

Measuring ICT-enabled Services Exports: project background and motivation

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Preparatory Meeting for Survey Implementation

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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
- ❑ 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)

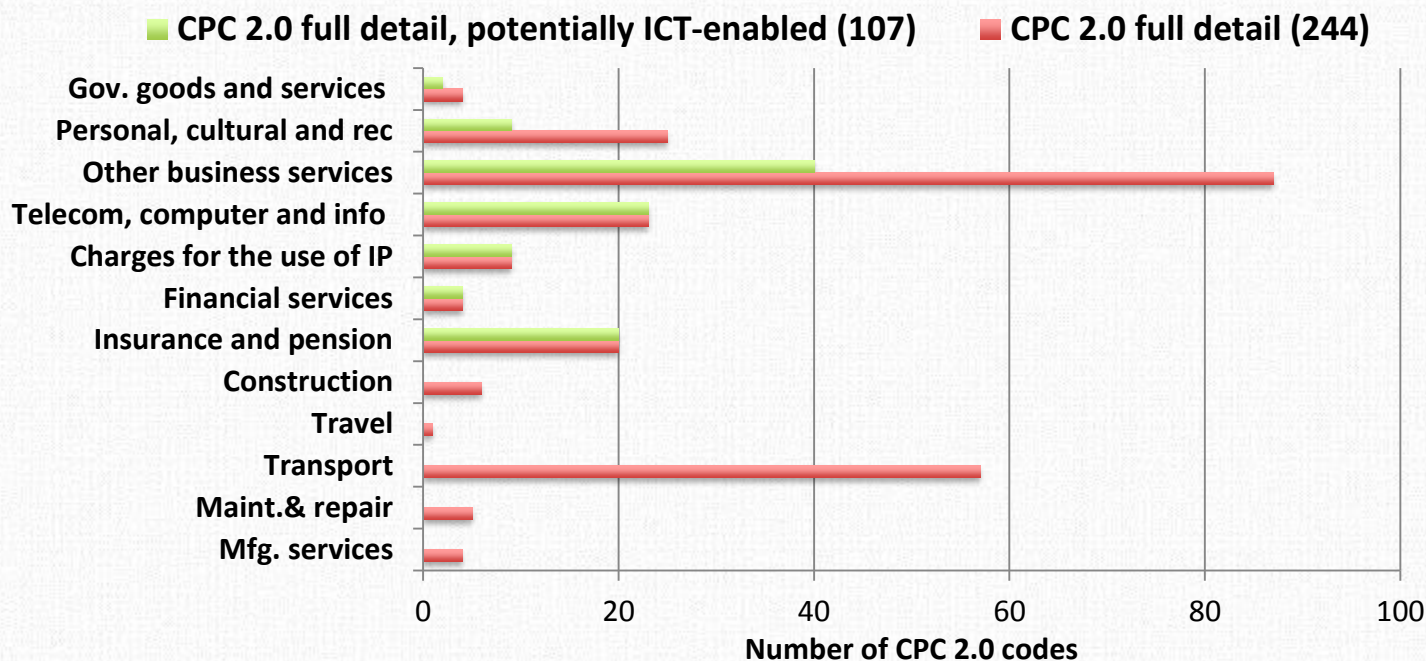
- ❑ **Actually** ICT-enabled services are equivalent to Mode 1 (GATS) cross-border supply for the selected services

- ❑ 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

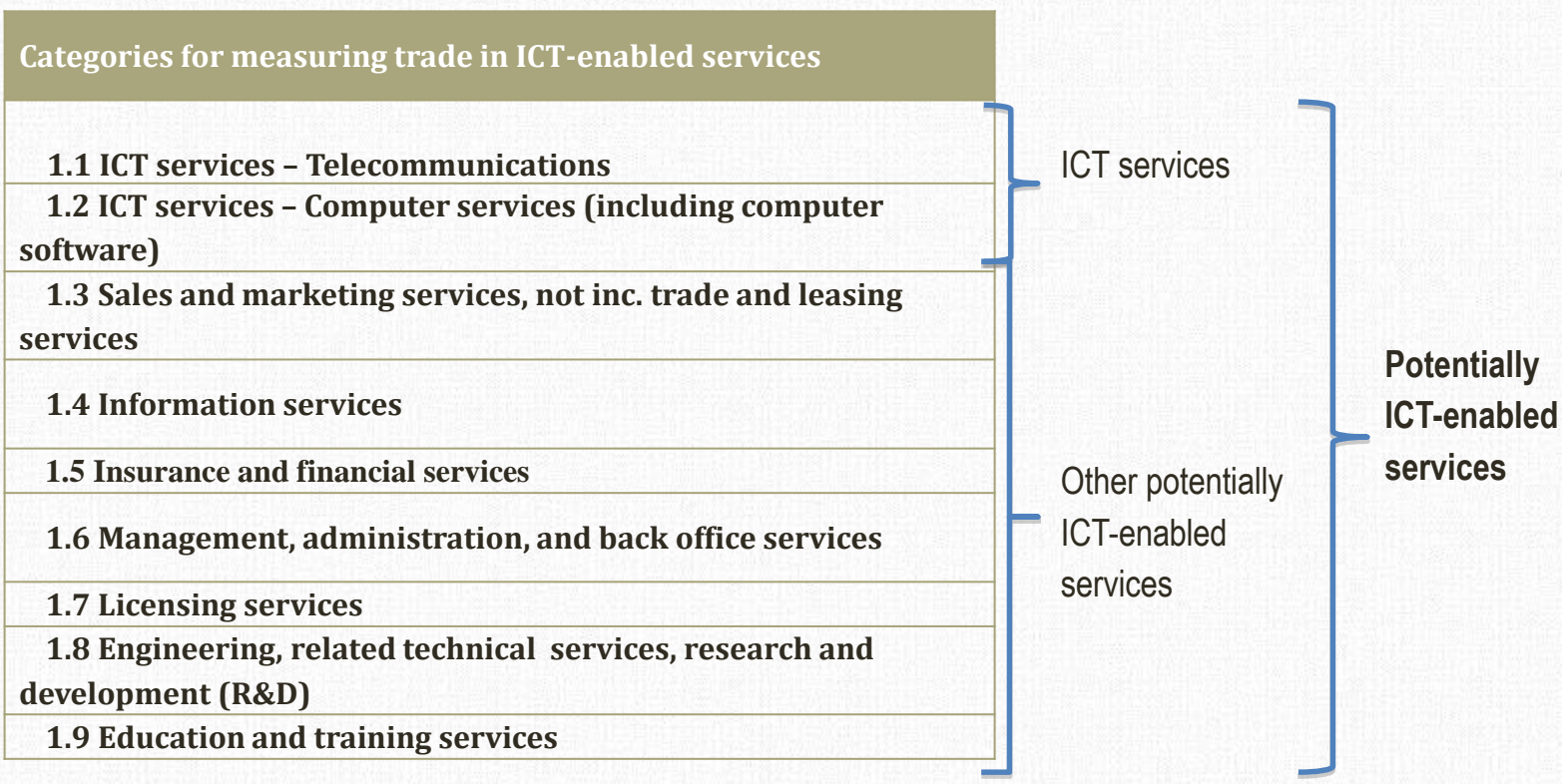
Distribution of potentially ICT-enabled services by EBOPS 2010 major components



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)"



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, **on-line 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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