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STATISTICS CANADA PROGRAMS ADDRESSING GLOBALIZATION

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INTRODUCTION

1. Statistics Canada has several longstanding programs that provide information on globalization issues². The balance of payments is the macroeconomic core of these measures with specific data available for key supporting programs such as international trade in goods, international trade in services and foreign direct investment. In addition, Statistics Canada has administered the Corporations Returns Act since its inception.

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I. REVIEW OF STATISTICS CANADA PROGRAMMES

I.1 Corporations Returns Act

2. The original Corporations and Labour Unions Returns Act (CALURA) was introduced in 1962. Parliament amended the Act effective January 1999, changing it to the Corporations Returns Act (CRA) and removing the requirement for labour unions to report.

Under the CRA, Statistics Canada prepares an annual report to Parliament on the foreign ownership and control of Canadian businesses that examines financial and ownership information on corporations conducting business in Canada. This information is used to evaluate the extent and effect of non-resident control of the Canadian corporate economy. The CRA data are a primary source of information about mergers and acquisitions, foreign control of enterprises, corporate concentration and the legal structure of enterprises in Canada.

3. The ownership information collected from the returns filed by Canadian corporations under the Corporations Returns Act is publicly available by law and Statistics Canada uses the information to compile an inter-corporate ownership directory showing "which corporation owns which other corporation" in Canada. The directory tracks the ownership of the largest Canadian corporations and provides up-to-date information reflecting recent corporate takeovers and other substantial changes. Ultimate corporate control is determined through a careful study of holdings by corporations, the effects of options, insider holdings, convertible shares and interlocking directorships.

4. Finally, the data gathered under the Corporations Returns Act have been used to do further analysis on topics such as: the impact of mergers and acquisitions on corporate profits; changes in foreign control under different regulatory climates; the evolution of foreign bank subsidiaries and full-service branches in Canada; mergers and acquisitions and their relationship to foreign control; and foreign control and corporate concentration.

I.2 Foreign Direct Investment

5. Foreign direct investment has been an important source of capital for the Canadian economy for many years. In recent years Canada has also become an important supplier of foreign direct investment to other countries. Currently the net stock of assets resulting from foreign direct investment activities provides a positive contribution to Canada's net wealth, although the balance on portfolio investment continues to be negative.

6. The latest release of FDI position statistics showed outward FDI positions in around 150 countries. For direct investment coming from abroad (so-called inward FDI) the detailed statistics show investment positions from about 100 countries. Industry detail is also available. Data on FDI transactions and income are available with considerably less country detail (6 regions or countries). Confidentiality requirements constrain Statistics Canada's ability to release detailed FDI flow information, although the increased FDI activity in recent years and organizational and methodological changes within Statistics Canada may mean that additional flows detail and new indicators such as FDI statistics by country of control may be released in future.

7. In Canada, R&D expenditures are published according to whether they originate from companies under foreign or domestic control so support comparisons of the activities of the two populations.

I.3 Trade in Services

8. The increased specialization of production is leading to a greater importance for trade in services, which is relatively difficult to measure. Statistics Canada recently embarked on a three-year project to improve the data for international trade in services.

9. There are two main objectives for this project. The first aims at improving the accuracy of the annual estimates of total imports and total exports of commercial services within total trade in services. The population of Canadian businesses that are involved in international services transactions needs to be better identified, particularly with respect to small and medium sized businesses. Therefore, improved identification of the target universe is an important part of the business objective.

10. The second objective is to improve the commodity, geography and industry detail for trade in services estimates.

11. Commodity detail will be improved by collecting services commodity categories that map easily into the North American Product Classification System (NAPCS), the Central Product Classification (CPC) and the Extended Balance of Payments Service Classification (EBOPS). If it proves feasible, the number of services commodity categories collected on the annual trade in services survey will be increased. This survey currently collects international trade data for 32 services commodity categories.

12. With respect to geographical detail, a provincial breakdown of Canada's imports and exports of services by commodity will be developed on an annual basis. The project will also explore ways in which Statistics Canada's Balance of Payments program can respond to changing economic conditions and user requirements by modifying, as needed, the partner country aggregations and detail that are published. This approach aims at providing as much useful information as possible, while simultaneously respecting the need to maintain data confidentiality for individual enterprises and limiting the survey response burden.

13. In connection with the efforts to measure international trade in services more effectively, as part of its redesign of its annual program, Statistics Canada's services industries program is developing a new module that will allow for the collection of additional data on imports and exports of services in selected industries, at the same time as other services financial statistics are collected.

I.4 Trade in Intellectual Property, Licenses for Patents, Trademarks and Copyrights

14. Statistics Canada collects data on the technological balance of payments that include payments and receipts for the acquisition and use of patents, licenses, trademarks, designs, know-how and closely associated technical services, as well as for research and development services. The data derive from the Survey of Research and Development in Canadian Industry. The data on R&D services are reconciled with balance of payments data in order to find firms that purchase R&D services but perform no R&D themselves.

I.5 Trade in Goods: Exporter/Importer Registers

15. The international trade statistics program has produced an Exporter Register database which provides reliable counts of exporting establishments and their value of merchandise exports over the 1993 to 2005 period. An Importer Register database, currently under development, will provide similar data for Canadian importer establishments. Currently, preliminary importer data are available for 2002.

16. The Exporter Register provides an invaluable longitudinal database on the characteristics, performance and evolution of Canadian exporters. This information is delineated over several dimensions including industrial classification (NAICS), exporter size, destination of exports and province of residence of the exporter. This database provides counts of establishments exporting merchandise and the value of their exports by employment size category beginning with reference year 2000.

17. The Exporter Registry provides statistics on the characteristics of exporting firms. This is allowing research to be conducted on important policy issues such as the determinants of export success, and the relationship between exporting and productivity. This database provides empirical evidence to aid in the evaluation of many programs aimed at supporting and assisting exporters.

18. The Importer Register database will provide similar data for Canadian importer establishments. As noted, data are currently available for 2002 and data for 2003-2005 will be available in early 2007.

19. The union of the Exporter and Importer databases will contribute significantly to current research being conducted on issues such effects of recent exchange rate changes and other topics related to globalization.

I.6 Foreign Affiliate Trade Statistics

20. The delivery of services to international markets is often accomplished through foreign operations or foreign affiliates. Starting with data for 1999, Statistics Canada has an annual program that provides data on the sales and employment of these foreign affiliates of Canadian firms for both the goods and services sectors. This program shows that this delivery mode is more important than cross-border delivery of services.

I.7 Analytical Studies

21. Statistics Canada undertakes analytical studies both with in-house personnel and by providing access to micro data under specific conditions to external researchers. In recent years, there has been a high concentration of studies concerning the economic performance of multi-national enterprises. Studies have also explored the role of innovation in the performance of the Canadian economy and related this to multi-national enterprises. Recently, these analytical groups have undertaken studies of offshoring and outsourcing activities.

22. These studies are all available from the Statistics Canada WEB site. In addition, a survey paper covering research on multi-national enterprises is under preparation that will review Statistics Canada's work in this area over the past quarter century. It is expected that his overview study will be released later this summer.

II. RECENT DEVELOPMENTS AND FUTURE CHALLENGES

23. More recently, Statistics Canada has taken decisions to reallocate resources to programs that can address data requirements in the general domain of globalization. The most important are the efforts to improve statistics for services output and productivity. These improvements can be grouped into three categories: (i) improved coverage of core industry data through an expanded annual services industries survey program; (ii) improvements to sub-annual indicators of economic activity and (iii) an expanded program of services price indexes. This note does not cover these, but descriptions are available in other documents.

24. This section describes some additional initiatives that have started very recently or are in the more advanced stages of development.

II.1 Globalization Project

25. In response to the data demands of policy makers and the new statistics proposed in the *OECD Handbook*, Statistics Canada has allocated funds to a globalization indicators project. This project is focussing mainly on developing basic infrastructure for the production of additional globalization related data series. Subsequently, this new infrastructure will permit the development of a suite of globalization indicators.

26. An important feature of this project will be the identification of Canadian multinational enterprises (MNEs). While it has been possible to identify the operations of foreign multinational operations in Canada for some time using the Corporations Returns Act, it is only with the recent linking of the foreign direct investment program to the business register that Canadian multinationals can be easily identified.

II.2 Business Register

27. Statistics Canada's business register is presently under redevelopment and as part of this effort additional emphasis is being put on recording the international links between Canadian businesses and their foreign parents or subsidiaries. Key characteristics of these linkages will be recorded to support future data development and research.

28. Several data sources will be tabulated by ownership class (foreign MNE, Canadian MNE, and non-MNE) and by trade status (importers, exporters, both, or neither) to indicate the level of globalization of the Canadian economy.

II.3 Global Value Chains Data Development – Feasibility Study

29. A study of the feasibility of collecting data on the phenomena of global value chains is underway. The study will be concluded later this year and has made good progress so far in clarifying concepts and definitions, and in reviewing the work done in other countries as well as in Canada. The team is currently drafting questions for testing in the autumn 2007. Detail related to the survey strategy to be proposed is still being worked out. The strategic elements include the choice of observation unit, the proposed survey frame and choice of the survey vehicle. The final sample size will be dependent on the amount of detail to be derived from the sample (geography, firm size, firm ownership and industrial detail).

II.4 Commercialization

30. Funding was also approved by the Policy Research Data Group to undertake a pilot survey of commercialization activities in Canada. This survey will examine how new developments are brought to market, both for projects undertaken in Canada and commercialized here and for projects developed by Canadian firms outside the country to exploit new market opportunities. The survey will be conducted in 2007 for reference year 2006.

II.5 International Labour Supply and Remittances

31. Globalization is not just a business enterprise phenomenon. With an increasing proportion of the labour supply in many countries coming from temporary and permanent migration, households and extended families are becoming more global.

32. The large immigrant populations in many countries, including Canada, transfer significant amounts of resources to their home countries to support family members that remain behind. The importance of developing reliable estimates of these international remittances by persons has been recognized by international financial and statistical organizations, as well as by the leaders of the G8 countries at the Sea Island Summit in July 2004. Canadian measures of these flows are poor and the possibility of improving these data is being reviewed.

33. The Survey of Household Spending (SHS) collects some data on this phenomenon, but the variance is high given that the sample is not designed to ensure adequate representation of the immigrant population for this particular purpose. Furthermore, the SHS does not provide any breakdown of remittance payments by country of destination. It may prove feasible to improve Canadian remittance statistics either through changes to existing survey vehicles or as part of a new household survey. Some relevant changes are planned for the Survey of Labour and Income Dynamics (SLID), including questions about household-to-household transfer payments.

34. The Longitudinal Survey of Immigrants does pose questions related to international household-to-household transfers. However, a major restriction is that the target population includes only the immigrant people who arrived in Canada between October 2000 and September 2001, which is not representative of Canada's immigrant population as a whole for this particular purpose. Nonetheless, it may be possible to derive some useful conclusions.

35. Whereas most industrialized countries produce separate estimates for employment income transactions with non-residents, Canada does not. A project to improve statistics regarding international compensation of employees was launched in early 2006. The project is exploiting administrative data. Updated statistics on earnings of foreign residents employed by Canadian employers are expected to result from this project. It may not prove possible to improve statistics on the earnings of Canadians employed by foreign employers via domestic administrative data sources. Therefore, an exchange of statistics with partner countries will be examined. An additional benefit is that some results of this project will likely be useful for improving estimates of other components of the balance of payments such as remittance statistics and a special class of trade in services statistics, identified as "mode 4" in the General Agreement on Trade in Services (GATS), where a service supplier of one country travels to another country to deliver the service.

II.6 General Business Survey

36. The Policy Research Initiative has recently supported work towards a General Business Survey (GBS) which, in due course, is expected to support longitudinal analysis. The GBS is intended to examine the use, implementation and impact of business strategies in large firms. Core questions are planned, along with recurring cycles of questions on specific topics. The survey, which starts with a pilot survey in 2008-2009 and moves to a full survey in 2009-2010, could be used to probe trade in goods and services as a business strategy to take advantage of emerging markets. To minimize respondent burden, the intention is to augment the survey database with data taken from other surveys and administrative files.

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