Measuring ICT-enabled Services Exports: project background and motivation

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Preparatory Meeting for Survey Implementation
13-14 July 2017
DGCIS, Ministry of Commerce and Industry, Kolkata, India
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Motivation for the project

- Services are increasingly traded, but the statistical system for classifying and capturing them lags behind.

- ICTs are the main enabling factor
  - Falling prices for voice and data communications
  - Computerization of work
  - Can segment and relocate work to remote locations (ICT-enabled services)
  - Evolution from basic call centers to much more complex business processes (BPO >>> KPO)

- It is crucial that policymakers can quantify such trade more accurately than the current statistical system allows.

- Interest to understand how better ICT access can lead to growth in trade in services.
Backdrop and motivation (2)

- Trade negotiations: renewed interest in services and e-commerce
- UNCTAD E-commerce Week 2017, Global Aid for Trade Review, July 2017, Next WTO Ministerial Dec 2017, G20 2017 discussions: focus on e-commerce, including services delivered online
- "International trade in goods and services is sluggish, but international data flows are exploding" The Economist, June 2016
- 2016 Bank of England Report - had the digital economy been correctly captured, between one-third and two-thirds of a percent could be added to the growth rate of the UK
- In India telecom, computer and information services, together with other business services represent more than 2/3 of total services exports in 2016, and 3 times more than in 2005.
Motivation in similar studies and reports (3)

- US BEA Trends in US Trade in ICT services and ICT-enabled services, May 2016:
  - "to promote a better understanding how US companies engaged in services trade are reaching global markets"
  - "it is not possible to identify precisely ICT-enabled services using the EBOPS 2010 measurement framework because this is based on types of services, not on the mode of delivery"

- Eurostat, November 2016
  - "there is a need to enable an assessment of the relative importance of the different modes of supply in a given sector and the impact of measures affecting each mode of supply"

- H.E. Alexander Mora, Minister of Foreign Trade of Costa Rica
  - "Digitally-enabled is key. We need to identify opportunities, such as from digital development, and bring those opportunities into business, and our societies"
The UNCTAD approach

- First step: look at existing measurement frameworks and identify and **define the types** of services that can be ICT-enabled >>> UNCTAD ICT4D technical note 3 presents a taxonomy of such services using the most detailed international classification of services CPC Ver.2.1 >>> list of "potentially ICT-enabled services"

- Second step: it matters **how** these services are actually **delivered** >>> need to build in another type of survey question by mode of delivery >>> same as the discussion on WTO GATS modes of supply >>> "actually ICT-enabled services"

- Focus on **exports** of services, as smaller population of firms to survey
Our project

- We come from the perspective of statistics on the information economy - including the ICT sector (performs information processing and communication), and the use ICT throughout the economy
- No comparable statistics on trade in ICT-related services
- Many alternative approaches and definitions
- Demand for better data from countries exporters of such services
- Need to understand the impact of enhanced ICT access and use on services trade
- Rapidly growing demand for better e-commerce statistics, and especially cross-border e-commerce
Partnership on Measuring ICT for Development

- An international, multi-stakeholder initiative to improve the availability and quality of ICT data and indicators
- Since 2004
- Member organizations
The UNCTAD initiative on ICT services statistics

- Goal: to develop **indicators** + practical **proposals** on how to collect country-level data in the context of limited resources
- Partnership Task Group on Measuring Trade in ICT Services and ICT-enabled Services (TGServ)
  - UNCTAD, WTO, OECD, UNSD, UNESCWA, World Bank and ITU
  - Tim Sturgeon, MIT, lead consultant
  - Close interaction with UN Task Force on International Trade Statistics
  - Consultations with the private sector
  - Builds on existing methodologies and measurement frameworks: IMF balance of payments and Statistics New Zealand Census of Services (2011)
- Funding provided by the Government of Sweden
Outcome of the UNCTAD initiative on ICT services statistics

- **Definition and methodology**: UNCTAD Technical Note on International Trade in ICT Services and ICT-enabled Services: (TN/UNCTAD/ICT4D/03) [www.unctad.org/ict4d/technicalnotes](http://www.unctad.org/ict4d/technicalnotes)
- United Nations Statistical Commission reviews and adopts definition, 47th session (March 2016)

- A **model survey questionnaire**
  - Developed by Thierry Coulet, UNCTAD consultant
  - Comments received from: WTO, Costa Rica (Central Bank and Ministry of Foreign Trade), India (Ministry of Industry and Commerce), Thailand (Electronic Transactions Development Agency), Egypt (Ministry of ICT), IMF, OECD
- Survey implementation in Costa Rica, India, Thailand and Egypt in 2017
Definition

- ICT-enabled services = services with outputs that can be delivered remotely over ICT networks
  - EBOPS 2010 not amenable for identifying ICT-enabled services
  - Define potentially ICT-enabled services using detail in CPC Ver.2.1 and the official correspondence to EBOPS 2010
  - Exclude transport services (involve manipulation or transport of people, physical objects, material, or electricity)
  - Exclude on-site or in-person services (require on-site or personal delivery)

- Actually ICT-enabled services are equivalent to Mode 1 (GATS) cross-border supply for the selected services

- Given the lack of data by mode of supply (GATS) a survey-based approach was preferred for producing the statistics

- Focus on exporting economies - easier data collection
TGServ report main findings

Distribution of potentially ICT-enabled services by EBOPS 2010 major components

![Bar chart showing distribution of potentially ICT-enabled services by EBOPS 2010 major components]

Source: UNCTAD ICT4D Technical Note 3, derived from UN Statistical Division, “Correspondence between the EBOPS 2010 and the Central Product Classification (CPC, version 2) - Detailed version”
New Complementary Grouping for trade in ICT-enabled services

"ICT-enabled services" more comprehensive coverage than "call centers” or “business process outsourcing (BPO)"

Categories for measuring trade in ICT-enabled services

1.1 ICT services – Telecommunications
1.2 ICT services – Computer services (including computer software)
1.3 Sales and marketing services, not inc. trade and leasing services
1.4 Information services
1.5 Insurance and financial services
1.6 Management, administration, and back office services
1.7 Licensing services
1.8 Engineering, related technical services, research and development (R&D)
1.9 Education and training services
ICT-enabled services examples

- Service delivered across international borders, but the customer and the supplier remain in their respective countries
  - Selling software from India to another country
  - A law firm delivers legal advice by phone to a customer in a foreign country
  - A physician provides medical diagnosis to a patient or hospital abroad via email
  - A financial services provider supplies portfolio management or brokerage services across the border via an Internet platform

- Different from when a client or supplier needs to meet in-person, either in India or abroad >>> typical example send an expert abroad to customize service
Frequent Questions - where do you include....?

- Computer services (including computer software)
- Information services (includes among others telemedicine/health services, as well as audiovisual services, online content and recordings of live performance)
- Management, administration and back office services (includes among others online reservation services for accommodation, online staffing services, telephone call centre services and other telephone-based support services)
Lessons learned so far

- Small firms often engage in **indirect exports** - sales to other national firms who in turn export abroad - important to check with the respondent that they engage in direct exports

- The **surveyed population** and **sampling strategy** need to be fully described

- Useful to keep and update a **timeline of tasks** to be completed before publishing the final report (start date of the survey, first reminder, second reminder, end date of survey, period for data verification, period for tabulation, report writing)

- During survey implementation it may be necessary to allocate staff for communicating with the enterprises on possible **clarifying questions** - please take note of and incorporate this feedback in the final report as it can help to improve the survey

- **Partnering** with other institutions (and the private sector) can help raise the profile of the initiative and improve the response rate
Expected outcomes / Next steps

- Second half of 2017: survey summary reports by the implementing agencies on the share of exports that are ICT-enabled

- During 2017: the survey is being implemented in Costa Rica and India, and will be implemented in Thailand

- December 2017 - UNCTAD to organize expert meeting on lessons learned from the surveys already conducted or under way - with the participation of the implementing agencies

- Update the questionnaire for implementation in other countries, publish a summary report of findings
Thank you for your attention!

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