

Survey on ICT-enabled Services Exports

Thierry COULET

Consultant

UNCTAD

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OUTLINE OF PRESENTATION

- Background for the project
- Modes of supply
- Structure and content of the questionnaire
- Elements of methodology
- Possible output from the project

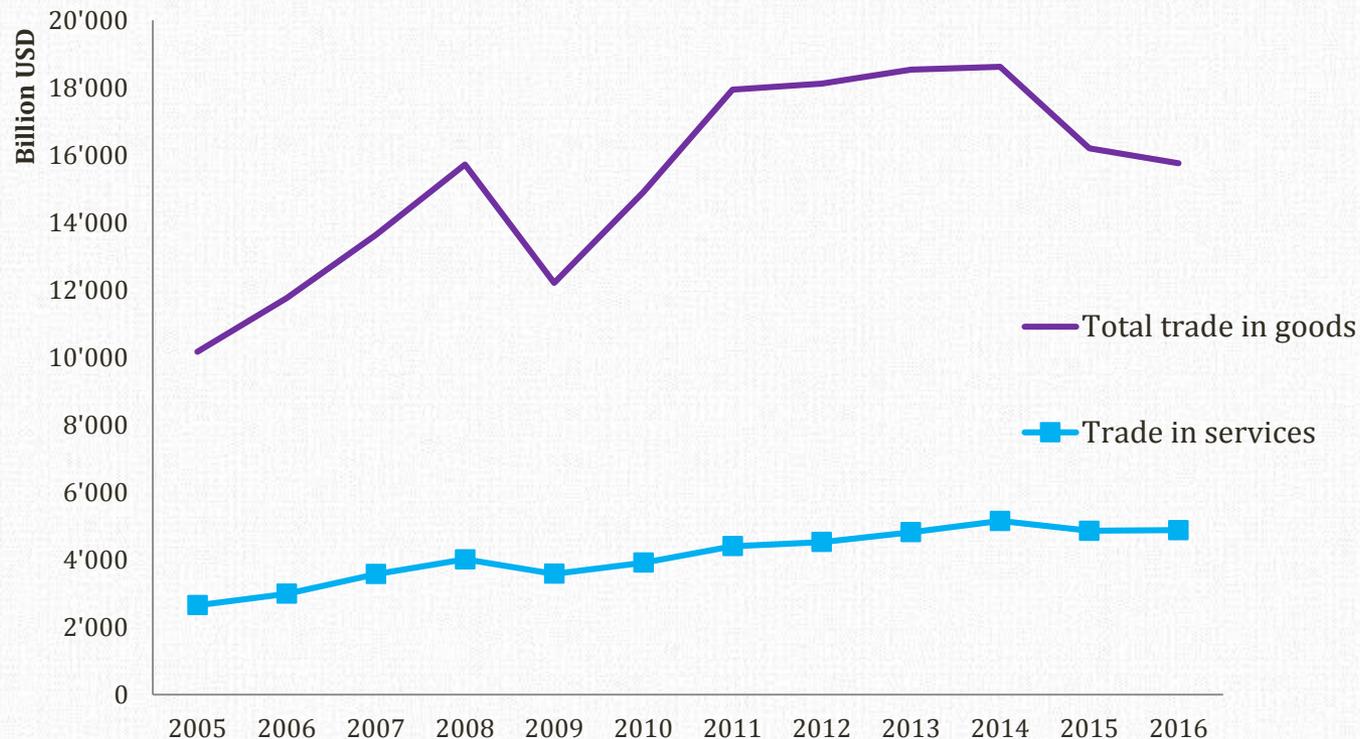


WHY IS IT IMPORTANT TO MEASURE SERVICES TRADE?

- International trade is a condition for economic growth
- International trade in services becoming of increasing importance:
 - due to the technological development of ICT allowing for digital trade
 - Increased importance of multinational enterprises ...
 - ... fragmenting their value chains globally
- General Agreement on Trade in Services (GATS) negotiations – framework for global services trade
- Policy and other decision makers are increasingly demanding information about services trade
- Services are increasingly traded, but the statistical system for classifying and capturing these international flows lags behind

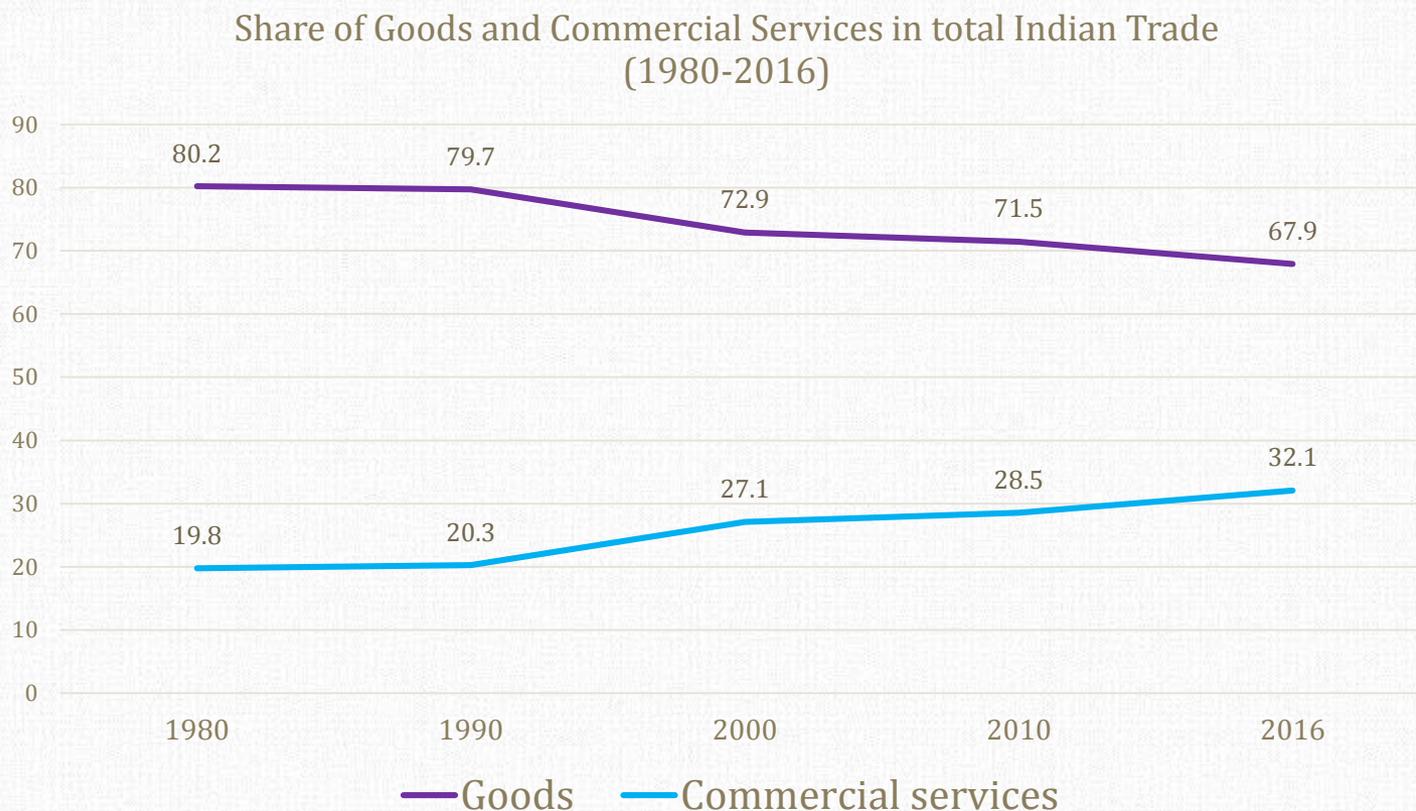


SERVICES EXPORTS BECOMING OF INCREASING IMPORTANCE GLOBALLY ...



Source: UNCTADStat based on IMF Balance of Payments Statistics and UNCTAD, ITC and WTO data on trade in services.

... AND ALSO FOR INDIA



Source: UNCTADStat based on IMF Balance of Payments Statistics and UNCTAD, ITC and WTO data on trade in services.

NEEDS FOR TRADE IN SERVICES STATISTICS

➤ **Implementation of quantitative methodologies of impact assessment**

➤ **Specific needs in terms of:**

- ☞ Nature of the service
- ☞ Mode of supply
- ☞ Partner country

STATISTICS ON INTERNATIONAL TRADE IN SERVICES FOR POLICY ANALYSIS AND TRADE NEGOTIATIONS

➤ **Need of statistics to:**

- ☞ support **negotiations**
- ☞ monitor **developments**
- ☞ assess **market access opportunities**
- ☞ provide a firm basis for the settling of **disputes**

➤ **Major data problems and gaps:**

- ☞ **consistency and coverage**
- ☞ **partner country**
- ☞ **disaggregation**
- ☞ **modes of supply and, in particular, mode 3 and mode 4**
- ☞ **comparability across time**
- ☞ **Transparency (meta-data)**

INTERNATIONAL STANDARDS

- **MSITS 2010 has close links to other statistical frameworks and existing classifications**
- **Two main building blocks for describing the international supply of services:**
 - **Transactions between residents and non-residents (based on BPM6)**
 - **Supply of services through the operations of foreign affiliates based on foreign affiliates statistics (FATS)**
- **Relations of MSITS 2010 with BPM6 and SNA 2008**
- **Relations of EBOPS 2010 with CPC, Version 2 and ISIC Rev. 4**

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- General Agreement on Trade in Services (GATS) negotiations – framework for global services trade
- Policy and other decision makers are increasingly demanding information about services trade
- Services are increasingly traded, but the statistical system for classifying and capturing these international flows lags behind
- **The goal of this project is to test if the new survey can succeed in collecting data on international trade in ICT-enabled services**

WHY IS ICT OF SPECIAL IMPORTANCE?

□ ICTs are the main enabling factors

- ✓ Falling prices for voice and data communications
- ✓ Computerization of work and digitalization of output allow
- ✓ Service providers to segment and relocate work to large, remote pools of lower cost labor that can deliver high quality, timely services (ICT-enabled services)
- ✓ Services trade is evolving from basic call centers, software coding, and digital content to more complex business process such as system design and R&D
- ✓ ICT is a key component in the business model of multinationals. MNEs are a key driver for globalization



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MODES OF SUPPLY

- **Several ways of performing international service transactions**
- **Various geographical configurations according to whether the provider or the customer moves or establishes in the country of the other or not**
- **Distinction of four modes of supply**
 - ☞ **Cross-border supply, or Mode 1**
 - ☞ **Consumption abroad, or Mode 2**
 - ☞ **Commercial presence, or Mode 3**
 - ☞ **Presence of natural persons, or Mode 4**

MODES OF SUPPLY

➤ **Mode 1: Cross-border supply**

- ☞ The service is supplied from the territory of one Member into the territory of any other Member

➤ **Mode 2: Consumption abroad**

- ☞ The service is supplied in the territory of one Member to the service consumer of any other Member

➤ **Mode 3: Commercial presence**

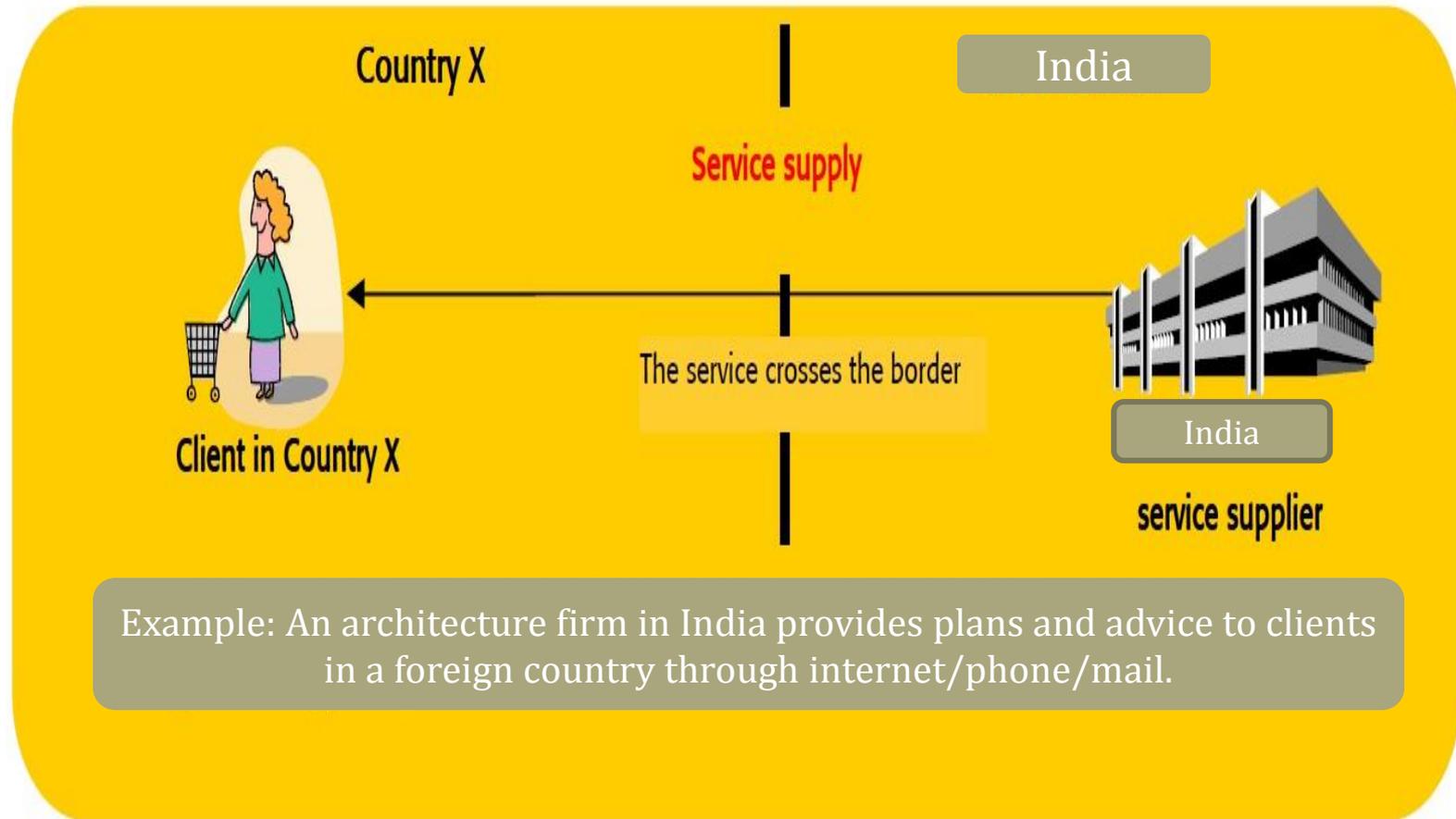
- ☞ Supply of a service by a service supplier of one Member, through commercial presence in the territory of any other Member

➤ **Mode 4: Presence of natural persons**

- ☞ Supply of a service by a service supplier of one Member, through presence of natural persons of a Member in the territory of any other Member

CROSS BORDER SUPPLY (MODE 1)

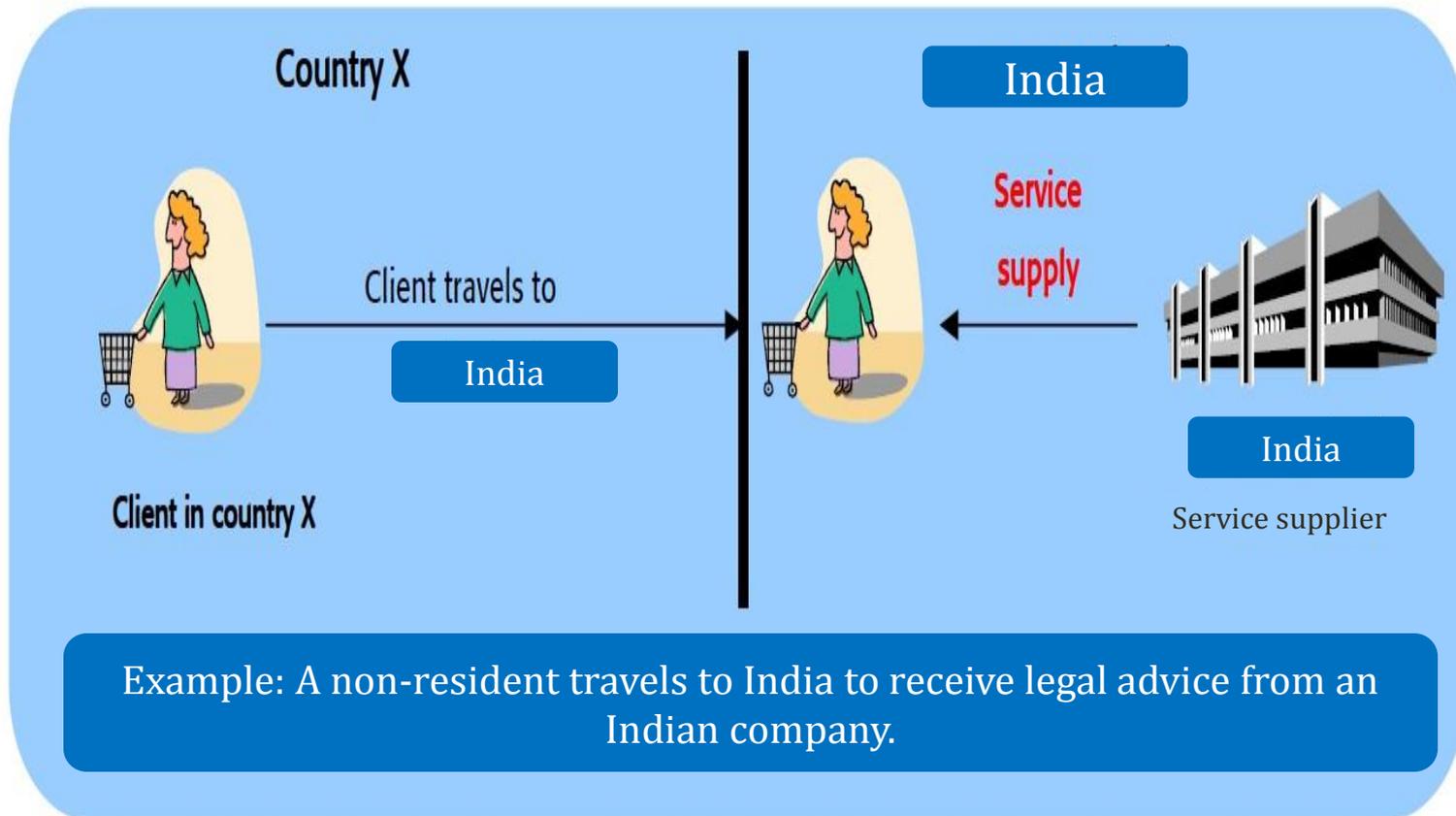
Service delivered from company in India to a customer overseas



Source: WTO

CONSUMPTION ABROAD (MODE 2)

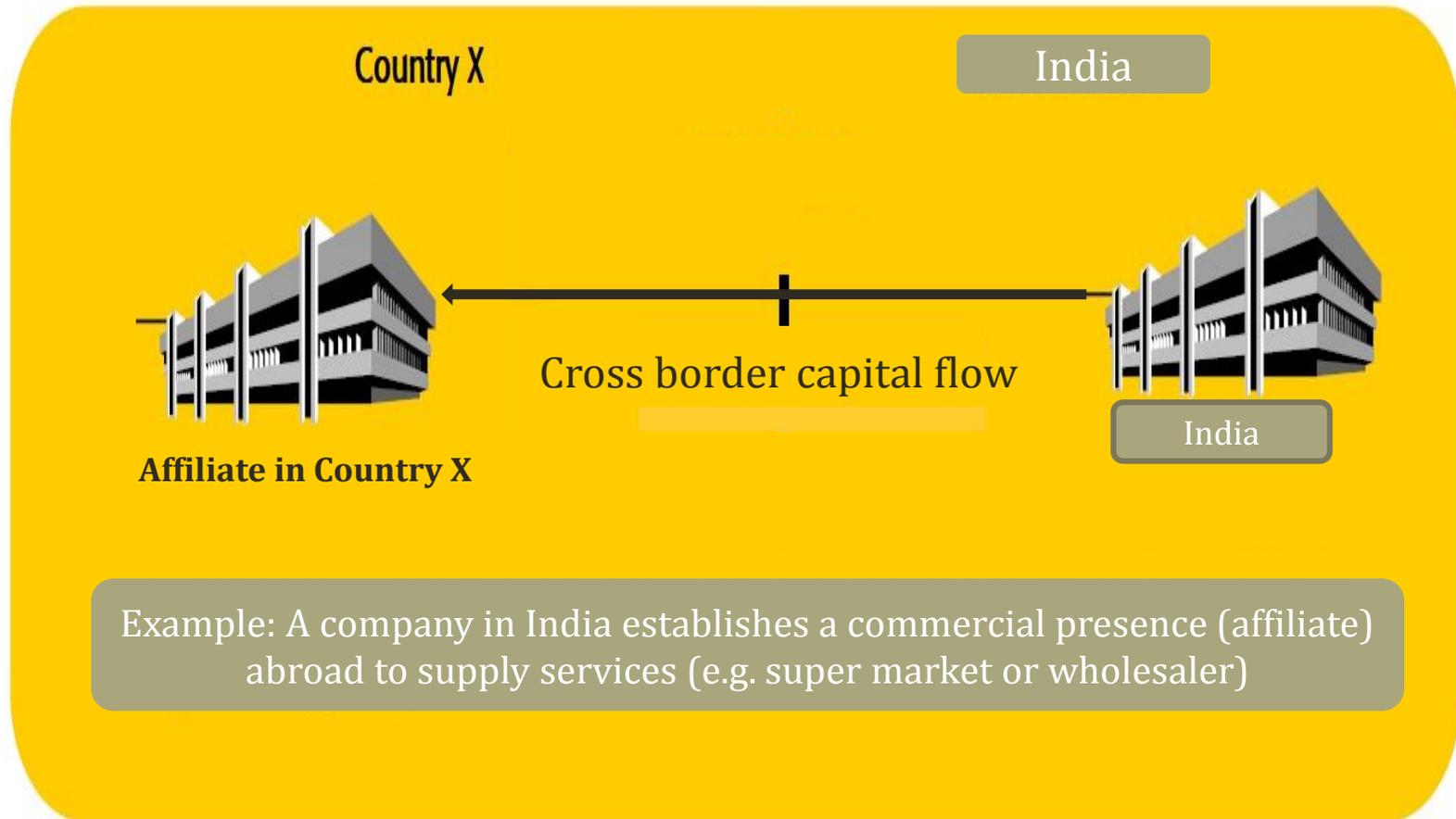
Service delivered to an overseas customer, temporarily in India



Source: WTO

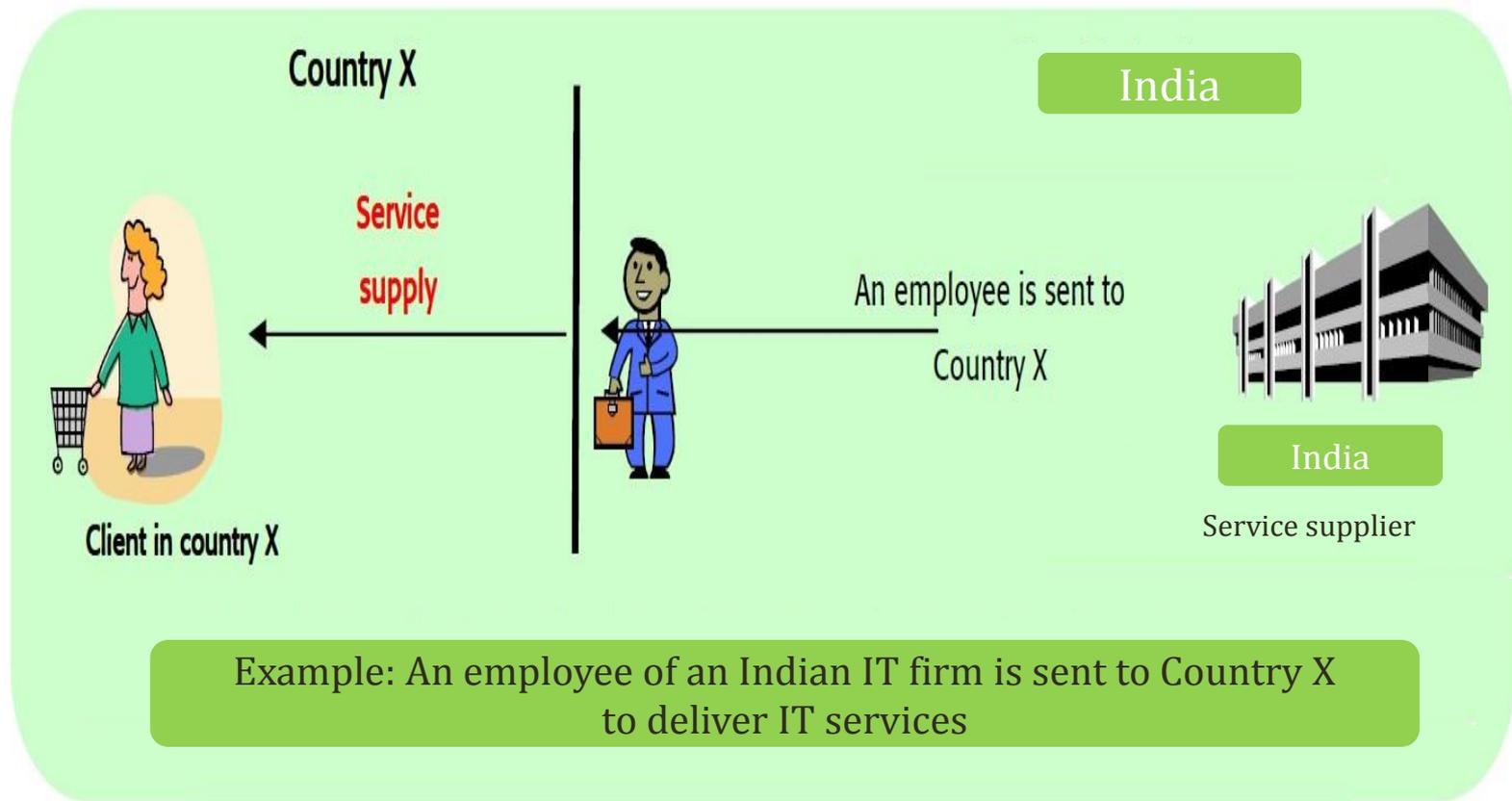
CROSS BORDER SUPPLY (MODE 3)

Commercial presence abroad of Indian owned company



Source: WTO

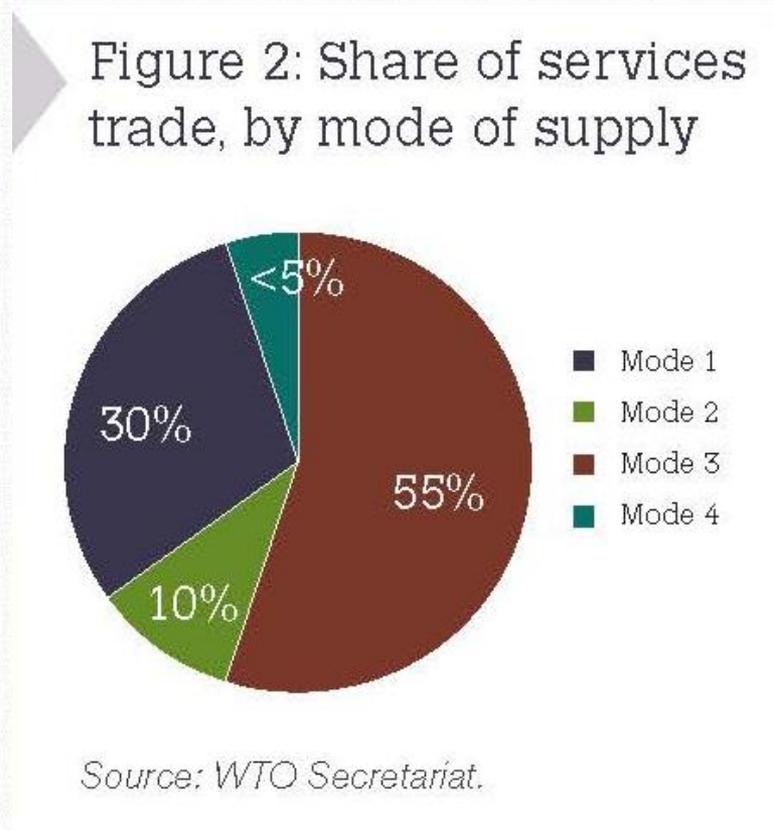
PRESENCE OF NATURAL PERSONS (MODE 4)



Source: WTO

ESTIMATED IMPORTANCE OF THE DIFFERENT MODES OF SUPPLY USING THE SIMPLIFIED ALLOCATION

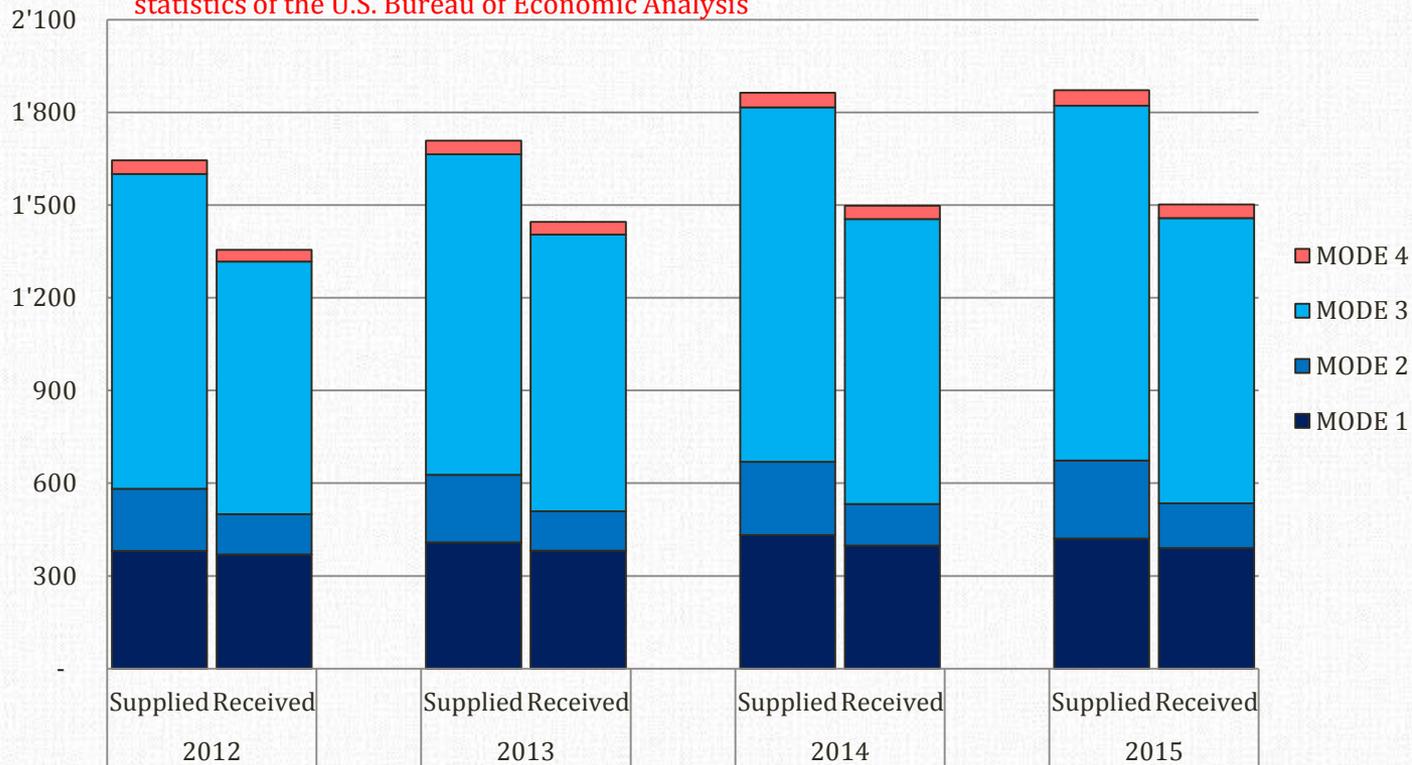
MODE 3 AND 1 OF MAIN IMPORTANCE



U.S. SUPPLY OF SERVICES BY MODE

(Billions of U.S. dollars)

Data are exploratory and do not represent official statistics of the U.S. Bureau of Economic Analysis



Source: US Bureau of Economic Analysis

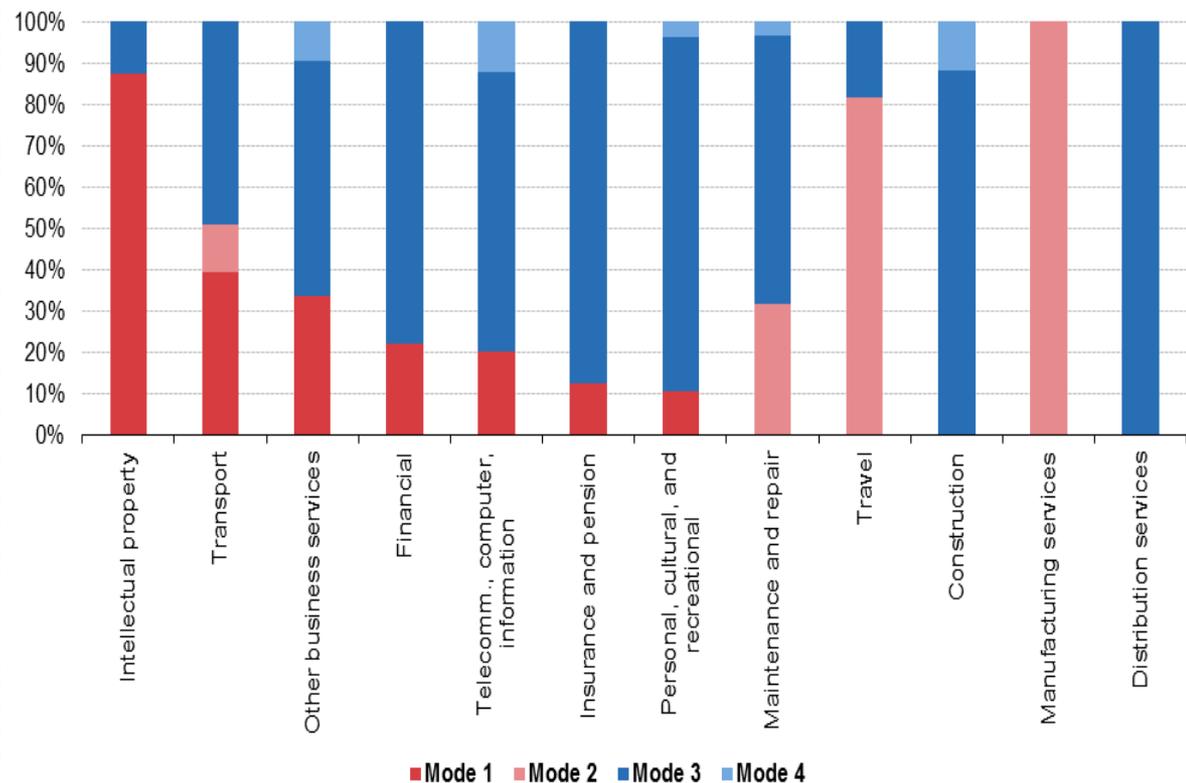
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EU-28 SUPPLY OF SERVICES, PARTNER EXTRA

EU28, 2013: Modes are of Different Importance

– Depending on the Type of Services



Source: Eurostat (2016).

INDIAN EXPORTS OF SERVICES, RELATIVE IMPORTANCE BY SECTOR

US Dollars at current prices in millions	2011	2012	2013	2014	2015	2016	2016 share of the total
Services	138,528	145,525	149,164	157,196	156,278	161,845	100%
Goods-related services	-	134	255	383	324	265	0%
Transport	17,702	17,507	16,916	18,597	14,319	15,192	9%
Travel	17,708	17,972	18,397	19,700	21,013	22,428	14%
Other services	103,119	109,913	113,596	118,516	120,622	123,961	77%
Construction	838	922	1,219	1,613	1,483	2,078	1%
Insurance and pension services	2,584	2,258	2,144	2,281	1,985	2,145	1%
Financial services	6,249	5,352	6,376	5,645	5,344	5,083	3%
Charges for the use of intellectual property n.i.e.	303	321	446	659	467	529	0%
Telecommunications, computer, and information services	47,113	48,801	53,805	54,535	55,046	55,318	34%
Other business services	38,549	47,091	46,651	48,461	50,097	53,202	33%
Personal, cultural, and recreational services	345	767	1,232	1,266	1,266	1,397	1%
Government goods and services n.i.e.	593	495	461	582	561	595	0%

Source: UNCTADStat based on UNCTAD, ITC and WTO data on trade in services.

SOFTWARE EXPORTS FROM INDIA BY MODE: MODE 1 OF INCREASING IMPORTANCE

	Software Exports by Different Modes				
	2008-09	2009-10	2010-11	2011-12	2012-13
	percent				
Mode 1 Cross-border supply	56.3	64.6	67.4	69.0	74.7
Mode 2 Consumption abroad	0.1	0.0	0.1	0.5	1.6
Mode 3 Commercial presence	16.8	17.6	14.8	15.4	9.4
Mode 4 Presence of natural persons	26.8	17.8	17.7	15.1	14.3

Source: Reserve Bank of India (2016).

THIS PROJECT FOCUSES ON EXPORTS OF ICT-ENABLED SERVICES

(UNCTAD ICT4D Technical Note no. 3)

- ❑ ICT-Enabled Services definition used: *services with outputs that can be delivered remotely over ICT networks (UNSC approved)*
- ❑ Builds on existing measurement frameworks, current definitions, international classifications (EBOPS 2010) and data collection (balance of payments)



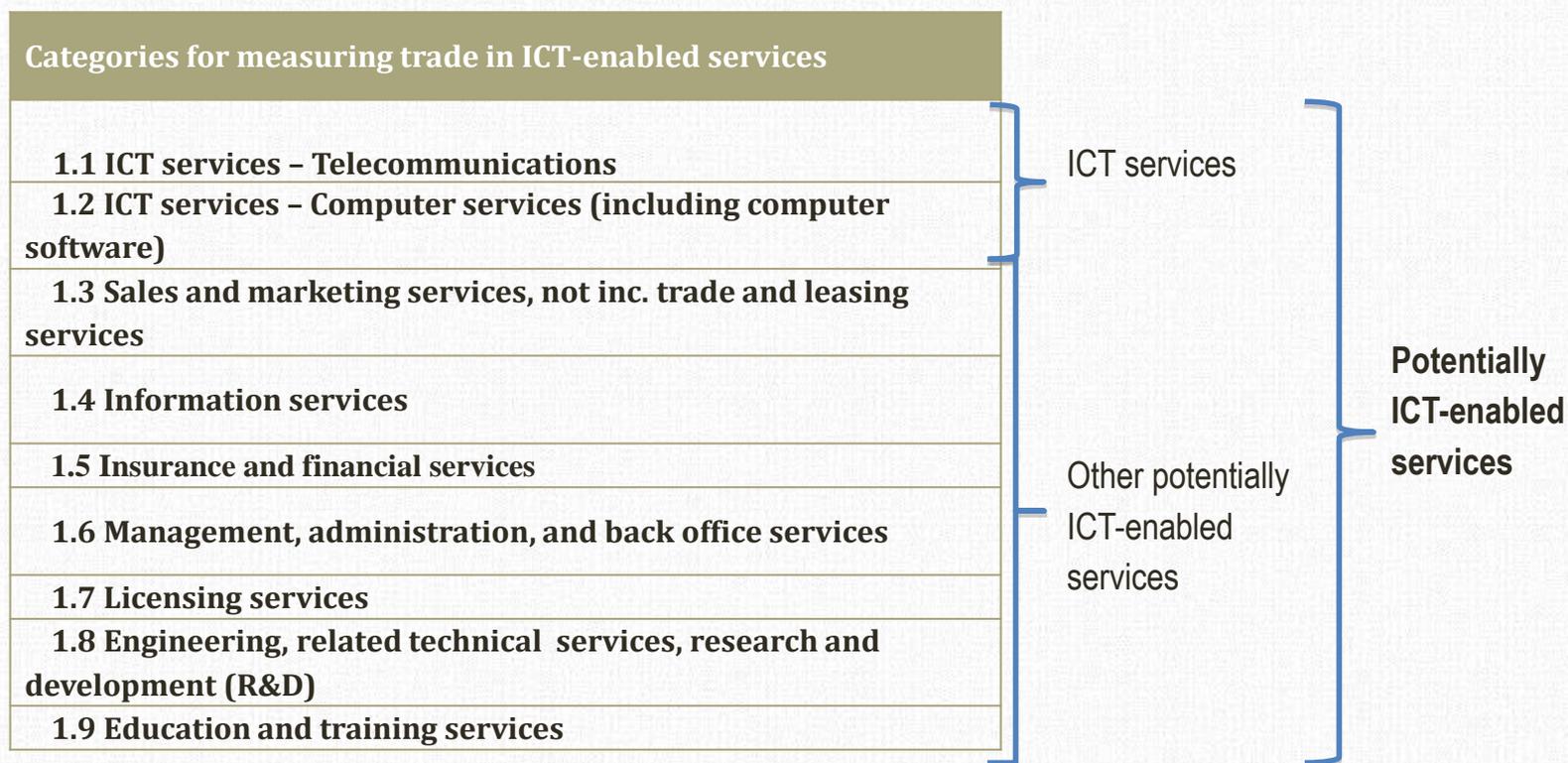
POTENTIALLY ICT- ENABLED SERVICES

- 1) Telecommunications (including Internet services)
- 2) Computer services (including computer software)
- 3) Sales and marketing services
- 4) Information services (including health services)
- 5) Insurance and financial services
- 6) Management, administration and back office services (including call centres)
- 7) Licensing services
- 8) Engineering, related technical services and R&D
- 9) Education and training services



IDENTIFYING ICT-ENABLED SERVICES

□ Based on CPC (109 codes) corresponding to 40 EBOPS codes



Source: UNCTAD ICT4D Technical Note no. 3

WHY IS THIS PROJECT IMPORTANT?

The project tests the feasibility of a new and innovative approach to measuring exports of services by identifying ICT enabled services

Not only the statistical results – but also your experiences in collecting the information is of crucial importance

The international statistical community is awaiting the results from your survey with huge interest as this might be an important step forward to have better and more informative statistics on international trade in services

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STRUCTURE OF THE UNCTAD MODEL QUESTIONNAIRE

1. Information about the enterprise (11 questions)
2. Information about the potential services exports from the enterprise (1 filter question)
3. Detailed information about ICT enabled services (3 questions (*9))
4. National questions?

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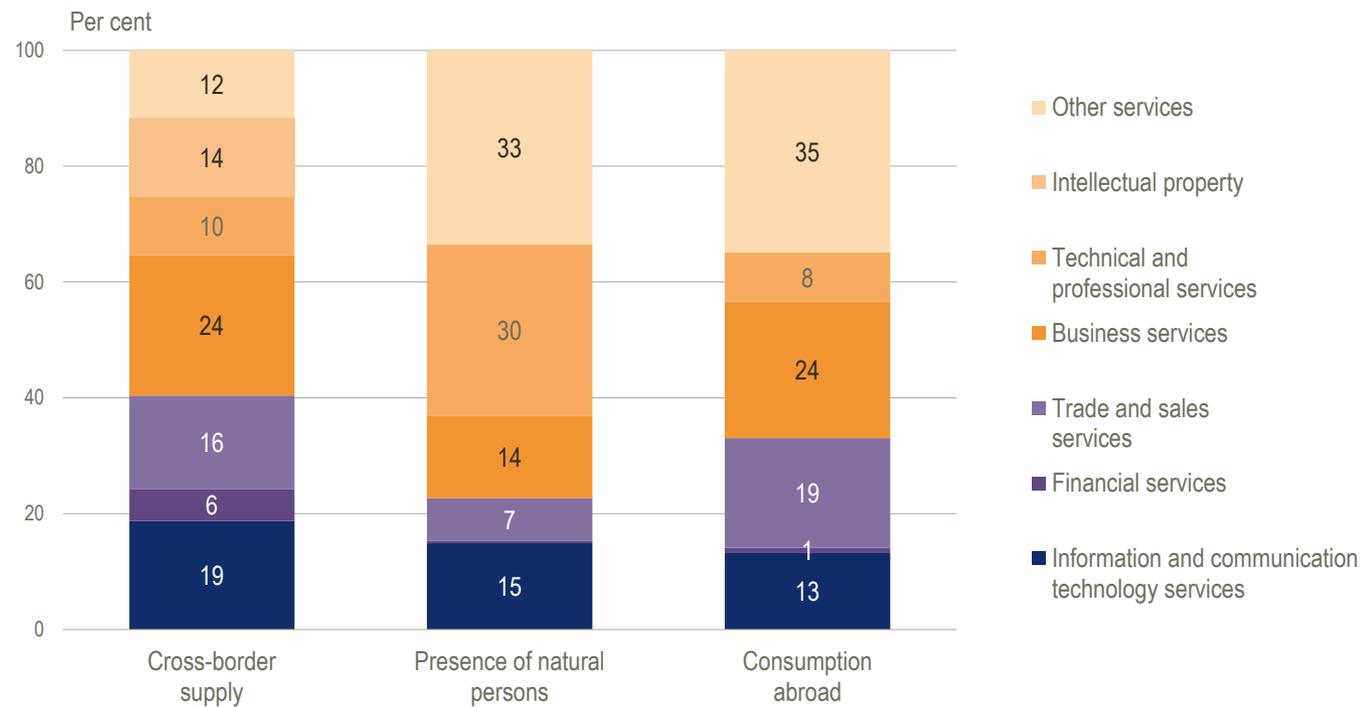
POSSIBLE OUTPUT FROM THE PROJECT

What did Statistics New Zealand learn?

- Respondent education and guides are important
- Respondents found the concept easier to understand than Statistics NZ thought
- Less respondent burden than anticipated
- Questionnaire layout is important for detailed information – web questionnaires would be best



MODE OF SUPPLY BY SERVICE TYPE FROM NEW ZEALAND



Source: Statistics New Zealand.

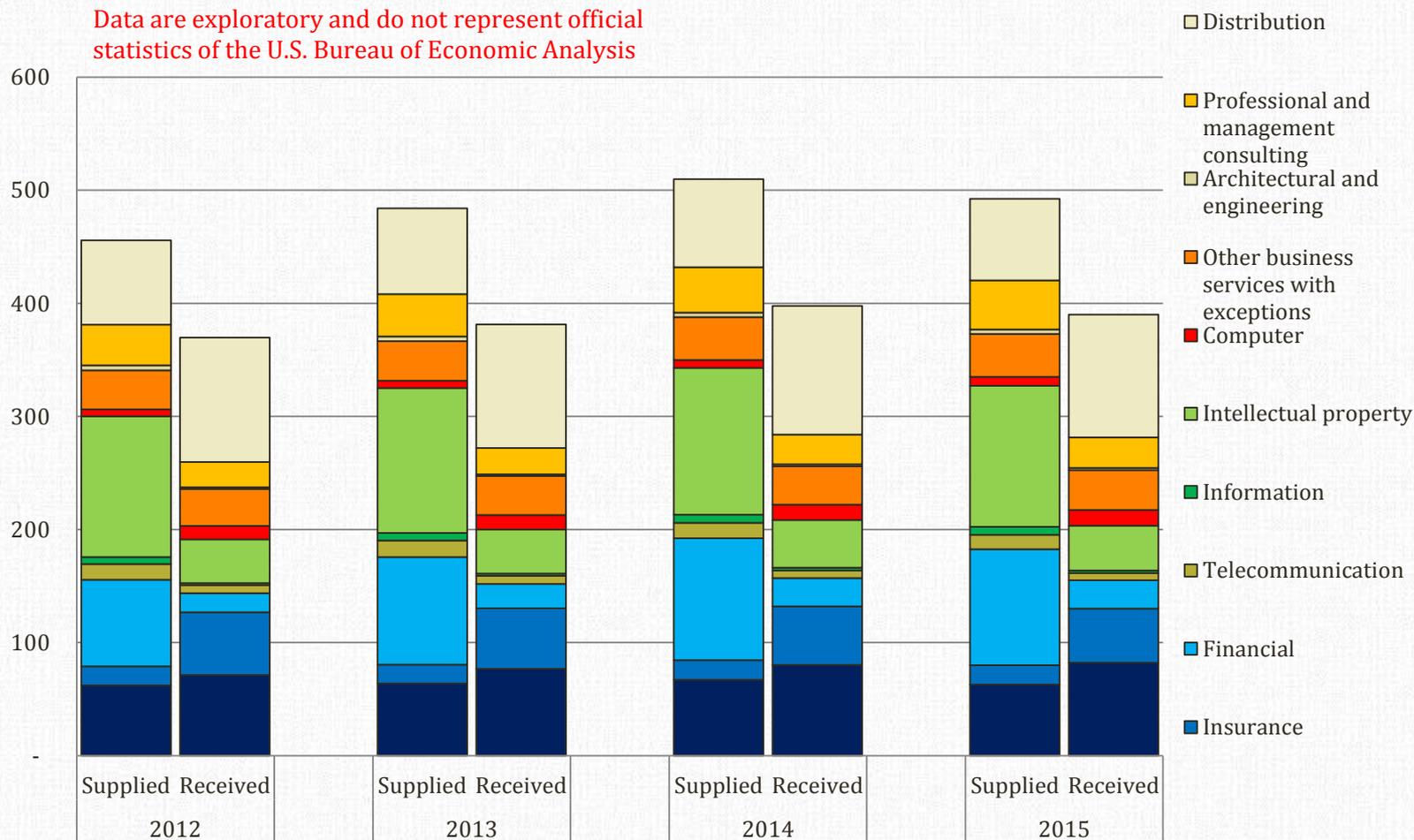
EXAMPLES OF TABULAR OUTPUT

- 1) No. of enterprises exporting services by mode (Total and broken down by industrial activity, size and nationality of ownership)
- 2) Total Services exports by mode 1 (broken down by industrial activity, size and nationality of ownership)
- 3) Total Exports of ICT enabled services broken down by type of services (Total broken down by industrial activity, size and nationality of ownership (domestic/foreign control))
- 4) Intensity: Share of ICT enabled services of total mode 1/total services exports (total and by type of service, by size class or ownership)

POSSIBLE OUTPUT FROM PILOT SURVEY (2): U.S. SUPPLY OF SERVICES BY MODE 1

(Billions of U.S. dollars)

Data are exploratory and do not represent official statistics of the U.S. Bureau of Economic Analysis



Source: US Bureau of Economic Analysis

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POSSIBLE OUTPUT FROM PILOT SURVEY (2): Exports of Potentially ICT-Enabled Services for the Top Ten Countries, 2015

Rank	Exports			Imports		
		Level (\$ millions)	% All services trade		Level (\$ millions)	% All services trade
	All Countries	398,669	53%	All Countries	237,144	49%
1	United Kingdom ¹	42,008	63%	United Kingdom	32,984	62%
2	Ireland ¹	39,204	94%	Bermuda	23,555	94%
3	UK Islands, Caribbean ¹	36,295	97%	India	20,936	85%
4	Canada	27,130	48%	Switzerland	15,217	71%
5	Switzerland ¹	24,922	80%	Japan ¹	14,747	50%
6	Japan	21,103	48%	Germany ¹	14,072	44%
7	Germany	16,310	55%	Canada	14,064	49%
8	China	12,774	26%	Ireland ¹	12,668	80%
9	Brazil	11,526	41%	France	6,634	41%
10	Netherlands	11,493	70%	Netherlands	6,204	61%

1. Values for 2015 are calculated lower bounds.

Source: US Bureau of Economic Analysis

CONCLUDING REMARKS (US BEA)

- Trade in ICT and potentially ICT-enabled services offer insight into the extent to which ICT may be used to facilitate trade in services
- Trade in ICT and potentially ICT-enabled services have grown faster than total services, possibly reflecting improved ICT technology
- Popular concern about offshoring of ICT-enabled services
- These data could potentially be used to examine:
 - How improvements in ICT networks have impacted trade between the U.S. and its trading partners
 - How ICT networks support global value chains for U.S. multinationals
 - How policies that affect how data are shared and stored could impact trade in services to/from the United States

FOR EASY REFERENCE: STUDIES QUOTED

- Manual on Statistics of International Trade in Services 2010 (MSITS 2010)
 - https://unstats.un.org/unsd/publication/Seriesm/seriesM_86Rev1e.pdf
- Census of International Trade in Services and Royalties: year ended June 2011, Statistics New Zealand,
 - http://www.stats.govt.nz/browse_for_stats/industry_sectors/imports_and_exports/InternationalTradeinServicesandRoyalties_HOTPYeJun11.aspx
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- Trends in U.S. Trade in ICT Services and in ICT-Enabled Services, Alexis N. Grimm, US Bureau of Economic Analysis, May 2016
 - https://www.bea.gov/scb/pdf/2016/05%20May/0516_trends_%20in_us_trade_in_ict_serivces2.pdf
- Trade in Services by GATS Modes of Supply: Statistics Concepts and First EU Estimates, L. Cernat et al., Eurostat, Nov 2016
 - <https://ec.europa.eu/jrc/en/publication/trade-services-gats-modes-supply-statistical-concepts-and-first-eu-estimates>



THANK YOU FOR YOUR ATTENTION
ANY QUESTIONS?