of that sector, we are still awaiting resolution of the crucial question of granting of routes in air transport. The general view is that services still have an empty framework from which whole chapters were withdrawn so that the Uruguay Round could be concluded.'[2]

A balancing act

From 1995 onwards the WTO intends to see that services can be measured not only in cross-border (external) terms but also in terms of 'establishments' through which the services are provided. But how can these thoroughly untransparent service transactions be tracked?

'One element of the initial approach to this question was to make use of the information which central banks had recorded on direct investment and which had so far been held to monitor takeovers and share holdings — sometimes strategic — in various sectors of the economy. Comparing information collected on resident enterprises with a specialized register of direct investment may shed light on the phenomenon of "establishment trade" within each Member State. External trade is more complex. Trying to make a breakdown by type of service presents problems, even for cross-border trade.

Disappearing sources

It is only to be expected that balance-of-payments statistics will, in the run-up to EMU, see similar difficulties to those which external trade statisticians had to overcome when Intrastat was introduced, namely the possible disappearance of a certain number of reliable and long-standing sources of statistical information; even if these sources provided information on services which was only too fragmentary, their disappearance would not simplify the job of statisticians!

Moreover, when intra-Community services are settled in a single currency, monitoring transactions looks likely to be even more difficult!

That is why there needs to be co-operation between business and balance-of-payments statisticians so that surveys can be developed to meet the information needs of both groups.'[1]

The virtual enteprise

'In addition to the difficulty of identifying a large number of service enterprises, there is the increasingly prevalent phenomenon of the "virtual" enterprise, which has parts of itself dispersed via networks. As in the computer environment where there is no longer a clear distinction between the location of the central computer and the terminals, the respective positions and roles of the parent company, branches and subsidiaries are no longer very clear when service enterprises operate through networks.

In addition, many SMEs often make use of temporary and part-time workers etc. In numerous SMEs, the only full-time post is that of the boss and so it is much more difficult to survey employment of self-employed entrepreneurs in SMEs than to survey that of employees who are systematically listed in social security registers.'[1]

A dual approach

Many of the difficulties in defining and classifying services come from the fact that most of these services often involve suppliers and users at the same time, which has led a number of economists to advocate a "dual" approach to defining the "service-product".

'In his studies, Professor Martini of the University of Milan has approached the analysis of classification systems by reconsidering some fundamental questions concerning the beneficiaries and the suppliers.[3]

Starting from what has now become known as the "Martini approach", we have begun thinking about a meta-classification of services, leading to coordination work between the CPA and other classification systems, particularly balance of payments.'[1]

ESTABLISHING LINKS

"We see various ways of using the possible links, particularly with statistics on wholesaling (an important intermediary service in the trade in goods), or we could look for other links, for example with transport statistics.

Satellite registers

Enterprises in countries like France or in Scandinavia consider it essential to make maximum use of existing administrative information. Given that in these countries government is highly centralized, establishing a central register and organizing access to the various registers is relatively easy. In other countries, however, there are difficulties regarding access to various sources, and often the reaction is to adopt a more sectoral approach; this has given rise to satellite registers, which offer not inconsiderable statistical benefits: if their use is properly coordinated (without, however, merging registers), it should be possible in a good number of cases to lighten the burden on respondents by drawing on existing administrative information which has already been collected (a classic example being sales areas, which are already detailed in the registers with the entries for the registers to access the type of retailer involved).'[1]

Supplementing Mercure

It will probably take a fairly long time to implement the Regulations approved, but the information cannot remain in its present, poorly harmonized state in the meantime.

'That is why we are seeking to augment the existing documentation with a maximum of meta-data to supplement the existing elements in the Mercure database. The "Mercure source" project is aimed at defining and documenting the sources, content and methodological aspects of the information processed by the Member States, which may vary considerably depending on the Member States and the various sectors involved.

What we are seeking to develop is a tool for describing the sources, using a hypertext approach which enables the information to be read in a variety of ways depending on requirements. There would be facilities for navigation which would open windows on request to show the documentation called up in tabular form or as images (for example, to reproduce the cover of the source publications in the original language etc.).'[1]

The example of tourism

'A special feature of tourism is the high level of demand for information on the part of regional authorities, who are keen to safeguard their autonomy by ensuring that the reference methodology used establishes in a clear-cut way flows of investment that can be directed within a harmonized framework.

The methodology should be comprehensive and provide an adequate structure for the various aspects of tourism: supply, demand, tourism and the environment, tourism and culture, etc.

It is for this reason that the field of tourism — a relatively modest subset of the European statistical system — has given rise to a draft Directive which was recently submitted in principle to the Council, which gave it a very favourable reception and underlined the fact that this was a field in which the principle of subsidiarity was difficult to apply and that statistics therefore had a particularly important role to play!'[1]

Communications

As cited in the *Communications yearbook* recently published by Eurostat (p.66): 'In those EC and EFTA Member States where there is competition between public and private telecommunications services, it will become increasingly difficult to obtain the statistics required to produce and update this yearbook.' What are the likely difficulties and how can they be overcome?

'The telecommunications sector is quite special: it is considered one of the key sectors influencing state-of-the-art technology and, in more general terms, the competitiveness of European industry. In most Member States this sector is still monopolized by a quasi-public company which is not subject to competition. In this type of situation it is relatively simple to collect statistics. However, the present operators will have to apply the agreed programme of gradual deregulation to be completed by 1998. The initial steps have already been taken in certain countries where several companies with international, national or (as in the British market) regional activities have begun to share the market. In this new, oligopolistic situation statistical collection will have to address certain special requirements (operators' unwillingness to provide certain information, fear of confidential information falling into the hands of competitors, etc.) Despite these problems, the statistical system has a duty to follow the development of these markets at all of their stages.

Our approach to this question is to establish a network of contacts between Eurostat, the NSIs and national regulatory authorities. Basic telecommunications activities will remain subject to State control (balance between competition and service universality), but we would like to incorporate the statistical system in the normal monitoring arrangements in order to avoid creating additional burdens and to safeguard the confidentiality of information.'[1]

For a relational network

Eurostat is proposing the creation of a network of contacts in the Member States with the aim of establishing exchanges between the Statistical Office and a number of preferential partners; an example of this sort of relational network is described in the communications sector above.

'In a number of service sectors we notice that the NSI has no responsibility (or has no exclusive responsibility) for collecting and processing statistics. This is due to regulatory and administrative practices and requirements or to the allocation of responsibilities among government departments.

In addition to the example of telecommunications and postal services (where the international dimension should not be forgotten: ITU, International Telecommunication Union, and UPU, Universal Postal Union), the same thing also applies to the financial services sectors (banks, insurance companies, investment companies, etc.) and to a certain number of activities in which the State is involved in order to regulate access to the profession (lawyers, notaries, liberal professions, etc.); lastly, in another type of sector, the State appears as a major supplier: in all matters relating to education, social security, health, public hygiene, etc.

In all these sectors we have to deal with national partners other than the NSIs. One of the sectors in which this philosophy has enabled us to make the most progress so far is the insurance sector, given the permanent supervision by the national authorities concerned and coordinating European legislation; for three years we have been working in this field with a working party in which the national delegations are composed of representatives from both the NSI and the supervisory authority. This method of cooperation has proved very effective and has meant that companies have not been burdened with too many requests for information.

Insurance is also the next field which we intend to put forward as a specific module in the structure Regulation.'[4]

Towards info-bases

There will therefore be a linking-up of a greater number of parties involved in official statistics, and increased linking-up of as many databases with their sources, their meta-data.

'We are continuing a process of linking up various types of documentary bases with databases to arrive at the concept of the info-base. This process corresponds perfectly with what is asked for by the Commission departments responsible for enterprise policy and the distributive trades (DG XXIII) and not forgetting that the Resolution passed in 1989 by the ministers responsible for the distributive trades and forming the basis of the request for statistics on the distributive trades is structured in two separate parts: statistics, on the one hand, but also information of use to market operators, such as making avaliable to them the details of all national legislation governing the distributive trades in the Member States.

We are examining with DG XXIII how our methods and software could enable statistics to be linked up with the more factual information (legislation, documentation, etc.) which illustrates or underpins them.

The very large volume of information to be processed or supplied is no longer an obstacle nowadays: the use of dissemination media such as the CD is now perfectly affordable.'[1]

ADAPTING THE TOOLS

Extending Prodcom

'One of the longer-term objectives for service statistics is to extend the Prodcom Regulation, which relates only to goods at the moment, to cover services. This extension requires a considerable amount of work to develop the classification systems to a greater level of detail and there needs to be a different methodology to the one applying to goods.'[1]

Selective statistical investigations

The Committee on Commerce and Distribution, which is composed of representatives from trade associations and from the world of commerce, has, at the prompting of DG XXIII, been very actively involved in defining users' statistical information needs. An examination of the list of needs compiled has shown that the traditional structural surveys would probably meet only between 30 and 40% of information needs.

'It became clear that selective statistical investigations could be useful tools for business statistics as a whole. In the case of services, these investigations carried out to order could supplement the traditional structural surveys. Moreover, they could be carried out jointly by the public and private sectors, and they could highlight the links between members of retailing/distribution chains, for example.

Short-term information on services

We are also working on the development of short-term statistics on services with a view to producing a harmonized system for industry and services. We will be seeking to develop fairly succinct indicators which draw essentially on various administrative sources, particularly from the tax authorities (subject to accessibility in the Member States). The analysis should also have a sectoral focus so that the heterogeneous nature of the domain can be taken into account. We are following the situation in the United Kingdom with interest, where we can see links between certain sectoral service indicators and the problems which arise when they are aggregated for the quarterly accounts at national level.'[1]

Harmonization?

'For a considerable range of services harmonization is not necessary and the liberalization of trade can be achieved through systematic application of the Treaty provisions (employment agencies, tourist guides, consultants, etc.). The Court of Justice has recently developed certain principles which apply to all services and which are not yet sufficiently well-known to the citizens of the Community. In this context the Commission adopted on 6 December 1993 (OJ C 334 of 9 December 1993, p. 3) a recent communication of the Court of Justice in order to inform market operators of the rights emanating from the Treaty provisions guaranteeing the free movement of services. "The situation reminds me of the early 1980s, when the *Cassis de Dijon* judgment turned upside down the traditional policy on the internal market," stated Mr Vanni d'Archirafi.

Pressing requirements in the general interest

"In the past it was a question of goods. Now, the Court is applying a similar reasoning to services." (...) The principles emanating from the Court's judgments must be consolidated by a policy for general, coherent application in the spirit of subsidiarity which avoids the need for painstaking harmonization efforts in the various sectors except where there are pressing requirements in the general interest.[5]

For transparent statistics on public contracts

'At the conference held on 14 and 15 January 1994 on the theme "Liberalizing public contracts in the single market and opening them up to SMEs", Mr Vanni d'Archirafi, the Commissioner responsible for the single market, drew attention to the projects undertaken by the Commission to improve transparency in the area of public contracts. All these projects were grouped together within a single information system on public contracts which was given the acronym SIMAP. The strategy adopted consisted of grouping together the various planned projects under four major categories:

- notification concerns everything to do with dispatching and drawing up the notices provided for in the Directives;
- dissemination of information concerns everything relating to the circulation and redistribution of information on public contracts to the various parties involved;
- analysis and monitoring of contracts involves supervision, conformity with the rules set out in the Directives and checking that they are complied with;
- exchange of information between suppliers and purchasers covers all the means which can be used to facilitate these ex-

changes of information between purchasers and potential suppliers.

[As regards full-scale experiments], these will be carried out in the form of pilot projects. The results of these pilot projects will provide the full facts necessary to decide whether and what type of future projects should be undertaken by the Commission in the context of each sub-project.'[5]

Under the SIMAP system statistics will obviously be a major factor, to which we will have to return at a later stage.

PUBLICATIONS

Retail trade

'One of our publications entitled "Retailing in the European single market 1993" attempts to provide reliable and up-to-date information to enable market operators to make the best use of the opportunities offered by the enlarged single market, and looks at:

- changes in the density of sales outlets and their regional distribution;
- the number of employees and part-time workers as well as the employment of women;
- turnover by size, category and type of retailing;
- cooperation and concentration in retail trade;
- strategies for internationalization and diversification.[6]

We intend to extend this study to the wholesale trade and to widen the geographical coverage (for retail trade in any case) to the EFTA countries, as we are aware of the heavy demand for this type of information on these countries.'[1]

Insurance

The single market for insurance will come into force on 1 July 1994.

'In connection with the above-mentioned relational network, we are preparing a publication aiming to describe the state of the insurance market prior to 1 July 1994 and subsequently to monitor its development in a periodical yearbook. This initiative is part of a wider Commision project aimed at assessing the impact of the single market in 1996.'[4]

This information must be rapidly available and enable forward planning. It may go straight to those looking for it, though in general it has to be relayed through information networks or the media.

Networks for dissemination to enterprises

'Since the costs of dissemination are not negligible, efforts should be directed at encouraging networks which will handle, for a modest fee, the dissemination of the relevant information to enterprises.

Using the media!

The media are a particularly useful intermediary, whether the target audience is the general public or specialized groups. They should be used as a relay for our activities and be given more information more quickly so that they get it through official, undistorted channels. [5] This is particularly true of statistical information!

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[1] Interview with Mr Marco Lancetti, 27 April 1994.

[2] *Bulletin économique de la SFAC* (Société française d'assurance crédit), No 973, January 1994 — 'GATT: le bilan de l'Uruguay Round' by Philippe Chalmin. The tasks and organization of the WTO, quoted from the same source, are as follows:

The WTO is governed by:
- a Ministerial Conference
- a General Council (three sections: goods, services and intellectual property);
- specialist Councils
  - Agricultural Committee
  - Textile Supervisory Body
  - Anti-dumping Committee
  - Dispute Settlement Body

headed by:
- Director-General: Peter Sutherland.

It records the undertakings of the contracting parties, sees that members' decisions are followed, convenes panels and has the authority to decide on the following:

- restrictions linked to balance-of-payments imbalances;
- technical barriers to trade (standards etc.);
- measures concerning investment: linked to trade;
- anti-dumping measures;
- subsidies and compensatory measures;
- safeguards (Article 19).

It also manages specialized agreements on:

- civil aviation;
- public contracts;
- beef and veal;
- dairy products.

[3] See article entitled 'The Martini approach', which deals with this method of analysis.

[4] Interview with Mr N. Wurm, 17 May 1994.

[5] DG XV News, No 1/94, p.13 — March 1994, Brussels, EC, 1994.

[6] The publication *Retailing in the European single market 1993*, catalogue No CA-75-92-687-EN-C, is available at ECU 40 (excluding VAT) from the sales offices of the Office for Official Publications of the European Communities, the addresses of which are listed on the inside back cover.

THE STATISTICAL CHALLENGE OF MARKET SERVICES

The work of the Voorburg Group

Communication by Hugues Picard

As part of the efforts to devise well-designed and high-quality statistics on services, the Voorburg Group offers a novel supplement to the limited initiatives of the various national statistical offices and international bodies concerned with the problem.

Hugues Picard studied in Paris at the Ecole Polytechnique and the Ecole Nationale de la Statistique et de l'Administration Economique. While working at the UN Statistical Office in New York, he was in charge of work on international comparisons of major aggregates in real terms. He then moved to INSEE, where he was responsible for household consumption surveys and consumer price indices and subsequently for French statistics on market services (excluding transport and financial services). In his present capacity as Inspector-General at INSEE, he is a member of many Eurostat working parties, including the Coordinating Committee for Statistics on Services. He has to his credit a number of publications on price indices, on methods of international comparison and on measuring the variations in prices of business services. He is a member of the Bureau of the Voorburg Group.

Market services form a group which is highly diversified, much more so than industry or agriculture. As in those two sectors, growth patterns and the direct consequences or knock-on effects on the economy vary depending on the field.

UNEQUAL GROWTH

The two driving forces behind the tremendous expansion of services in the last 20 years have been financial and insurance services and business services.[1] But while the growth in the latter has been accompanied by a very marked increase in employment, the productivity gains linked to modern computer and telecommunications techniques have meant that the growth in employment in the banking and insurance sectors has been relatively slower.

Growth has also been less marked in the other domains. It is still fairly strong in the distributive trades sector, where the development of modern sales techniques has encouraged moderate but above-average growth. On the other hand, the growth pattern of market services to households, with the exception of health services, has matched the growth in real disposable income. As for the transport sector, with its close links to industrial activity, it has been a victim of the various crises which have occurred since 1970.

Business services as an example

The wide range of growth patterns and their effects can be illustrated by business services. This has been the most dynamic sector of all and should remain so for a long time to come, although it is perhaps getting less attention at the moment.[2] The reasons for the development of this sector include the outsourcing of logistic and management functions and the introduction of new services.

The outsourcing of logistic and management functions — such as cleaning, security, catering, data acquisition, etc. — is realized either by operating auxiliary entities as subsidiary companies or, more usually, by doing away with them and subcontracting their work to specialist enterprises. Initially, therefore, there has been a shift of jobs, often from manufacturing sectors to the sector of market services.

Productivity and employment

In time, the specialization of enterprises allows them to introduce more effective methods or to acquire more advanced equipment.[3] The resulting gains in productivity could in some cases lead to job losses in these enterprises, but the relative lowering of prices — together with the new services on offer — attracts new clients.

The difficulties which the enterprises in question are currently experiencing would seem to be temporary, and there are still many markets to conquer. As a rule, these enterprises have little involvement in direct exporting, apart from the occasional case; for example, a foreign firm won the catering contract for the Barcelona Olympics. Indirectly, however, the setting-up of subsidiaries outside the national territory makes it possible to exploit methodological and technological gains.

Globalization

Lastly, thanks to advances in data-processing and telecommunications, it has become possible to transfer some labour-intensive operations requiring little skill to countries with relatively low labour costs. This boosts imports of services, but it is a phenomenon which is still largely undeveloped. It concerns in particular certain time-consuming data-acquisition procedures.

For some time now outsourcing has involved more sophisticated functions, for example the operation of data-processing centres or special software design. In the latter case, there is also a shift of some services to countries where wages are low but where the local workforce is well trained.

NEW USES

The other salient feature is the significant development of a set of services which, although not new, were little used before but which have given a tremendous boost to the operation and development of enterprises in every sector of the economy. Alongside advertising, design and consultancy services and vocational training, these three services — data-processing, audiovisual and telecommunications — provide tools which no modern enterprise can be without.

In a movement of strong general growth, each domain has developed separately and been affected by short-term rather than structural features. The services in question create fairly few jobs in relation to their growth in production, but these jobs are often highly skilled (which is also the case of jobs in the accountancy and legal sectors). The design and consultancy services sectors often consist of very small enterprises, whose activity and employment fluctuate with the changing economic climate, but also of very large units, which create a reasonable number of jobs and which are often subsidiary or associate companies of foreign or multinational firms. Data-processing services have created most jobs, but employment in this sector is in all probability close to saturation level. Fewer jobs are created in the audiovisual sector, but this is a sector which is still expanding. As for telecommunications services, they are marked by very high levels of productivity, which gives little encouragement to the creation of new jobs.

Tremendous assets

All these services offering highly-qualified skills are tremendous assets for the countries which have developed them, since they enhance the ease and profitability of production and distribution. They are exported or imported according to the level of development in each country. Frequently, direct exports are forsaken in favour of setting up subsidiaries outside the country of origin or of creating interlinked networks of suppliers in various countries.

Business services on the whole need less tangible investment than manufacturing or agriculture. Some services are nevertheless unable to operate without considerable and often sophisticated equipment. This is true of data processing and telecommunications services. To be fully effective, the latter in fact need infrastructure which has to be coordinated at national and even international level.

Investment fields

The other fields of market services also require investment. Transport services need communications infrastructure and vehicles have to be purchased; the distributive trades invest in property and, like banks and insurance companies, in data processing and telematics systems; insurance companies, because of the legislation governing them, have a lot of rental property, which has often been built thanks to their financing.

STATISTICAL INFORMATION NEEDS

Jobs, investment, exports, imports, setting-up of subsidiaries, networking in various forms: these are the features which stand out. They reveal both the dynamic growth of market services and their significant involvement in the economy in general. Their share of overall value-added is close to, and may even exceed, 50%. It is consequently on them that hopes for future development mainly rest: expansion of sectors with no real foreign competition (local services, health services to a lesser extent); efforts concerning advanced services fostering the development of enterprises, to maintain their technological edge and comparative advantage; setting-up of subsidiaries abroad;[4] development of networks, etc.

The attainment of these various objectives concerns enterprises, so that they can develop markets and compete with their market rivals. It also concerns governments, who are looking for the development of the services sector to have a knock-on effect on jobs and national wealth, as well as bringing benefits in international relations. The European authorities also have their needs which match those of the governments, at the European level, but which are geared to a fairer distribution of wealth among the Member States and to greater competitiveness.

Proper navigation

A consistent policy — at enterprise, government or EU level — cannot be worked out without proper knowledge of the markets, their structure, their behaviour, their players, national or international relations, etc. Analysis of what has happened before should guide decisions and make it possible to predict their effects. We need to have the proper navigation instruments so that we can respond swiftly in the event of any problem.

Given the tremendous diversity of the services in question, their needs will become apparent at a very detailed level. This explains the importance of the relevant statistics and the need to compile reliable and detailed indicators.

Difficulties of the statistical offices

It is an unfortunate fact that statistics have not matched the development of services in most countries and organizations. Their late development — at a time when the initial effects of the crises of the 1970s were being felt, especially where budget resources were concerned — caught many statistical offices off guard when it came to setting up the statistical information system. Historically, agricultural statistics were able to develop without any problem because of the sector's importance and because of the needs which stemmed from the common agricultural policy. Industrial statistics benefited from the expansion which occurred between the 1950s and the 1980s. Statistics on services could unfortunately be developed only by redeploying resources, involving decisions which were of course especially difficult to make. In addition to the budget difficulties, there were also quite considerable conceptual problems. The adaptation of the methods used for industry and agriculture and the development of more suitable procedures called for significant investment in terms of human and material resources — and all this created new budget problems!

A NOVEL INTERNATIONAL RESPONSE: THE VOORBURG GROUP

Faced with these difficulties, a number of countries decided to arrange meetings of their statisticians working on services with the aim of helping the international organizations, especially the United Nations, in their encouragement of statistics on services. Experts from Eurostat and other international organizations (OECD, Unctad, IMF, etc.) joined the Group, which held its first meeting in 1985 at Voorburg — hence the name of the Group — at the premises of the Central Bureau of Statistics in the Netherlands. The Group meets each year and is responsible for its own organization and for the topics which are discussed.

Priorities

The first imperative was to define and classify services. It was in fact during work on an international product classification — the CPC, or central product classification, which covered services for the very first time — that the idea of the Group first emerged. Structural proposals and tests and explanatory notes are still part of the work. Revision proposals are being prepared for the UN Statistical Commission in 1997.

The second imperative — definition of methods and classifications of external trade in services — was almost as important as the first, because of the Uruguay Round. This work went ahead as planned, with the help of balance-of-payments experts. The great importance of overseas subsidiaries of firms providing services quickly became apparent, as did — more recently — cross-border networks of enterprises. The methodological problems of compiling statistics have been settled in part, but collection problems still have to be discussed. And we still have to work out the precise links between domestic production and trade.

Sectoral approach

The Voorburg Group has also taken an interest in sectoral statistics, by developing what are known as 'standard surveys', which are simply questionnaires which make it possible to gather a consistent set of data on enterprises in the same services sector (production, intermediate consumption, exports, investment, employment, etc.) and the markets for these services (demand, imports, etc.). A number of sectors have been covered using questionnaires tested in several member countries — a process which also allowed the CPC to be tested. The sectors include data-processing services, audiovisual, telecommunications, advertising, market studies, banking and insurance. The work has been carried out in conjunction with Eurostat ideas or projects.

From values to volumes

In another equally important field, the Group has looked at how to calculate value-added, according to the concept of national accounts and, in particular, the conversion from changes in value terms to changes in volume terms. The work here has made fairly slow progress for want of representative price indices for the main business services. At present, substitutes are used which provide a synthesis of price changes close to variations in costs, i.e. productivity gains are greatly minimized, and this has a definite impact on how decision-makers look at the problems of services.

Jobs

The study of employment is a topic which has been introduced only recently, not because it is any less important but simply because it is impossible to do everything at the same time. Studies on the structure of employment in the services sector, broken down by sex, age, qualifications, education, etc., are now in the planning stage.

More to come

Finally, in 1995 for the first time we shall be looking at trans-sectoral topics such as statistics on tourism.

The Group is also interested in different national ideas. An exchange of information on these will allow others to benefit from the experience of certain countries and thereby to save money when it comes to investing in methodological research. Furthermore, since we have to make comparisons between countries, the Group will take a keen interest — as it has in the past — in conceptual differences, especially with regard to statistical units and business accounts. The idea is to identify the differences but not to propose any harmonization, since the Group has no mandate for that.

SOUND INFORMATION

The main documents which are discussed at the Group's meetings are published by the host country and sent to the statistical offices of almost every country in the world. Reports on the work of the Group are regularly provided at meetings of the Eurostat and OECD working parties on services. The same goes for the UN Statistical Commission, where the Group also endeavours to report on aspects of its work.

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[1] The driving force for development is still of course the growth of enterprises, especially in the manufacturing sectors.

[2] The GATS negotiations on services focus mainly — at least as seen by the general public and the press — on financial services and insurance. Local and welfare services are regarded as a potential source of jobs in the short term and could thus help to curb or reduce unemployment. As a result, in some countries these services are currently getting a lot of attention in political circles and in the press.

[3] This also allows them to offer new services which are no longer the result of a transfer from one sector to another.

[4] The presence in a market of service suppliers linked to another country offers the dual benefit for the latter of being able to make 'indirect' exports and of providing 'reassurance' to other enterprises from the same country, which can thus find suppliers abroad with whom they used to dealing.

TAKING STOCK OF SERVICES

Interview with John Farnell and Patrick Roe

As 'services for services', financial services do not lend themselves easily to an analysis of the effects of the introduction of the single market. There are lots of uncharted areas, especially in banking, where there should be greater efforts at statistical coverage. Perhaps with new approaches ...

John Farnell took an MA in history at Cambridge University and an M.Sc. in economics at the London School of Economics. He worked for British Airways and the Confederation of British Industry before joining European Commission. He has worked in several departments since 1975, in particular public relations, fisheries and industrial affairs. From 1987 to 1993 he was Head of Unit in charge of technical regulations and standardization in the Directorate-General dealing with the internal market and industrial affairs. He currently heads the 'Operation of the internal market unit' in DG XV (Internal Market and Financial Services) at the Commission.

Patrick Roe studied at University College, Dublin, where he graduated with a BA in economics, statistics and politics and an MA in econometrics, applied economics and statistics. His first job was working on pension funds. He subsequently taught economics and statistics and worked as a marketing statistician before joining the European Commission in 1988. After serving as an administrator in DG II (Economic and Financial Affairs) until 1990, he was transferred to DG XV, where he dealt with international policy matters and the economic aspects of financial services. Since 1993 he has been working on the economic aspects of the internal market.

BANKS AND INSURANCE COMPANIES

The statistical recording of services is generally quite difficult, with conceptual problems (actual definition of some services, especially insurance), problems of multiple transactions (several transactions on one invoice), problems of identifying gross flows, etc.

A Council Decision of 18 June 1992 establishing a two-year programme (1992-93) for the development of European statistics on services set out specific actions to be undertaken. Since that decision, how have statistics on financial services made it possible to follow their development?

'An overall framework has now been fixed and a methodology has been more or less worked out. In practice, covering financial services seemed to be easier in the insurance field than in banking.'[1]

Better coverage of insurance

For both sectors, in fact, the Eurostat-operated Mercure database needs to be developed further. The statistics which it can supply are, as a rule, still not harmonized enough.

Credit insurance

Apart from the interview which is quoted here, one event which stands out is the lively reaction of insurance companies in this branch (which is very important for all the operators in the single market, in their business dealings both inside and outside the Community) when a 1987 directive required them to maintain a greater solvency margin than companies in other areas had to comply with. As was reported at the time, what was an even greater problem was that the directive in question excluded public credit insurance bodies 'until further coordination'. 'All the national credit insurance bodies in the Common Market were supposed to disappear — the words of one distinguished operator in the sector — and a supranational European office for all exports outside the Community was supposed to be created.'[3]

What was the involvement of European statistics in the work of 'further coordination' which has since had to be carried out?

'Export credit insurances, especially those relating to short-term credit risks, have also been an area where there has been recent evidence of governments wishing to transfer more of the responsibility for supply onto the private sector. This has been achieved by partial privatizations or by defining more clearly those areas where the government no longer wishes to be a supplier. This shift towards the private sector has come about because of a recognition by governments — prompted in part by large losses that have been incurred under State schemes — of the better information systems for differential pricing that exist within the private sector and of the ability of insurance companies to spread the attendant risks more effectively through national and international reinsurance networks.'[4]

'The work of the Commission, coordinating several directorates with an interest in the matter, sets out to involve the Insurance Committee in the actions to develop insurance statistics. These statistics should provide the back-up for discussions, such as those which figured on the agenda of the Insurance Committee meeting of 25 and 26 November 1993:

- examination of the possible existence of disadvantages between insurance companies and banks in the field of credit guarantees;
- first discussion and exchange of information on international regulatory developments relating to reinsurance companies;
- completion of the examination of supervisory problems that are created by financial conglomerates;
- final discussion on the supervision of insurance companies that form part of a wider group.'[2]

Value-added of bankers

'At the outset, our work looked at all types of services. But the banking sector turned out to be very difficult to get at. This probably explains why it has been neglected to some extent, initially, in relation to the insurance sector. This is a paradoxical situation when you realize that the banking system is one which uses the most sophisticated information technologies and one where data ought to be most easily gathered electronically. When it comes to statistical definitions and concepts, however, it is hard to get to grips with the sector. How do you define a banker's added value, for instance?

Credits

There are many measurements of banks' activities which are lacking in the Member States. There are far too few comparable and harmonized figures. We have very little on the breakdown of credits, for example. With a single currency on the horizon, there are lots of figures we do not have which would allow us to estimate the assets of banks in Europe. To my mind, this is a serious statistical shortcoming, which has to be remedied as soon as possible.'[5]

The external dimension of the internal market and financial services has to give all exporters in Europe the same opportunities for access to the best financing conditions for their exports. Insurance to cover the risks of failure to pay by foreign debtors, along with political and related risks, is a decisive factor in setting up deals. But is there enough statistical information in the process of harmonizing the conditions of coverage for European exports?

Is it not a fact that the confidentiality of the data held by public and private risk insurance companies — particularly in the case of political risks — is a barrier to the transparency which the aggregate approach usually applied by the European statistical system ought to be able to cope with, thus providing genuinely strategic data?

ESTABLISHMENT TRADE

The development of networks within the single market is bound to increase trade in services, especially financial services. Is there any reason to fear an influx of services from outside? Are banks or insurance companies going to subcontract their activities to the other side of the world?

'These are possibilities we have to accept. But what needs to be measured to assess the impact of this, and how are we going to do it? Do we have to regard a service coming from abroad as an "input" or as a "cost"? We should really like to have some detailed statistics so that we can decide whether costs are located inside or outside the Community.

Consumer mentality

It is in the banking and insurance sector that the practice of "establishment trade" will be most developed. At the moment, it is only by getting close to a British policy holder that you can convince him of the potential benefits of a German insurance policy and "catch" him. It is the consumer mentality, and the market is going to decide. It is in the area of services, and especially for this type of service, that establishment trade will really come into play. It is a phenomenon which needs to be measured, and accurately!'[5]

In spite of all the information available to supervisory bodies — and heaven knows just how much banks and insurance companies are subject to regulation! — the collection of statistical data encounters tremendous difficulties.

Better use of databases

'Banks and insurance companies have generally developed their data-processing systems, which all possess — somewhere or other — the statistical information needed by Eurostat and the national institutes. The secret is how to extract the essential from these systems. I am convinced that invaluable statistical information could be gleaned from the databases of insurance companies, which assess every risk on a day-to-day basis using data on "loss expectancy" which are simply wonderful statistics, with all the accuracy and detail you need. Banks too, in all the credit areas where they operate, have very accurate data which current managers use to learn about previous losses and mistakes which should not be repeated. They offer a mine of information which is not readily accessible to the European statistical system.'[5]

ESTIMATES

There is a paradox here: according to intra-Community observation, the absolute value of trade in services continues to rise slightly. But since this increase is occurring much more slowly than the rise in trade in goods, the end result is that the proportion of services is falling in intra-Community trade at a time when the macroeconomic significance of the sector has risen sharply within each Member State, especially in terms of gross national product and jobs.

What happened to the services sector?

'This downturn in services — which happened mainly between 1982 and 1988 but has since again occurred — is all the more surprising in that technical possibilities for cross-border communication are improving all the time. In its response to the future, the Community is at risk of failing to seize the opportunity it is being offered, if economic trends and technical progress come up against barriers, the importance of which has been underestimated, at the Community's internal borders.'[6]

This is where the difficulty lies: when it comes to estimating rather than compiling statistics from accurately recorded information. The operation of the internal market is one of the policies which needs a constant appraisal of trends which are, when you come down to it, simply statistics projected forwards.

The right time and place

Before you dabble with any policy or think about any kind of liberalization or deregulation, how can you make certain that the statistics previously acquired through systematic collection can continue to be gathered with equal efficiency and accuracy after the changes that are planned? Is there any way of thinking statistically before any policy change?

This heightened concern with advance coordination, in which statistics should have a broad role, is one of the conclusions drawn in a recent study which after a thorough review of the banking sector stated: 'Overall, this analysis suggests that deregulation inspired by the European Community will work best when it is accompanied (preceded) by national deregulation. A possible explanation underlying this observation could be that restructuring is best initiated by domestic firms. Foreign firms might be in a more difficult position to initiate the process and might prefer (for example, because of asymmetry of information regarding the behaviour of domestic players) to wait until initial actions by domestic firms have taken place (so that some uncertainty has cleared) before joining.'[7]

Utilizing necessary technology

This explains why one of the major concerns for European statistics must be how to be in the right place at the right time, so that — for example — enterprises in the services sector involved in the development of accounting software are constantly aware of the statistical aspect, so that the software can be devised in a such a way that statistical information is in a sense automatically 'secreted' by the accounting systems.

'We should be very interested in looking for any technical solution which makes the job of enterprises and institutions easier. Is there scope here for the use of Community resources to foster an agreement on the underlying technical questions? If what we need is a European agreement on the technology to be used in this, we should perhaps give some thought to a specific initiative to trigger the necessary procedures.'[1]

ADMINISTRATIONS AND ENTERPRISES

'The fact is that the problem is twofold: how to bring everyone up to the same level of sophistication while at the same time coping with a whole range of tricky problems of concepts and definitions. We are well aware that all this creates problems for national administrations.

IDA

As a result, we are keenly involved in all the discussions concerning proposals on IDA (interchange of data between administrations). One of the initiatives by DG XV in connection with our strategic programme for monitoring the internal market prompts us to lay a great deal of emphasis on the use of IDA with the idea of speeding up many communications, especially with regard to statistical information. We have in mind, of course, every administrative department which is involved with the operation of the internal market.'[1]

A basic accounting concept

Developments in the world of European accounting are proceeding fairly slowly, and there are problems of concepts and confidentiality which have to be dealt with. The countries of Europe do not have the same trade rules, far from it. When it comes to securing the basic statistical information which is needed to understand how an enterprise is performing, i.e. the basic statistical data, these data really ought to stand out in an initial accounting outline of the periodic situation, and it ought to be an easy matter to develop a data-processing picture for use in statistics.

'In the field of financial services, there has been particular care to match what the accounting directives have imposed with statistical requirements. If enterprises publish their accounts in accordance with the directives, statistics should be generated fairly systematically. Banks in particular, if they apply these directives, should make it possible to establish with ease a correspondence between the various demands of statistics and all the information which they have to publish.

I feel that work has to continue along these lines. In enterprises, everyone should know from now on the specific headings for which there is a demand for statistics, and all the departments involved have to be encouraged to develop data-processing systems and tools which will make it possible to generate these statistics automatically.'[1]

PRIORITIES

'We have had thorough discussions with Eurostat in order to elicit a certain number of priorities.

Status report

We are first of all looking at what information is available and ready for immediate use, so that we can analyse the effectiveness of current legislation and its economic impact.

In 1996 the Commission is due to present a report to the Council, giving a qualitative and quantitative assessment of the actual effects of the new European legislation. We are going to need a variety of statistical data, and we are going to have to be able to make the best use of all the historical data we have, with their points of reference and assessment, for an evaluation of the overall trend in all the fields affected by the implementation of our "four freedoms".

We are preparing a wide-ranging status report to cover everything that exists.

Tools for the job

At the same time, we need to find new instruments for measuring economic activity within the single market. It will take some time to devise suitable new collection systems. This will have to be done through consultation with a wide range of economic circles and experts, and in close coordination with the Member States, so that we get a proper idea of what can be achieved in practical and technical terms and how it will be possible to develop consistent medium- and long-term statistics.

Identifying trends

We are seeking, above all, to identify many trends which are still hidden at the moment. With regard to the mobility of persons, how far has European legislation really been responsible for any movements of qualified personnel? In what sectors, and to what regions?

Other queries concern how to measure the competitiveness of enterprises. How can we assess changes in competitiveness? There are other trends too: how has competition changed? What has the liberalization of the capital market triggered off? Or what impact has the single market had at regional level? Does the existence of this market offer some regions new opportunities to exploit their market edge in terms of production costs, relative cost of labour, etc., so that they become more competitive in the market, or on the other hand has the single market resulted in the most highly-skilled workers moving towards the centre, a movement only partially offset by new investment in the regions in question?'[1]

A JOINT CHALLENGE

'Along with Eurostat, we have a joint challenge to face. In a way we still have time on our side, in the sense that we can reasonably explain to the public that we are in the process of collecting data and setting up a system which is going to give results. This lull before the storm could well last for another year. But we really have to be in a position very soon to show and prove the effects of the decisions that have been taken. We have to put our imagination to work and get on with the job quickly, by speeding up our consultation methods and the pace of work of the various groups of experts, so that by the end of the year we can put forward some concrete proposals to the Member States.

There is one thing we want from Eurostat: a willingness — which we already see in place and which we welcome — to work with us in securing the results which can be hoped for in the short term and, where the long term is concerned, in drawing up a series of proposals. There has to be a change in the pace of work. It is no longer an academic question, but has become political in nature. At the heart of Community activity, the implementation of the single market needs more than ever before powerful and constant statistical illumination, precise figures which enable us to explain to the citizens of Europe everything that needs to be explained to them. We never want any lack of explanation to be interpreted by the public as a failure.'[2]

Figures and words are both powerful in their way. Where politics is concerned, the scientific and objective discipline which is statistics is an invaluable instrument when it comes to taking stock.

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[1] Interview with Mr John Farnell, 20 April 1994.

[2] *DG XV News* No 1/94, p. 11.

[3] Statement by Mr J. Bastin, founder of Assurances du Crédit, in *Le Soir*, 14-16 August 1987.

[4] Prof. Gerard Dickinson, 'Insurance', *European Economy — Social Europe* No 3, 1993, p. 203.

[5] Interview with Mr Patrick Roe, 20 April 1994.

[6] *Echos de l'Europe* No 1-1994, p. 13.

[7] Jordi Gual and Damien Neven, 'Banking', *European Economy — Social Europe* No 3, 1993, p. 179.

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MISSIONS, VISITS AND MEETINGS

EEA PROGRAMMING MISSION

Under the EEA Agreement, which came into force on 1 January 1994, Eurostat has just completed preparations for the first programming missions in Finland and Sweden. The discussions planned in May 1994 concern the general cooperation procedures and the main fields for action under the EEA statistical programme.

STATISTICAL COOPERATION

Identification missions

There have been two identification missions in the field of statistical cooperation with the developing countries:

- one in the six countries of Central America, in order to examine the possibility of using the Eurotrace software for processing foreign trade data;
- one aimed at examining the possibilities for improving social statistics and household surveys.

CASD

Eurostat played a decisive role at the second meeting of the Training Subcommittee of the Coordination Committee for African Statistical Development, held in Addis Ababa in March 1994, where it provided the co-chairmanship and the secretariat.

Also in Addis Ababa, Eurostat attended the Joint Conference of African Planners, Statisticians and Demographers as an observer and gave an account of recent progress in the field of statistical cooperation in Africa.

At the end of April 1994, Eurostat and the Community CASD undertook a joint mission to Botswana in order to take part in the Annual General Meetings of the Eastern Africa Statistical Training Centre in Dar es Salaam and the Institute of Statistics and Applied Economics in Kampala. During their stay in Botswana, the representatives were also able to discuss trade statistics and subsequent assistance in the field of economic statistics with the Central Statistical Office.[1]

EDICOM

The Intrastat/Edicom project was presented at the annual research conference of the US Bureau of Census held in Washington to 20-23 March 1994. The Canadian and American representatives in particular were very interested in the EU's experiments in this field. Eurostat's account was useful in preparing EFTA for the development of a comparable system.

ENVIRONMENTAL STATISTICS

Mr Yves Franchet, Director-General of Eurostat and alternate member of the management board of the European Environment Agency, gave an account of Eurostat's activities in connection with environmental statistics at the third meeting of the management board, held in Copenhagen on 15 March 1994.

REMOTE SENSING

Following the work carried out in 1993, particularly in the field of urban statistics, new developments were planned in close cooperation with the NSIs concerned:

- monitoring the Lisbon conurbation in connection with the preparations for Expo 1998
- production of statistical land-use maps in connection with regional development projects (Rhône Valley and Normandy);
- agricultural projects in Baden-Württemberg.

In addition, considerable progress has already been made in contacts with the local authorities in the Nice-Cuneo-Imperia border region, with a view to producing statistical land-use maps of the French/Italian border region.

At the request of the Portuguese and French statistical services (INE and SCEES respectively), Eurostat is also supporting an agricultural statistics project aimed at using data from the planned SPOT5 and SPOT6 satellites.[2]

ISTAT PROGRAMMING MISSION

On 22 April 1994, the biannual ISTAT programming meeting was held in Luxembourg. The Italian delegation was headed by its chairman, Prof. A. Zuliani, accompanied by nine management board members.

STATISTICAL PROGRAMME COMMITTEE

At the 13th meeting of the SPC, held in London from 25 to 27 May 1994, a proposal was presented for a Regulation on statistics on the transport of passengers, freight and mail by air.

Eurostat's development, in close collaboration with the Member States, of the Aviation database constitutes a substantial investment for both Eurostat and the Member States, and one of the aims of the proposed Regulation is to protect this investment and guarantee continuity. The other aims are to ensure that the Member States all provide the same data and to further improve comparability.

It has emerged from consultation of the Member States by Eurostat that they would be favourably disposed to a legal act of this kind.

TRANSPORT STATISTICS

The Sea Port and Sea Transport Statistics Working Group met on 24 and 25 March 1994. It took stock of the advancement of the procedure for submitting to the Council the draft Directive on statistics on goods and passenger transport by sea. However, the Group also discussed the content and scope for dissemination of the information supplied to Eurostat by the Member States on a voluntary basis. Pending the entry into force of the Directive, the aim was to make available to potential users a certain amount of basic information, assembled and documented in a Eurostat database on sea transport.

The Eurostat-ECMT[3]-ECE-UN Intersecretariat Group met in March and April to finish work on a joint questionnaire for the three organizations in order to collect the data provided each year by the Member States on a voluntary basis for the various yearbooks.

AGRICULTURAL PRICE STATISTICS

The Working Party on Agricultural Price Statistics met on 19 and 20 May to discuss the following points:

- a new concept of statistics on absolute agricultural prices;
- a publication on prices and rents for agricultural land;
- statistics on agricultural interest rates;
- revision of the base for EC agricultural price indices (1990 = 100);
- transfer of PRAG from Cronos to FAME/Aremos;
- agricultural price statistics in the four applicant countries.

[1] Cf. Sigma N° 5/1993 on 'Statistics, Co-operation and Development'.

[2] The next issue of Sigma will be devoted to regional statistics.

[3] The members of the ECMT (European Conference of Ministers of Transport) are: the countries of the EU, the EFTA countries (except Iceland and Liechtenstein), the Baltic countries, most of the countries of Central and Eastern Europe, and Turkey.

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THE MARTINI APPROACH

Definition and classification of services

During the eighth meeting of the Voorburg Group in Oslo from 27 September to 1 October 1993, a document was presented by the team led by Professor Martini, of Milan University, in connection with the methodological work for the classification of services. The following article comprises large extracts from that presentation.

'The international classification of manufacturing activities, products and consumption constitutes a "conventional language" created for the purposes of economic statistics. As in any language, classifications are fixed on the basis of strict comparisons, diplomatic negotiation and careful compromise.

As in any language, a classification may be viewed from various angles. You can look at how it develops in time, compare it with others, or analyse its logical structure. This last approach is considered if you are looking for the implicit or explicit criteria which were adopted for a classification and definition of services.

PRECAUTIONS GALORE

Clumsy butcher

The relationship between definition and classification was expressed very well by Plato, who distinguished the two procedures as follows: One approach consists of taking a unit in its entirety and reducing it to a single form, so that in defining each aspect you project clarity on what you intend to show; the other approach consists of dividing the object in question into specific sub-units, along the lines of natural division, while taking care not to cut into the object like a clumsy butcher (Plato, *Phaedrus*, fourth century BC).

An actual definition, inasmuch as it describes various aspects of an object, already contains criteria for the classification of the object.'

Same kind ...

'The production of goods and the production of services are certainly two phenomena of the same kind: the production of an economic activity.

- an activity, particularly a process involving know-how and knowledge on the part of an agent and which is specialized (in terms of theoretical knowledge, skills and resources) and thus capable of being repetitive and habitual;
- economic, because the Smithsonian division of the concept of labour allows for the continuous exercise of a rational choice which makes it possible to allocate limited resources for the purpose of achieving a large number of objectives;
- productive, because it gives added value to the resources used.

... but specific differences

But the specific difference between an economic activity which produces goods and one which provides services, which distinguishes two inherently different phenomena of the same kind, has to be defined in accordance with natural lines of division before there can be any further subdivisions. This avoids the mutilated carcass of Plato's clumsy butcher.

Chalk and cheese

If you are going to define chalk, it is not enough to say that it is not cheese, even if both can be purchased. If you are going to define and classify services, it is not enough to say merely that they are not goods (i.e. tangible and durable items which can be transported and stored and which can be extracted from the ground or manufactured artificially), even if they are also subject to market supply and demand.

Activity of one person for the benefit of another

Unlike goods, services are not the result of a processing activity but consist primarily of one person's activity for the benefit of another.

The person offering the service (the agent), regardless of whether it is an individual, an enterprise or an institution, acts for the benefit of another, at whose disposal he places his set of resources (theory, experience, skill, tools).

The person who benefits from the service (the client), regardless of whether it is an individual, an enterprise, an institution or a community, is a living organism which displays functional needs and endeavours to satisfy them.

A service consists of action, either occasional or repeated, designed to satisfy the client's maintenance, launching or development needs in relation with other subjects.

The client is real and not potential or virtual as in the manufacture of a physical item. He is actively involved in the process, acting and reacting with the agent and bringing into play part of himself, the system or his own resources.'

CRITERIA

'The activity of producing goods is seen from a technical point of view as a process of transforming things (matter and/or energy) by other things (labour or machinery) and, in economic terms, as the "processing of a good by another good" (Straffa). The two points of view are derived from the theory of systems (Von Wright), which defines a process as a linear succession and cause of succession of states in a "partially closed system".

An insulated system makes it possible to define an initial state, intermediary stages and a final stage. It is possible to predict the successive stages from any initial operation which triggers the system. The initial stage and the operations are regarded as "causes" (as described by Hume) in the succession of stages.

Chain reaction

The activity of goods producer may thus be described as a chain reaction of causes and stages/objectives which can be foreseen (and predicted in a project), of means and ends, of input and output in the closed system (Figure 1).

Even "use" is an activity, which may be described as a linear and causal process of stages/objectives. It begins with input and through the use in time of resources (human or instrumental) ends with the satisfaction of a need (productive or final). The output of a producer may be used as input (intermediate consumption) or as a means (productive investment) by another producer (Figure 1), who uses it to transform it into another product, input for a "non-producer" who uses it to satisfy a need (final consumption) (Figure 2).

But in this case, of the two aspects of desire — which may be seen in terms of the forces which guide and stimulate the movement, or in terms of reasons for acting (Anscombe) — the aspect of physical cause is preferred to that of motivation or will.

The activity of production precedes that of the consumption of an item, not only chronologically but also logically: the production of a good which is produced/supplied/sold by a predetermined producer in fact predetermines and defines the need (of the good) which is desired/sought/purchased/consumed by the consumer. The only necessary contact between producer and consumer is located at the level of the exchange of goods.

The cycle of goods which are produced/consumed (offered/sought/sold/purchased), which begins at the stage of raw materials and ends with (final) consumption, constitutes the main theme of economic thought. The parties involved act simply as possessors or non-possessors of the goods produced and as such they are actors in the exchange.

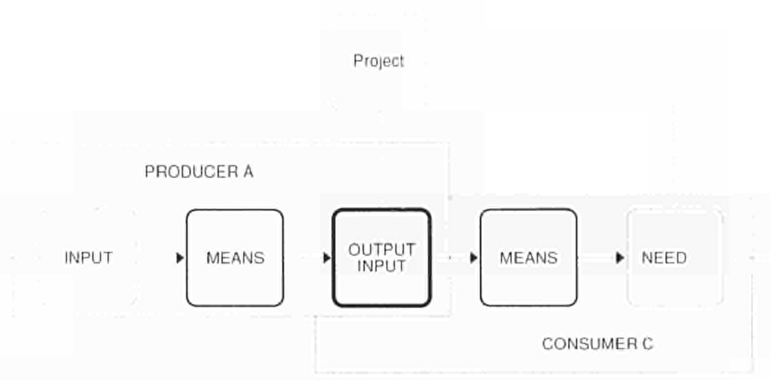
Conventional language

International classifications of manufacturing activities, products and purposes of consumption — a "conventional language" drawn up for the purposes of economic statistics — are entirely bound by such an objectivist and materialist conceptual model:

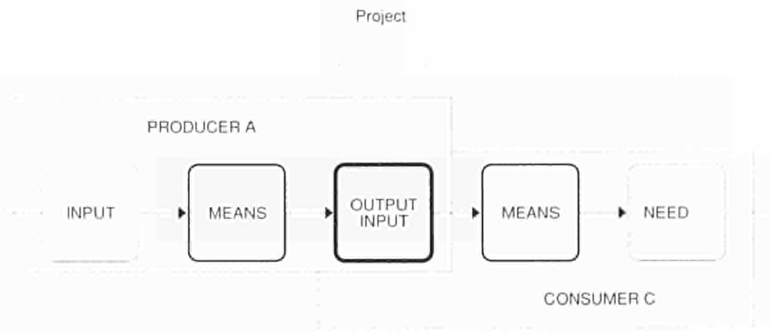
- manufacturing activities are regarded as transformation, a conversion from input to output;
- products are items which are physically transformed (processed);
- purposes of consumption are regarded as the final destination of the vertically integrated process.'

'Consistent with such a view, the four Aristotelian causes of transformation of objects become classifying criteria:

- the material cause, that consists of primary matter and secondary matter (input): that of which objects are made;



Production of Goods (Fig. 1.)



Production and Consumption of Goods (Fig. 2.)

- the efficiency cause, that coincides with the technologies that produce transformation (means): that with which objects are made;
- the final cause, i.e. the need which is to be satisfied, or the destination of use: that for which the object is made;
- the formal cause, or the expected and prescribed structure (from the project plan) imparted through the process to the initial materials.

The classifications of the productive activities of goods (ISIC Rev. 3 and NACE Rev. 1) are established, according to what prevails in each case, by one of the following four criteria:

- material cause (e.g. processing of minerals, wood, leather, fabrication of products in metal, plastic, etc.);
- efficiency cause — technology (e.g. agriculture, fishing, mining, printing, chemicals, rubber, construction, etc.);
- final cause (e.g. food or clothing industries, the manufacture of means of transportation, etc.);
- formal cause (e.g. editorial, manufacture of mechanical and electric machinery, textiles, furniture, jewellry, musical instruments, toys, etc.).

One observes that when a criterion serves to define the more general heading, the others are committed, according to various measures, to the successive subheadings.'

DIFFERENT APPROACH

'The physical explanatory diagram adopted for the activity of production of goods, and the classifications which are derived therefrom, are not suited to the "production" of services activities. The latter cannot be regarded as a "predictable" process within the environment of closed producer systems.

Point of contact: service rendered

Where services activities are concerned, the producer (or rather his agent) and the consumer (client) make contact not only at the point of exchange but above all during the rendering of the actual service.

Service circle

The production of services, unlike the production of goods, has to be described in circular rather than linear terms, in accordance with the intersubjective (not objective) relations which focus on the client's need (and not on the good produced).

Open-ended involvement

The production process cannot be described as a causal and linear chain of means and ends, input and output, primarily because there is no real output. It takes the form of open-ended involvement.

Dialogue approach

There is in no real sense an object (planned, manufactured, sought or used) at the heart of a service, but rather a desire (need) which at the outset is still formless. As a result, it cannot be defined in terms of rarity or of object not yet in existence but has to be regarded in an indeterminate form as a reason which prompts action. This is effective through the interaction and dialogue of the agent and the client. The latter expresses a need which is still without shape (needs of treatment, education, market study, etc.) while the former (doctor, school, marketing company, etc.) reformulates the client's needs in terms of problems in the light of his training, experience and skill and seeks strategies to work out a solution which he will implement using his own resources, but with the involvement of the client as well. Depending on the solution which is proposed or implemented, the client's needs may evolve to produce new forms and specifications, in a circular process which may be endless (Figure 3).

The definition and classification of services — the activity of one person for the benefit of another — need to be based on different criteria from those which are used for the production of goods. The "propositional" structure of the activity was clearly and convincingly described by Anthony Kenny in *Action, Emotion and Will* (1963). The motivation for a transitive action, such as a service, can result in two groups of questions:

The client

The first three questions refer to the client:

For whom?

Who is the client? Is the service for an individual, a household, an enterprise, an institution or a public body?

Involving what?

Will the service operate on a subject (individual or organizational system) or on the client's goods?

For what purpose?

What functional needs of the individual, enterprise, institution or public body will the service satisfy?

The agent

The other three questions refer to the agent:

By whom?

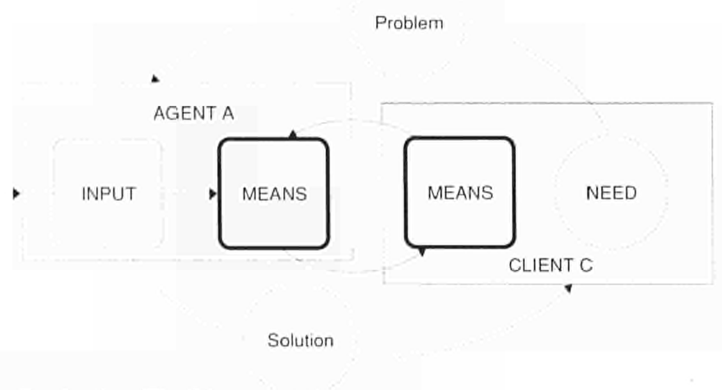
Is the agent an individual, an enterprise, an institution or a household?

With what?

What specific means (ability, technical knowledge, tools) will the agent use in providing the service?

How?

In what way (standard or non-standard) will the agent provide his service in the client's environment?'



Service Production (Fig. 3.)

FURTHER INFORMATION

A fuller description of the brief outline given here may be found in various publications.

The notes at the end of the text provide a comprehensive bibliography taken from the documentation produced at the meeting of the Voorburg Group in Oslo at the end of 1993. Further information may be obtained by writing to Eurostat[1].

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[1] Letters should be sent to: Eurostat, *Sigma - bulletin*, Unit A2 — Public Relations, Jean Monnet Building, L-2920 Luxembourg.

TRANSPORT QUESTIONS

The roads to integration

The transport sector is a physical expression of the abstract concept of the single market. It is in itself a major component of service activities, in which we will see further developments to which we invite our readers to contribute.

Although given priority from the very beginning of the Community, the common transport policy has made slow progress. Since 1985, it has been turbo-charged in preparation for the completion of the single market.

Thinking on the right lines

The easing, or elimination, of many national restrictions which used to hamper operators is leading towards a more open European market. Numerous administrative formalities (reliable sources of statistical information now lost to us ...) and restrictions bound up with quota systems have been abolished.

The development of this common policy has entailed considerable statistical work, to the details of which we will return. Our aim here is to raise certain questions on which we are asking our readers to offer European statisticians their points of view, comments and suggestions.

Sources of statistical information

Where does Eurostat rank among the 'suppliers' of statistical information (on services, and on transport in particular) you use?

What, in your opinion, are the comparative advantages of some over others?

What, in your opinion, have been the most significant advances in European transport statistics in the last three years?

The new Directive on roads

This Directive should yield a substantial body of information rendered indispensable by the liberalisation of goods transport by road, for example on cabotage-type road transport (transport between two points in a Member State carried out by a vehicle registered in another Member State).

Do you think the new road Directive will be able to guarantee more uniform quality of results in the statistics collected from one country to another?

The real cost

If road transport has expanded at the expense of other modes of transport, it is essentially because road-users have not had to bear the full cost of their activities. Because the prices do not reflect the real cost, demand has been artificially high.

The planned Community road tax on heavy goods vehicles using motorways would go some way towards aligning prices on costs.

Do European statistics throw enough light on the preparation of the major decisions to be taken in this debate and on the follow-up which will have to be organized at a later date?

What do you expect from the statistics in this context, beyond what it is already on offer?

The sea, the sea ... and shipwrecks

In the domain of sea transport, Eurostat has made considerable efforts to prepare a Directive defining the statistical variables (information linked to goods, passengers, vessels, routes) while leaving the Member States free to choose their methods, particularly for collecting data.

What is your assessment of these developments?

Have you any suggestions on data collection (new technologies etc.)?

What is your opinion on information about disasters at sea (particularly in the past) which is likely to be included in environmental statistics (in terms of its mission *vis-à-vis* the European Environment Agency)?

Further demands?

Will the monitoring of policy on the other modes of transport (rail, air) mean that new demands will have to be made on European service statistics?

New links

New transport links will have to be created between the Community, the EFTA countries and the countries of Central and Eastern Europe.

What statistics are required, in your view, to prepare specific measures to this end, and in particular what measures intended to restore the balance between the different modes of transport?

Transport and the environment

Transport has a considerable impact on the environment. What broad common lines of development should transport statistics and environment statistics follow, in your opinion?

Transport and trans-European information networks

What are the major aspirations of the transport sector as the implementation of the trans-European information networks, and particularly the trans-European statistical information networks, draws near?

Diversification of sources of investment

The Community is in favour of diversifying the sources of investment for transport projects drawing more on private capital.

What could European statistics do to identify, quantify and monitor the effects of the investment to be made?

TAKE THE WHEEL

Are you interested, on whatever terms, in European transport statistics? Let's talk about it. Write to us on one of the topics suggested here or on others which worry you or fire you with enthusiasm, at:

Eurostat
SIGMA bulletin
A 2 — Public Relations
Jean Monnet Building
L-2920 Luxembourg

STATISTICAL USE OF BUSINESS REGISTERS

An important regulation
Making the identification of service enterprises easier

On 22 July 1993 the Council adopted a regulation on Community coordination in drawing up business registers for statistical purposes.

WHY?

The reasons

The recitals of the regulation provide a perfect summary of the idea which was in mind and to which this edition of *SIGMA* is devoted.

Because of the single market

The single market increases the need to improve statistical comparability, especially in the case of enterprises. In order to achieve this improvement, common definitions and descriptions have to be adopted for enterprises and the other statistical units to be covered. Registers must therefore be drawn up and updated in order to be able to collect information on these units.

The setting-up of a new information system covering trade in goods and services between Member States (Intrastat) necessitates a register of persons required to give information. It is desirable to derive this register from a central register of enterprises used for statistical purposes.

In the case of service enterprises, registers are the prime source of information to be used in identifying operators.

Structure of enterprises

There is a growing need for information on the structure of enterprises, a need which current Community statistics are not able to meet.

Business registers are therefore a necessary tool for keeping track of the structural changes in the economy brought about by such operations as joint ventures, partnerships, buy-outs, mergers and takeovers.

Public undertakings

The important role played by public undertakings in the economies of the Member States has been acknowledged, particularly in Commission Directive 80/723/EEC, which also defines such undertakings. They should therefore also be identified in business registers.

SMEs

Some statistics are not currently available, particularly in sectors with many small and medium-sized enterprises (SMEs), such as services, because a register of these enterprises for statistical purposes does not exist.

There is no doubt that business registers will be one element in reconciling the conflicting requirements for increased information on enterprises and lightening their administrative burden, in particular by using existing information in administrative and legal registers, especially in the case of SMEs.

Basic element

Business registers for statistical purposes represent a basic element for creating systems of information on and for enterprises. They will make it possible to organize and coordinate various statistical surveys by providing a sampling base, possibilities of extrapolation and means of monitoring the replies from enterprises.

Business registers for statistical purposes are at a different stage of development in each Member State. The long and costly development of these registers can be carried out only in two stages, the first of which must relate to harmonization of the basic statistical units in the registers in accordance with an established timetable.

HOW?

One or more harmonized registers must be kept for statistical purposes in the Member States. The various articles of the regulation set out the arrangements, stating in particular that they apply to all enterprises carrying on economic activities contributing to GNP, to all legal units responsible for these enterprises and to all local units dependent on them.

Information

Council Regulation (EEC) No 2186/93 of 22 July 1993 was published in OJ L 196 of 5 August 1993.

Further information or clarification concerning the regulation may be obtained from Eurostat (D4 Unit)

COMMUNICATION VIA 'COINS'

The strategic programme aimed at making maximum use of the potential of the single market has introduced the concept of competition in communication services - particularly telecommunications and postal services. Eurostat is responsible for collecting and publishing the facts and figures describing the current situation, trends and development both within and outside the Community.

There is a serious lack of stable and reliable statistics on communication. A comprehensive system of statistical observation needs to be developed.

THE PROJECT

This is the aim of COINS (communication and information statistics), a project which Eurostat has been evolving in various stages since 1989.

Various working parties, made up of numerous representatives of the Member States, have since observed that in general the NSIs show little interest in the postal and telecommunications services.

In 1993, the first European statistical publication on communications, containing a wide range of data on the countries of the European Union and EFTA, was disseminated ('Communication services statistics').

Collection difficulties

With a view to producing this yearbook, a database was set up containing annual figures provided by the postal and telecommunications services for the period 1980-91.

The data from the Universal Postal Union (UPU) and the International Telecommunications Union (ITU) included in this database made it possible to produce tables exhibiting a number of anomalies and distortions which could not be corrected on the basis of information available to Eurostat.

These tables were therefore sent to the Member States so that they could fill in the most recent data, check them and make any comments they thought appropriate. They were sent to both the NSIs and the government departments responsible for post and telecommunications. However, the replies received were fairly meagre and many inconsistencies in the data were passed over without comment.

When preparing the new edition of this publication, Eurostat will urge the UPU and the ITU to provide more accurate and comprehensive information.

Future developments

In its search for ways of improving the collection of information and the accuracy of the information collected, Eurostat is trying, through the COINS system, to develop a tool providing:

- a series of variables accompanied by definitions and guidelines for data collection;
- a high-quality database, structured for ease of use;
- a dissemination system matching user requirements;
- all the necessary legal arrangements.

The COINS system will be developed in cooperation with other Commission departments — particularly DG XIII — and various European professional organizations, the national authorities and the NSIs.

Confidentiality

Problems of confidentiality may appear, especially during the transition period, given the small number of operators on this market. Some of these problems are genuine, while others stem more from the fact that these operators are not used to working in a competitive environment. These problems could probably be gradually solved by leaving the responsibility for collecting the basic data to the competent authorities.

IN BRIEF

The COINS project should not be limited to preparing a sound basis for the production of European-level harmonised statistics on communication services.

In the long term, these statistics should also provide information permitting sectoral comparisons between the various communication services. This will be possible when the existing monopolies have given way to a free market in competitive communication services.

Further information

Documentation on the Statistical Office's most recent work in this field may be obtained from Eurostat[1]

[1] In particular:

- ICOBS/AS Working Group 12-13 Jan. 1994 — Room document 2 —Telecommunication indicators.

- Doc.S6/94/04 Proposals relating to CPA for Information, Communication and other Business services as well as for Audiovisual services.

- ICOBS/AS Working Group 12-13 Jan. 1994 — Room Document 6 — Contributions concerning CPA.

- 'Preparatory working group — european statistical information system on services (ESIS)' — EEA — Meeting of 17th March 1994, Lux. (Doc: ESIS/94/06.en)

- Methodological Manual of Statistics on Service Enterprises — Chapter 'Information and Communication Services'

NEWS ITEMS

INTERNATIONAL TRADE IN SERVICES
EUR 12 — From 1982 to 1991
Focusing on invisible trade

The latest updated edition of this publication [1] points out that international trade in services, shown in the current account balance-of-payments statistics, forms part of what is commonly known as 'invisibles'.

These 'invisibles' are particularly tricky to record in statistical terms, although every year the IMF publishes a statistical yearbook giving the balances of payments of most of the countries in the world.

CONSOLIDATED BALANCE

In *International trade in services* Eurostat presents a consolidated Community balance of services, drawn up in accordance with IMF methodology and conceptually comparable to that of the United States and Japan with the rest of the world.

Difficulties of assessing the international market in services

On account of its intangible nature, international trade in services is much more difficult to record than trade in goods. The information is collected by means of complex systems combining enterprises' direct returns, surveys, censuses of bank transactions and estimates.

Problems of recording and valuation

At the conceptual level, the definition of some services is very tricky. This is particularly true in the case of insurance, where hitherto the practice has been simply to calculate the difference between premiums received and claims paid.

In many cases, valuation also poses a problem. Services linked to trade in goods (transport, transport insurance, international merchanting, related technical services) are most often aggregated on the same invoice.

In the case of financial services, some of them — in the form of commissions, for example — can be identified, while others coming under the formation of the interest rates which are charged cannot be identified as such but are included with interest payments in the current account heading 'investment income'.

Lastly, in order to identify gross flows (and not the result of offsetting mechanisms) a lot of additional information is usually needed.

Given these difficulties, there may be some reason for thinking that flows of services are underestimated in the balances of payments. On the other hand, the net figures are probably relatively correct and constitute a more reliable indicator for the purposes of economic analysis.

Analysis of values

The only statistics available are expressed in terms of value. The trends observed in the flows and balances of services depend therefore on the volumes traded, market prices and exchange rates. In particular, the considerable variations in prices and exchange rates during the period under review make it very difficult to provide an analysis in value terms.

Problems of consistency

Although in theory they are drawn up in accordance with an internationally accepted methodology, the balances of all the countries in the world are not fully compatible or comparable:

- all countries do not have the same resources for recording and analysing the information and because of the special features of data collection they are sometimes obliged to depart from the recommended standards (in the case of insurance, for example);
- all countries are not in agreement about the treatment of certain long-term activities (construction services, for example);
- the speeding-up of the process of worldwide economic integration and the proliferation of transactions between related

companies make it difficult to allocate flows between services and investment income:

- in the absence of a detailed international classification of trade in services, the same designations of services do not always cover the same activities.
- World asymmetry

On account of the statistical problems, the world total of current credits does not tally with the world total of debits, whereas in theory they should be equal. The difference between current credits and debits is termed 'world asymmetry (or discordance) of current payments.'

CALCULATION OF THE COMMUNITY BALANCE

The estimates of the EUR 12 current account balance correspond to the sum of the estimates of the current account balances of the 11 Member States (Belgium and Luxembourg have a joint balance), to which the balance of the Community institutions is added.

Measurement of asymmetry

The intra-Community balancing item is called the intra-Community asymmetry. For services as a whole, the intra-Community asymmetry was -0.1% in 1991 (i.e. - ECU 148 million). Reliability can therefore be considered satisfactory at aggregate level. But the greater the degree of detail, the more the effects of wrong classification come into play and the greater the asymmetry. The detailed data must therefore be treated with caution and trends rather than the absolute figures must be analysed.

INFORMATION

For further information, or to order *International trade in services*, please contact: Eurostat - Information Office - L-2920 Luxembourg - Tel: (352) 4301-32594, Fax: (352) 43 64 04

ENTERPRISES IN EUROPE

The third edition of *Enterprises in Europe*[2] has been completed and will be available shortly. Jointly produced by DG XXIII and Eurostat, it offers a descriptive analysis of small and medium-sized enterprises, with text, tables, diagrams and maps (Volume I) and data on the size of enterprises for the 19 countries of the EU and EFTA (Volume II), broken down by class and sector, for 1990 and 1991.

The main new features of the third edition[2] are:

- comparative analysis for the first time of the EU and the United States, Japan, Canada and Australia;
- a financial study of enterprises by size;
- a demographic analysis indicating the date of creation of enterprises and the bankruptcy and survival rates for six European countries.

STATISTICS ON AGRICULTURAL PRICES AND INCOMES

Prices

Agricultural price trends in the EC (output and input) in the fourth quarter of 1993 have been prepared.[3] Output prices in real terms are down by 1.4%, with an even greater reduction (1.7%) in the case of input prices, with the result that the terms of trade for Community agriculture went up by 0.3%, the first improvement since the middle of 1992.

Incomes

In 1993 Community agricultural incomes, measured by net value-added at factor cost per annual work unit, apparently went down by 1.2% in real terms. This was the joint result of the following causes:

- a significant drop in the volume of crop production (-4.1%);
- a slump in prices in real terms of final agricultural production (-6.3%, primarily because cereals prices in real terms dropped by 14% while pig prices in real terms collapsed by 24%);
- a sharp increase in subsidies, which went up by 43.9% in real terms, mainly because of compensatory payments introduced as part of CAP reform.

A summary of the pattern of agricultural incomes in the Community in 1993 appeared in *Rapid report* No 1994-6, which was published at the end of February 1994.[4]

EU-JAPAN TRADE

A *rapid Report* on trade between the European Union and Japan has been published.[5] It complements two earlier publications on EU trade with the ACP countries and with the countries of Central and Eastern Europe.

EMPLOYMENT IN THE REGIONS

A *Rapid report* on unemployment in the regions of the European Union in April 1993 is now available.[6] In most regions the job situation seems to be getting worse. In some regions of Spain and the south of Italy the unemployment rate is above 20% of the active population. In most Member States the unemployment rates in the worst affected regions are now two to three times above the rates in the regions which are least affected. The unemployment rate for women is still clearly above the rate for men, except in Hamburg and Bremen and throughout the United Kingdom. There has again been a dramatic rise in youth unemployment, with the rate exceeding 30% in the Hainaut region of Belgium, in two-thirds of the regions in Spain, in Liguria and in the south of Italy.

FACTS THROUGH FIGURES
Third edition
A statistical portrait of the European Union

This general information brochure offers in a few pages a complete review of living conditions throughout the European Union. It describes how the inhabitants live in each Member State, their social conditions, their climate, etc. This general portrait of European society is lightly sketched and gives an insight to everyday life.

Designed specifically to provide citizens with information in the run-up to the European elections, this overview of Europe uses the most recent statistics. It is available free of charge.[7]

REPORT OF THE STATISTICAL PROGRAMME COMMITTEE 1991-93

The Statistical Programme Committee (SPC) was set up in 1989 to help Eurostat in connection with the development and implementation of Community statistical programmes. Its members are the Directors-General of the Member States' national statistical institutes. The EFTA-EEA countries joined the SPC on 1 January 1994.

The Committee is required to report on the statistical work which it is asked to consider. The most recent report covers the years 1991-93. It provides a broad overview of the development of the Community statistical system during the period. It will be of interest to decision-makers and those involved in statistics.

The document is distributed in English, French and German to a selected readership. It is also available (while stocks last) in the other Community languages. Copies may be ordered from Eurostat, Unit C1, L-2920 Luxembourg.

PANELS
First Eurostat international workshop on enterprise panel techniques
Luxembourg, 21 to 23 February 1994

Some 120 participants (methodological experts from public or private institutions, representatives of EEA member States, certain Commission departments, interested observers and potential users) attended the first seminar organized by Eurostat on this subject which hitherto has probably been somewhat overlooked within the European statistical system.

The seminar aimed to stimulate exchanges of views and ideas on methodologies to draw up an inventory of the current situation and expected developments, to present and discuss the Eurosat programme and to bring current and potential users together with methodological experts to explore various applications in the domain of business statistics.

The impressive contributions gave a very pragmatic twist to the discussions: of 33 written papers, 26 concerned practical experience or described existing techniques.

THE POLITICAL CONTEXT

As stressed by Mr Nanopolous, Eurostat Director and Conference Chairman, the Commission is a 'piece of machinery', playing a driving role in the functioning of the European Union, the European Economic Area and in the current and future enlargement of the EU.

It should be possible to assess the impact of enlargement and new accessions on the business world in every Member State. The Commission's responsibilities on the eve of its own enlargement are accordingly greater.

A great number of longitudinal analyses will have to be carried out. Stress will be placed more particularly on Community policies intended to monitor competitiveness in industry and commercial activities, to guarantee technological progress, to create employment and to encourage and support small and medium-sized enterprises.

As stated at several points in the White Paper, the link between competitiveness, growth and employment is a source of increasing concern. Given the complexity and diversity of enterprises, the longitudinal analyses which prove necessary will have to be carried out at microeconomic level.

In view of the responsibility assumed by the Commission in implementing Community policies, the need for relevant statistical information is now more than ever evident in terms of the formulation, implementation and monitoring of these policies and evaluation of their effects. This is particularly true of the business world, which will have to find answers to questions such as the following:

- how have enterprises and particularly SMEs benefited from these policies?
- what new jobs have been created?
- what are the repercussions on socioeconomic cohesion?

To make full sense, the statistical information used for these assessments should not be restricted to measuring the net effect of any policy or programme: it should also afford a view of the enterprise's internal development as a result of any particular policy or programme.

Eurostat's responsibility is to guarantee that the necessary statistical information is available to all operators and decision-makers in administrative, legal and political circles.

THE STATISTICAL CONTEXT

Background

Since the late 1980s, a number of projects (first Pansim, then Creuset in 1990-91 and EPP since 1993) have been launched with the aim of developing a future European network of enterprise panels. They are eloquent testimony to the efforts made by Eurostat to this end.

In spite of frequent misgivings and vacillation, work has gone ahead on the development of methodological instruments.

The latest crop of projects under the Eurepan banner aim to consolidate the achievements of their predecessors while modifying strategies and priorities.

'Eurepan is now seen as a process which should go ahead in step with other projects involving surveys of enterprises and take due account of users' needs. This requires cooperation on a broad front, which can be contemplated in the context of two types of large-scale measures:

- setting up and developing the Eurepan infrastructure;
- research into optimum use of whatever data may already exist and, if this proves insufficient for users, the collection and analysis of new data.'[8]

The panels project is based on Eurostat's observation that traditional cross-sectoral surveys alone are not able to answer the increasingly sophisticated questions raised concerning enterprises. In the past, the usual questions were: what changes have taken place and on what scale? Today users also want to know how enterprises have changed their behaviour as a result of a particular policy and how that change was implemented (e.g. how the completion of the internal market has affected the enterprise's employment policy).

The need for infrastructure

Registers

A huge amount of work has been undertaken in the field of business registers.[9] The legal foundations have been laid or are in the process of being laid.

'A high-quality register is an essential prerequisite for the implementation of Eurepan. (...) Care has to be taken to extend registers' coverage, to improve the observation of the setting-up and winding-up of statistical units. Uniform measures should be taken to this end in every country so as to improve both observation and follow-up over time and to increase the availability of registers from which samples can be chosen and coordinated. Eurepan has made it possible to carry out longitudinal analyses of survey data. Together, Surenet and Eurepan will provide users with pertinent, up-to-date and high-quality statistics as well as the analytical statistical information required to meet users' increasing demands.'[10]

Surenet and the use of microdata

In parallel to the development of Eurepan, the use of microdata within a survey network should expand the expertise and knowledge obtained using these two systems.

It has therefore been proposed that Eurostat 'create a network of surveys for microdata between statistical offices. Each statistical office would have access to the harmonized body of microdata obtained from industrial surveys conducted in each country, for example. This body of microdata would be built up according to rules and by methods guaranteeing interchangability between countries, so that each partner in the network can carry out certain processes while maintaining data confidentiality.'[11]

Comparability and confidentiality

Eurostat has played a leading role in developing international nomenclatures which have increased data comparability between EU Member States and between the EU and its trading partners.

In all these developments, particular attention has been paid to Member States' laws containing varying provisions on statistical confidentiality. A Council Regulation lays down the conditions for transmission of individual data to Eurostat by the NSIs.

A 'manual on confidential data protection in Eurostat' has secured longstanding support from our partners in the European statistical system, and the EFTA countries have also adopted the same overall provisions.

Eurostat is thus responding in full to the need for 'legitimate trust' of everyone who supplies primary information and, drawing on any individual data it may now receive, will make every effort to offer its users more finely-tuned statistics in as short a time as possible.

'There has to be climate — almost a contract — of trust between enterprises and individuals, on the one hand, and statistical operators, on the other. (...) Eurostat's position *vis-à-vis* the Commission is exactly comparable to that of the NSIs in relation to their national authorities: the same campaign is being waged to apply the same basic principles. Eurostat is only a geographical extension, the crystallization in Luxembourg, of the concepts of confidentiality accepted in the Community statistical system, and respects everyone's idiosyncrasies.'[12]

NEW CHALLENGES

Eurostat is bound to continue its efforts to develop the right statistical system for enterprises. Enterprise panels may play a fairly decisive role in this drive.

Eurepan will try to capitalize fully on the methodological work carried out hitherto, and will have to play an active role in coordinating existing activities within the European Economic Area.

By promoting the creation of enterprise panels (which will be asked to cooperate on a voluntary basis) in the Member States and coordinating closely with the responsible authorities, Eurostat hopes to lay down the foundations on which an international network of excellence can be built up in this domain.

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[1] Publication references: CA-80-93-113-EN-C

[2] Publication references: Eurostat - D2 unit - L-2920 Luxembourg

[3] Publication references: CA-NN-94-009-EN-C

[4] Publication references: CA-NN-94-006-EN-C

[5] Publication references: CA-NO-94-005-EN-C

[6] Publication references: CA-NI-94-002-EN-D

[7] Copies may be requested from Eurostat (Mrs Mirandolina Tasch, tel. (352) - 4301 34536 or 34126, fax (352) 436404). A contribution will be asked for in the case of large orders (more than 500 copies), except when ordered by schools or universities. Publication references: CA-82-94-925-EN-C

[8] S. Laaksonen: 'Targets and starting-points of the European enterprise panel network', p. 1 (document presented at the seminar).

[9] See also in this edition the article summarizing the provisions of the Regulation adopted on 22 July 1993 on the coordination of business registers for statistical purposes.

[10] S. Laaksonen: 'Targets and starting-points of the European enterprise panel network', p. 5.

[11] D. Byk: 'Uses of microdata — Surenet: Surveys on enterprises in a network', p. 4 (document presented at the seminar).

[12] P. Nanopolous, 10 June 1992.

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