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# E DITORIAL

Construction of the European statistical system gathered pace in 1991. The EFTA countries are now on the way to adopting the body of Community law relating to statistics. The European Economic Area will become a reality once the remaining legal difficulties have been overcome. The countries of Central and Eastern Europe are endeavouring to adopt our statistical language.

Our work – particularly in the fields of methodology and classifications – is taking on wholly new dimensions. The expectations generated bring with them responsibilities which we are prepared to shoulder.

The field of business statistics is growing in importance and preparing to meet new demands as the single market draws nearer.

Eurostat's ambition is to offer a quality service in all its fields of action.

The Commission is reorganizing its activities. Eurostat, for its part, has acquired new instruments better suited to manage the ever-increasing number of priority tasks.

Never before have we had to establish, in so short a time, so many legal and organizational bases. The reorganization of the world economy, towards which all democracies have agreed to strive, means that we must explore new avenues using new approaches.

We are doing just this.

**Alain Chantraine**

**Director of dissemination and computer processing**

# EUROSTAT: A QUALITY SERVICE

Interview with Mr Yves Franchet, Director-General of Eurostat

**'I told the Eurostat staff AGM at the end of 1990 that 1991 would be a year of consolidation. In fact, Eurostat's work has never before "taken off" as it did last year! A great deal of new work occasioned by the political events in Europe has added to the established workload for which we are responsible.**

**New tools have been forged and new instruments created which will enable us to improve the quality of our services even further. But, inevitably, we shall have to do things differently ...'**<sup>1</sup>

*It is not possible to publish a full list of Eurostat's 1991 activities here. Anyone interested should consult the Commission's Twenty-fifth General Report on the Activities of the European Communities 1991, (Chapter V, Section 3).*

*Eurostat has a fourfold remit,<sup>2</sup> but beyond any doubt the greatest dedication has gone into efforts to set up the European statistical system (EES), and it is this endeavour which has met with the greatest success.*

*We shall thus devote the first part of this article to the continuing pursuit of this objective.*

*In the second part we shall attempt, by means of a series of 'multidirectional' questions, and in a non-exhaustive manner, to review a number of recent developments<sup>3</sup> and look at their probable repercussions over the coming months.*

## CONSTRUCTION OF THE EUROPEAN STATISTICAL SYSTEM<sup>4</sup>

### With the Member States

Partnership with the Member States is developing more and more smoothly, not least because we are able to allow for the specific characteristics of the various statistical systems.

This improved cooperation has meant considerable progress on preparation of the statistical programme for 1993-97 and its financial aspects.

Better cooperation has also helped agricultural planning: the success of 10 years of agricultural plans in Italy, the development of aid plans for Portugal and Greece, discussions for an aid plan for Ireland – all these are major elements in the building of a European system which is stronger and devised on a collective basis.

Two major committees were set up in 1991:

- (i) the Committee on Monetary, Financial and Balance of Payments Statistics:<sup>5</sup> this is already up and running and has created a number of working parties (see *Sigma* No 2 – November/December 1991 'Statistics and monetary integration').
- (ii) the European Advisory Committee on Statistical Information in the Economic and Social Spheres (CEIES):<sup>6</sup> the members of this Committee will be appointed at the beginning of January 1992 and will hold their first working session on 20 and 21 February.

'For us it will essentially be a forum in which we can listen and talk to the major social partners and users, namely people from business and industry, workers, government personnel and academics. We shall ask the members of CEIES to predict what the important statistical dates and issues will be under the single

market, under the European Union, with reference to three topics:

- economic and social union;
- statistics for business and industry;
- social cohesion.

We want our dialogue to be frank and open, and we want it to be forward-looking. We shall, if necessary, have to modify our method of working together, abandoning certain priorities in favour of others.<sup>1</sup>

### With third countries

#### EFTA

These countries have largely adopted the *acquis communautaire* as far as statistics are concerned. Our work here now covers 19 rather than 12 countries. Creation of the European Economic Area (EEA) is a source of mutual enrichment: whilst these countries will draw considerable benefit from us, they will for their part provide us with sizeable assets in areas where they have a great deal of experience, such as the environment, forests and the dissemination of data.

EFTA now has a permanent secretariat within Eurostat. This is headed by Mr Brüngger who already has colleagues and experts from Finland, Norway and Austria to assist him. Others will follow, and there is no question but that the effects of this symbiosis will be very largely positive.

#### Central and Eastern Europe

Well before the collapse of the former Soviet Union we were conscious of a very strong desire for help on the part of these countries. Their statistical systems are not at all geared to cope with transition to a market economy, and so they need points of reference. The Economic Commission for Europe and the countries of Central and Eastern Europe think it essential to give priority to building up this basic infrastructure of statistical information. We must organize ourselves and help them to move

towards a 'greater European' statistical system. This process will take many years. It will of course depend on how firmly the democratic institutions in all these countries become established.

#### *African, Caribbean and Pacific countries (ACPs)*

The fourth Lomé Convention includes the idea that a revamped, revitalized system of statistics can be a valuable aid to many ACP countries in their progress towards democracy.

Wherever importance is attached to the economic and social dimension over and above the purely political, statistics are more necessary than ever before.

'In many countries in Africa, governments were for a long time concerned with political administration only, and virtually the only interest in statistics was shown by the international organizations. But where the demand for statistics in a given country is defined by international organizations, it is not a true demand; it is not echoed at home, and the structures are weak.

Today a combination of factors – deep economic and political crisis, the emergence of democracy, leaders who are better instructed in the economic realities – means that a stage has been reached where the economy plays a more important role, and this in turn creates a greater demand for statistics.

Our initiatives under Lomé must aim to assist plans for improving statistics; better statistics will provide a better response to the demand for democracy and economic management in the countries concerned. In 1991 we launched a first initiative in Côte d'Ivoire. A Eurostat group, working together with the World Bank (under joint funding operations by the World Bank and European Development Fund), carried out an assessment of Côte d'Ivoire's statistical system. Proposals were made to the ministers concerned for a total reorganization of their system. A number of similar operations may be carried out in 1992 in conjunction with international, financial or other bodies. They will basically aim to find practical solutions for the countries in question'.<sup>1</sup>

Elsewhere we note that many countries in Latin America are showing increasing interest in our work. It could be that they will use our integration experiment as a model, and in years to come we shall no doubt need to respond to this evident interest by intensifying our cooperation with them.

#### **With international organizations**

'Something we might call the "external" aspects of building Europe is a phenomenon which appears to be growing. It reflects an increasing demand for things European, particularly in technology and statistics. Eurostat is fast becoming the busiest world centre for statistical standardization. Because we have had to work on bringing our 12 systems more closely into line with one another, we have faced problems similar to those now being faced by many countries in the world, whether they are already industrialized or in the process of becoming industrialized (Mexico, Korea, India, etc.) as the world economy becomes a matter for the economies of all countries.

Many countries which have suffered under the stagnation in standardization over the last 20 years now want to get closer to us.

At the same time we have to take part in activities aimed at international standardization which are the domain of the United Nations. Joint secretariats representing OECD, the United Nations in Geneva – via the Conference of European Statisticians – and Eurostat will ensure that the work we do includes a proper world dimension. It is important to emphasize this because the first issue of *Sigma* might have given the impression that Eurostat was seeking a leading role in setting world standards, and that is of course not the case, even though Europe, as one point of focus in the world, is tending to play a very important role in the current circumstances. We must not forget that the greater a region's inner strength and energy, the greater the responsibility which that region has towards the world economic system. This is currently the position of Europe, and in the field of statistics in particular we are ready to shoulder our responsibilities.

Elsewhere the agreements with the USA and Canada are another real point of focus on the other side of the Atlantic. This new extension to our work more than ever justifies the need for generous resources to enable us to cope with new difficulties. There will be all the more virtue in overcoming these now that our achievements have a truly worldwide impact'.

## **QUESTIONS AND PERSPECTIVES<sup>1</sup>**

**Of all the achievements of 1991, the intensification of efforts to construct the ESS stands out as the most important. Which of Eurostat's other objectives (production, dissemination, cooperation) ought to receive more attention in future, bearing in mind that the ESS will doubtless continue to be one of the top priorities?**

'The speed of progress varies from one objective to another, depending on demand. 1991 made us concentrate hard on building a system, a frame of reference, but this did not stop us from doing more too in the areas of dissemination, production and cooperation (notably with the countries of Central and Eastern Europe).

In 1992 we should be able to consolidate the objectives of building the ESS and of cooperation (though the aftermath of Maastricht and the breakdown of the Soviet Union into 17 republics may well present us with quite a few challenges). Regarding the other two points: the objective of dissemination will have to match that of demand accurately, and the objective of production will have to match that dissemination. The two objectives must take priority and must combine to provide a really top-quality service.'

**What are the main benefits Eurostat can expect from the close collaboration it is now enjoying with the EFTA countries?**

'There may be many benefits.

Firstly, our system will be strengthened. Seven countries, most of which already have a good system of statistics, are now working to the same breakdowns as those used by the Twelve: 95% of the work which is already useful to the

Twelve will now be useful for all 19 countries and thus all the more valuable.

Secondly, we shall reap considerable technological benefits in areas where these countries are undeniably ahead of us. For example, the environment, fisheries, forestry statistics, etc. In these various areas the Scandinavian countries will certainly have a sizeable contribution to make in terms of methodology.

Thirdly, we shall have a greater international standing. When 19 of us agree on a piece of work, a body of methods or a manual we shall – because it has already passed the scrutiny of 19 countries – have very largely made a key contribution to world deliberations on methodology which once again will make our work more valuable and help us to strengthen the work of the United Nations.

The great challenge is to work successfully as 19 rather than 12! We should seize on that as an opportunity; we shall be forced to work differently and abandon methods (full meetings, simultaneous interpreting, etc.) which were very unwieldy even when we were only six.'

**Is Europe's position as current world leader in statistical standardization likely to encounter any real challenge? If so, where from, and when?**

'Even though those involved in the world economy increasingly have a greater need of a common language and common references, the reality of the last 20 years in terms of statistical standardization has been utter stagnation! Not through any fault of those in charge of managing world statistics, but because there was, and still is, a shortage of adequate resources.

The problem is not one of competition, but one of a gap which the world needs to fill.

The question ought to be this: how do we direct Europe's energy and make it part of a world powerhouse steered by the United Nations? How can we get as many countries as possible, including Third World countries, to build a world powerhouse together? Many Third World countries will be very important parts of this system: the challenge is there for

them as much as for us. We shall be working within the United Nations on this problem over the next few years. As I said earlier, we are ready to shoulder the international responsibilities which the building of Europe implies.

Everyone will have to show imagination, even if that means bringing more flexibility to certain existing bureaucracies which are too compartmentalized into regions of the world, though the word economy knows no regional boundaries: the same things are probably issues for Mexico, Korea, the USA or Germany, but may be very different between for example Mexico and Haïti even though both those are part of Latin America. This is why we have to be able, where necessary, to find mechanisms which can transcend regional structures. That too is a great challenge to which we must rise!

**What are the main statistical reorganizations being carried out by OECD? And their implications for Eurostat?**

'OECD has traditionally approached statistics from the user's point of view. Its economists ask questions, and build their system around those, which is an excellent way of compiling ongoing statistics. We already work very satisfactorily with OECD in a number of areas. The problem is the lack of liaison between the working parties dealing with certain subjects. OECD does not have a statistical programme.

It seems to me that the current reorganization is aimed essentially at providing such an overview. This lack of a global view has hitherto impeded the emergence of a coherent body of work shared by the United Nations, the OECD and Eurostat. Today, the reorganization now going on, the creation of a focus for coordination, the preparation of a programme of work, will enable us to be more streamlined, to limit the number of meetings, and to divide up responsibilities amongst working parties in a better fashion. Common sense indicates that this is worth doing. This trifocal debate will also enable us to give better consideration to the following idea: how can the powerful EEC-EFTA "team of 19" best serve the countries of the OECD and those of Central and Eastern Europe as

well, and how can it help strengthen the world statistics we talked about earlier?

Working more closely with the OECD will doubtless enable Eurostat to draw on its expert knowledge of the "user-based approach". The great advances made by Eurostat in recent years are in fact the result of a readjustment of our attitudes here: today, it is the idea of a quality service which predominates. We no longer "churn out" figures; we provide services which entail the production of figures, and the nuance is very important. The adjustment has been successfully made in a lot of our work. The OECD is certainly a partner which will make us stronger here.'

**In the 'transatlantic dialogue' which is now firmly established, what are the technological benefits which the Old World expects from the new, and vice versa?**

'It should be said first of all that the situation comprises sharp contrasts:

- the Canadian system is one of the best systems in the world, if not the best, from the point of view of statistical management;
- the US system, despite its colossal capacities and resources, is less impressively organized. There are nearly 500 statistical agencies, with no common language, coordinated by a small team of 20 or so people largely on the basis of budget resource allocation. Being vast enough to stand alone, the US system has for a long time shown little interest in statistical standardization at world level. This seems to be changing now. The USA appears to be interested in developing statistical languages compatible with those of their world partners.

As for the mutual benefits of this dialogue: what can we contribute?

We can share in the creation, together, at world level, of a statistical system for the global economy: languages, classifications for production, exports, imports, measures of activity, work on services, etc., which will allow our politicians to understand each other better and to talk on the basis of figures too, not just ideas or ideals.

What is really new is the apparent interest of the USA in this subject,

whereas previously they set little store by international statistical standards: they may have supplied data to the United Nations using those standards, but they did not apply them in-house. This seems set to change. And it is important. Because when the USA adopts a classification, even if it was international before, it becomes even more international afterwards.

What can we learn from them?

Because of their geographical size they have used extremely sophisticated types of polls and surveys, largely employing modern methods of data interchange. There are interesting techniques to be studied there. Whilst the Europeans have a contribution to make in terms of standards and, to some degree, methods, the Canadians for their part can teach us a lot about internal management, and the USA about the use of sophisticated statistical techniques and tools.

The two sides of the Atlantic thus complement each other.'

**What are the main cornerstones of the 'consolidated platform' which Eurostat is required to provide within the Commission as a base for its activities over the next few years?**

'They are three in number.

Early in 1992, Vice-President Christophersen will present a statement to the Commission on the future of the European statistical system. This will explain the role of statistics, their usefulness to the Commission, and the way they can evolve whilst adhering to the principle of subsidiarity.

Secondly, a directive in the form of a Community statistical law will set out the rights and obligations governing the production of statistics in the Community, relations with Member States, and the concepts of confidentiality and statistical independence. This will be a yardstick for the development of Community statistics.

Thirdly, there is the statistical programme for 1993-97 to be approved by the Commission, Parliament and the Council. This will determine the broad lines of the proposed major operations and a framework budget for them.'

**What new working procedures need to be considered with the Member States in order to streamline existing procedures which have become inadequate?**

'Cooperating in many areas as a team of 19 means that we cannot continue as we did when there were only six of us. We have to devise more suitable ways of working together. One experiment which has been successfully tried was this: a small group of people with particular talents is chosen from among the 19, from countries with particular capabilities, making allowance both for the differences between big and small countries and the disparities between north and south: "not always the same ones, not always the big ones, not always the north, not always the south". These experts do the preparatory work together with Eurostat. When it is nearly complete, we go back to the 19 for approval or debate. But we don't constantly have full-blown meetings of all 19 to try to digest texts until all the technical ends have been properly tied up first.

I am convinced that a lot of savings can be made and smoother operations ensured by this kind of thing. It is one of the main items I shall be considering at the beginning of 1992. I am sure it is the right time to tackle this kind of fundamental problem.'<sup>1</sup>

<sup>1</sup> Interview with Mr Yves Franchet on 19 December 1991.

<sup>2</sup> The four objectives of Eurostat may be summed up as follows:

- (i) production of statistics necessary to the functioning of the European institutions;
- (ii) construction of the European statistical system;
- (iii) dissemination of statistical information to users, and interested economic and social parties;
- (iv) technical cooperation with third countries.

<sup>3</sup> Article-completed on 20 January 1992.

<sup>4</sup> Address by Mr Yves Franchet to the Eurostat staff AGM on 13 December 1991.

<sup>5</sup> OJ L 59, 6.3.1991; Bull. EC 1/2-1991, point 1.6.3; Commission proposal: OJ C 212, 25.8.1990; *Twenty-fourth General Report on the Activities of the European Communities 1990*, point 970.

<sup>6</sup> OJ L 59, 6.3.1991; Bull. EC 1/2-1991, point 1.6.4; Commission proposal: OJ C 212, 25.8.1990; *Twenty-fourth General Report on the Activities of the European Communities 1990*, point 970.

# T HE MAN FROM EFTA

Interview with Mr Heinrich Brügger

**When a permanent EFTA secretariat was set up under Mr Brügger in the offices of Eurostat, he became the first EFTA official to hold an 'external' and permanent position within the Commission. It is perhaps not altogether by chance that this 'first' should come about in the area of statistics.**

**With great enthusiasm Mr Brügger describes his experience of the birth of the 'European statistical area' and his view of how things will develop in the immediate future. He is a truly privileged Eurostat user!**

*Mr Brügger is a Swiss economist (qualified in economics, with public finance as his thesis) who first worked with the OECD on programmes for developing social indicators before joining the Federal Statistical Office in Berne. As head of coordination for statistics and international relations he was involved from the start in the work of bringing EFTA and the EEC together. He then joined EFTA as a statistical adviser.<sup>1</sup>*

## THE WOOING

'I well recall the first beginnings', says Mr Brügger. 'It was in late 1988. Mr Johanson, then the Director of the Swedish Central Statistical Office, invited Mr Franchet, and all the heads of the EFTA statistical offices, to Stockholm. At the end of 1989 Mr Franchet reciprocated by inviting the EFTA countries to a meeting in Brussels of the Directors-General of the Member State's NSIs. This was the first meeting of "the 19".'

On that occasion it was decided to formalize this statistical collaboration between EFTA and the EEC. Politically, two integration processes were begun:

- (i) the "Luxembourg process", under which it was decided, in 1990, to set up an EFTA secretariat here in the Jean Monnet Building;
- (ii) something very recent (an initiative by Mr Delors), conceived on a global scale and structured with an eye to EFTA-EEC cooperation, known as the European Economic Area (EEA). Before then, the politicians had given hardly any thought to a body of provisions on statistics in the EEC Treaty. It was necessary to insist. If you really mean business, we were told, it can be done. But get on with it; work is already under way on the other aspects; there's no time to lose!

Events then gathered speed. On the EFTA side, I chaired a group which, in just three months, analysed the whole of the legislation (the entire legal base of Community statistics). This was my first direct contact with the work of the Community.'

## Rising to the challenge!

'The results were very encouraging, says Mr Brügger. Two-thirds of these bases were immediately deemed "pertinent" and EFTA adopted them, with transitional clauses where necessary. Moreover, whilst the Treaty of

Rome said nothing at all about statistics, it will now include a specific reference. That is an achievement. This cooperation will be governed by the terms of a protocol. This says that EFTA will share its data with Eurostat; it stipulates the data which EFTA must produce between now and 1995, the date by which they will have been able to bring their systems into line with the legislation they have adopted.

And we are now in the process of taking up a fresh challenge, the statistical programme for 1993-97. As with the legal bases, we shall study this, article by article, to identify those parts which EFTA can adopt immediately and those which will require transitional measures or adjustments.'

## Any problems?

'The position is different from one country to another. Switzerland, for example, will have to invest an awful lot because it is very behind in this area. The Scandinavian countries will need to make a few changes to systems which, generally speaking, are extremely good. There's no time to lose, because the Eurostat "train" is being pushed by the single market and is gathering speed all the time. This really is the last chance to get on board.'

## Few exceptions

'Most of the statistics needed for the single market will also be needed for development of the EEA. There are just one or two fairly important exceptions:

- (i) agricultural statistics: EFTA will not follow the Twelve to the very last detail;
- (ii) coal and steel: as Community policy on this will not need to be extended to the EFTA countries, these will need fewer statistics.

In all other areas EFTA believes, like the Twelve, that statistics are more than a management tool; they are an instrument of information and evaluation not just for the

politicians, but also for the public at large and those involved in the economy.'

## A GREAT QUALITATIVE LEAP FORWARD

'We have undertaken to have truly comparable statistics in most areas by 1995. Hitherto, comparability has been limited; tomorrow we must be able not only to compare data but also to add them together. If we can't add things together, we can't calculate a mean! As for the type of system we should go for, I favour a federal one. I come from a federal system, and I believe in it. In a very few years from now, for example, we shall need to have French and German data which are comparable just as data from Bavaria and Baden-Württemberg are comparable today. This is the only way forward. Statistics must give the lead to politics here, not follow them.'

### Three main duties

Practically speaking, what are the duties of the secretariat set up by Mr Brünger?

'The team I am required to set up and lead here will, as things stand at present, have at least three functions:

(1) Obviously the most important thing is to organize liaison between the EFTA countries and Eurostat properly; to maintain an overall view of meetings, point out what is important and what is less so, provide certain additional information. Eurostat is too fast-moving and complex a "machine" for one to be able, from the outside, to gain an overall picture of it. Only by experiencing it at first hand can one identify the groups, committees, subgroups, etc. and their line structure, the way in which the whole thing hangs together. I have to help our members to make choices: to involve themselves in this rather than that, to study one thing in greater depth and another in less depth. They really do need a guide.

(2) During a second phase I shall try to establish, nurture and deepen direct contacts with my Eurostat colleagues and to formulate opinions, as far as possible at the preparatory stage of decision-making: it is far easier to agree before than after the event.

(3) The third function implies the "production" of something tangible: publications, or other information measures. A first brochure, covering 19 countries, will be coming out in 14 languages.

But the whole of this work, and the very existence of this secretariat, are part of a temporary process: I am very sure of the fact that ultimately it is Eurostat which will be the statistical office for Europe as a whole.'

## THE STRENGTHS OF EFTA

Are there areas in which the EFTA statistical offices are ahead of Eurostat and their EC colleagues? Mr Brünger gives two instances:

### (1) The environment:

'I think the EFTA input here may help Eurostat to compile more advanced statistics on the environment in accordance with the same criteria which apply to economic or social statistics.

The environment touches on areas which are new to a statistical office: it has to make use of scientific disciplines which have not previously been very well understood in the world of official statistics. Whereas environmentalists are often content to measure the state of the environment at specific points in a country or region, and are not interested in a more generalized appraisal, the statistician needs to be able to measure the state of things in a whole region or country, and not just at one point on the map. It must be possible to muster overall figures on water, air, soils, for an entire territory. The sample has to be designed in such a way that this can be done. It is also important to establish the link between environmental statistics and statistics on human activities: there is a connection to be made between economic, transport, or energy statistics, for example, and those describing air or water quality, etc. These statistics have to help answer such questions as:

What would be the environmental effect of stepping up activity in a given sector?

What would be the consequences of moving from one level of pro-

duction or energy consumption to another, or of opting for an alternative form of energy?

In the Scandinavian countries and Austria, that works very well. In the countries of the Community, I think it only works as well in Denmark and the Netherlands'.

### (2) Use of government records:

'The Scandinavian countries, including Denmark, are very well organized in this respect. Centralized population records are meticulously kept and can thus be used as a single source of demographic statistics. This means that population surveys can be replaced by links which can be made with other records, such as those of the social security authorities for example. The Scandinavian countries really could replace surveys with a combination of administrative files: a very efficient way of managing statistics, but one which naturally requires a political decision to compile and keep such records, stipulating who can have access to them, on what terms and under what circumstances, together with the responsibilities of everyone concerned.

These countries have accepted the principle that the use for statistical purposes of data kept on government files shall not interfere with the private and confidential nature of personal data: statistics are concerned not with the individual but with aggregates. In my view, the use of this kind of record is an option for the future, but the whole challenge lies in ensuring perfect comparability amongst countries, whilst leaving them the freedom to choose between using statistical surveys or government data'.

### What about the corporate sector?

'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.'

## A FASCINATING TIME

Mr Brüngger is keenly excited by the preparation of this 'European statistical system of the future'. 'I find this transitional phase between the old and new systems fascinating. But I see that some Member States [of EFTA and the EC] are having difficulty in attaining or maintaining sufficient momentum in this process of change. At the root of that there is often the fear that it will cost too much, or a desire to avoid additional work. This is why it is so important that Eurostat should be a dynamic focus of progress, at any cost, even if that cost is to compromise; and Eurostat alone can play this dynamic role. I am very happy to be experiencing this at such close quarters; it is a real privilege and I am striving to extend the benefit of it to all my colleagues.

I see, moreover, that the statistical offices of the EFTA countries are very keen to be able to redistribute Eurostat data and I am surprised, sometimes, that the national statistical institutes of the Community countries are not always as eager.

Perhaps what seems a novelty to us is rather old hat to them since they have been part of this whole "machinery" of Europe for much longer than we have.

In any case, I am quite sure that the EFTA countries will not slow down the development of the European statistical system. On the contrary, they will do all they can to accelerate it. I don't agree at all with those who fear that it will be slower and harder to work as a team of 19: I believe this will force us to streamline our working methods.'

## Coordination is what counts!

'Eurostat's work is gathering momentum. New areas are being added to it. Eurostat covers virtually all areas of statistics. And there is no doubt that if statistics are already so far ahead of other fields, if this cooperation between EFTA and the European Union is already a reality at this level, it is thanks to the openness and receptiveness of Eurostat and its Director-General, Mr Franchet: it is he who has opened so many doors to third countries and it is under him that the function of Eurostat has changed.

But it is increasingly important that the links between the various areas covered should be better publicized so that we do not get incompatibility between decisions taken in one area and other decisions taken elsewhere. The risk of such incompatibilities becomes more acute as the pace of developments quickens. Hence the need to coordinate efficiently, though without slowing things down. We must not introduce a cumbersome machinery for this purpose, but we must ensure that everyone is aware, at the appropriate time, of what others have done or are currently doing.'<sup>2</sup>

<sup>1</sup> Article completed on 16 January 1992.

<sup>2</sup> Interview with Mr Brüngger on 19 December 1991.

# THE STEERING COMMITTEE ON STATISTICAL INFORMATION (CDIS): MANAGING THE PRIORITIES

Interview with Mr Alain Chantraine

With a view to providing a better match between the services which Eurostat can offer and the demand for them, especially demand from the various Directorates-General of the Commission, a decision was taken to put in place organizational procedures and measures which will ensure that the resources earmarked for statistical work as part of the building of Europe can be allocated in the best way possible.

An interdepartmental analysis conducted jointly with Eurostat concluded that it was necessary to strengthen the remit of the Statistical Office, which aims to achieve progress on the coordination and programming of priorities.

The new Steering Committee on Statistical Information of the Commission will enable better account to be taken of the needs of those using statistics; the image of the 'total service' – dynamic, rigorous, rapid and pertinent – which Eurostat can give them, will be enhanced as a result.

*Alain Chantraine graduated in business studies (HEC) from Liège and began his career at the Statistical Office in 1962. One of his first duties was as a member of the team which drafted and finalized the European system of integrated economic accounts. From 1973 he was attached to the Director-General (Jacques Mayer) with special responsibilities for the dissemination of information. He subsequently headed the Industrial short-term trends unit in 1977 and the Economic accounts unit in 1980. Since April 1987 he has been in charge of the Directorate for dissemination and computer processing. He is currently helping to install the computer system which will serve not only statistical needs but those of the Commission as a whole.*

*His long experience of statistics has enabled him to take part in a number of world projects launched by the OECD, the United Nations, IMF, etc., and he has been involved in programmes of technical aid to the developing countries. He has also been a member of the council and editorial board of the International Association for Research into Income and Wealth.*

## FROM PRODUCT TO SERVICE

Eurostat provides a full service and should not be regarded purely as a producer of databases and publications. Because of its ability to provide assistance, technical advice and data analysis, combined with a highly scientific character and the desire to share its knowledge as widely as possible, Eurostat needs to reorganize itself from a body which is perhaps too production-oriented into one which is more user-driven.

## Rounding off the institutional infrastructure

The whole of the institutional infrastructure so far created by Eurostat (DGINS,<sup>1</sup> SPC,<sup>2</sup> committees, working parties, etc.) provides an excellent framework for liaison with the 'producer' services in the Member States. Whilst the system for collecting data from the primary suppliers is organized along fairly rigorous lines, the system of relations with users is far less formal. It would appear appropriate to incorporate groups of user representatives into the Eurostat decision-making apparatus.

## Catering for demand

Two new structures, fully consistent with two of the principal objectives of Eurostat, are being put in place at virtually the same time:

- (i) CEIES,<sup>3</sup> which is designed to organize dialogue with the economic and social partners (trade and industry federations, unions, academics, Community institutions other than the Commission, etc.), in such a way that the statistical re-

quirements of all those engaged in economic and social activities can be met as fully as possible;

- (ii) in pursuance of its duty to produce the statistics needed for the proper functioning of Community policies, dialogue between the Commission and Eurostat will henceforth be formalized under a new structure called CDIS (Steering Committee on Statistical Information).

## DIAGNOSIS CONFIRMED

This Committee was first mooted in February 1990. A communication from Vice-President Christophersen prompted a survey of user Directorates-General (DGs). This audit of the cooperation between Eurostat and the DGs yielded a document which had one section on analysis and diagnosis, and one containing proposals. All DGs very broadly appreciated the work of Eurostat which they saw as both useful and necessary. Other comments concerned more specific points which in many cases hinted at difficulties of communication.

### More should be done ...

Most DGs, however, think that Eurostat's work does not go far enough, as it cannot always furnish them with all the statistical information they require. At all events they need information and, if Eurostat does not have the resources to provide it they have to find it elsewhere (from private consultants, specialist firms, research bodies, etc.).

Resorting to outside suppliers has several drawbacks:

- it costs money for the DGs to buy in statistical information from consultants or research bodies; these funds would be better spent if they were given to Eurostat and managed under an organized system. Eurostat could do the requisite work more cheaply than an outside supplier; price for price, the Office could no doubt produce

more and/or produce it in a more structured fashion;

- furthermore, when specific outside studies are commissioned the results too are specific and are not part of any continuing whole. Consultants' work is not incorporated into the Community statistical system; very often these studies, which are done on a specific subject and at a specific time, are not followed up: they have to be done again from scratch two or three years later. In the medium term, all this spending does not improve the quality of the statistical information system: it is not an investment but a one-off expense;
- another drawback is that of scale: not all these random studies are done using the Community standards; even though they may provide useful information they very often cannot be compared against other statistical work, or even used by other DGs.

Financial and technical joint ventures with the Directorates-General have been more fruitful. They should be taken further.

### ... by pooling information and by coordination

One of the Commission's objectives in setting up a central statistical office was that it should be multipurpose: all the information gathered by or for the DGs had to be usable by all of them, simultaneously if need be.

The study referred to above concluded that these considerations all argued in favour of strengthening operating links and dialogue in areas where these were weak. Only regular exchanges between the parties concerned would enable the Commission's statistical activity to be coordinated properly. These exchanges should be formalized under a Steering Committee on Statistical Information.

## THE TIME IS RIGHT: PREPARATION OF THE STATISTICAL PROGRAMME FOR 1993-97

Preparation of the statistical programme for 1993-97 coincides with the setting up of CDIS, and CDIS's view can thus be taken into account by the Statistical Programme Committee at the same time as the opinions of the various joint Eurostat-Member State bodies.<sup>4</sup>

Under this new structure for debate the DGs will have more of a say in devising the new programme and be better placed to monitor its subsequent progress.

### An eye to the future

The new requirements created by the approach of the single market, administration of the new treaties, the Maastricht agreements, EMU, the EEA, the new political map of Europe and the radical changes which will continue to affect the countries of Central and Eastern Europe – all these mean that we are currently living through a unique period when the pooling of as many ideas as possible on the new statistical programme will enable a proper assessment to be made of all the general political trends in Europe. All these trends mean that what we do today has to be geared to medium- and long-term demand. CDIS will have to make choices, set priorities and organize partnerships with an eye to that future.

### Managing developments

The need to 'manage the future properly' is particularly evident if we look at the lessons of the previous statistical programme. The upheavals in Central and Eastern Europe have completely changed the initial data in that programme: unscheduled work has had to be inserted so that we can keep pace with the pattern of change. Since this may quicken further over the next few years, the way in which the statistical programme is managed and monitored over time by a committee will be enormously important: Europe's 'monetary rev-

olution', to quote just one of the many changes to come, will largely coincide with the term of the next statistical programme.

### Getting the priorities right

This is what is needed if Eurostat is to meet the statistical demands of the next few years adequately. All its directorates, and all the Commission DGs, will have to work at all times on the same 'wavelength', using one and the same mechanism for setting priorities. Without such a mechanism, each DG would be tempted to think that whatever it is doing at any given time must take priority. Only a collective appreciation of 'relative urgency' dictated both by the emergence of new and in the short term unforeseen conditions or events and by the need to redirect activities in the medium and long term can constantly, and with mediation, determine which are the 'right' priorities and allow our immediate operations to be redirected whenever necessary.

### CDIS: THE TOOL FOR THE JOB

The aim in view is thus better organization of cooperation between the DGs and Eurostat and, as far as possible, the development of partnerships in certain areas of production. Proper management will prevent the duplication mentioned earlier.

This partnership may be both financial and technical: some projects will mean that some DGs have to obtain part of the necessary resources themselves; this procedure will doubtless make each of the 'partners' get its priorities right and think carefully about the necessity of the work it wants programmed or subsequently inserted into the programme.

### A detailed and precise mandate

The terms of CDIS's remit are as follows:

- to draw up a list of the requirements for statistical information expressed by the Commission;

- to examine and endorse the ranking of priorities in the statistical programme drawn up to meet those requirements, in accordance with the priorities of the Commission's programme;

- to conduct a periodic review of progress on current statistical work and work planned and on-going;

- to record and endorse the list of statistical-type work to be entrusted by the Commission to outside bodies;

- to put forward proposals, for statistical work, on the human and budget resources to be allocated throughout the Commission;

- to ensure that there is coherence between the development of statistical work and that of the data systems operating in the Commission;

- to express an opinion on the development of the European statistical system in the context of preparing and following through statistical programmes (this opinion will be taken into account by the Statistical Programme Committee and the Committee on Monetary and Financial Statistics, concurrently with the opinions of the European Advisory Committee on Statistical Information in the Economic and Social Spheres, as part of the process of statistical programming);

- to keep the DGs informed on all existing work, notably through the monitoring work done by the statistical user groups.

Experience teaches us that a committee of this kind must involve top-level personnel if it is to work well. Otherwise, discussion centres on too many private, specific interests or problems of limited scope. To ensure that a true ranking of project priorities can be established, the Commission has agreed that CDIS will always meet at Deputy Director-General or Director level; no stand-ins will be allowed.

The representative of each DG must speak for the whole of that

DG so that he can subsequently uphold any undertakings given.

### A building with two floors

Because all the Commission's DGs or departments wanted to be involved in CDIS this caused a difficulty: how could a group of 35 or so people sitting round the same table agree on priorities? A 'two-storey' formula was devised. At ground level, there would be sectoral subcommittees focusing on the various Commission policies. An initial dialogue within these subcommittees would determine the priorities for each sector. Each subcommittee would be chaired by one of the DGs, and these chairmen would be called up to the 'first floor' to take part in the work of the full committee comprising the horizontal departments of the Commission. CDIS would thus be structured as follows:

- President:
  - the Director-General of Eurostat
- Members:
  - representative of the Secretariat-General
  - representative of the Directorate-General for Personnel and Administration
  - representative of the Directorate-General for Budgets
  - the subcommittee chairmen
- The subcommittees are as follows:
  - single market, industry and research
  - specific policies
  - economic and monetary union, finance
  - social policy, structural measures
  - external relations, customs union
  - information, data systems and public relations.

Statistical user groups have already been operating satisfactorily in some areas. They are a forum for discussion and mutual information and, on a day-to-day basis, have instigated specific measures or sought solutions to current problems (access to databases, short-term needs, etc.).

These groups will remain. They are able to manage short-term problems efficiently and so, working through the organization and hierarchy of each of the DGs, they will also doubtless begin to identify and define the requirements of these DGs under the new structure too.

Early meetings of the new Committee will look at the expediency of keeping user groups and whether or not these may need to change or have their duties transferred to the CDIS subcommittees.

## THE IMPORTANCE OF PLANNING!

'A full Committee meeting will need to be held two to three months before every conference of the Directors-General of the NSIs. Each year the February-March Committee meeting will carry out a review of the previous year and finalize the programme for the current year. The September-October meeting will focus more on preparing work for the next year.

As regards operation of the new instrument for debate being set up, the Directorates-General will have to bear in mind that matters not discussed in CDIS will not be considered thereafter, and everyone will have to organize themselves accordingly.<sup>5</sup>

<sup>1</sup> Directors-General of the National Statistical Institutes.

<sup>2</sup> Statistical Programme Committee: Council Decision of 19 June 1989: (89/382/EEC – OJ L 181, 28.6.1989, p. 48).

<sup>3</sup> European Advisory Committee on Statistical Information in the Economic and Social Spheres.

<sup>4</sup> The other committees involved in Eurostat's programming apparatus are:  
– the European Advisory Committee on Statistical Information in the Economic and Social Spheres: COM(90) 324 final; OJ C 208, 21.8.1990, pp. 9-11;  
– the Committee on Monetary and Financial Statistics: COM(90) 355 final; OJ C 212, 25.8.1990, pp. 5-6;  
– Statistical Programme Committee, see footnote 2.

<sup>5</sup> Interview with Mr Alain Chantraine on 15 January 1992.

# METHODOLOGY AND NATIONAL ACCOUNTS

Interview with Mr Brian Newson

**Work on revising the United Nations system of national accounts (SNA) reached its final phase in 1991. At the same time Eurostat is updating its European system of integrated economic accounts (ESA). The methodologists are at the forefront of all this. In all areas, of course, but particularly in the area of national accounts.**

*Brian Newson trained in economics and mathematics and worked first in the British statistical service before joining Eurostat in 1973, when the United Kingdom became a member of the EC. He worked in a number of sectors but has for the past 14 years has devoted himself to national accounts. He is now in charge of the unit for Statistical and Accounting Coordination and National Accounts Methodology, and represents Eurostat at all international meetings concerned with this field. He has been involved in all the important decision-making. Eurostat has occupied a key position in this area for over 25 years.*

## A MAJOR INTERNATIONAL RECONCILIATION

The process of revising the SNA has already been widely documented. Eurostat participated in a series of eight expert groups who have met up to four times a year since 1985. More than 500 conclusions had been adopted by the end of 1990. The new 'Blue book' is just around the corner.

### Revision of the SNA and ESA

'This huge undertaking is guided by an intersecretariat group comprising the UN Statistical Office, the OECD Secretariat, Eurostat, the IMF and the World Bank. These five bodies are piloting, funding and organizing this revision of the system of national accounts. Drafting of the final conclusions, at a rate of roughly one chapter a month, began in mid-1991. It will be the new world SNA.

We have begun work, in parallel but slightly behind in time, on the new ESA, which will be coherent and more detailed'.

### A team effort

'A sharp increase in Eurostat's workload, but no new resources to match it – we have coped with this difficulty in a number of ways. By setting up a task force we have been able to draw on assistance from a number of countries. At the moment, for example, a Dutch colleague and a Norwegian are working with us on the "new ESA".

Successful completion of such ventures requires considerable resources, especially in terms of qualified personnel. Such staff are rare and are not trained in a day. This is typically an area in which Eurostat cannot operate on its own: it has to involve methodologists from the Member States. We are developing a variety of forms of partnership with them. And the

USA/Canada protocol also opens up direct bilateral cooperation for us in this field.

We are by no means working alone: our methodologies are closely linked to those of the international bodies: the IMF of course, but many others too such as WHO, the International Labour Organization, FAO, the World Travel Organization, etc.'

### Continuity in the midst of change

Even at the end of this type of revision process, the various groups have often concluded, after lengthy discussions, that the solution advocated by the old system was not all that bad: they have often confirmed the old solution rather than inventing something new.

'Granted, the economy on which national accounts are based is constantly evolving, but it isn't rebuilt from scratch every 20 years! In statistics we must not seek systematically to replace everything, especially things which are working well. Of course, we must try to reflect new phenomena, or try to clarify certain issues. But for us, what counts is trying to reconcile families: we are trying essentially to improve the consistency of the methods used by the Community members and by other countries, to combine world and Community methodologies.'

### Country-specific differences

'The importance of the changes entailed is relative and varies from one country to the next. Certain phenomena are very important in some parts of the world, and less so in others. For example, the problem of the comparability of data on market and non-market services. Take the United Kingdom for example: given that health services there are organized on a non-market basis, we have great difficulty in comparing data, because the methods of assessment are different and the

corresponding values are to be found in different places in the system.

Thus the changes which have been decided on will try to integrate the market and non-market better.

Another example, that of assets which are financed by leasing (plant, equipment, etc.): in many countries under the old rules, these were shown in the banking sector, though it has nothing at all to do with the 'production' of banks. All such assets will in future be attributed to their users.'

#### *For further information*

Clearly it is not possible to list here all the changes which will occur. An overview is given in an article in *Review of income and wealth*,<sup>1</sup> a full list will be appended to the final version of the 'Blue book'. Interested persons will be able to apply in due course to Eurostat (Unit B2) for additional information on this subject.

#### **What we have not done**

'As we said just now, in some cases the experts preferred, after mature reflection, to stay with the solutions of the past. National accounts mainly cover market operations. Exceptions are made, however, where for reasons of comparability in time and space it is necessary to value certain things which clearly replace market activities, though they are not actually sold. For example:

#### *"Extra-market" work*

A classic case is that of the owner-occupier. We regard him as producing a housing service which he consumes himself. This allows a certain comparability between situations, but on the basis of a fiction.

Another major item which we do not take into account is house-work. Ought we to? The question and its implications were considered at length, and the answer for the moment is no. Trying to introduce the production of these services into an integrated system implies consumption of those services and moreover a form of implicit income. The result would be a marked decrease in usefulness of national economic data for conventional macroeconomic analysis. Knowing that this "extra-market" sector can in some countries account for 30 to 50% of GDP, if

you add in all those factors you will have to "rethink" a lot of classic analyses. Also, the macro-economic, monetary, fiscal or other instruments which governments use to direct the economy mainly affect the market sector.

The experts thus concluded that in the central framework of the system it would be a mistake to introduce this kind of thing. Obviously, however, it is extremely important to value this "home production". We are aware of the scale of the differences between countries: take the differences in the percentages of participation of women in the labour market. The likely rise in this rate in countries where it is currently very low is certain to have an impact on the rate of increase of GDP.'

#### *The environment*

'National accounts add together values, all of which represent a production. Logically, all "negative production" ought to be deducted – waste needing reprocessing, and all manner of harmful things generally. This idea is advanced very strongly by the ecologists.

National accountants think this is not the right way to view the question, for two reasons at least:

#### (1) How to define "the negatives"?

Whilst GDP is a good measure of production, it does not measure well-being, even if it is often considered as doing so. It actually measures only one aspect of well-being (an aspect which is not all that difficult to evaluate after all: consumption, use of goods and services to satisfy human needs), but well-being is the result of many other things in addition to the purely material.

- In large capital cities, the fact that several hours a day have to be spent getting to work in ever-worsening conditions of stress and pollution does not really help our well-being, but it does increase GDP: transport has to be paid for.
- Another example is defence, the police. In an ideal world we would need neither. We produce both, because we think it is useful to do so; GDP is increased by that and possibly, in this case, well-being too (greater security, international stability, etc.).

How, since there are many situations in which the borderline be-

tween the good and the bad is even more blurred, are we to distinguish between "good" and "bad" effects?

This is one of the prime reasons why national accountants are still reluctant to accept the idea of some environmentalists that we should calculate a "green" GDP from which all environmental degradation has been deducted.

#### (2) What is the economic justification? What value?

National accountants measure what shows up in the economy in monetary, that is to say price, terms and not just in terms of quantity. If polluters had to pay for the pollution they cause, the selling price of their products would clearly be different. And the cost of protecting the environment is such that this would completely change the price vector in the economy being considered.

The debate is wide open. We need to model, to look at "what if" scenarios. It is too naïve to think that all we have to do is estimate the negative impact on the environment and deduct that from "positive GDP" in order to get the right picture. So far the environmental experts, the economists and the national accountants have not managed to agree on the right solution. So for the moment we have decided, in revising the world system, to leave the environment alone! The problem is a serious one, but there are no answers at present.

The system we are devising today has to hold good for the next 20 years, and so it would be wrong to introduce into it today's thinking which will probably be very different five or ten years hence. The current system of national accounts has worked, and worked well, for decades. We must keep it: we can introduce only reliable data into it. And whether we like it or not, the environment is an area in which we do not as yet have reliable data. That is regrettable but realistic. To deal with this matter we have suggested the development of "satellite accounts". Environmental statistics will be dealt with separately in these. Methodologies will, as far as possible, be linked to those used for the national accounts, so that in time it may be possible to establish bridges between the two. Once environmental data are available and

well developed, the aggregates and concepts in the national accounts can then be modified. But it will take several years of parallel operation to test these concepts.'

### Better integration of related systems

So, whilst we should not overestimate the importance of the changes which will feature in the 'Blue book', and whilst the central structure remains unchanged, many developments and new elements will nonetheless be taken into consideration. Furthermore, at the same time as integrating world and Community methodologies, we want better integration of a number of connected or related methodologies, again at world level: a lot of effort has gone into trying to align national accounting methods with other things – balance of payments, industrial statistics, classifications, etc. All this work is thus part of an international reconciliation (in the accounting sense, of course).

### GRAVITATIONAL FORCE

'With 12 countries (out of the 24 OECD members), plus EFTA, plus the countries of Central and Eastern Europe which as European countries are understandably very interested in what we are doing – we are becoming very much more attractive to the rest of the world. We have methodologies which are an application of the international methodologies but are at the same time more precise, sometimes more detailed in terms of classification, and with explanations, "meta-data", which correspond to our own economic, political and social system.

Whereas the world methodologies are obliged to cater for sharply contrasting and sometimes extreme situations covering the developing countries, Africa, China, India, etc., and must of necessity be a little looser on certain questions, we for our part try to be more precise. This makes the European methodology interesting to countries such as the USA, Canada or Japan, whose structures are similar to our own. We shall thus endeavour, using the technical resources at our command, to develop methodologies which are an application of the world metho-

dology for the industrialized countries and, perhaps, for the newly-industrialized countries.'

### THE IMPACT OF THE NEW TECHNOLOGIES?

Will the national accountants' job be made easier by the new technologies, which, thanks to world electronic communications, will make for faster real-time number-crunching in all areas?

#### Things will just be faster in the immediate future

'They will not have much impact on us in the immediate future', says Brian Newson. 'National accounts are very different from a lot of basic statistics. They are compiled in part "top-down"; in basic statistics the procedure is survey, collection, adding up the figures and extraction of the result. National accountants start from a set of concepts which are economic concepts embodied in the systems of national accounts, and they set out to evaluate these. They are always having to extrapolate or modify the basic data. Whilst the new technologies can help to make basic statistics more reliable, the quality of the final figure will depend on the quality of the basic statistics and the way they are handled: this, for national accountants, is the most important part of their work. So the collection of basic statistics will be faster, but for us it will not make much difference in the immediate future.'

#### Unequal use

'Moreover, the use made of these technologies is very unequal at present. The automobile sector, for example, uses EDI (electronic data interchange) at a level of product detail and identification far beyond what the statistician needs. At the other extreme, the year-end balance sheets drawn up by companies for their shareholders often have too few aggregates. The new technologies are of little help to us in either of these two scenarios.

Between these two extremes, however, are areas in which they will help us, and help us a great deal. Balance of payments statistics are one example.'

### A total revamp of the European accounting system?

'Given that our figures depend on the data which companies supply we can expect to get them faster and more reliably *if* the type of concept we want is already a part of these companies' accounting systems. Some countries are already well advanced in the use of a standard format of accounts, whilst others just don't want to know. If a format of accounts used by all companies would contain everything, or nearly everything the statisticians want, the benefit to us would be enormous, and so would the time-saving to companies (no more statistical questionnaires to fill in, etc.).

For the Commission, the initial objective of moves towards standardized company accounts was to make it possible to assess the financial health, dynamism and overall attractiveness of companies to the potential investors who would become interested as capital movements were freed up. This objective engendered a form of embryo European accounting format some 10 or so years ago. The statisticians want to contribute their "input", so that everyone, especially software designers and suppliers and accounts departments, will remember at the appropriate time to introduce the parameters which will enable straight accounting data to be transposed into statistical data; we may then actually redefine certain statistical needs in the light of what becomes available. Eurostat is doing a fair amount in this search for convergence.

But the risk, as I see it, is that this whole exercise may, at company level, lead to standardization of the form of the message, without this improvement percolating through to the intermediate, semi-aggregate level, where current concepts are still very different. Of the Twelve, only three countries already have a centralized data base of company accounts which can be accessed by expert systems. It seems to me to be wishful thinking at this stage to hope for immediate, computerized international comparability of company data in the near future. But I'd be glad to be proved wrong!

## NEW IMPETUS FOR MACRO-ECONOMICS

What should European statistics concentrate on in national accounts in the next two to three years?

### Vital for the management of economic and monetary union (EMU)

Brian Newson notes first of all that fresh attention will be given to macroeconomic considerations in building the Community as it moves towards EMU. 'For years the Community has, after all, taken the microeconomic approach: standardizing this and that. Today, EMU will only be possible if there is convergence of our economies, and that is measured by macroeconomic aggregates: inflation, budget deficit, balance of payments, growth of GDP, unemployment, etc. All these concepts are very closely linked, directly or indirectly, to the aggregates of national accounts. Clearly in the next three years our job will be to improve the comparability of those figures.

As for economic statistics, our prime objective will be to review the pertinence of the indicators which will form the basis of new policies, particularly those required to be compatible amongst themselves and compatible with the single monetary policy which will be developed once the European central bank comes into being. There will be numerous statistical developments in the areas of prices, national accounts, industry, services, external trade, employment, the regions, and statistical infrastructure generally.'

### Towards greater 'additivity' of Community data

'The need for data comparability between Member States will increasingly change into a need for "additivity", so that the Community total can be determined for any subject and any sector. That implies a degree of consolidation of operations amongst countries: we shall have to work in our national accounts in such a way that the whole of the Community is perceived as being just one country! "Additivity" is a stronger constraint need than comparability.

Whatever the future architecture of Europe – federal or other – I

think we clearly need to emphasize this concept. Tonnes of cement can be added together easily; it is nowhere near as easy to add money supply.

People talk about the disappearance of statistics on intraCommunity trade and their replacement by a new system; much less is said about cross-border capital operations which, precisely as capital movements increase, will become less easy to measure.

There is thus a danger, in national accounts too, that we may lose certain sources just when we need them most!<sup>2</sup>

Methodologists must have taken that into account.

<sup>1</sup> 'Major changes proposed for the next SNA: an overview', by Anne Harrison, in *Review of income and wealth*, Series 36, No 4, December 1990.

<sup>2</sup> Interview with Mr Brian Newson on 9 December 1991.

# M ISSIONS, VISITS AND MEETINGS

## ■ Eurostat–EFTA

The sixth meeting of Eurostat's Management Committee and the Directors-General of the NSIs in the EFTA countries took place on 4 December 1991 in Luxembourg. It provided an opportunity to review existing cooperation and to prepare for the EC-EFTA DGINS meeting<sup>1</sup> scheduled for the following day (see report below).

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## ■ EC-EFTA DGINS meeting

This meeting, the fifth of its kind and attended by Mr Johanson, deputy Secretary-General of EFTA, served to sum up the negotiations on the European Economic Area. All present at the meeting welcomed the climate of cooperation established between the EC and EFTA in the statistical domain. The meeting also provided an opportunity to discuss the initial outlines of the EC statistical programme, as well as the EFTA countries' views as regards the preparation of a statistical programme for the EEA.

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## ■ Statistical Programme Committee (SPC)

Eurostat's initial outlines for the 1993-97 programme were examined and approved by the SPC on 5 December 1991. A number of proposals for legal acts and programmes had been submitted, and were either approved – as was the case for certain decisions and the TES programme<sup>2</sup> – or referred back to the working party concerned prior to their submission to the Council by the SPC via the written procedure (as was the case for various Regulations proposed, in particular those concerning statistical registers and statistical units). The SPC also requested Eurostat to prepare for the May meeting a document outlining principles and programming as regards legal acts in the field of statistics.

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## ■ DGINS conference

The DGINS Conference, which followed the SPC meeting, gave the Directors-General the opportunity to discuss the following three subjects proposed by Eurostat:

- (i) the coordination of national positions within international bodies;
- (ii) utilization of the 'Services' manual;
- (iii) statistics on earnings.

In addition, Mr Vilares presented the development plan for Portuguese statistics financed by the Preder, and Sir Jack Hibbert informed the DGINS of the reorganization of the United Kingdom's Government Statistical Service.

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## ■ Statistics on earnings

The working party on wage statistics met on 19 and 20 November 1991. The agenda included the following two items:

- (i) procedures to be applied in the 1992 survey on labour costs;
- (ii) the future of Community statistics on earnings.

The interest generated by this meeting was reflected in the presence of representatives from Czechoslovakia, the OECD, the ILO, Unice and the European Trade Union Confederation, in addition to the participation of the twelve Member States and the six EFTA countries. Discussion centred on the proposal, contained in the summary of the experts' reports, for a system comprising:

- (a) a quarterly European index of labour costs;
- (b) incorporation of the survey of labour costs in the annual surveys on the structure of industry;
- (c) improvements to the surveys on the structure of earnings;
- (d) annual compilation of statistics on earnings;
- (e) data on earnings obtained from the surveys on households.

These proposals were discussed over one and a half days. Of particular note was a special paper on working conditions presented by Mr G. Stelluto, Deputy Commissioner for Statistics at the Bureau of Labour Statistics (BLS), USA.

On the whole, the project was well received and the following proposals were accepted:

- (a) A pilot project on a European index of labour costs was to be conducted in several, as yet unspecified countries and sectors. A task force consisting of seven Member States, together with Sweden and Czechoslovakia, was to meet during 1992 to draw up the feasibility study. The Bureau of Labour Statistics offered to assist the task force in its work.
- (b) Although the technical and organizational aspects of rationalizing the surveys on labour costs required further thought, the principle of broad consistency between these surveys and the surveys on industry and services was accepted;
- (c) The surveys on the structure on earnings were to be updated. Smaller samples were to be used and results published more rapidly;
- (d) The harmonized statistics on earnings were to be maintained and improved;
- e) The emphasis was to be placed on universally necessary information rather than data collected within a specific context; the NSIs were to choose their own working methods, provided the information obtained was genuinely comparable at Community level.

With similar results, the 76th DGINS Conference discussed a document on the harmonization of statistical systems for earnings. The conference was satisfied with the work carried out by Eurostat in this increasingly important domain.

<sup>1</sup> Directors-General of the National Statistical Institutes.

<sup>2</sup> Training of European statisticians.

# HUMAN RESOURCES IN EUROPE AT THE DAWN OF THE 21st CENTURY

Lessons from an international conference

Interview with Mr Fernando de Esteban Alonso



This international conference was held in Luxembourg from 27 to 29 November 1991. It was organized at the initiative of Eurostat and took place under the auspices of the Government of the Grand Duchy of Luxembourg, the European Parliament and the Commission of the European Communities and it was unanimously agreed to be a success. Some interesting lessons can be learned from it. It offered an opportunity to trace the history of a major venture which has, for several years now, had a great deal of energy and resources invested in it, and the investment is already paying off. In the light of its success a number of further measures can also be envisaged.

*Fernando de Esteban Alonso trained at the University of Madrid where he studied for a doctorate in economics and business studies, and later in Paris where he obtained a diploma in transport studies (Astef). He is currently Director for Social and Regional Statistics, having previously held a wide variety of positions, one of them with Spanish railways (Renfe) of which he became a director. He held a number of academic appointments and was responsible for the affairs of a number of commercial companies and government bodies.*

*Throughout his professional life he has contributed to a wide variety of publications and international conferences on transport, regional planning, corporate management and statistical management. He holds a number of honorary titles and awards.*

## THE BACKGROUND

**When did the idea of this conference first arise? Where and how?**

'In May 1989 at a weekly meeting with our heads of unit, all of whom were concerned at the great population movements going on at the time, we wondered about the impact of the huge number of people starting to move west from what used to be East Germany (70 000 a week at that time). In the discussion which ensued we looked at a number of scenarios which might arise in Europe in the years to come:

- One of them was an East German exodus on so massive a scale that this might lead to reunification of the two Germanys, or something else, hard to imagine at the time, namely that the Berlin Wall might come down; this idea was received with scepticism and indeed scorn.
- Another scenario was the possible impact on Europe's economic and social policies of any worsening of the situation in the Middle East.
- A third scenario was future difficulties in the field of health: what if the alarming progression of certain diseases, Aids in particular, were to continue growing exponentially in the years to come?

These three hypotheses prompted us to think about the possible implications, in terms of migration, of new increases in the population of Europe; we also tried to ascertain how this population might satisfy the requirements of public and private bodies in terms of training and qualifications.'



Commission president Jacques Delors during his closing address

## A MULTIDISCIPLINARY APPROACH

'The fall of the Berlin Wall at the end of 1989 encouraged us to continue our deliberations, and in January 1990 we convened a first group of people representing different areas of interest. We wanted the conference, right from the start, to be a multidisciplinary gathering. The Commission's Forward Studies Unit, and Mr Jérôme Vignon in particular, helped us a lot.

In January 1990, then, we held a first brainstorming session of specialists from a wide variety of backgrounds: academics, demographic and statistical researchers, company chairmen, political pundits, consumer spokesmen, etc. This group activity proved very fertile, and enabled us to identify the main topics we would be discussing.'

### An efficient organizing committee

'An organizing committee began work in April 1990 and met nearly every month thereafter. This included representatives of the Task Force for Human Resources, DG IX, and the Commission's Forward Studies Unit. Within Eurostat, very close collaboration began between the Directorate for social and regional statistics and the Unit for public relations, dissemination and statistical digests.

The pooling of ideas by these two focuses was particularly helpful in the project.'

### Great interest on the part of our authorities

'Great interest was shown in our work by Mr Gaston Schaber, President of CEPS (Centre for population, poverty and social and economic policy, Grand Duchy of Luxembourg) whom we had contacted. Through him we obtained the support of his Prime Minister, Mr Jacques Santer, to whom we doubtless owe the Luxembourg Government's generous provision of 50% of the costs of organizing the conference. The President of the European Parliament also assisted us throughout our preparatory work.'

### Sizeable resources

'Sizeable resources, both financial and human, had to be assembled and coordinated. We were particularly grateful for the help given by CEPS, a body which is scientific in vocation but also provides considerable assistance to the Government. Thanks to all these contributions together, we are now able to complete and present to you today results which are very largely positive, both financially and in terms of the objectives attained.

Of course Eurostat had already held a large number of other conferences and seminars in the past; but these were usually more secto-

ral in nature and more restricted. Here, we were meeting a twofold challenge:

- (i) in opting for a multidisciplinary conference, we were addressing partners with whom we were not regularly in touch: sociologists, researchers, applied economists, businessmen and industrialists, trade unionists). We had to make sure we did not disappoint them; we had to give them the chance of being heard in a coherent context;
- (ii) addressing an audience of 500 on so difficult a subject was something of a gamble; thanks to the professionalism of all those involved it came off.<sup>4</sup>

## THE LESSONS TO BE DRAWN

Mr de Esteban outlined all the benefits which a multidisciplinary approach can bring to Eurostat and its users when projects of this kind are carried out. One cannot ignore related work being done by bodies other than Eurostat. 'This work may, ultimately, have a considerable influence on our own results or be helpful to our own endeavours; we need to make statistics more familiar, more accessible to the world in which they operate: that is one major thing I have learned from our conference.'<sup>4</sup>

Secondly – and this lesson is closely allied to the first one – 'Events such as this enable us to break through the barrier which all too often exists between theory and practice. Statistics are used as an instrument of government administration, answering precise questions or meeting specific needs, and they must seize every opportunity of proving their usefulness: let us show that we perform statistical work so that it can be of use in policy-making by the Community, by individual countries and by companies. We should try more and more to build bridges of this kind between theory and practice, not just for purposes of population studies and vocational training, but in many other areas too. A conference which Eurostat organized two months before this one dealt with the statistical aspects of monetary and financial instruments in ecus and came to the same conclusion: the bringing together of statisticians and lead-

ing market operatives taught the latter a lot of things they didn't know about us before, in this instance too.<sup>4</sup>

And sufficient time must be allowed in which to meet this challenge. A lot of people have to be made aware, in political, scientific or media circles. 'They have successfully played the part of "transmission belts" as we asked them to. Many people have discovered Eurostat and the fact – frequently unappreciated – that it is part of the Commission.'<sup>4</sup>

'For us,' says Mr de Esteban in conclusion, 'this is most encouraging. We now have a better understanding of what several hundred participants, from countless areas of professional life and more than 52 countries<sup>3</sup>, want from us. We shall do all we can to ensure that this "forum" which President Delors is graciously asking us to set up, will be operational within the next few months.'<sup>4 5</sup>

## MOST ENCOURAGING

At the end of the conference President Delors gave an address<sup>1</sup> which embodied many messages and a great hope. These laid great emphasis on the need to cooperate with countries in the Third World.

President Delors was particularly keen that there should in future be constructive and regular dialogue on the subject of Europe's human resources, a fast-developing area of interest, and he instructed Eurostat to set up a 'European forum for population studies', to examine in depth the subjects debated at the conference and monitor their future development<sup>2</sup>.

<sup>1</sup> The full text of President Delors' address may be obtained by writing to Eurostat, Bâtiment Jean Monnet, Bureau C3/079, L-2920 Luxembourg.

<sup>2</sup> This initiative is in line with the new protocol on social policy signed in Maastricht, Article 117 of which sets out the Community's objectives: promotion of jobs, improved living and working conditions, social protection, social dialogue and development of human resources with a view to full employment and the combating of exclusions. Article 122 requires the Commission to prepare an annual report on progress towards the objectives of Article 117, including the demographic situation in the Community.

<sup>3</sup> The full attendance list may be obtained by writing to Eurostat, Bâtiment Jean Monnet, Bureau C3/082, L-2920 Luxembourg.

<sup>4</sup> Interview with Mr Fernando de Esteban on 19 December 1991.

<sup>5</sup> The Conference Proceedings will be available shortly. Details will be given in a forthcoming issue of *Sigma* (May/June), specially devoted to the 'social dimension' of building the European statistical system.

# S

## YSTEM OF NOMENCLATURE EXCHANGE

Requirements, initiatives, projects, applications  
 Luxembourg meeting of 20 December 1991  
 Interview with Mr Adrien Lhomme

**The purpose of this meeting, organized under the Community's CaddiaA programme designed to develop telematic communication between the European administrations, was to take the first steps towards a huge international cooperative venture aimed at developing a system of nomenclature exchange.**

**Feasibility studies will be done on the provision to all partners in Caddia telematic projects of classification servers so that the classifications used in statistical applications can be exchanged. The outcome of this meeting will decide the lines along which work should begin and the areas of study to be targeted.**

*After graduating from Liège in economics Adrien Lhomme taught for a time and then worked as a systems engineer for the Bull group (SBMB, Brussels). In the early 1960s he was responsible for overseeing the installation there of one of the most powerful computers of the time, the Gamma 60 of which there were 30 in the world.*

*He joined the Commission in 1967 and headed the analysis and programming department. He currently heads the Classifications unit of the Directorate for economic statistics and national accounts, prices, and coordination relating to the single market.*

*He is also the author of a chapter on service classifications in Strategic Trends in Services, Harper and Row (publishers), New York, 1989.*

### A KEY ROLE

'Statistical classifications play a key role in streamlining and improving statistical work. Use of classifications in the principal stages of statistical work (collection, processing, dissemination) is a vital factor in the comparability and quality of the findings, in co-operation amongst statistical organizations and in the relating of statistical information systems to each other.

The efforts and resources invested in creating, revising and harmonizing classifications can only be used to their fullest extent if the bodies involved in the process have sophisticated electronic tools with which to coordinate their work. These tools must make it possible for them to exchange classifications, contacts, explanatory notes and legal documentation.

Moreover, this work on classification increasingly stimulates demand from administrations or economic operators for information about classifications (e.g. documentary research), so that they can themselves create secondary classifications, or simply obtain copies.<sup>1</sup>

### Essential improvements

The lack of a sufficiently sophisticated level of harmonization and standardization amongst classifications means that economies become compartmentalized. Meaningful negotiations cannot be conducted without reliable figures, or a good definition of what they contain. 'The enthusiasm with which the new classification of industrial activities (NACE Rev1)<sup>2</sup> has been received shows how much broad-ranging statistical operations need well-defined classifications.'<sup>3</sup>

### Change

'We have done a lot of technical work on definition, and we have tried for a world perspective, involving statisticians, business and industry (through its representatives and associations), Commission departments, and so on. Our Community classification has been devised by involving as many "interested parties" as possible and by aiming for the widest possible geographical coverage.

Working very closely with the United Nations, to which we have lent our technical and financial support through a number of world agencies, we are helping as far as possible in the devising of a world system of mutually compatible classifications with which our work dovetails perfectly. In an economy which is increasingly viewed in world terms this is doubtless the best way of working: we must do our own specific work but liaise on it with others who are also specialists, in a framework which is as broad as possible and harmonized.

Another explanation for the success of our classifications is our legal instruments (regulations, directives, etc.). Thanks to these we are able within a very short space of time to get all of Europe speaking the same language. The Americans envy us such instruments which would enable them to impose the same classification on all their states.

We believe we have made great progress compared with the classifications of the past 20 years. But new challenges await us.<sup>3</sup>

### NEW CHALLENGES

Connections now exist between the classifications of the United Nations, the Community, OECD and the Member States. Classification specialists will have to keep these links carefully coordinated in

future: as soon as there is a change, in anyone's classification, everyone else will have to be told.

### A common management system

These classifications can only be managed efficiently by a common system. Otherwise the system, which has taken so much time and effort to devise, is likely to fall apart.

Ideas which the brainstorming session of 20 December will no doubt help to develop are as follows:

#### *The ideal time?*

Some statistics depend directly on others which are not compiled at the same time. For example, an input-output table, compiled every five years. At what point in these five years is the new classification to be introduced? If it is not at the end of a period, certain statistical sources will still be based on the old NACE whilst others will already be based on the new NACE. So we need to think about ideal switch-over times.

#### *Parallel operation?*

The same applies to basic data. At a given moment there may be elements from the old system mixed in with others from the new system. Will the Member States be able to use the two systems in parallel long enough for all files, lists, etc., to be converted into the new classification?

#### *Borderline cases*

Although often a simple computer code will be enough to switch part of an old coding system into the new one, what about all the borderline cases which will need to be decided by human intervention?

#### *Variable speeds?*

Will each country in Europe be completing this transformation at the same speed? Will Eurostat have to wait for the 'weakest link' before it can pull the whole thing together?

'I believe in the future of expert systems, keywords; all these aids will be valuable to us but incidental to organizational systems. We have to interest the USA, Canada, Japan, the United Nations, OECD, ILO in these. All of them, connected to the same organizational

system, must inform each other via a central point of everything they initiate or modify.'<sup>3</sup>

Quite apart from the question of compiling and maintaining classifications, the immediate concern of the user is very clear: he wants to move as quickly as possible from the old system to the new. Since everyone is aware of the future difficulties to be overcome, everyone will have to shoulder his responsibilities at the same time.

### Storing the new case-law

'In the past, for example, a French company could apply to a regional authority for information about the classification. Each regional authority had to check, from a central point, whether the same enquiry had been received and dealt with previously by another regional authority, in order to ensure that the replies given were consistent throughout the whole of France. A new central point is now being created at Community level in order to ensure uniform treatment throughout the whole of Europe. A question must receive the same answer anywhere in the Community. We shall thus have to manage replies in space but also in time, and set up a system of "case-law".'<sup>3</sup>

Hence the need to create a system of information, training and education in classifications, with enough computer memory to store the whole of this 'case-law' so that things remain consistent.

#### *A classification server*

Hence too the idea of developing a 'classification server': an electronic computer network which will receive and redistribute information, if possible using standard messages (EDI)<sup>4</sup> from economic operators in the different countries. All this is possible.

### Encouraging classification specialists

Eurostat will not, with its current resources, be able to manage the whole of the forthcoming change. 'I think', says Adrien Lhomme, 'that the Commission ought to encourage specialization in classifications within the NSIs. We should decentralize, if only for reasons of language'.

### *Decentralization is vital*

'A Greek firm will put a question to its government in Greek; the Greek official will not necessarily know English, German or French. And we cannot have an official here for every Community language. So the only solution is to strengthen the NSIs, to help them recruit classification specialists of their own. We would train them here for two or three years. They would come back at regular intervals to keep in touch, so that the answers they gave, at any time, back in their own NSIs, would always to some extent be standardized answers.'

### Putting the theory into practice

'We are justly proud of the theoretical work we have done. Its translation into practice must not be a let-down. It will require considerable resources on the ground: EFTA is adopting our classifications; Poland is choosing NACE Rev1; Hungary is about to do the same; Czechoslovakia has indicated its intentions. All of them are hoping for our help in implementing them. We have to find the resources to put into practice what we have developed in such fine detail.'

#### *Every advantage to business and industry*

'Our standardization work will mean substantial savings for business and industry. A company which collects its product information using the Community survey of industrial production (Prodcom) is sure of being able to transfer easily to the world system. Prodcom also respects the product nomenclature devised by Eurostat, the CPA<sup>5</sup>, which can be transformed into NACE Rev1, the United Nations CPC, etc. In addition to improving their own statistical work, companies will be able to improve their management systems significantly. They want to make that change.'

#### *An interesting test*

'In the global economy which is coming into being, this is beyond doubt the first application (I know of no others at present): a fairly simple one, after all, which aims to make a concept applicable on a world scale and requires a common organizational system. Success will depend on whether or not the bodies involved are able to

cooperate on the various administrative, financial or technical levels.<sup>3</sup>

## CONTINUITY

How up to date are classifications, how long can they remain valid and pertinent in a world of abrupt and rapid change, when they take 10 years to devise?

'The more aggregate headings a classification has, the less likely it is to need changes to its base: a classification with 512 headings like NACE Rev1 is unlikely to change much, whereas there will be many changes to Prodcom (5 500 headings for industry alone), though there is a high probability that changes of detail will still come under the same aggregate heading as before. In a reference classification such as NACE Rev1 the rate of change is likely to be quite low.

We have, furthermore, the means to take account of changes. For example we can at any time record any type of change in the international classifications we depend on. We are constantly making adjustments.

The future requires us to make these constant adjustments, but herein lies the organizational difficulty: if we are to create a world system, we have to manage and maintain it collectively, and put adequate resources into it. Because – and companies know this full well and are waiting impatiently for us to act – the cost of classifications which are not streamlined is currently an expensive part of the "Cost of non-Europe".<sup>3</sup>

But only when you put a burden down do you realize how heavy it was.

<sup>1</sup> A. Lhomme: memorandum of 30 October 1991, prepared for the meeting in question.

<sup>2</sup> General industrial classification of economic activities within the European Communities.

<sup>3</sup> Interview with Mr Adrien Lhomme on 15 January 1992.

<sup>4</sup> Electronic data interchange.

<sup>5</sup> Classification of products by activity.

# NEW TECHNIQUES AND TECHNOLOGIES FOR STATISTICS

Seminar held in Bonn, 24 to 26 February 1992

**New technologies have brought about major changes in both the theory and practice of official statistics in recent years. New techniques are being developed constantly, drawing on progress made in the fields of computer science, geographical information systems (GIS), expert systems and new communications possibilities.**

## OBJECTIVES

The aim of the conference is to explore the potential of these new tools and to assess their impact on statistical theory, data compilation systems, data collection procedures, the dissemination and accessing of statistical information, data quality and the architecture of statistical information systems in general.

The conference should help to identify the domains in which major progress may be expected in the years to come, as well as those in which further developments should be encouraged. It should also contribute to the launching of research programmes in the coming years.

## ORGANIZATION

The conference is organized jointly by Eurostat and the German Gesellschaft für Mathematik und Datenverarbeitung (GMD) within the context of the Doses programme (development of statistical expert systems), and will bring together not only decision-makers, researchers and official statisticians but also national and international organizations involved in statistical R&D programmes. It is also aimed at all users interested in new statistical techniques and technologies. Problems (especially the description of users' needs), recent solutions and strategic and political issues will be discussed.

The conference will comprise two days of free discussion and one day specifically geared towards decision-makers in the field (papers presented by invited speakers). There will also be an opportunity for the teams participating in the Doses project to present their results.

An exhibition will serve as a forum for publications of work in progress, last-minute contributions

and the presentation of material which cannot be circulated in the conference room.

There will also be a presentation of software, during which a number of speakers at the conference will display aspects of geographical information systems, expert systems and data distribution. Various commercial products will also be presented.

The timetabling of these demonstrations will be made known during the conference.

## FURTHER INFORMATION

Further information may be obtained from:

- within Eurostat:

Veronika Lorré  
Bâtiment Jean Monnet  
Bureau C5/98  
L-2920 Luxembourg  
Tel. (352) 4301-3988

- within the GMD:

Christine Harms, Willi Klösger  
c/o GMD, NTTS  
Postfach 13 16  
D-5205 Sankt Augustin 1  
Tel. (49) 22 41/14-24 73  
Fax (49) 22 41/14-26 18

## FOLLOW-UP

There will be a follow-up to the conference in the next edition of *Sigma*, which will be devoted specifically to new techniques and technologies in statistics.

# PROD COM

A new regulation, approved by the Council, takes effect

Interview with Mr Daniel Byk and Mr Patrice Roussel

**The Prodcum regulation<sup>1</sup> approved by the Council on 19 December last marks the end of a lengthy process. It is an excellent example of the scale of investment needed to put a new statistical structure into place.**

**This significant legal instrument was proposed in 1991: the approach of the single market acted as a spur to its completion.**

**One more brick has been added to the structure of the Community's business and industry statistics.**

*Daniel Byk trained at Ensae<sup>2</sup> and began his career at Insee<sup>3</sup> before joining the Commission in 1974. He worked on the Cronos database and was then responsible for Eurostat's cooperation sector and later for the Analyses and development unit. In 1988 he took over the Industry unit of the Directorate for business statistics.*

*Patrice Roussel works with Eurostat as a national civil servant on secondment. Also a graduate of Ensae and an official of Insee, he worked for the French statistical service in a number of regional directorates (Aquitaine, French Guiana). He was subsequently responsible for the analysis and programming service which, in France, administers the large lists of individuals and companies (Sirene). He then took over the statistical surveys subdirectorates at the ministry for industry. His interest in the Prodcum concept and its implications for Europe led him to join Eurostat in 1989 in order to take an active part in preparing the new regulation.*

## EIGHTEEN YEARS OF WORK

Product statistics are nothing new. 'My predecessors have been working hard on this for 18 years. They began by harmonizing what we already had: on the basis of what was in place in each country, they sought to identify common denominators and from those to compile a body of Community product statistics. It took nearly 15 years to define some 500 products. The countries provided at most 40 to 50% of the replies asked for, so it was impossible to calculate Community totals. A discouraging result.'<sup>4</sup>

### A new incentive

The Single Act got things moving. All of a sudden the large countries realized that they could only negotiate on comparable bases: 'I had just taken over the Industry unit', explains Daniel Byk, 'and we took the opportunity to propose the creation of a true Community system of product statistics.

At the end of 1988 a first working party set out the broad lines of how Prodcum would operate:

- it would be centred on the harmonized system of the Combined Nomenclature (no new classification would be devised; we would use the existing one);
- ongoing contacts would be maintained with industry to ensure that the Community statistics we produced were pertinent.

The objective was to complete the work in two years so that the regulation could be adopted in 1991. The legal instrument was submitted by the deadline. The list now comprises 5 500 products.'

### A sizeable investment

Since 1989 the Prodcum team has been working at full strength (two B grade officials, one national

civil servant on secondment, one C grade official, three experts, plus sectoral experts – one industry specialist in each area – plus representatives of the NSIs). There are four to five full meetings a year at very regular intervals: a team effort in which even those initially reluctant have played their full part in drawing up the methods and list of products.

The text of the regulation was submitted to the SPC<sup>5</sup> at the end of 1990, then to the Commission and then to the Council in February 1991; after two further meetings of the Coreper<sup>5</sup> working party it was finally approved by the Council in December.

'We had to sustain that pace in order that, first, the legal stages could be completed and then the practical ones. We now have to get the instrument up and running; our users need time to discover it and familiarize themselves with it. Thus, from the beginning of 1989 to 1994 (when the first figures under the new regulation are produced), no less than five years will have elapsed. Whilst Eurostat has put a lot of resources into this work, there is no doubt that it owes its success to the high degree of cooperation by the countries concerned. Not forgetting the psychological importance of our NSI colleagues knowing that the Prodcum team was under the joint command of a European official and a national statistician.'<sup>4</sup>

### Making best use of the result

The pertinence of investment in statistics is largely measured in terms of how well the results it yields are used, directly or indirectly. Prodcum has to be usable quickly: it would be no good if results came out late, if poor understanding of confidentiality made it difficult to obtain a sufficient degree of detail at Community level, or if countries failed to provide their figures on time. If the result of all this work can be used

promptly by the Commission, by companies, by economic analysts, by industrial policy-makers generally, the investment will have been altogether worthwhile.

## SYMBIOSIS WITH BUSINESS AND INDUSTRY AND THE NSIS

Implementation of the regulation ought not to cause difficulties at company level. Companies were closely involved in refining the concept, and their interests and concerns were represented at all stages of the work by the FEBI<sup>7</sup> and the NSIs. 'All of them', says Patrice Roussel, 'were sent a list of proposals, and we asked the industry federations for their comments on the products or main product groupings, on any new definitions required, new products to be included, etc. Everyone agreed on making a distinction between:

- list A: this in principle contains everything which could be shown as a coherent industrial product under the Combined Nomenclature (Combined Nomenclature Harmonized System);
- list B: prior adjustments are needed to the Combined Nomenclature before statistics on these products are made compulsory.

The results of these surveys were then discussed with the NSIs, and all the results were deemed

- pertinent by the statisticians;
- useful by the 250 to 300 industry federations which had been continuously involved in the process.'

### Quality of partners

The partners in Prodcum are unequal in terms of their capacities and resources, and everyone knows that. The result of the work will only be as good as the partners' input. As it goes on, Prodcum will certainly need improvements. Those practical improvements will be made by continuously testing out the theory. The value of the instrument, in short, is that it gives Member States the chance of using in their own systems a tool which they could not have forged themselves

individually and in one and the same way, especially since they would in many cases have lacked the necessary resources to do so.

### The best possible compromise

In theory the list represents the best possible compromise between

- the Combined Nomenclature, devised originally for customs purposes, and
- industrial statistics, devised for purposes of sectoral policy or as an aid to market analysis. Whilst Prodcum is not itself an instrument of market analysis in the marketing sense of the term, it is a tool which can be used in international trade negotiations and in more detailed market analysis.

### The acid test

The time is rapidly approaching when theory will give way to practice and the exercise is tested on the ground. Companies ought a priori to respond well, since the regulation has in a way been co-produced by their own people.

### Trouble shooting

'We are bound to have made errors', says Daniel Byk. 'But once detected they can be corrected at once. We have enough capacity to react and enough muscle to act. Any decision by the Management Committee has the same force of law as the regulation itself in terms of its incorporation into national law – it is binding. And whereas a directive has to be incorporated into national law, regulations – and the decisions deriving from them – are directly applicable. Thus, when it comes to "tuning" the Prodcum list, the Committee's decisions will be equivalent to national law – directly applicable. The system thus has considerable muscle, and the adjustments which will inevitably be needed to perfect it can be made very quickly, so that there won't be time for any bugs to foul up the system.'

### Very unequal starting points

'We must not underestimate the difficulties, due to sharply contrasting situations, which will arise at the implementation stage. Countries such as Germany, France, the UK, Denmark and probably

the Netherlands (some of which already base their product statistics on the Combined Nomenclature) will find it easy to adopt Prodcum, but the regulation will cause varying degrees of difficulty for others:

- some, such as Greece and Portugal (where a Prodcum pilot survey is already under way for textiles) will integrate the system right away thanks to an existing Community aid mechanism;
- others such as Spain (which had no production statistics), Italy and Belgium will require considerable Community help to implement Prodcum;
- Ireland, thanks to a programme already in place, is well on the way. It will also benefit from the rule whereby a country which does not produce at least 1% of the Community total for a certain category of products may be exempted from the obligation to provide figures on that product.'

### Accurate lists?

'We shouldn't forget', says Patrice Roussel, 'when we look at the possible difficulties of introducing Prodcum, that it is only one part of a system: business and industry statistics as a whole can only be good if the returning countries have accurate company lists. It is more vital than ever now that Eurostat should press for a binding regulation on lists. It would even have been better to get such a regulation approved before Prodcum. It is a good thing that the confidentiality requirement is already in place. But without company lists, we lack an essential element of the system.'

## PRODCUM IS NOT AN END IN ITSELF

Prodcum is just one part of the whole edifice of business and industry statistics. The *modus operandi* adopted by Eurostat implies a whole collection of instruments.

### *A coordinated approach*

'If we are to provide good statistical cover of business and industry, the "complete edifice" we have to construct must comprise:

- the regulation on confidentiality: this has been adopted, and it is crucial;
- a regulation on lists: this is essential to ensure top-quality national statistics as provided by harmonized or coordinated lists;
- sectoral or subject lists: Prodcom provides statistics on products and production which, together with trade movements, allow the state of the market to be assessed;
- after that must come statistics on the structures, activities and special characteristics of companies, with methodological provisions appropriate to service activities.

This approach, which must be coordinated, will require us to revise the existing legal instrument as regards:

- the annual coordinated survey of industrial structures and activities. This will generate a new legal instrument, possibly a regulation, which will be the industry section of an annual survey of companies (industries and services); it will contain common variables for all companies and specific ones (or at least a specific approach) in order to capture the whole of the industrial picture;
- the aspect of short-term trends will also have to be covered.

Company statistics are thus a busy building site. The only foundations, previously, were the annual survey of industrial enterprises and the medium-term economic indicators. In due course (1993-1994), further bricks will be added in the form of data on aspects of, or deriving from, the following ideas:

- secrecy and confidentiality;
- lists;
- products;
- annual business surveys, short-term.

Only then will the apparatus be complete and working efficiently.'

### *A different era*

'In the past we tried to formalize the pooling of results from differ-

ent systems by harmonization. Today we operate on a different and more profound basis: we are creating a system of self-sufficient statistical references which may have additional national features but have the same basis everywhere.'<sup>4</sup>

The industrial section of Prodcom forms a whole. What links should be established between external trade statistics and those on intra-Community trade?

## **PRODCOM AND EXTERNAL TRADE**

'There is no doubt that industrial production statistics could be constructed from a classification of external trade, for purposes of comparison and easier calculation of apparent consumption. No one disagreed with that. But difficulties arose when we found that companies were very ill-equipped to help construct an external trade classification, and certainly not in a position at present to develop and update one. We thus backed off a little here, and are rethinking our position on external trade in such a way as to create a Prodcom database from 1994, which will be directly comparable with Comext. Much remains to be decided in relation to future databases which will enable us to "mix" production and external trade (intra/extra) and perform all the macroeconomic calculations which cannot be obtained today. We are fairly sure that three to four years from now, Prodcom and Comext "products" will converge.'

### **Prodcom and Comext will converge**

'However, Comext will remain more specific, up to and including fiscal aspects, and will remain more detailed. Whilst the Prodcom list currently comprises 5 500 products, 4 500 of these are "identical" to external trade headings (that is: identical to an 8-digit Combined Nomenclature heading or 6-digit Harmonized System heading). In other words, for these 4 500 products it is possible, from two different systems, to obtain information on production and intra- and extra-Community trade to the same

level of detail. For the other 1 000 products, however (i.e. those on list B), divergences appear:

- either because the thinking underlying these products is different from that which underpins the external trade classifications;
- or because these products need to be reorganized (broken up, re-grouped, structured differently) in relation to the corresponding list of external trade products.

Overall, 80% of Community product statistics, if not more, are directly compatible to the same level of detail with external trade statistics; only 10 to 20% are not compatible, at the finest level of detail. To compare this with North American product statistics: for some 10 000 products listed, the ratio of compatibility between foreign trade, at the finest level of detail, and products is inverted. Only 20% of product statistics there are coherent with those of foreign trade, at the same level of detail.'<sup>4</sup>

This suggests that Europe is constructing something to be envied. 'I talked', says Daniel Byk, 'to someone responsible for assessing US Government statistics, as part of a panel which probably prompted President Bush's decision to put more resources into statistics following the lean period under the Reagan Administration. Having seen what we were doing, this colleague admitted "We ought to get our act together".'

### **Several levels of usefulness**

Prodcom will be a useful instrument within the Community, but elsewhere too.

### *Beyond the Community's needs*

Prodcom will be useful not only in helping to establish the European statistical system. It will be used in national accounting, in calculating economic indices, in sectoral studies; it will make it possible to compare production of an economic good, defined in very fine detail, against imports/exports of that same good. In international trade talks such as GATT, it will be an especially valuable instrument (see the Multifibre Arrangement on Textiles). Prodcom will help to chart industrial policy, or even to define certain sections of industrial policy. It will make it possible, even on a regional basis, to evalu-

ate the diversification of products, a product's share of the Community market in a given area, a sector's degree of modernization, rates of penetration, of exports, imports, etc. It will help measure a region's degree of industrial diversification. The applications are legion.

### *An instrument for business and industry*

Prodcom will also enable companies to assess the market in which a given product is developing. Its rate of penetration can be measured very finely. Think how useful that will be for anti-dumping studies. 'If business and industry had not been interested in Prodcom, we would not have secured the cooperation of the industry federations which was so helpful.'<sup>4</sup>

### **Reliability and familiarity**

Statistics are better when their users are familiar with the constraints of compiling or applying them. It is thus to be hoped that companies will give consistent replies to pertinent and consistently formulated questions, so that the resulting statistical information can be and can remain good. Otherwise we might as well go back to surveys.

## **PRODCOM AND INTRASTAT**

One of the principal objectives of Intrastat is to maintain an adequate body of information on intra-Community trade so that the existence of trade balances can be preserved, for each country. Business and industry for their part were very keen on this project, which will maintain a fine level of detail in our knowledge of intra-Community trade, because that knowledge is vital to any market assessment. As competition becomes fiercer within Europe, each company keeps a close eye on its figures. Later, perhaps, this preoccupation may ease off. Will Intrastat then develop in such a way that intra-Community trade movements are not monitored at all? We have not reached that point yet.

### **No duplication**

Could Prodcom not have taken over the collection of data on intra-Community trade movements?

'No', says Patrice Roussel, 'for at least two reasons:

- (i) Prodcom is concerned only with industry. It does not cover trade in those products which do not derive directly from industry, or the services. It could furnish only a partial picture of trade movements.
- (ii) the Prodcom information system is certainly less detailed, at the outset, than the proposed Intrastat system, which will use tax returns for statistical purposes.

It is quite right that the two systems should coexist at present. What about five to 10 years from now? Can one imagine a Prodcom covering trade too? We cannot say how things will go. It seems today that the idea that we should seek to evaluate external trade by collecting information from industry and companies in general does not, for the moment at least, fill the latter with any great enthusiasm.'

### **SMEs**

In some countries, SMEs with a pay-roll of less than 20 generate nearly 80% of national production! 'Despite all the evidence, we had to unleash a veritable "cultural revolution" in the most conservative countries to convince them that it made no sense to keep to the erstwhile golden rule of "20 or more employees"'. Prodcom will introduce a major change here in the structuring of company statistics – a move away from statistics based on size threshold to statistics based on requirements of quality and precision, which seeks representative results on the basis of certain criteria and only later looks at what these figures mean in terms of size category. A leap into the unknown? A crucial qualitative change, certainly. And confirmation of a policy attitude which is very favourable to SMEs.'<sup>4</sup>

## **THE 'PRODCOM SPECIFICATION'**

This regulation introduces a Community survey on industrial produc-

tion to be overseen in the Member States by a management committee and in line with the following principles:

(1) The Member States have obligations regarding the nature of the information which must be gathered in each country as a basis for Community results and the frequency with which it must be provided, but it is up to each national statistical office to decide how and how often it will collect this information, subject to the provisions laid down on the quality of results and the deadlines set.

(2) The statistics envisaged in the Prodcom regulation are annual statistics on production sold, that is to say on the quantities and values sold on the market during the year in question.

This general principle can, however, be adapted to specific situations:

### *Different intervals*

Statistics may be compiled more frequently for certain areas of industry at monthly or quarterly intervals in order to meet requirements which the Prodcom Committee deems urgent.

### *The concept of production*

Production sold is the concept closest to invoicing and this is why it is preferred. But a sizable part of production may never be sold because it is absorbed into a later stage of production within the same company, or because there is a lengthy and regular time-lag between the year in which the product is obtained and the year in which it is sold. In both these cases the Prodcom Committee may prefer to use the concepts of total production (former case) or production for sale (latter case).

(3) Prodcom statistics are defined by a list of headings based on the Community's external trade classification, the Combined Nomenclature (CN).

Each heading thus corresponds to an article of the CN or a rough aggregate of these articles.

The draft Prodcom list as it will apply to 1992 thus comprises some 5 500 headings compared with 9 500 in the CN. But some 1 000 of those headings will only have an exact CN equivalent after the CN is adapted, whilst 500 others will never be transposable

to the CN at the same level of detail because of the difference between the thinking which underlies production (market) and that which underlies external trade (taxation).

(4) The coding system used by the Prodcom list is part of the new Community system of classifications. The Prodcom code has eight digits, the first six of which are those of the Community Classification of Products by Activity (CPA).

The Prodcom list is deemed to cover all industrial activities, i.e. sections C, D and E of the Classification of Industrial Activities (NACE Rev1).

However, during the first few years of implementation (from 1993), two bodies of products will still be missing:

- (i) energy products (Divisions 10, 11, 23, 40, 41 and 45 of NACE Rev1), which are already covered in a separate set of Community statistics;
  - (ii) products of recycling (Division 37 of NACE Rev1). Preliminary studies are in progress on how these should be dealt with statistically.
- (5) Member States must forward their annual results not later than six months after the end of the reference year.

Information must be forwarded to Eurostat by the national statistical offices under the terms of Community regulation No 1588/90 which guarantees the confidential treatment of data.

<sup>1</sup> Prodcom is the name of the project which culminated on 19 December 1991 in the publication of regulation No (EEC) 3294/91 (OJ L 374 of 31 December 1991).

<sup>2</sup> Ecole nationale de la statistique et de l'administration économique, Paris.

<sup>3</sup> Institut national de la statistique et des études économiques

<sup>4</sup> Daniel Byk, 20 December 1991.

<sup>5</sup> Statistical Programme Committee.

<sup>6</sup> Permanent Representatives Committee.

<sup>7</sup> European Federation of Branches of Industry.

# SOCIAL PROTECTION EXPENDITURE AND RECEIPTS 1980-89

Current social protection expenditure and receipts in the Member States of the Community, in accordance with the European system of integrated social protection statistics (Esspros)

The data relate to the period 1980 to 1989 (1980 to 1988 for Greece and the United Kingdom).

## GENERAL PRESENTATION

The data on Member States' social protection expenditure and receipts set out in this publication have been compiled in accordance with the methodology of the European system of integrated social protection statistics (Esspros). This harmonized system is an instrument for analysing and comparing financial and related flows.<sup>1</sup>

The figures cover only current transactions, and do not therefore include either capital transactions or tax expenditure.

### Expenditure

Transfers between agencies – i.e. flows within the social protection system – are removed from expenditure, which is broken down as below.

#### Benefits

Benefits are composed of transfers to households to cover social risks entailing financial costs or losses in income. Risks are divided into functions, i.e. sickness, invalidity, occupational accidents and diseases, old age, survivors, maternity, family, placement, vocational guidance, resettlement, unemployment, housing and miscellaneous.

Benefits fall into two categories:

- (i) cash benefits, i.e. those granted irrespective of actual expenditure;
- (ii) benefits in kind, i.e. those under which the social protection institutions undertake to reimburse all or part of a household's consumption of goods and services, even where this reimbursement is made in cash.

### Administration costs

The institutions' administration costs comprise three categories of expenditure:

- (i) the compensation of employees;
- (ii) purchases of goods and services;
- (iii) taxes linked to production.

### Other current expenditure

The expenditure recorded in this category includes taxes other than those linked to production, interest paid and transactions with the 'rest of the world' sector.

## Receipts

These comprise:

### Employers' social contributions, which are divided into:

- (i) actual contributions, i.e. payments made by employers to social protection institutions;
- (ii) imputed contributions, i.e. the counterpart to social benefits paid directly by employers to their employees.

### Social contributions paid by the protected person

These are broken down by socio-professional category, i.e. employees, self-employed persons and other.

### General government contributions

These comprise the share of the general government sector (central or local government) – as public authority and not as employer – in the financing of social protection expenditure.

This heading also covers the proceeds of specifically allocated tax earmarked entirely or in part for social protection purposes.

### Other current receipts

Funds of various types, i.e. interest received, rent collected, proceeds of claims against third parties.

As far as origin is concerned, these receipts are broken down in accordance with the national accounts sectors, i.e. enterprises, general government, households, private non-profit institutions, rest of world.

## CONTENTS OF TABLES

The publication contains the following comparative tables for the period 1980 to 1989:

The first table is devoted to ratios:

- (i) current social-protection expenditure as a percentage of GDP;
- (ii) current per capita expenditure
  - in ecus;
  - in ecus at 1985 constant prices;
  - in PPS<sup>2</sup>.

The subsequent tables show the amounts of expenditure by type, benefits by function and receipts by type and sector of origin:

- (i) in ecus;
- (ii) in PPS;
- (iii) in national currency;
- (iv) in national currency at 1985 prices.

The tables also show the percentage increase in receipts and expenditure.

The data used to calculate the derived values are given at the end of the brochure: GDP, number of inhabitants, ecu value, PPS values specific to private consumption and consumer price indices (1985 = 100).

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<sup>1</sup> The Esspros methodology is very close to that of the Nordic Social-Statistical Committee and therefore allows comparisons to be made with data on the non-Community countries of northern Europe. Social protection statistics for Sweden, Norway and Finland are set out for comparison purposes in the Eurostat publication *Basic Statistics of the Community*.

Note: The 1991/4 issue of *Rapid Reports 'Population and social conditions'* published in July 1991 is based on the data presented here.

<sup>2</sup> Purchasing power standard.

<sup>3</sup> See addresses on penultimate page.

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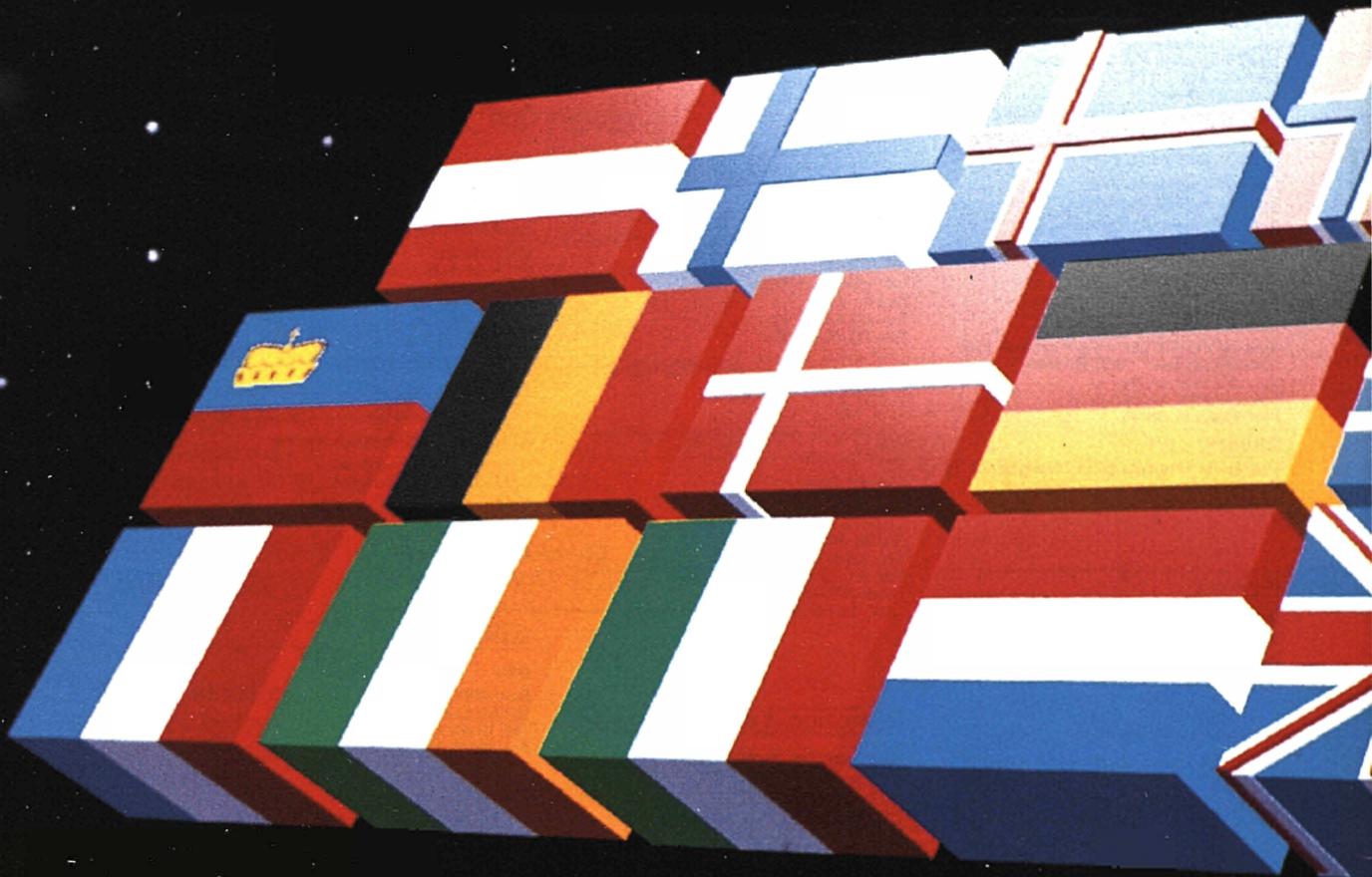
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