

# **New Methodology for Measuring Trade in ICT Services and ICT-enabled Services**

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# Backdrop and motivation

- ❑ ICTs enabled more services to be tradable over long distance
  - ✓ Falling prices for voice and data communications
  - ✓ Computerization of work
  - ✓ Service providers can split up and relocate work to remote pools of skills 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 (BPO >>> KPO, digital content to reverse innovation, etc.)
- ❑ Policymakers seek answers to questions like:
  - ✓ How is the Internet influencing world trade?
  - ✓ How much of services trade is delivered digitally?
  - ✓ How competitive is our economy in the offshoring of services?
- ❑ Statistical system for capturing these services trade lags behind
  - ✓ Only crude estimates are available from official statistics
  - ✓ Policy makers rely on market consultancy estimates

# Partnership on Measuring ICT for Development

- An international, multi-stakeholder initiative to improve the availability and quality of ICT data and indicators



# Partnership Task Group on Measuring Trade in ICT Services and ICT-enabled Services

- ❑ No core indicators on trade in ICT services trade
- ❑ Goal: to develop **indicators** for international trade in ICT services and ICT-enabled services + practical **proposals** on how to collect country-level data in the context of limited resources
- ❑ Current members
  - ✓ WTO, OECD, UNCTAD, UNSD, UNESCWA, World Bank, and ITU
  - ✓ Tim Sturgeon, MIT, lead consultant
- ❑ Close interaction with Task Force on International Trade Statistics
- ❑ Leveraging existing methodologies
- ❑ Work financially supported by the Government of Sweden



# The Process

- ❑ UNCTAD Expert Meeting in Geneva to discuss first draft taxonomy of ICT services and ICT-enabled services (25-26 March 2014)
- ❑ Discussion with Interagency Task Force on Statistics of International Trade in Services (27 March 2014)
- ❑ Revised paper presented at Interagency Task Force on International Trade Statistics meeting & at IMF BOP Committee on October 2014, and further feedback received
- ❑ Revised paper discussed at OECD Working Party on Trade in Goods and Services Statistics, March 2015
- ❑ Additional feedback received from UNSD and incorporated in official document made available for this meeting (UNCTAD Technical Note No. 3)

# TGServ Report Main Findings

## *ICT Services*

- ❑ *New complementary grouping recommended based on EBOPS 2010*
- ❑ ICT Services: Service activities that are *"intended to enable and/or fulfill the function of information processing and communication"*
- ❑ Definition of ICT services should include:
  - ✓ telecommunications services (EBOPS 2010 9.1, incl. broadcasting)
  - ✓ computer services (EBOPS 9.2)
  - ✓ licenses to reproduce/distribute computer software (EBOPS 8.3)
  - ✓ but exclude information services (EBOPS 9.3)
- ❑ EBOPS 2010 - CPC Ver.2.1 - ISIC rev.4 correspondence
- ❑ Reinforce MSITS 2010 recommendation for countries to collect trade in services statistics at the 3-digit (or at least 2-digit) level of EBOPS 2010

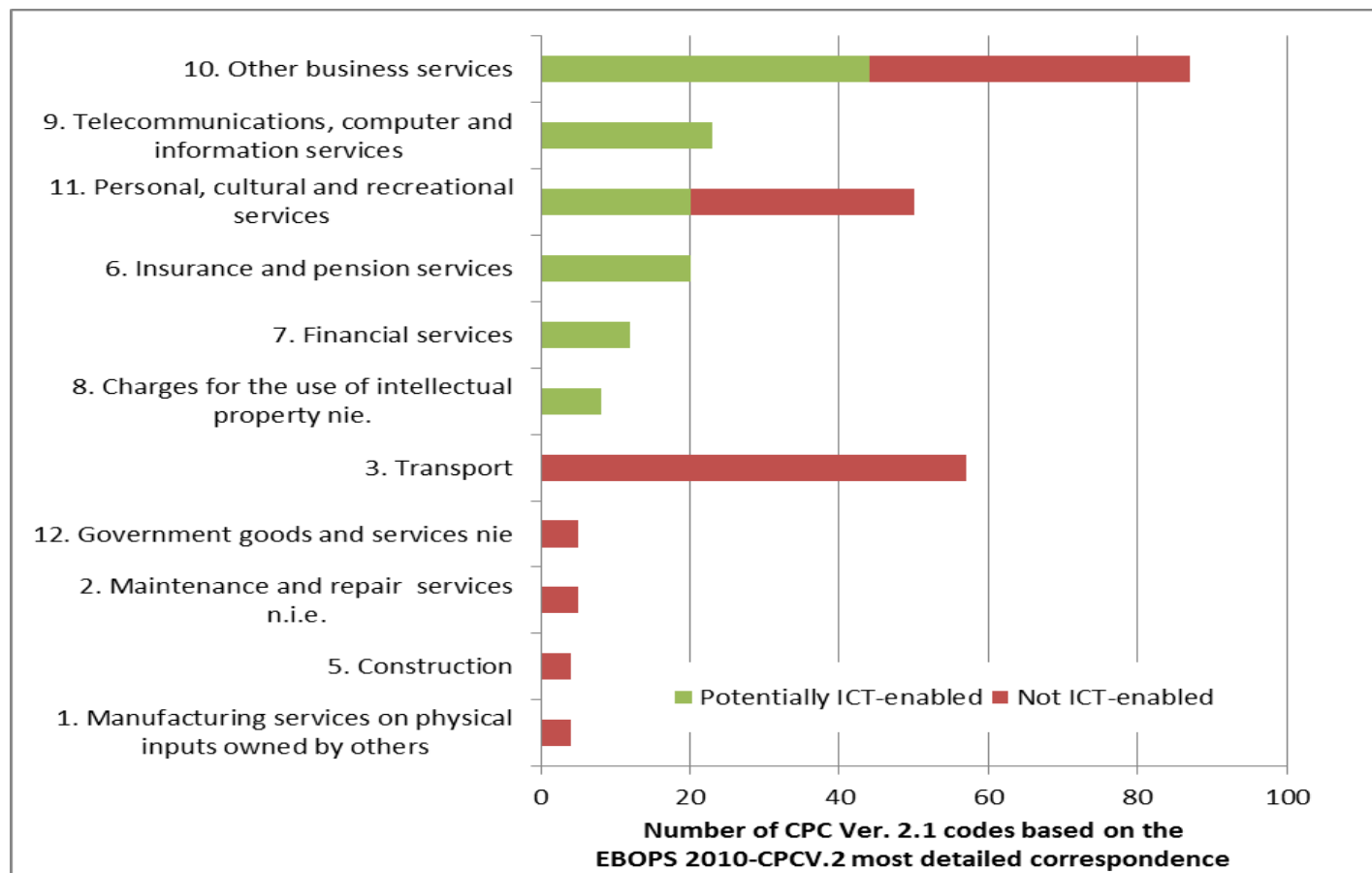
# TGServ Report Main Findings

## *ICT-enabled Services*

- ❑ No existing definition or comparable official statistics
- ❑ Existing statistics on international trade in services do not distinguish services by mode of delivery.
- ❑ First systematic and detailed attempt to define and classify ICT-enabled services using existing classifications.
- ❑ Distinguish between service categories that can potentially be delivered remotely over ICT networks and those that cannot.
- ❑ ICT-enabled services = *services with outputs that can be delivered remotely over ICT networks*



# EBOPS 2010 not amenable for identifying ITES





# TGServ Report Main Findings

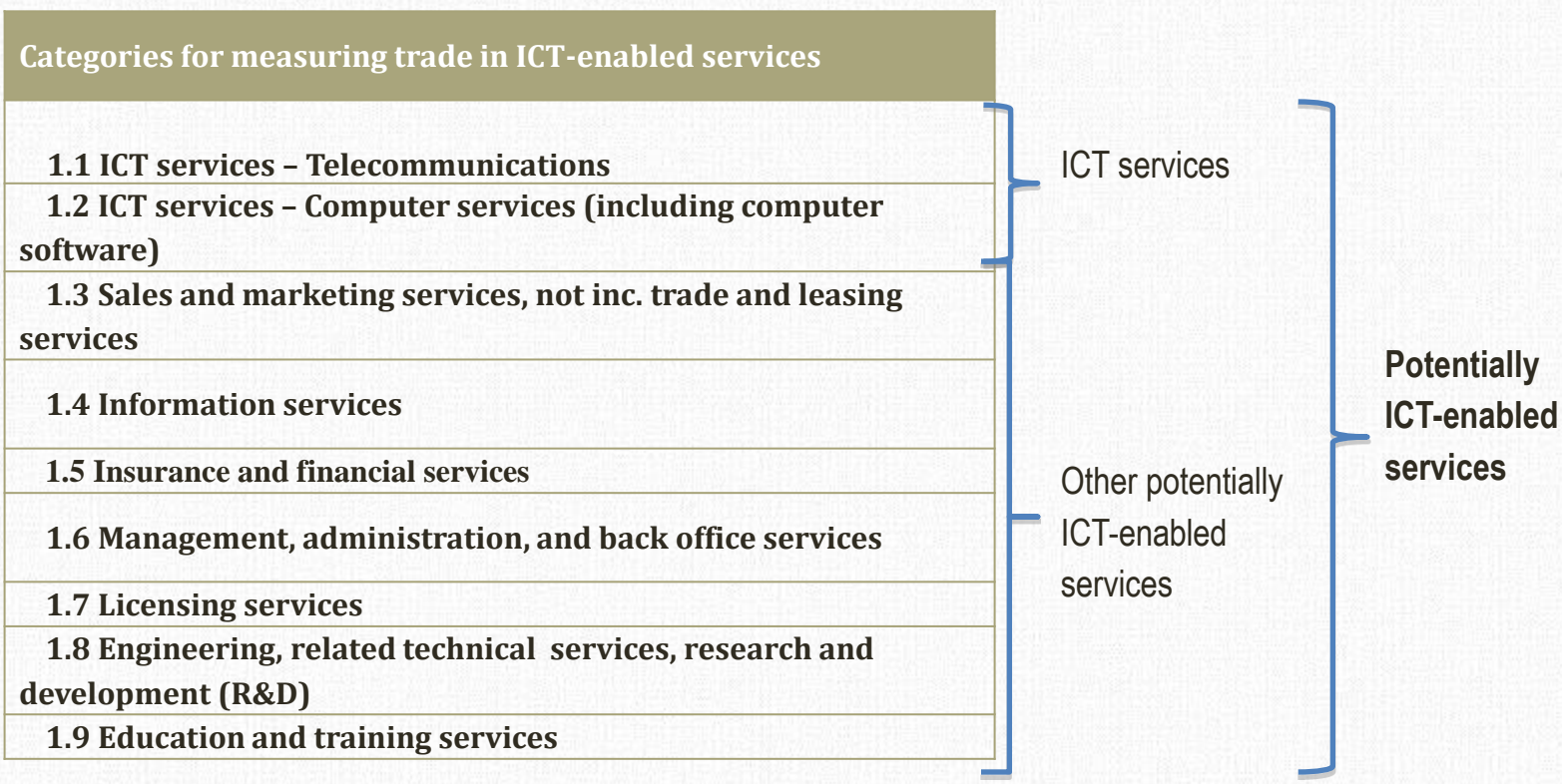
## *ICT-enabled Services (ITES)*

- ❑ Define potentially ITES using detail in CPC Ver.2.1 and the official correspondence to EBOPS 2010
- ❑ Exclude *transport services* (manipulation or transport of people, physical objects, material, or electricity)
- ❑ Exclude *on-site* or *in-person* services (require on-site/personal delivery)
  
- ❑ Given lack of data by mode of supply (GATS) a survey-based approach is needed to produce statistics
- ❑ *Exporting economies* - easier to collect accurate data – leverage correspondence with ISIC



# New Complementary Grouping for Trade in ICT-Enabled Services

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



# Model questions

## Potentially ICT-enabled services

- Please provide information on your services transactions with [country X]

Type of service (based on alternative grouping for potentially ICT-enabled services)	Revenue (from sales of services abroad, i.e. <u>exports</u> to country X)	Expenses (purchases of services; <u>imports</u> from country X)
<b>1.1 ICT services - telecommunications</b>		
<b><u>CPC Ver.2.1 based definition:</u> Include broadcasting, programming and programme distribution services; telephony and other telecommunications services; Internet telecommunications services</b>		

- Detailed correspondence table Alternative Grouping Potentially ICT-enabled - CPC Ver.2.1 - EBOPS 2010 - ISIC Rev.4

# Model questions

## Actually ICT-enabled

- Estimate the percentage of services transactions with [country X] that were delivered remotely

Type of service (based on alternative grouping for potentially ICT-enabled services)	% of sales to [country X] delivered remotely over Internet, phone, or mail	% of purchases from [country X] received over Internet, phone, or mail
1.1 ICT services - Telecommunications		
1.2 ICT services - Computer services (including computer software)		
1.3 Sales and marketing services, not including 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		

# Next steps

- ❑ Raise awareness on the proposed methodology
  - ✓ UNCTAD ICT4D Technical Note 3, International Trade in ICT Services and ICT-enabled Services: Proposed Indicators from the Partnership on Measuring ICT for Development (TN/UNCTAD/ICT4D/03), [www.unctad.org/ict4d/technicalnotes](http://www.unctad.org/ict4d/technicalnotes)
- ❑ Operationalize the proposed ICT-enabled services definition through pilot surveys
- ❑ Secure funding
- ❑ Identify partner countries with high interest in ICT-enabled services trade to test survey methodology



*Thank you for your attention!*



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