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

Number of CPC Ver. 2.1 codes based on the EBOPS 2010-CPCV.2 most detailed correspondence
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)"

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 services

Potentially ICT-enabled services

Other potentially ICT-enabled services
Model questions
Potentially ICT-enabled services

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

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

- 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

<table>
<thead>
<tr>
<th>Type of service (based on alternative grouping for potentially ICT-enabled services)</th>
<th>% of sales to [country X] delivered remotely over Internet, phone, or mail</th>
<th>% of purchases from [country X] received over Internet, phone, or mail</th>
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Next steps

- Raise awareness on the proposed methodology

- 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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