How to Move Forward on Measuring Digital Trade
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This paper summarizes the development process of the Handbook on Measuring Digital Trade and presents the recent deliberations of the Expert Group of Inter-Agency Task Force on International Trade Statistics (TFITS) (comprising around 20 developed and emerging economies and international organization members of TFITS) towards its finalization and release by end-2019. It also presents a road map over the next period and invites the Committee on Balance of Payments Statistics (Committee) to share their views on the way forward, including the use of a reporting template to collect country data on digital trade and ways to ensure visibility of this work.

I. BACKGROUND

1. In response to the growing demand for comparable data on digital trade, and to support evidence-based policy making, the TFITS, at its 2016 meeting, agreed to organize an informal expert group to define the conceptual framework for measuring digital trade. This work resulted in the development of a handbook, setting out the conceptual boundaries and providing compilation guidance on the measurement of digital trade. Reports on progress made in the development of the Handbook on Measuring Digital Trade (Handbook) and countries’ efforts to leverage their resources in terms of infrastructure and skills to estimate relevant measures have been discussed in earlier Committee meetings. This paper summarizes the development process and outlines the result of the recent deliberations of the Expert Group on Measuring Digital Trade towards its finalization and release.

2. The Handbook (attached as an Annex) reflects the outcome of three rounds of discussions of the TFITS’s Expert Group on Measuring Digital Trade (comprising around 20 developed and emerging economies and international organization members of TFITS) during 2017–2019, dissemination of a draft Handbook at the 2019 United Nations Statistical Commission meeting, and discussions at various Organisation for Economic Co-operation and Development (OECD) and Eurostat working groups on trade, and indeed earlier Committee meetings. The Handbook has also benefitted from discussions amongst various policy fora, including at the Directorate-General for Trade of the European Commission, World Trade Organization, and OECD and within the G20 Trade and Investment and Digital Economy working groups. In addition, the Handbook benefited from input from three surveys conducted by the OECD and International Monetary Fund (IMF) during 2017–2019.

3. It has also been developed in close coordination with the OECD Informal Advisory Group on Measuring the Impact of Digitalisation on GDP, and, in particular, with the key accounting framework—digital supply-use tables—developed by that group.

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1 Prepared by Mr. Nadim Ahmad, OECD, with input from Ms. Silvia Matei, Balance of Payments Division, STA
II. CONCEPTUAL FRAMEWORK AND MEASUREMENT OF DIGITAL TRADE – CURRENT STATUS

4. As a result of those earlier deliberations, there is now agreement on the substantive items included in the conceptual framework (see Chapter 2 of the Handbook). In particular, with regard to the definition of digital trade, the concept follows the nature of the transaction, and not the nature of the product that is traded, and, so, the *Handbook* defines digital trade as *trade that is digitally ordered and/or digitally delivered*. This corresponds to the framework set out in Figure 2.1 of the *Handbook* (see Figure 1 below). These two not-mutually-exclusive criteria form the underlying, and unifying, principle for including cross-border transactions within the definition of digital trade. One important overlap concerns transactions facilitated by digital intermediary platforms, both because of their important role in the digital economy as well as the fact that they raise specific compilation challenges. Therefore, even if in principle all transactions through digital intermediary platforms are either digitally ordered or digitally delivered, digital intermediary platforms are treated distinctly in the *Handbook*.

Figure 1. The Conceptual Framework for Digital Trade

5. At its October 2019 meeting, the TFITS’s Expert Group confirmed this definition but also asked that the *Handbook* provided additional guidance as follows:

- A road-map for implementation that could be adopted by countries.
- An elaboration of the reporting template, as set out in Table 2.2 of the *Handbook* (see Table 1 below).
### Table 1. Reporting Template for Digital Trade

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
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<tbody>
<tr>
<td>(i)</td>
<td>Digital Trade (ii+iv+vi+ix)</td>
</tr>
<tr>
<td>(ii)</td>
<td>Digitally ordered ICT goods</td>
</tr>
<tr>
<td>(iii)</td>
<td>of which via DIPs</td>
</tr>
<tr>
<td>(iv)</td>
<td>Digitally ordered goods (other)</td>
</tr>
<tr>
<td>(v)</td>
<td>of which via DIPs</td>
</tr>
<tr>
<td>(vi)</td>
<td>Digitally delivered Services</td>
</tr>
<tr>
<td>(vii)</td>
<td>of which via DIPs</td>
</tr>
<tr>
<td>(viii)</td>
<td>of which digitally ordered (including via DIPs)</td>
</tr>
<tr>
<td>(ix)</td>
<td>Digitally ordered services (not delivered digitally)</td>
</tr>
<tr>
<td>(x)</td>
<td>of which via DIPs</td>
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</tbody>
</table>

**Addendum items**

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>(xi)</td>
<td>Digitally ordered total (ii+iv+vi+ix)</td>
</tr>
<tr>
<td>(xii)</td>
<td>ICT goods total (digitally and non-digitally ordered)</td>
</tr>
<tr>
<td>(xiii)</td>
<td>Potentially ICT enabled services</td>
</tr>
<tr>
<td>(xiv)</td>
<td>Non-monetary transactions in information/data (imputed)</td>
</tr>
</tbody>
</table>

6. The reporting template describes in a summary format the sources of information that could be used to populate various cells, including a split between imports and exports, as the preferred information sources necessarily differ. Discussions at the recent Expert Group meeting revolved around countries’ ability to fill in the template given the varying levels of development of source data in countries, along with different individual country priorities and areas of interests. A sensible approach proposed by the meeting was to start populating the template with a range of estimates based on available information, and then refine as data collection expands. More hands-on guidance to assist countries in compiling digital trade estimates would be needed. Prompt feedback from the Expert Group’s members on their first attempt to fill in the template before finalizing the *Handbook* was sought. Further feedback is expected to be received via the early 2020 OECD/IMF stocktaking survey to encourage countries to start populating the template, whose results would be added with the next year update of the *Handbook*. This is consistent with the intention of keeping the *Handbook* as a living document, one that will be continuously updated as measurement practices mature.

### III. Moving Forward

7. From the outset, it was recognised that the *Handbook*, at least in its early years, would need to be a living document bringing together national practices as they emerged, and, in particular, as the momentum provided by the *Handbook* encouraged more systematic measurement of digital trade.

8. To ensure that the *Handbook* attained that status and could continue to evolve in line with emerging national best practices, the TFITS agreed to take stock of the situation at the
end of the year (2019), upon delivery of the first complete version of the *Handbook*, to
determine whether a follow-up meeting of the Expert Group would be needed.

9. In terms of immediate actions, members of the Expert Group agreed to:

   • Provide comments on the current draft (5 chapters) by the end of October 2019;
   
   • Member countries attempt to populate the reporting template (ideally by
     end-October 2019);
   
   • Provide details of any additional national practices that could be incorporated into the
     report.

10. In turn, the Expert Group agreed that the final version of the *Handbook*, including an
    Executive Summary and the remaining Chapters 6 and 7, would be completed by
    end-November 2019, with a one-week turnaround for final comments before the document is
    released for dissemination.

11. In addition, the OECD and IMF agreed that they would circulate an additional
    stocktaking questionnaire early 2020 encouraging countries to populate the reporting
    template, the results of which could be added to a 2020 update of the *Handbook*.

*Questions for the Committee:*

   • *Does the Committee agree that the reporting template should provide the primary
     vehicle for collecting information on the size of digital trade? What is the Committee’s
     view on the feasibility of the proposed approach to data collection?*
   
   • *Does the Committee consider it necessary to comment on the current draft version of
     the Handbook prior to its release?*
   
   • *How can the Committee support the efforts to ensure a maximum visibility for the
     Handbook?*
OECD-WTO-IMF Handbook on Measuring Digital Trade
I. Foreword

In response to growing demand for coherent and comparable data on digital trade, in 2017 the Inter-Agency Task Force on International Trade Statistics created an Expert Group, drawn from international organisations, national statistics agencies and central banks, to develop a Handbook that provided:

- A conceptual framework to define digital trade, around which national efforts could be targeted; and
- A mechanism to bring together and share existing national and international efforts on measuring digital trade and/or dimensions of it, that could be used to identify and develop best practice.

The present Handbook reflects the outcome to date of the Expert Group’s efforts. It shows that in many areas work is still very much in its infancy and in some respects (for example as regards the measurement and valuation of many data forms) can best be described as embryonic.

At the same time, progress continues to be made in frontier issues surrounding the measurement of digital trade. It is hoped, not least by highlighting the importance of such issues, that the current Handbook will help to accelerate and assist in those efforts. Recognising that significant work remains to be done, and at the same time that the structure and impact of the digital economy is evolving rapidly and unpredictably, this Handbook cannot be the final word on the subject, rather it should be viewed from the outset as a living document designed to be updated on a continuous basis (available on the OECD, WTO and UN websites) as new national and international experiences emerge.

Acknowledgements (Version 1 of the Handbook):

Nadim Ahmad (OECD) was the editor of this first version of the Handbook, drawing on contributions of all members of the Task Force including (XXXXX) and colleagues in the OECD (XXXX) and WTO (XXXX). Fabienne Fortanier (OECD) and Andreas Maurer (WTO) were the Chairs of the Task Force.
### Glossary of acronyms used in this Handbook

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>BEPS</td>
<td>Base Erosion and Profit Sharing</td>
</tr>
<tr>
<td>B2B</td>
<td>Business to business</td>
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<tr>
<td>B2C</td>
<td>Business to consumer</td>
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<tr>
<td>B2G</td>
<td>Business to government</td>
</tr>
<tr>
<td>CBEIS</td>
<td>China Customs’ Cross-border E-commerce Information System</td>
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<tr>
<td>CPC</td>
<td>Central Product Classification</td>
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<tr>
<td>EBOPS</td>
<td>Extended Balance of Payments Services Classification</td>
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<tr>
<td>DIP</td>
<td>Digital Intermediary Platform</td>
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<tr>
<td>EDI</td>
<td>Electronic data interchange</td>
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<tr>
<td>FTZ</td>
<td>Foreign Trade Zone</td>
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<tr>
<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
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<tr>
<td>GATS</td>
<td>General agreement on Trade in Services</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GNI</td>
<td>Gross national income</td>
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<tr>
<td>G2B</td>
<td>Government to business</td>
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<tr>
<td>ICT</td>
<td>Information and Communications Technology</td>
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<tr>
<td>ITES</td>
<td>ICT-enabled services</td>
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<tr>
<td>SPE</td>
<td>Special Purpose Entity</td>
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<tr>
<td>MCC</td>
<td>Merchant Category Code</td>
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<tr>
<td>MNE</td>
<td>Multinational Enterprise</td>
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<tr>
<td>NFC</td>
<td>Near field communication</td>
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<tr>
<td>NNI</td>
<td>Net national income</td>
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<tr>
<td>SBS</td>
<td>Structural Business Survey</td>
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<tr>
<td>SKU</td>
<td>Stock Keeping Unit</td>
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<tr>
<td>SME</td>
<td>Small- and medium-sized enterprises</td>
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<tr>
<td>SNA</td>
<td>System of National Accounts</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IMF BOPCOM</td>
<td>IMF Committee on Balance of Payments Statistics</td>
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<tr>
<td>IPC</td>
<td>International Postal Corporation</td>
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<tr>
<td>ITU</td>
<td>International Telecommunications Union</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<tr>
<td>OECD CTP</td>
<td>OECD Centre for Tax Policy and Administration</td>
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<tr>
<td>OECD WPTGS</td>
<td>OECD Working Party on Trade in Goods and Services</td>
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<tr>
<td>WTO</td>
<td>World Trade Organisation</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UN Conference on Trade and Development</td>
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<td>UNESCWA</td>
<td>UN Economic and Social Commission for Western Asia</td>
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<td>UNSD</td>
<td>UN Statistics Division</td>
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<td>UPU</td>
<td>Universal Postal Union</td>
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<td>WCO</td>
<td>World Customs Organisation</td>
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<tr>
<td>WTO</td>
<td>World Trade Organisation</td>
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<tr>
<td>US BEA</td>
<td>United States’ Bureau of Economic Analysis</td>
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</table>
II. EXECUTIVE SUMMARY

III. CHAPTER 1. INTRODUCTION

1.1. Introduction

The Internet and digitalisation are fundamentally changing the way people, businesses and governments interact. This has led to a new phase of globalisation underpinned, in particular, by the movement of data across national borders that has begun to transform international trade in goods and services.

Digitalisation enables a scale of trade in services that would have been unimaginable in an analogue world, for significant access to new markets, particularly by SMEs, and for new products, such as cloud services, whilst also having a significant disruptive and transformative impact on many industries.
However, despite the clear and growing impact of digitalisation, existing measurement approaches, on which this Handbook builds, have typically only been able to shed light on some, albeit important, aspects of it, and, in particular, its contribution to trade.

Many of the existing initiatives have focussed on specific aspects of digital trade or on measures that provide insights on it, to varying degrees of complexity. For example many efforts have looked at measures of trade in ICT goods (as enablers of digitalisation), reflecting, in large part, the availability of data in this area. Other efforts, (see for example Figure 1.1), have looked at measures of potentially ICT-enabled services (i.e. those that could be provided in digitised form, as a proxy for actual ICT enabled services), such as the effort developed under the UNCTAD led Task Group\(^2\) on measuring Trade in ICT Services and ICT-enabled Services (TGServ) and that of the US Bureau of Economic Analysis\(^3\).

Other substantive efforts, such as those of the OECD\(^4\) and WTO\(^5\), have focused on notions of electronic ordering (e-commerce) of goods and services (in the case of the OECD definition) whereas the WTO definition encompasses both electronic delivery and purchasing as well as trade that is ICT enabled, even if not ordered or supplied online.

Of particular relevance here, and symptomatic of the new challenges and difficulties presented by digitalisation, is that efforts on e-commerce reflect a departure from conventional measurement approaches that typically look at groupings of products and/or industries. That is not to say that these characteristics (product and industry) are not, in and of themselves, useful nor necessary but they struggle, on their own, to provide a holistic notion of Digital Trade; i.e. one that reveals the contribution of digitalisation to trade.

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\(^4\) The OECD defines an e-commerce transaction as ‘the sale or purchase of goods or services, conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders’. The goods or services are ordered by those methods, but the payment and the ultimate delivery of the goods or services do not have to be conducted online. OECD Guide to Measuring the Information Society, 2011

\(^5\) The WTO defines e-commerce as *the production, distribution, marketing, sale or delivery of goods and services by electronic means*. WT/L/274, 30 September 1998, Adopted by the General Council on 25 September 1998.
In this sense, the evolution of definitions of e-commerce around modes of ordering and delivery, rather than what is being ordered/delivered and who is ordering/delivering, in part, mirrors longer standing difficulties concerning the delineation of goods and services products; which digitalisation has, in turn, exacerbated. Software for example can be delivered in hard form (a good) or digitally (a service), and all firms, can, at least in theory, sell or order goods and services by digital means.

This Handbook builds on this considerable body of work and defines Digital Trade as **all trade that is digitally ordered and/or digitally delivered** 6.

The definition, partly by design – to capitalise on existing measurement efforts and surveys - has similarities with existing definitions of e-commerce. In particular, the definition of digitally ordered transactions used here follows the existing OECD definition for e-commerce. It does however differ, or, rather, provide a broader perspective, in some important aspects.

For example, many services (including for example telecommunication services) are delivered digitally but often without digital ordering and consequently are not included in the OECD definition of e-commerce.

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6 The conceptual framework is developed in accordance with existing statistical accounting standards, in particular the 6th Balance of Payments Manual (BPM6) and the System of National Accounts (2008 SNA).
This is not the only area where the scope of this Handbook differs from that covered by conventional notions of e-commerce. Chief in this respect concerns its ambition to capture non-monetary transactions, notably those related to data, where there is growing policy demand, and, indeed, where there have been concerns that current statistics underestimate the size of trade.

*Ambition* is the operative word in this respect, as it is clear, as the Handbook illustrates, that there is much to be done in measuring non-monetary transactions involving data, both in terms of thinking through categorisations, where work is largely in its infancy, but especially in terms of their valuation, where there are considerable challenges.

To differentiate between digital trade and a broader notion of cross-border activity (that includes non-market transactions in data), the Handbook refers to this broader notion as ‘Non-monetary Digital Trade’, defined as ‘cross-border digitised transactions delivered at zero cost to the final user’.

At the same time, it is important to note that the ambition of the Handbook is also restrained. The definition adopted in this Handbook does not, nor does it attempt to, measure, in its broadest sense, the overall contribution of digitalisation to trade (see also Section 1.3 below). Many firms increasingly use digital tools in one form or another to engage in trade, for example data to improve the production of goods that are subsequently sold through conventional, non-digital, channels. The definition adopted in this Handbook will not be able, nor is it designed, to capture these transactions (especially if the digitised components that are contributing to trade are not themselves traded).

However, in 2017 the OECD created an *Advisory Group on Measuring GDP in a Digitalised Economy* that is developing a satellite account (see Appendix 1) that has been developed in parallel with this Handbook, and which will be able to shed light on these broader issues.

In addition, the OECD’s *Going Digital* project includes a significant measurement component “Measuring the Digital Transformation: A Roadmap for the Future” that describes and provides guidance and recommendations on a

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number of broader indicators, such as high-speed internet access, number of smart phones per capita, the use of digital tools by SMEs etc., and also includes recommendations in a number of areas covered in this Handbook (see Appendices 1 and 3).

In this sense, the Handbook adopts a definition of digital trade that can more accurately reflect the share of current cross-border trade in goods and services that has been digitally delivered and/or digitally ordered.

It is difficult to overstate the ‘working’ status of this Handbook. As noted above there are a number of areas of work where measurement is still in its infancy. While the Handbook is designed to provide an overall conceptual framework, around which countries can target efforts to achieve internationally comparable measures, capitalising on emerging best practices, it is also designed to provide a vehicle that drives momentum and kick-starts measurement in areas where significant gaps exist, such as on data. It is therefore a living document; one that will be continuously updated as measurement practices mature.

The Handbook is designed to be as exhaustive as possible in its coverage of digitalisation issues of relevance for trade statistics but with discussions still evolving in a number of areas, this is not yet the case.

Four major areas where research is on-going but whose (current) exclusion from this report have no impact on the conceptual framework covered nor on the definition of digital trade concern:

- the need for improved guidance on the rules governing economic ownership of intellectual property assets;
- improved compilation guidance on the measurement of cloud services (where there are challenges in identifying the source of imported services);
- complementary estimates that provide insights on intra-firm digital services in cross-border trade statistics and services supplied via affiliates abroad; and
- the treatment of crypto-currencies and crypto-assets (see Annex 6.A).

Regarding the first, the OECD created an informal reflection group to investigate the impact of globalisation on the national accounts and made a series of recommendations (see Appendix 2), including on the need for improved guidance on the rules for economic ownership for intellectual property assets.

Regarding cloud services, although payments will, at least in theory, be recorded in international trade transactions, free use of cloud services will not be. Although this is similar to many other ‘free’ services, such as e-mail, the nature of cloud-based services means that it is not always evident from which country the services
were provided, even if the country that receives the payment is known (See Appendix 3).

Finally, digitalisation has further blurred the lines between traditional trade in services (Modes of Supply 1, 2 and 4) and a broader notion of trade that includes delivery via foreign presence (Mode 3). In a digital world, firms can readily supply services via affiliates abroad rather than through traditional trade mechanisms. Sometimes these will be supported by intra-firm services provided by the parent or other affiliates, which should be recorded as traditional trade, but often they will not be, and, instead, compensation for the provision of these services is recorded only, ultimately, as primary income receipts of the parent. Guidance on all of these areas will be covered in an update to this Handbook during the course of the next few years.

1.2. Policy drivers

An important motivator for the development of this Handbook is the growing need for better evidence to assist analysts, businesses and policy makers in developing policies and strategies that can capitalise on, or manage the risks of, digital trade. Indeed, under the recent Chinese, German and Argentine Presidencies both the G20 Trade and Investment Working Group, and Digital Economy Task Force have placed significant emphasis on measurement.

The 2017 Digital Economy Ministerial Declaration\(^\text{11}\), under the German Presidency, for example stated that:

> To fully harness the potential of digitalisation for jobs and growth, it is critical that the digital economy is comprehensively included in our national statistics and when feasible, separately identified. There is also a need to continually review our statistical frameworks. This evidence will help us assess the impact that our digital strategies are having on the development of the digital economy. We therefore welcome the work of international organisations and National Statistical Offices to improve measurement of the digital economy.

This culminated in the development of a Toolkit for Measuring the Digital Economy (see Appendix 4) under the Argentine Presidency, and which asked for countries to:

> Work towards improving the measurement of the digital economy in existing macroeconomic frameworks, e.g. by developing satellite national accounts.

In addition, there have been significant and high-profile policy-driven national initiatives that have looked at both broad and specific aspects of the impact of digitalisation on macroeconomic statistics. For example, the 2016 Bean Review conducted to assess the UK’s future economic statistics needs in particular relating to the challenges of measuring the modern economy, and the US Department of Commerce’s 2016 initiative on Measuring the Value of Cross-Border Data Flows, (Appendix 5).

Meeting the needs of policy makers is, of course, central to the design of new statistics and statistical standards and this Handbook is designed to respond, as far as possible, to many of these needs, summarily described below.

**Market access**

Trade market access refers to the rules and regulations – as established through WTO multilateral agreements such as the GATT (for goods) and GATS (for services), or via bilateral or regional trade agreements – that determine if, and under what conditions, products can be sold in foreign markets through trade. These rules may involve tariffs or quotas, but also behind-the-border measures. The multilateral trade rules have been developed to be technologically neutral, meaning that they apply regardless of the technology used to deliver goods or services. In addition, a moratorium on applying duties on electronic transmissions has been agreed since 1998 and regularly extended.

Digitalisation has increasingly been a focus of attention in this area as it further blurs the lines between goods and services, where different rules apply (such as ‘software on a disk’ versus software delivered electronically) and moreover it creates ambiguities around the nature of the product being supplied. For example, in a recent case heard by the European Court of Justice (December 2017), the Court ruled that Uber was in the business of providing transport services (which are excluded from EU rules permitting freedom to provide services) and not (as argued by Uber) in the business of providing computer services (which are governed by the directive on services in the EU internal market). Although statistical standards do not have to follow these rulings, it is important that they are designed, wherever possible, in such a way that they are able to inform them (see also Chapter 4).

**Trade facilitation**

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14 See also Lopez-Gonzalez and Jouanjean *Digital Trade: Developing a Framework for Analysis* (2017).
The ease of ordering online, including from abroad, has led to an increase in the number of small packages crossing borders. The treatment of small parcels, often by postal systems, is different from the treatment of other goods (e.g. through shipping containers and warehouses), sometimes creating a consumer preference for foreign e-commerce retailers, sometimes for traditional domestic retailers. Very low de minimis provisions (the threshold below which no customs duties are collected), for example, can lead to longer customs clearance times and therefore to potential distortions in market preferences by consumers towards domestic rather than foreign retailers. In this context, and, indeed, as a result of the increased volume of small packages, de minimis provisions are currently being reviewed in countries, which will also impact on estimation methods currently used by statistical offices to estimate de minimis trade.

At the same time, the digitisation of information and the growing ease of data exchange paves the way for faster customs clearance procedures and improved risk management, facilitating international trade. Indeed, the World Customs Organization is currently investigating enhanced exchange of information between customs authorities for exactly these purposes, particularly for smaller-value packages ordered online.

**Development impact**

Digitalisation (including through local or foreign digital intermediation platforms) provides significant new scope for producers (particularly SMEs) to penetrate foreign markets but many developing economies still lag in terms of intellectual property protection, IT infrastructure and skills, and this digital divide may reduce their ability to fully participate in, and benefit from, digital trade.

A challenge here is to ensure that developing economies are not also left behind in their ability to produce evidence for policy-making. Chapter 6 of this Handbook describes a number of complementary indicators, that can provide important insights on digital trade and that can, in theory, be readily produced within and from existing statistical frameworks and surveys. The chapter also provides commentary on a number of related initiatives that could serve as important vehicles for providing evidence on aspects of digital trade.

**Competition**

With digitalisation, new players have emerged. Digital intermediation platforms have strongly impacted competition and the ‘rules of the game’ in their target industries. Although the position of relevant authorities is evolving rapidly, often these disruptive players are able to circumvent regulatory requirements that are applicable to domestic, ‘non-digital’ competitors: for example, hotels face taxes and regulations that Airbnb (and the suppliers it hosts) often does not; Uber gains part of its competitive advantage (in many countries) by considering its drivers as
independent contractors instead of employees; and Amazon is able to book transactions through lower tax jurisdictions.

Since network effects and economies of scale are especially important for many platforms, there are growing risks of market dominance in an increasingly winner-takes-all environment. Despite the considerable challenges, being able to identify these disruptive and transformative firms, and their impact on trade, is a key aspect of this Handbook (Chapter 4).

**Data flows: localisation, privacy, and monetisation**

Digital trade is growing hand in hand with cross-border data flows, which enable seamless trade and create new opportunities to add value. The growing flows of data have also raised new concerns related to data privacy and security, and consumer protection, resulting in, for example, local storage requirements or restrictions on cross-border data flows. Such regulations may be trade distorting. Finding the right balance between measures developed in pursuit of legitimate public policy goals and preserving the benefits from an open digital environment remains an important challenge to trade policy makers.

Data flows that are not directly monetised are not generally considered as trade flows in current statistical standards; for example, personal information provided on social networks or data captured by firms within the ‘Internet of Things’. However, even though these data are acquired for ‘free’ they clearly have value to the firms acquiring and using them in production, whether to generate advertising revenues, supply-chain and risk management, production efficiencies, etc. Valuing these data is a formidable challenge. Presently work in this area of measurement is very much in its infancy but the Handbook will be updated regularly as national experiences and guidance develop.

**Taxation**

### 1.3. Initiatives from which this Handbook has drawn

As noted above, this Handbook has drawn, and continues to, draw on a number of earlier and on-going initiatives tackling measurement issues related to trade and more generally macro-economic statistics. Chief inputs in this respect reflect all those cited above and in particular the OECD, WTO and UNCTAD’s efforts on defining e-commerce; UNCTAD’s efforts on ICT enabling measures; the G20 Toolkit on Measuring the Digital Economy; the US Commerce Department’s work on Cross-border data flows; and the OECD’s broader efforts on measurement included in the Going Digital project, and, in particular, from long-standing efforts highlighted in its Science and Technology Scoreboard publications and its Guide to Measuring the Information Society.
The Handbook has also drawn inspiration from other related efforts that deserve special mention:

- UNCTAD has developed indicators of E-commerce Readiness\(^{15}\), focusing on Business to Consumer (B2C) transactions with components reflecting the steps involved in completing an online shopping (B2C) transaction, measures of web presence, possibility to pay online, and delivery reliability.

- The World Economic Forum has developed a Networked Readiness Index\(^{16}\) to measure the capacity of countries to leverage ICTs for increased competitiveness and well-being. The index is based on information from various international organisations as well as its own Executive Opinion survey to derive an index based on four sub-indices: the enabling environment; a country’s readiness in terms of e.g. infrastructure and skills; the usage of ICT by actors; and social impact.

- The International Telecommunication Union (ITU) publishes a Global ICT Development Index\(^{17}\), which aims to measure the information society by combining 11 indicators on ICT access (an indication of the available ICT infrastructure and individuals’ access to basic ICTs), ICT usage (including intensity of use), and ICT skills.

- As a final example, the multi-stakeholder “eTrade for All” initiative, launched in 2016 at the UNCTAD Ministerial Conference in Nairobi, is a consortium of more than 20 international and regional organisations, national entities and development banks that aims to improve the ability of developing and transition countries to engage in and benefit from e-commerce. The Initiative has developed a tool for assessing the e-trade environment at the national level, consisting of a series of 30 e-trade indicators across seven key policy areas (ICT infrastructure and services, payment solutions, access to financing, e-commerce skills development, legal and regulatory frameworks, trade logistics/facilitation, and e-commerce readiness). The e-trade readiness indicators are published online in the World Bank Group data portal TC360\(^{18}\), as well as in e-trade country profiles on the eTrade for all platform.\(^{19}\)

\(^{16}\) http://reports.weforum.org/global-information-technology-report-2016/report-highlights/
\(^{18}\) https://tcdata360.worldbank.org/
\(^{19}\) https://etradeforall.org/ressources/data-indicators/
1.4. Structure of the Handbook

As noted above, much of the work presented in this Handbook reflects work-in-progress as a way of motivating the development of new measures and indeed new approaches to measurement. Many of these efforts are very much at the frontier of statistical measurement and it is hoped they will be added to as experiences mature.

In that sense, Chapter 2 of this *living document*, is the prism through which these efforts should be viewed. It provides the unifying conceptual framework for digital trade that national efforts should target, which is crystallised via a simple reporting template setting out the key components of digital trade. Recognising that many of the measures required in the template require advances in measurement techniques, the template includes a number of complementary indicators that provide insights on digital trade, and that, importantly, can already be developed by many countries from available statistics.

Chapters 3 to 6 provide compilation guidance on specific aspects of components of digital trade identified in the conceptual framework, drawing on the responses of 74 countries to an OECD-IMF survey conducted over 2017-2018 (see Appendix 5). The chapters build on existing practices and pilot-tests in several countries and identify potential new data sources. Further chapters will be added, for example on non-monetary transactions, as efforts mature.

Chapter 3 focuses on the measurement of digitally ordered goods and services.
Chapter 4 focuses on digitally delivered services
Chapter 5 focuses on transactions enabled by digital intermediary platforms.
Chapter 6 looks at a range of complementary measures that can be (or are already being) produced to provide insights on digital trade, including: trade in ‘digital’ products (including sub categories such as ICT goods and services); trade in ideas, trade in ICT-enabling services, and trade in potentially ICT-enabled services.

Chapter 7 concludes with a series of key recommendations and next steps.
IV. CHAPTER 2: A CONCEPTUAL FRAMEWORK FOR MEASURING DIGITAL TRADE

2.1. Introduction

Key obstacles towards internationally comparable estimates of digital trade have been the absence of an internationally agreed definition and an absence of a conceptual accounting framework.

Many significant initiatives, as described in Chapter 1 and in subsequent chapters, have provided important insights on aspects of digital trade, leading to a plethora of various statistical measures: e-commerce (defined in various ways), ICT-enabled services, digitally-enabled services, partially digitally-enabled services, and so on. Together they help to knit a tapestry of much of what we consider to be digital trade but, outside of an overarching conceptual framework, they can lack coherence.

That is not to say that these initiatives are not important. Far from it, they are all, to varying degrees, central to the development of the framework presented here. Many of these initiatives have motivated the development of new surveys, some of which have now been in existence for many years, which this framework, mindful of practicalities and response burdens, tries to build on.

At the same time, it is also important to emphasise that the proposed definitions and the framework in this Handbook are intended for statistical purposes: while every effort is made to align the terminology with that used in other fora, differences may occur regarding the scope and precision.

Before presenting the conceptual framework in detail, it is useful to review some of the principal considerations that have shaped it, in addition to those described above, and, consequently, the definition of digital trade used in this Handbook.

Digitisation as opposed to the broader process of ‘digitalisation’, is commonly understood to reflect the encoding of information or procedures into binary bits that can be read and manipulated by computer. Digitisation can take many forms such as the translation of analogue measurements; encoding business and industrial processes; voice over Internet protocol (VOIP); social networks (as alternatives to face-to-face interactions); etc. Collectively, the changes produced by different forms of digitisation, the resulting applications, systems, platforms, and the effects on economic and social activity constitute “digital transformation” or digitalisation.

But while there is an understanding that digitisation is a process that involves the encoding of information into binary bits, its use as the basis for a definition for digital trade is restrictive and, in any case, difficult to operationalise in a practical and meaningful way for measurement purposes.

Digitisation is key to the digital transformation (digitalisation) but valuing its direct contribution to that transformation is only part of what is required, when we think about
digital trade. For example, the cost of digitally transferring data from a customer to a producer via a peer-to-peer ride-sharing platform has fallen dramatically in the last decade, so an approach that looked only at the costs of digitisation would significantly under-estimate the benefits accruing from digitalisation21.

But while a focus on digitalisation is clearly preferable to a focus on digitisation, from a definitional perspective it remains non-trivial. Should, for example, digitalisation reflect the total effects of digitisation on trade. For example in the case of a ride-sharing platform should it include the total value of activity supported (e.g. including the value of taxi services provided), or should it reflect only the intermediation fees charged for using the platform? The two will give significantly different answers but both are relevant to the debate and both are important for policy-making. The first, to some extent, looks at overall impact, that can, albeit very crudely, be described as a consumption perspective, whereas the latter, and again crudely, is closer to a producer’s perspective (e.g. output of ‘digitised’ industries). This multi-dimensionality is at the heart of the difficulty in defining a concept for digital trade.

An example can help to reinforce the point. While there may be broad unanimity that a digital book is a digital product, what is not clear is whether its whole value (which includes the author’s contribution) should be included in a measure of digital trade or only that part of the value that reflects its conversion into bits and bytes and any charges/costs related to digital transactions, which excludes the author’s contribution. Does it matter if the author originally typed the book on a computer, directly, into digital form? Are computers enabling devices that, when combined with digital platforms (such as the internet), are also part of the digital transformation, providing mechanisms to access readers and markets that would previously have been unimaginable?

A simple approach, of particular relevance for trade statistics, which remain, by and large, driven by considerations around the type of products that are traded, would be to identify categories of products22 that could be defined as ‘digital’, (however these were defined, for example, digitally delivered services).

However, such an approach is likely to omit large parts of what most users would want to see captured in a measure of digital trade. One of the most significant impacts of digitalisation has been its ability to shrink the space between final consumers and producers, and indeed between producers and producers, providing previously unimaginable access to new markets. However, even though goods increasingly embody digital characteristics, most of these transactions involve non-digital goods or services. They would therefore very likely fall outside the scope of a purely product-based definition of digital trade, unless the idea of a digital product was also based on how the

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21 Indeed, it is important to put these issues into perspective. Many similar challenges and questions can be raised in the ‘analogue’ domain. For example a book cannot be valued only by the costs associated with typing it.

22 One might also consider looking at trade conducted via a category of digital industries, but this would also present significant boundary issues. For example would a shoe manufacturer selling all of its products online be in or out of scope. Even if this could be meaningfully resolved, how would the same manufacturer selling half of its products via conventional trade and half online be considered?
product was ordered, for example non-digital goods ordered over the internet would be in scope but the same good purchased physically would not be.\footnote{That is not to say that delineations based on products are not worthwhile, indeed this Handbook demonstrates they are, but they cannot be the basis on which digital trade as a concept is defined.}

That being said, a definition that focused purely on whether products were \textit{ordered} via digital channels, (for example following the OECD’s definition of e-commerce), would also be deficient, as it would exclude many transactions in ‘\textit{digitised services}’, (see also below). For example, many on-line banking services, mobile communication services, and significant business-to-business transactions, such as software support and on-line call centres, ordered via conventional (physical) channels (in a shop or branch) would be out of scope. Similarly, broader notions of digital trade that imputed values for non-monetary transactions, related to data or intra-firm deliveries of other digitised information (including knowledge), would also be excluded from a definition that looked only at digital ordering.

A defining characteristic of those \textit{digital services} that may not be digitally ordered is that they are, to all extents and purposes, \textit{digitally delivered}, (see also below). But a definition that focused only on digitally delivered products would exclude any goods that were digitally ordered, so, like digital ordering, digital delivery also misses large parts of what would commonly be considered as being in scope of digital trade.

However, an approach that marries these two modes (ordering and/or delivery) can overcome these deficiencies whilst also proving feasible as national and international efforts on measuring e-commerce and on digitally enabled services demonstrate (see below)\footnote{It’s important to note in this context that the efforts in this Handbook are not exclusively driven around the notion of ‘gaps’ in current statistics, important though these are. The primary aim in this respect is to make digital trade more visible in current economic statistics, hence the focus on goods (where transactions are generally well covered in cross-border trade statistics) as well as services.}.

From a practical and conceptual perspective therefore, these two, not-mutually-exclusive, criteria form the underlying, and unifying, principle for the statistical definition of digital trade. That is to say, the statistical definition of digital trade is based on \textit{the nature of the transaction}, and \textit{not} on the nature of the product that is traded, and, so, this Handbook defines digital trade as \textit{trade that is digitally ordered and/or digitally delivered}.

Both of these two, overlapping, components are described, (and defined), in more detail in section 2.2 below. One important overlap concerns transactions facilitated by digital intermediary platforms (described in more detail below), both because of their important role in digital trade as well as the fact that they raise specific compilation challenges, as this Chapter will demonstrate.

As such, even if, in principle, all transactions through digital intermediary platforms are either digitally ordered and/or digitally delivered, they feature as a distinct component in the conceptual framework described below.
One of the key concerns driving the need for better evidence on digital trade has been the perception that large parts of trade are not being recorded because of digitalisation\textsuperscript{25}. These concerns are both practical – for example, in relation to the measurement of \textit{de minimis} transactions, where there are concerns that approaches to estimate small parcel trade below customs thresholds may not have kept up with the pace of ordering through digital channels – and conceptual, notably with respect to the measurement of data flows that have no monetary transaction.

Many of these (typically) invisible flows are outside of the conceptual production boundary\textsuperscript{26} and, so, outside of conventional measures of trade but that is not to say they are not important (described in more detail below). As such, the conceptual framework and reporting template, described in this Handbook includes these flows as complementary items.

\textbf{2.2. The conceptual framework for Digital Trade}

As noted above, the nature of the transaction – digitally ordered and/or digitally delivered – is the overarching defining characteristic of digital trade. However, for trade policy purposes, any conceptual framework also needs to have a product dimension. Equally, because of the considerable interest in understanding who is engaged in digital trade, information on the actors involved is also needed. Figure 2.1 below provides a simple depiction of the framework proposed in this Handbook (discussed in more detail in the following sections).

\textsuperscript{25} There have also been concerns that the way that trade flows are routed has been significantly affected by a combination of digitisation and fiscal optimisation. The ability of firms to shift intellectual property from a high to a low tax jurisdiction, and, so, in turn, the location of production and exports, has been transformed by digitisation. Equally, parent companies are now able to organise the flow of many digitised services (including data) between affiliates that may have no monetary transaction, which further blurs the lines between trade in services and property income. Guidance in this area will be provided in future updates of this.

\textsuperscript{26} See N.Ahmad and P.Schreyer, \textit{Measuring GDP in a Digitalised Economy}, 2016, for a full discussion of these issues and N.Ahmad and P.Van de Ven, \textit{Recording and measuring data in the System of National Accounts}, 2018.
2.2.1. The Scope of the Framework (Where)

The framework is primarily designed to provide a view of international trade in produced goods and services that have been digitally ordered and/or digitally delivered; which this Handbook refers to as Digital Trade. However, as described above, it also attempts to respond to growing demand for information on non-monetary transactions not included in measures of conventional goods and services trade (referred to in the framework as (non-monetary) transactions in information and data, see also below. Because no monetary transaction is made, a simplifying assumption is made that these elements are not digitally ordered and only materialise in the framework when they are delivered digitally.

2.2.2. The nature of the transaction (How)

2.2.2.1 Digitally ordered transactions

An important guiding principle in the development of this Handbook is that it should be practical and feasible. As such, by design, it builds upon existing and related areas of work, especially where measurement instruments exist.

Significant efforts have been made for a number of years now in the measurement of e-commerce. This Handbook capitalises on those efforts and uses the OECD definition of e-commerce to define ‘digitally ordered’ as shown below:

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* Refers to transactions of information and/or data where there are no explicit monetary exchanges.

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27 Digital Intermediary Platforms are also an important component of Actors. Their current explicit inclusion in the nature of transactions (which may change depending on how measurement efforts evolve) reflects the scope for measuring modes of digital delivery and/or ordering through targeted surveys of DIPs.
“An e-commerce transaction is the sale or purchase of a good or service, conducted over computer networks by methods specifically designed for the purpose of receiving or placing orders.”

Some additional clarifications are provided in this definition. Specifically, these state that the payment and ultimate delivery of the goods or services do not also have to be conducted online. Transactions can involve participants from all institutional sectors, and cover orders made over the web, extranet or via electronic data interchange (EDI, see Box 2.1). Excluded are orders made by phone, fax or manually typed email.

In developing its definition of e-commerce, the OECD emphasised: (a) its need to be coherent, simple and pragmatic, and explicitly acknowledged its focus on those electronic transactions that were known, definable and important at the time (2011). At the same time, in its deliberations, the OECD acknowledged that as new technologies evolved, new forms of e-commerce would need to be considered.

In the intervening period, many new mechanisms (particularly related to applications) have emerged. Discussions with statistical compilers held in the course of developing this Handbook concluded that additional guidance was needed for a consistent interpretation of digitally ordered trade transactions and to clarify areas where ambiguities had appeared.

Responses to the second round of the OECD-IMF stocktaking survey, with more than 70 countries replying, concluded that:

- Digitally ordered trade in goods and services should cover 'in-app' purchases (100% agreed)
- Digitally ordered trade in goods and services should include transactions via online bidding platforms (95% agreed)
- When a trade transaction is concluded via offline ordering processes, but subsequent follow-up orders are made via digital ordering systems, only the follow-up orders should be considered as e-commerce (80% agreed)
- Digitally ordered trade in goods and services should not cover offline transactions formalised using digital signatures (86% agreed)

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28 The WTO definition on e-commerce includes both ordering and delivering modes.

29 It is important to note that the definition measures the total value of the product being traded, whether that product has digital characteristics or not.


31 See Appendix 6.

32 Some areas of ambiguity remain and are subject to further research. For example, whether purchases of goods or services via online chat functions, such as WeChat should be considered e-commerce. On the one hand, WeChat and related systems are typically not specifically designed for placing orders (as per the e-commerce definition), but instead receive manually composed messages similar to emails. On the other hand, rapid technological change has meant that orders can now be handled automatically and, so, arguably, related transactions could be classified as e-commerce.
2.2.2.2 Digitally delivered transactions

The second dimension of the nature of digital trade transactions is referred to as digitally delivered. The concept of digitally delivered transactions is based on the work of the UNCTAD led Task Group on Measuring Trade in ICT Services and ICT-enabled Services (TGServ)\(^3\). TGServ defined ICT-enabled services as follows, which this Handbook adopts as the definition for digitally delivered trade:

*All cross-border transactions that are delivered remotely over ICT networks – i.e. over voice or data networks, including the internet, in an electronically downloadable format.*

2.2.2.3 Digital intermediary platform enabled transactions

An important characteristic of digitalisation is the increasing role of firms such as Airbnb, Alibaba, Amazon, Booking.com, Uber and eBay that facilitate transactions in goods and services. These digital intermediary platforms nearly always have an electronic ordering component, and, typically, the goods and services advertised can only be paid for electronically. Even if in some cases it is possible to make orders using analogue methods, the platform itself is typically\(^3\) the only mechanism through which consumers can see the advertised products.

Although, all digitally intermediated transactions are included under digitally ordered (and often digitally delivered), they are separately identified in the framework for three reasons:

- The first reflects the specific interest in the role of digital intermediary platforms (DIPs), and, in particular, their potentially disruptive impact on the economy.
- The second reflects the possibility that a targeted focus on DIPs, including through dedicated survey vehicles, may provide an effective approach to deliver earlier results on both digitally ordered and digitally delivered trade.

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34 Some platforms are now beginning to experiment with physical stores.
The third, reflects the specific conceptual and statistical challenges that transactions in DIPs present, especially when they are not resident in the country where the intermediation services are consumed (See Section 2.3).

Firms classified as DIPs use many different types of business models to sell or deliver goods or services. The World Customs Organisation (WCO) as well as the OECD Centre for Tax Policy and Administration (CTP)35, 36 have developed typologies of new, online business models. While the terminology differs (for example, the OECD37 describes ‘multi-sided platforms’ while the WCO uses ‘e-platforms’), both identify key criteria to define digital intermediary platforms, including:

1. There are multiple buyers and multiple sellers that interact directly
2. The platform itself does not own the goods nor does it supply the services that are being sold.

Based on these criteria, digital intermediary platforms charging a fee can be defined as online interfaces that facilitate, for a fee, the direct interaction between multiple buyers and multiple sellers, without the platform taking economic ownership of the goods or services that are being sold (intermediated).

In turn, because digital intermediary platforms may also provide other services, digitally intermediated platform services (for a fee) are defined as online intermediation services enabling transactions between multiple buyers and multiple sellers, without the platform conducting the intermediation service taking economic ownership of the goods or rendering services that are being sold (intermediated).

It is important to note that digitally intermediated platform services, provided for a fee, differ from similar services provided by electronic retailers or e-tailers, who may also sell a wide variety of different products and operate exclusively online, but who own all the products being sold38, and so provide margin based distribution services, as opposed to intermediation services. In addition, because the platforms provide a means of intermediating productive transactions between households, they may also have implications on the types of surveys used to measure trade flows (see Box 2.2).

As shown in Figure 2.1 however, the scope of digital intermediation platforms includes non-monetary transactions. Many DIPs provide services without charging fees (implicit or explicit) and instead generate revenue through advertising and data services. Most social media platforms, search engines, knowledge sharing platforms, and providers of

36 UNCTAD (2018) is looking at classifications based on the overall business model (profit vs non-profit) and type of product involved (goods, payment services, social media, labour)
38 Note that these two business models may co-exist within the same enterprise group, for example Amazon Ecommerce (an e-tailer) as opposed to Amazon Marketplace (a digital intermediary platform), and part of the same firm, which is why an important distinction is made between definitions of the platforms themselves (the firms) and the services they provide (the ‘nature’).
free phone applications generate revenues in this way; providing in turn ‘free’ services to ultimate end-users.

Digital intermediation platforms not charging a fee are defined as: Platforms providing ‘free’ digital services to multiple end-users that are financed through advertising and data revenues paid by units seeking to sell goods and services to end-users receiving free digital services.

The OECD Advisory Group on Measuring GDP in a Digitalised Economy, defines this category of firms as a subset of the category ‘Data and Advertising Driven Digital Platforms’ (DADDP).

For convenience, unless otherwise specified, further references in this Handbook to Digital Intermediation Platforms, refer to those platforms charging a fee, whilst references to DIPs not charging a fee explicitly mention the lack of a fee or refer to DADDPs.

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**Box 2.2. The sharing economy**

A sub-set of digital intermediary platforms that is of particular interest and attention reflects those that facilitate consumer-to-consumer (C2C) transactions, often referred to as the sharing economy.

Growth in these platforms may present particular compilation challenges for measuring international trade, especially if the platforms are hosted abroad, as the producers of the products being intermediated are households, meaning they may be out of scope of most current survey mechanisms for international trade.


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2.2.3. The Product (What)

2.2.3.1 Goods

As shown in Figure 2.1 products are split into the two conventional categories of goods and services. Notwithstanding on-going discussions concerning the classification of

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39 Also included in this category are websites and platforms that receive revenue for directing visitors to a third party website. Although the platform do receive a fee, the process in itself does not explicitly facilitate a transaction between two independent sets of users (it just makes one more likely). Therefore, it does not meet the definition of a digital intermediary platform charging a fee.
transactions related to 3-D printing, this Handbook currently adopts the convention that
goods cannot be delivered digitally; and, so, the category of goods required for measures
of Digital Trade includes only those goods that have been digitally ordered. In this
respect, it is important to note that the category of goods included here should not be
confused with notions of digital goods. For example, shoes can be ordered online (a
digital transaction) but are in and of themselves difficult to conceive as digital products
even if they have been developed with significant input of products that could be
considered as digital (e.g. software, computer services etc.).

Figure 2.1 does however prescribe a separate breakdown of goods into Information and
Communication Technology (ICT)\(^{40}\) goods that are digitally ordered and other goods that
are digitally ordered, where ICT goods are defined as (see also Chapter 6):

\[\text{ICT goods must either be intended to fulfil the function of information processing and communication by electronic means, including transmission and display, or use electronic processing to detect, measure and/or record physical phenomena, or to control a physical process}\]

In addition, the reporting template, described in Section 2.4 below also includes an
addendum item showing total trade in ICT goods (digitally ordered or not).

### 2.2.3.2 Services

Services as a group are broken down into two distinct components in the Framework:
Digitally delivered services and Other services (in the Goods and Services account).

**Digitally delivered services**

As described in Section 2.2.2.2 above, digitally delivered trade follows the definition
used for ICT enabled services developed by the UNCTAD TGServ Task Force. By
design, therefore, there is a strong overlap between those services included in the
category of ICT enabled services and those referred to here as digitally delivered services
(see also Chapter 4).

However, for digital platforms intermediating services, this Handbook (see below)
recommends that the margin (or rather intermediation fee, implicit or otherwise) is shown
separately, and also included under digitally delivered services. There is currently no
internationally agreed position on the product to which these transactions should be
classified,\(^{41}\) (requiring agreement and consultation with the national accounts and trade
statistics community, see also below), and the recommendation provided in Section 2.3
should be seen as provisional.

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\(^{40}\) See OECD Digital Economy Outlook 2015

\(^{41}\) Whether the intermediation service payments and the platform should be classified to the same industry whose
products are being intermediated is the subject of debate within the UN Expert Group on Industrial Classifications,
which recognised that additional guidance is needed for platforms, not least because the practice varies across
countries and industries. However, in provisional guidance (from its September 2017 meeting) concerning the
treatment of platforms such as Airbnb, there was support for the idea that the platforms should be classified to ISIC
sector 79.90 “Other reservation services and related activities”, recognising the parallels with other non-digital
matching services such as high-street travel agencies.
The TGServ group also included a separate breakdown of ICT services (see also Chapter 6), and this Handbook recommends that these estimates, and estimates of ICT-enabled services are produced as complementary items; not least because it is currently feasible to do so in many countries.
Other services (in the Goods and Services account)

Other services refer to all cross-border services that are digitally ordered but not digitally delivered.

2.2.3.3 Information and Data exchanges outside of the goods and services account

The 1993 System of National Accounts (SNA) introduced the notion of databases. The 2008 SNA provided further clarifications that specified that databases should reflect only the value of the underlying database management systems and the costs associated with the digitisation of data. This recommendation reflected the view that the underlying value (information content) associated with the data itself was de facto a non-produced asset.42

Outright purchases of databases, which include a significant value of the underlying data, are recorded in the accounts as goodwill.

However, recent years have seen an explosion in the generation of data, and the use of these data, in, for example, advertising-based business models. But because data are typically acquired for free, large parts (except those exchanges that are supported by an explicit payment, generally bundled in a different product) are de facto invisible in official statistics.43


43 It is important to note that the decision not to treat data as produced does not mean that data has no value. It clearly does, as recognised in the discussions preceding the 2008 SNA recommendation. Future benefits can very clearly be derived from data, either through the sale of a database (including the value of the data), or in creating additional value added in support of the production of other goods and services, such as advertising. In the former case the 2008 SNA captures the value of data as goodwill when a market transaction occurs (which de facto means that data are treated as a non-produced asset), whilst in the latter, although data remains in and of itself invisible, its contribution to production is accurately reflected. Although the contribution of data to production is always captured, data itself are only valued when market transactions occur (recorded as a transaction in non-produced assets). In this sense, data in the SNA, as a non-produced asset, is similar, at least in an accounting sense, but still different from, other non-produced assets, such as land. Like data, land is also used in production, and as a non-produced asset it cannot be readily identified as a separate factor of production. However, unlike land, data are increasingly crossing borders and, in most cases, these exchanges occur without any observable market transaction taking place. This decision to only recognise data in the accounts when a monetary transaction occurs reflects the fact that the underlying value of data reflects its information or knowledge content. Valuing all data as a non-produced asset therefore, whether purchased or otherwise, would de facto require that all knowledge, including human capital, be treated as a non-produced asset. That is not to say that, conceptually, this shouldn’t be done; there has been a long discussion over the years on human capital and indeed on other knowledge-based assets, and whether these should be recognised in some form (including as produced assets), in the accounts. But to do so would require approaches to be developed that were internationally comparable, feasible and meaningful. Certainly with respect to human capital, recording the activity as production could run the risk that it would swamp GDP, and indeed measures of trade, rendering them unusable for macroeconomic policy making. It was the realisation that the value of data was intrinsically related to the underlying knowledge it embodied that led to it being recorded as de facto non-produced (i.e. goodwill) when a market transaction occurred. To do otherwise would open the door to the inclusion of all kinds of information or knowledge.
These acquisitions of free data can support significant monetary transactions that may cross borders, for example through advertising revenues or in generating significant improvements in production efficiencies (for example in supply chain management tracking goods). Social networking sites such as Facebook, or search engines such as Google, offer "free" services to users in exchange for data that can be used by these firms to generate targeted advertising (and hence revenues)\textsuperscript{44}. There is typically no monetary transaction between Facebook or Google and consumers from whom they collect data but while cross border advertising services would be captured in trade statistics, the data flows upon which they depend are not. As noted in Chapter 1, understanding the scale (and potential value) of these data is of considerable policy interest.

In a similar manner, and because they are free, the international accounting system does not in general impute transactions related to the use of public goods (such as open-source or free software). The debate around measurement of these ‘assets’ generally revolves around the potential implications for measures of material well-being and productivity but there are also concerns around competition policies, if the freely available software is designed to gain market share with a view to the introduction of subsequent ‘priced’ models.

Research is ongoing within the statistics community to better estimate the values of these flows\textsuperscript{45}, and indeed to consider whether they should be included within the production boundary for GDP and, by extension, trade.

Imputations for data and open source software have been recommended in the supply-use tables for the digital economy, being developed by the OECD Advisory Group on Measuring GDP in a Digitalised Economy (see also Appendix 1). At the same time significant advances on the broader measurement front, including on data, and on open source software, have been made as part of the OECD’s Going Digital Initiative\textsuperscript{46}, and, in particular, the measurement strand of that effort\textsuperscript{47}

Although measurement efforts are evolving rapidly, they remain very much in their infancy and, so, it is premature to provide guidance on these items in this version of the Handbook. However, it is expected that this will be available in the near future.

\textsuperscript{44} L.Nakamura, J.Samuels and R.Soloveichik, *Valuing ‘Free’ Media in GDP: An Experimental Approach* (2016), proposed that a new category of production should be included to reflect the value of free services provided to viewers and financed via advertising revenue. N.Ahmad and P.Schreyer, *Measuring GDP in a Digitalised Economy* (2016) highlight some of the complications in adopting such an approach.


\textsuperscript{47} Measuring the Digital Transformation: A roadmap for the future OECD, 2019
2.2.4. Actors (Who)

Technological change has provided individual consumers (households) with increased possibilities to purchase goods and services from foreign suppliers, whilst also increasing their interaction as ‘producers’ when supplying services (for example accommodation services) via digital intermediation platforms. Similarly, the possibility to sell online has lowered, and has the potential to lower further, barriers to export, allowing especially smaller firms to market their products abroad. These aspects of digital transformation increase the need for trade statistics by type of user and producer but they also complicate the way that trade is measured in practice. For example, when households interact with each other via foreign digital intermediation platforms, conventional business surveys may not be able to capture the foreign dimension, increasing the relevance of household surveys.

The conceptual framework recognises these developments through its breakdown of actors by (SNA) institutional sectors: households, non-financial corporations, government and financial corporations. Work on linking trade and business registers provides an important vehicle for identifying who the exporting and importing firms are (including by industry, size class, and more recently ownership patterns – e.g. foreign vs domestic ownership), and these efforts should be accelerated and capitalised on in developing statistics on digital trade. Within the corporate sector, it may also be useful to explore additional breakdowns of industries and aggregations of firms, such as those developed by the OECD Advisory Group on Measuring GDP in a Digitalised Economy, for example: ICT industries; Digital intermediary platforms (charging fees); Data and advertising driven platforms; Firms dependent on digital intermediation platforms; E-tailers; Digital firms providing digital financial and insurance services; and Other producers only operating digitally. (See also Appendix 1).

Identifying transactions involving households (whether as producers or consumers) is more challenging, however there are a number of efforts ongoing (as shown in the following chapters) that indicate that progress can be made on this front.

Importantly, the institutional sector breakdown provides for an easy concordance with the terminology used in e-commerce surveys, such as the OECD Survey on ICT Usage by Business, which try to identify transactions between: ‘Business-to-Business’ (B2B) (broadly corporation to corporation), ‘Business-to-Consumer’ (broadly corporation to households) (B2C) and ‘Business -to-Government (corporation to government), see also Annex Table 2.A.

2.3. Accounting principles

In all cases, the accounting principles for digital trade follow those of BPM6.

For transactions that pass through Digital Intermediary Platforms (DIPs) however, some additional guidance is required.

Many DIPs (and in the absence of data at this stage it is difficult to quantify the scale) intermediate between two non-resident parties in the same economy as each other.

The related transactions could be recorded in two possible ways. The first is to record a domestic transaction between the two resident actors with corresponding intermediation fees paid by both or one of the parties to the foreign platform. The second is to ‘follow the money’ and record an import from the foreign platform by the end-consumer and an export from the producer to the foreign platform.
For digital intermediation platforms facilitating exchanges in goods, a strong argument can be made that the intermediary is never the owner of the goods and so the only international transactions that should be recorded are those relating to the intermediation fee. Where these charges are explicit, then they should be recorded as being paid by one or both of the resident producer and consumer depending on who paid the explicit fees. However, when the fees are implicit, complications may arise. In practice implicit charges are often incurred by both the consumer and the producer (and often these are made clear in the contract of intermediation) but imputing flows for both parties can create significant compilation difficulties for the national accounts.

Household based surveys, for example, are only likely to record the actual price paid by the final consumer, which include intermediation fees, whereas business surveys may only record, as output, the price paid by the consumer (excluding any taxes incurred by the consumer) before the inclusion of (implicit) intermediation fees incurred by the consumer. To resolve this issue, the current preferred approach advocated by the OECD Advisory Group on Measuring GDP in a Digitalised Economy is to record output of the producer as being equivalent to the purchaser’s price (excluding any taxes incurred by the consumer), with all of the implicit intermediation fees incurred by the producer.

For digital intermediation platforms facilitating exchanges in services, it follows that the same rules should apply. It is important to note that this treatment differs from the recommendations given in BPM6 and the Manual on Statistics of International Trade in Services (2010) for subcontracting, which recommends that the flows are recorded on a gross basis, on the grounds that the arranger (of the subcontracted service) buys and sells the services. A similar argument could be made for digital intermediation platforms but the argument made in this Handbook is that subcontracted services involve a higher degree of engagement on the part of the intermediary than (typically completely automated) digital intermediation platforms.

To illustrate the complexities involved, Figure 2.2 describes the example of an Uber transaction. In the “physical world,” a taxi would have to pass in front of a customer who would pay for the journey in cash or by card. However, the Uber App adds a new tradable digital service that enables the transaction by matching the car driver and the customer and manages the payment. The transaction between the driver (seller) and the rider (buyer) takes place in a particular country but the supporting transactions, that include the provision of the matching services, payments and insurance coverage, are potentially provided from another country. Furthermore, in the case of tourists, the consumer will not be a resident of the same country as the driver, adding another layer of complexity.
Figure IV.2. Example of transactions via digital intermediary platforms: unpacking an Uber transaction

Following the flows in Figure 2.2 and the ‘ownership’ principle that underpins the accounting frameworks, the only transaction that should be recorded in international trade statistics would be the cross border provision of intermediation services to both the seller and the buyer, in line with the intermediation fees charged (and it is assumed for simplicity here that the fees are explicitly paid by both the buyer and the seller).

This is also called a ‘net recording’ of the associated transactions and is illustrated in Figure 2.3. Such a net recording is preferred because it avoids creating significant inflationary distortions to trade statistics and because it treats digital intermediary platforms facilitating exchanges of goods and services consistently.

Figure IV.3. Proposed net recording of trade transactions related to digital intermediary platforms

As the example above illustrates, the residency of the buyer, seller, and digital intermediary platform needs to be carefully considered in the recording of the associated trade flows. For example, the goods or services produced by residents may be intermediated via a non-resident digital intermediary platform, or via a domestic (resident) digital intermediary platform. At the same time, the goods or services purchased by a resident from resident sellers – traditionally not considered an
international trade transaction – may be facilitated by a non-resident digital intermediary platform.48

To illustrate the proposed net recording of these trade flows involving different countries of residency, Table 2.1 provides an overview of all possible combinations.

Table IV.1. Recording of trade transactions involving digital intermediary platforms

<table>
<thead>
<tr>
<th>Seller</th>
<th>DIP</th>
<th>Buyer</th>
<th>Treatment of transacted product</th>
<th>Treatment of Intermediation services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ctry A</td>
<td>Ctry A</td>
<td>Ctry B</td>
<td>Import by country B from country A</td>
<td>None (domestic transaction)</td>
</tr>
<tr>
<td>Ctry A</td>
<td>Ctry B</td>
<td>Ctry B</td>
<td>Import by country B from country A</td>
<td>Import by country A from country B</td>
</tr>
<tr>
<td>Ctry A</td>
<td>Ctry B</td>
<td>Ctry A</td>
<td>None (domestic transaction)</td>
<td>Import by country A from country B</td>
</tr>
<tr>
<td>Ctry A</td>
<td>Ctry B</td>
<td>Ctry C</td>
<td>Import by country C from country A</td>
<td>Import by country A from country B</td>
</tr>
</tbody>
</table>

**If the seller pays the intermediation fee OR if no explicit intermediation fee is charged to the final consumer**

| Ctry A  | Ctry A | Ctry B  | Import by country B from country A | Import by country B from country A   |
| Ctry A  | Ctry B | Ctry B  | Import by country B from country A | None (domestic transaction)          |
| Ctry A  | Ctry B | Ctry A  | None (domestic transaction)        | Import by country A from country B   |
| Ctry A  | Ctry B | Ctry C  | Import by country C from country A | Import by country C from country B   |

**If the buyer pays an explicit intermediation fee**

| Ctry A  | Ctry A | Ctry B  | Import by country B from country A | Import by country B (of part of the intermediation services) from country A (the remainder of the intermediation services reflect a domestic transaction) |
| Ctry A  | Ctry B | Ctry B  | Import by country B from country A | Import by country A (of part of the intermediation services) from country B (the remainder of the intermediation services reflect a domestic transaction) |
| Ctry A  | Ctry B | Ctry A  | None (domestic transaction)        | Import by country A from country B   |
| Ctry A  | Ctry B | Ctry C  | Import by country C from country A | Import by country C (of part of the intermediation services) from country B and import by country A (of the remainder of the intermediation services) from country B |

This is not however the only complication presented by Digital Intermediary Platforms. There are also challenges concerning their industry of classification and, indeed, as a consequence49, the classification of the product they provide. In a nutshell, the question, is should DIPs be classified to the industry in which they intermediate or should they be classified to a more generic industry providing digital intermediation services?.

This remains a matter of deliberation. However, the UN Expert Group on Industrial Classifications, provided provisional guidance (from its September 2017 meeting) concerning the treatment of platforms such as Airbnb where there was support for the idea that these platforms should be classified to ISIC sector 7990 “Other reservation services and related activities”, recognising the parallels with other non-digital matching services such as high-street travel agencies. By extension therefore, their (current) recommendation implies that DIPs that intermediate services transactions should be classified to the product in which they intermediate that generates the most revenue (and,

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48 As noted elsewhere, ITSS surveys may struggle to cover transactions involving non-resident digital intermediation platforms. Furthermore, even in cases where digital intermediation platforms headquartered overseas have some resident commercial presence, these entities may only have narrow functions such as advertising, and therefore do not (or cannot) report statistics related to trade between consumers and the overseas DIP.

49 Following the logic that firms are classified to the industry of the product that generates most of their revenue or value added.
in turn, their output should be considered to be output of the related product). DIPs intermediating transactions in goods would necessarily be classified to the wholesale and retail sector (under ISIC 4791 – Retail sale via mail order houses or via Internet).

It is useful in this context to note this guidance is broadly (at least with respect to the idea that the platform is classified to the activity being intermediated) in line with recent court rulings. For example, in a recent case heard by the European Court of Justice (December 2017), the Court ruled that Uber was a transport company (which are excluded from EU rules permitting freedom to provide services) and not (as argued by Uber) in the business of providing computer services, which are governed by the directive on services in the EU internal market.

Although statistical standards do not have to follow these rulings, the point well illustrates the nature of challenges for measurement, but also for trade policy, as commitments under GATS may differ by the type of service concerned. Also, whether the driver is considered an employee of Uber – a question all the more relevant as several legal cases have ruled that they should be considered as such – has potential implications for the classification of the service by GATS mode of supply (e.g. Mode 3 versus Mode 1).

2.4. Recommended reporting mechanisms

Each of the dimensions described above could be developed as separate blocks but the fact that there are overlaps requires some guidance on how they should be aggregated within a standardised reporting mechanism that could form the basis of digital trade accounts. Table 2.2 describes that reporting mechanism.

<table>
<thead>
<tr>
<th>Table 2.2 Reporting template for Digital Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) <strong>Digital Trade</strong> (ii+iv+vi+ix)</td>
</tr>
<tr>
<td>(ii) Digitally ordered ICT goods</td>
</tr>
<tr>
<td>(iii) of which via DIPs</td>
</tr>
<tr>
<td>(iv) Digitally ordered goods (other)</td>
</tr>
<tr>
<td>(v) of which via DIPs</td>
</tr>
<tr>
<td>(vi) Digitally delivered Services</td>
</tr>
<tr>
<td>(vii) of which via DIPs</td>
</tr>
<tr>
<td>(viii) of which digitally ordered (including via DIPs)</td>
</tr>
<tr>
<td>(ix) Digitally ordered services (not delivered digitally)</td>
</tr>
<tr>
<td>(x) of which via DIPs</td>
</tr>
</tbody>
</table>

**Addendum items**

(ii) Digitally ordered total (i+ii+iii+iv)

(dii) ICT goods total (digitally and non-digitally ordered)

(xii) Potentially ICT enabled services

(xiv) Non-monetary transactions in information/data (imputed)
Most of the items in Table 2.2 have been described in detail above and so require no further explanation\textsuperscript{50}. Potentially ICT enabled services has not been described and so some additional explanation is given here (and in Chapter 6).

Recognising that reporting mechanisms may not currently be able to deliver estimates on ICT enabled services, TGServ also derived the concept of ‘potentially’ ICT-enabled as many countries (with well-developed services trade statistics) should be able to provide these estimates without modifications to existing survey approaches. The rationale for the development of this complementary concept also explains the addition of a number of addenda items in the template that can also currently be delivered using conventional trade statistics (for example ICT goods).

Greater discussion on each of these concepts is provided in Chapter 6, including commentary on the potential afforded through linking trade and business registers to develop insights on the exporting/importing industries, and on the potential of using BEC (Broad Economic Category) classifications to identify importers.

It is important to note that the ordering of items above attempts to align with the likely way in which countries will develop estimates of digital trade, and indeed current data availability. Perhaps the most promising of all of the components above concerns the reference to digitally delivered services (which is likely to be proxied, in the short to medium term in most countries, by potentially delivered, or rather potentially ICT enabled services).

The approach to estimating either actually or potentially digitally delivered services does not require a view on whether those services were also digitally ordered. Whilst the inclusion of questions on digitally ordered digitally delivered services are of course desired (and indeed requested in the template), not least for a total view of digitally ordered cross-border transactions, they are not strictly needed if the ultimate objective is a view of total digital trade; meaning that questions on digitally ordered trade need only focus on digitally ordered goods.

It is for this reason that the template is described as above, i.e. digitally ordered digitally delivered services are a subset of digitally delivered services. The alternative approach would have been to have separate categories for both digitally delivered services not digitally ordered and digitally ordered digitally delivered services but this approach would run counter to the likely approaches that countries will use to measure digitally delivered trade in practice.

That is not to say that all countries will adopt this approach. Some national surveys for example, prioritise information on the value of e-commerce transactions, which is why this is included as an addenda item. It would be much easier, however, to modify existing questions on cross-border digitally ordered trade, such that they differentiate between goods and services, than to ask separate survey questions on (or develop separate estimates of) digitally delivered trade that was not digitally ordered.

\textsuperscript{50} See also Annex 2.A.
Annex 2.A Examples of digital trade transactions

<table>
<thead>
<tr>
<th>What</th>
<th>Digitally ordered</th>
<th>Platform enabled</th>
<th>Digitally Delivered</th>
<th>Who</th>
<th>Description</th>
<th>Transaction example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>B2B</td>
<td>An enterprise in country A purchases a good directly from a supplier in country B.</td>
<td>A firm purchases a component used in its production via its EDI.</td>
</tr>
<tr>
<td>Good</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>B2C</td>
<td>A consumer in country A purchases a good (for final consumption) directly from a supplier in country B.</td>
<td>A consumer purchases an article of clothing from a company's website.</td>
</tr>
<tr>
<td>Good</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>B2B</td>
<td>An enterprise in country A purchases a good from a supplier in country B via an online platform located in country A, country B or C.</td>
<td>A firm orders office furniture from another firm via eBay.</td>
</tr>
<tr>
<td>Good</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>B2C</td>
<td>A consumer in country A purchases a good (for final consumption) from a supplier in country B via an online platform located in country A, country B or C.</td>
<td>A consumer orders a physical book on Amazon.</td>
</tr>
<tr>
<td>Good</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>C2C</td>
<td>A consumer in country A purchases a good (for final consumption) from another consumer in country B via an online platform located in country A, B or C.</td>
<td>A consumer purchases second-hand goods via eBay.</td>
</tr>
<tr>
<td>Service</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>B2B</td>
<td>An enterprise in country A purchases a service online directly from a supplier in country B, and the service is delivered physically.</td>
<td>A firm purchases a transportation service from another firm via a website.</td>
</tr>
<tr>
<td>Service</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>B2C</td>
<td>A consumer in country A purchases a service online directly from a supplier in country B, and the service is delivered physically.</td>
<td>A tourist purchases a hotel stay via the hotel's website.</td>
</tr>
<tr>
<td>Service</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>B2B</td>
<td>An enterprise in country A purchases a service from a supplier in country B via an online platform located in country A, B or C, and the service is delivered physically.</td>
<td>A firm purchases standardised maintenance or repair services.</td>
</tr>
<tr>
<td>Service</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>B2C</td>
<td>A consumer in country A purchases a service from a supplier in country B via an online platform located in country A, B or C, and the service is delivered digitally.</td>
<td>A tourist orders a transportation service through Uber.</td>
</tr>
<tr>
<td>Service</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>C2C</td>
<td>A consumer in country A purchases a service from another consumer in country B via an online platform located in country A, B or C, and the service is delivered digitally.</td>
<td>A tourist purchases accommodation services via Airbnb.</td>
</tr>
<tr>
<td>Service</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>B2B</td>
<td>An enterprise in country A purchases a service online directly from a supplier in country B, and the service is delivered digitally.</td>
<td>A firm purchases standardised computer services.</td>
</tr>
<tr>
<td>Service</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>B2C</td>
<td>A consumer in country A purchases a service online directly from a supplier in country B, and the service is delivered digitally.</td>
<td>A consumer purchases a life insurance policy.</td>
</tr>
<tr>
<td>Service</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>B2B</td>
<td>An enterprise in country A purchases a service from a supplier in country B via an online platform located in country A, B or C, and the service is delivered digitally.</td>
<td>A firm orders a logo design from a graphical design firm via a platform for graphical designers.</td>
</tr>
<tr>
<td>Service</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>B2C</td>
<td>A consumer in country A purchases a service from a supplier in country B via an online platform located in country A, B or C, and the service is delivered digitally.</td>
<td>A firm subscribes to a music streaming service.</td>
</tr>
<tr>
<td>Service</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>C2C</td>
<td>A consumer in country A purchases a service from a consumer in country B via an online platform located in country A, B or C, and the service is delivered digitally.</td>
<td>A consumer orders a knitting pattern from another consumer via Ravelry.</td>
</tr>
<tr>
<td>Service</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>B2B</td>
<td>An enterprise in country A places an offline order for a service directly from a supplier in country B, and the service is delivered digitally.</td>
<td>A firm purchases bespoke consultancy services, or business process outsourcing (BPO), services.</td>
</tr>
<tr>
<td>Service</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>B2C</td>
<td>A consumer in country A purchases a service offline directly from a supplier in country B, and the service is delivered digitally.</td>
<td>A foreign student purchases educational services with online lectures.</td>
</tr>
</tbody>
</table>
3. **Compiling Statistics on Digitally Ordered Goods and Services**

3.1. **Introduction**

Digitally ordered trade as defined in this Handbook follows the OECD’s definition of e-commerce, and is defined as:

“*The cross-border sale or purchase of a good or service, conducted over computer networks by methods specifically designed for the purpose of receiving or placing orders.*”

Although there have been considerable efforts over the last decade, as noted in Chapters 1 and 2, to measure the scale and value of e-commerce transactions (and so, by definition, the scale and value of digitally ordered transactions), it is only in recent years that these have been expanded to begin to provide insights on (cross-border) digitally ordered trade.

In that respect, this Chapter, perhaps more than any other Chapter, best illustrates the ‘living’ nature of this Handbook, reflecting as it does the current state of research at the frontier of measurement efforts.

Most existing efforts provide a measure of the size of e-commerce (digitally ordered transactions) at the whole economy level, typically attacking the issue from two not mutually exclusive fronts, i.e. separately targeting (surveying) firms and households, and it is through these existing mechanisms, via additional questions, that efforts to estimate cross-border digitally ordered trade are being pursued.

However, as this Chapter demonstrates, estimating the cross-border dimension is fraught with difficulties, as respondents (whether as producers or consumers) may struggle to determine whether they engaged in a cross-border transaction, especially if the transaction was intermediated by a local affiliate of a multinational firm. Additional complications arise if the transaction was facilitated by a foreign digital platform intermediating between two resident actors (see also Chapter 5).

Developing stronger guidance in these areas is of high priority. This Handbook attempts to do that but it cannot be overstressed that the current Chapter only reflects a step in that direction, with the expectation that significant additional guidance will be added as national and international efforts mature.
One important take-away from the Chapter is the need to be as innovative as possible in seeking solutions. As noted above, traditionally, statistical efforts have gravitated around conventional measurement vehicles, such as surveys of businesses and households. Important though these are, and are likely to remain, other complementary or more targeted approaches that focus on key actors, should be, indeed, need to be, explored.

The Chapter attempts to describe existing and potential developments around the types of data sources or methods that are being, or can be, exploited. One particular source that is not covered in this Chapter but that is instead covered in Chapter 4 is the use of tax data.

Covered in Chapter 4 as present, adaptations to tax regimes and tax law, are driven in large part by attempts to tax digitally delivered services.
3.2. Enterprise Surveys

Business surveys such as the European Community Survey on ICT Usage and E-commerce, the OECD Model Survey on ICT Usage by Businesses, and Canada’s Survey of Digital Technology and Internet Use have been important mechanisms to compile statistics on e-commerce in many developed economies over the last decade or so.

However, until recently at least, these have focused almost exclusively on measuring the scale (and often size) of e-commerce transactions in the economy as a whole and not the cross-border dimension.

Typically, existing statistics drawn from enterprise-based surveys provide a view of the overall share of turnover (sales) derived from digitally ordered transactions. For example, the European Community Survey on ICT Usage and E-commerce shows that in 2018 17% of all turnover of enterprises with 10 or more employees reflected digital ordering, varying significantly by country and indeed industry.

In recent years, recognising the need for a cross-border dimension\(^5\), these existing surveys have begun to be expanded to include additional questions on trade. Since 2017 for example the European Community Survey on ICT usage and e-commerce in enterprises has included questions (albeit optional) on the geographical breakdown of turnover derived from orders placed via a website or apps, and through EDI (i.e. exports only), with results expected towards the end of 2019 (see Box 3.1). Statistics Canada’s Survey of Digital Technology and Internet Use is already able to do so providing data on the proportion of overseas Internet sales of all Canadian enterprises, broken down by B2B and B2C sales and by sales to the United States and to the rest of the world.

Unfortunately, whilst these expansions will be able\(^5\) (in time) to provide insights on the overall share of digitally ordered exports, they do not pertain to purchases\(^5\) by firms using digital ordering, and so for now at least, they will not be able to deliver information on digitally ordered imports.

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\(^5\) Motivated in large part by the recommendations described in UNCTAD’s report: In Search of Cross-border E-commerce Trade Data, 2016.

\(^5\) A second survey used by Statistic Canada, Retail Trade and Annual Non-store Retail Surveys, reports retail e-commerce trade limited to the retail sector and can’t provide estimates of expenditures spent by foreign consumers in Canadian online shops.

\(^5\) The 2018 European Survey did include some questions on total purchases, but these were significantly less ambitious than those relating to sales; restricting themselves to optional responses on whether any purchases...
Notwithstanding the absence of information on imports, it is also important to recognise some of the challenges inherent in the information that can be derived on exports, and where further evolutions in enterprise-based surveys should be explored.

**Box 3.1. Questions on cross-border digitally ordered transactions in the European Community Survey on ICT Usage and E-commerce in Enterprises 2019**

| Question F2. Please state the value of the turnover resulting from orders received that were placed via a website or apps (in monetary terms, excluding VAT), in 2018:  | ______ | (National currency) |
| If you can’t provide this value, please indicate an estimate of the percentage of the total turnover resulting from orders received that were placed via a website or apps, in 2018: | _____ % |

<table>
<thead>
<tr>
<th>Question F7. What was the percentage breakdown of the turnover from orders received that were placed via a website or apps in 2018 by customers located in the following geographic areas? (estimates in percentage of the monetary values, excluding VAT). If you cannot provide the exact percentages an approximation will suffice.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Own country</td>
</tr>
<tr>
<td>(b) Other EU countries</td>
</tr>
<tr>
<td>(c) Rest of the world</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>


**3.2.1. Enterprise-based estimates of Exports of Digitally ordered goods and Digitally ordered services**

To mitigate potential double-counting, and because other approaches (see Chapter 4) may prove better, or at least complementary, vehicles to measuring parts of digitally ordered services (namely, digitally delivered services that have been digitally ordered), it is important that estimates of digitally ordered trade derived from enterprise surveys are able to differentiate between goods and services.

Although most current surveys on digital ordering do not provide a breakdown by the type of product traded, they do provide breakdowns by the industry (at the 2-digit NACE level in the European Survey). By assuming that most of the production (and so exports) of these firms will be in those products that form the main output of their industry, it is possible to derive an estimate from these surveys of the exports (by country and region) by product, an so estimates of exports of digitally ordered ICT goods, digitally ordered Other goods, digitally...
ordered Digitally delivered services, and digitally ordered not-Digitally delivered services.

Indeed, for those countries that are able to link their trade and business registers, this approach can be further refined to do away with assumptions about the actual products that are exported; as trade registers will be able to provide this information (notwithstanding difficulties relating to de minimis trade, see below).

**Recommendation 3.1:** Existing/New e-commerce/ICT use surveys or equivalents should ask respondents to breakdown sales of products that were digitally ordered and exported between, at a minimum, goods and services exports. Ideally this information could be provided by detailed product but an acceptable alternative is to have breakdowns by the following 4 product categories: Digitally ordered ICT goods, Other digitally ordered goods, Digitally ordered services in products that are (or alternatively in the absence of data, potentially can be) digitally delivered, and Other digitally ordered services.

If it is not possible to include new or additional questions, an alternative approach is to estimate the share of products that are exported via digital ordering through linking the results of total exports of digitally ordered products with underlying business statistics and trade registers. In so doing, the ratios observed at the firm level can be applied equally to all products exported by the firm, so, providing an

It is important to note a specific aspect of the design of current surveys and their alignment with underlying concepts included in trade registers. Many firms may sell goods via digital ordering to domestic intermediaries that subsequently take ownership of the goods and export them. In this respect the surveys will correctly reflect the fact that the transaction between a producing enterprise and the domestic intermediary was not a ‘trade’ transaction, whilst the subsequent export of the intermediary (if also digitally ordered) would be included in digital trade; both flows being completely consistent with what would be recorded in linking trade and business registers.

Where difficulties may arise however, concerns sales by the firm that were intermediated by digital platforms (DIPs, see also Chapter 5) that did not take ownership of the product being intermediated and exported. This matters because the firm conducting the intermediation service (the DIP) (whether resident or non-resident) may also record in its response to the survey its share of turnover (which may also include – but shouldn’t - the value of the product that it intermediated) that was digitally ordered. There is a risk therefore of double counting; unless explicit corrections are made to adjust for transactions facilitated by DIPs, or separate questions stipulating that only values related to intermediation fees should be included in their sales.
As noted earlier (although they remain difficult to identify in national registers, see Chapter 5) DIPs engaged in transactions in goods would be classified to ISIC 4791 – Retail sale via mail order houses or via Internet – whilst (following the provisional guidelines of the UN group on Classifications) DIPs engaged in services would be classified to the main service category they intermediate.

**Recommendation 3.2** For Digital Intermediary Platforms (not taking ownership of the products they intermediate) estimates of turnover (sales) that are digitally ordered should reflect only revenues related to the intermediation services they provide and not include the value of the products intermediated. Exports of the intermediation services (when not charged separately) should be registered as being paid by the producer of the product.

Whilst information on businesses purchases of goods and services is currently lacking in most surveys capturing digital ordering, many (including the European Survey) do include a breakdown of whether the products provided by the firms were sold to consumers (households) or other business (including government), albeit not broken down by whether the consumer was resident or not.

However, household-based surveys, (as shown below), can provide a means to derive estimates of digitally ordered imports. As such, separately identifying digitally ordered exports between those sold to businesses and those sold to households in enterprise-based surveys, could provide the basis for mirror statistics to complement (and validate) a partner country’s own estimates of imports by households (based on household surveys).

**Recommendation 3.3** To provide scope for information on imports of digitally ordered services by businesses, countries should develop export data by partner country that can form the basis of import statistics for other countries. Because of the scope to develop separate estimates of imports by households using dedicated household surveys, questions on digitally ordered exports (broken down by importing partner country and region) should differentiate between type of consumer (household and business/government). In the short term, countries should derive splits of export data between households and

### 3.2.2. Enterprise-based estimates of Imports of Digitally ordered goods and Digitally ordered services

As noted above, very limited information is collected from within current enterprise-based surveys on purchases via digital ordering (and, so, imports). One obvious recommendation in this sense would be to include questions on imports similar to those used for exports, as shown in Box 3.1.
It is important to recognise that such an approach (including information on the value of imports that are digitally ordered) will add to response burdens and, moreover, given the challenges, it is not clear at this stage that the addition of such questions will be able to generate meaningful results. A key challenge in this respect reflects the fact that the enterprise (like households) may not always know whether the purchase was made via a domestic or a foreign intermediary. Many firms, for example, provide local domain websites for transactions even if they have no physical presence in the country, meaning that purchasing firms may record a transaction as domestic even if the entire transaction was conducted abroad. Equally, firms may incorrectly ascribe a transaction as being entirely foreign if most of the value was domestic, for example resident to resident transactions intermediated by foreign DIPs.

However, whilst these are considerable challenges, that is not to say that information providing a view of overall purchases by electronic means (particularly via EDI) would not be meaningful, as it would, at the very least, be able to provide a starting point. Moreover, it is important to put the scale of these qualifications into perspective, as a significant share of digitally ordered transactions are made with EDI mechanisms.

Recommendation 3.4 Enterprise-based surveys should include questions on the share of purchases made by digital ordering, with a separate estimate for transactions via EDI. Estimates should be broken down into whether those transactions were for imported (ideally by partner and product and at least

One area where it may be feasible now, to gain additional insights on imports of digital trade, concerns imports of intermediation services provided by DIPs. Because this Handbook recommends that any implied intermediation fees are paid directly by the producer (and not the final consumer), a measure of the value of these intermediation services can be derived from estimates of sales passing through (intermediated by) DIPs. The European Survey already includes a similar question that could be used as the basis to estimate the value of these ‘imports’55, by applying an average intermediation fee to the overall turnover intermediated via these channels.

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55 Question F5: What was the percentage breakdown of the turnover from orders received via a website or apps in 2018 for the following: (b) via an e-commerce marketplace website or apps used by several enterprises for trading products? (E.g. Booking, eBay, Amazon, Amazon Business, Alibaba, Rakuten, etc.)
3.2.3. Mainstreaming Enterprise based surveys of Digitally ordered goods and Digitally ordered services

Most of the current attempts to estimate digitally ordered transactions reflect complements (often ad-hoc) to traditional e-commerce surveys. Given the emphasis placed on better understanding the digital economy more generally, and digital trade in particular, statistics offices should explore whether additional questions could be mainstreamed in their conventional business surveys used to derive structural business statistics; particularly as most current e-commerce surveys typically target only larger firms (for example the European Survey is only voluntary for firms with fewer than 10 employees). These additional questions could take as their starting point the existing question in current e-commerce surveys, coupled with the recommendations above.

Recommendation 3.5 Questions in enterprise-based surveys that separately identify sales of producers via digital intermediary platforms can be used to estimate the value of the underlying intermediation service fee that was imported by the producer, if the questions also differentiate between sales via non-resident and resident DIPs. Average intermediation fees can be determined using rates (percentages or fixed costs divided by average value of products intermediated) charged by DIPs in the domestic economy, with the value of imported intermediation services determined as the rate.

3.3. Household Surveys

One approach increasingly used to gain insights on digitally ordered transactions is through household surveys.\(^{56}\) However, these efforts remain very much in their infancy, providing very little information on the size of digital trade. For example, the Canadian Internet Use Survey does collect

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\(^{56}\) See for example the European Survey on ICT Usage in Households and by Individuals and Statistics Canada’s Internet Use Survey.
information on the share of overall expenditure that was digitally ordered but it
does not collect an estimate of how much of that expenditure was on imports.
The 2018 European Survey on ICT Usage in Households and by Individuals,
on the other hand, does provide an estimate of the percentage of households
that digitally ordered goods and/or services from abroad, but it does not
provide a value of that trade.

This Handbook could make recommendations similar to those included for
business surveys, i.e. to include a series of additional questions that are able to
provide a view of the value of cross-border digitally ordered transactions.
However such a recommendation would ignore the evidence suggesting that
this is not (at least currently) likely to deliver meaningful results.

While the evidence suggests that meaningful results on digital ordering’s share
of overall household expenditure can be achieved, the Canadian experience
also revealed that most households were not able to accurately determine if a
transaction was cross-border. This is, in no small way, complicated by the fact
that while many platforms or online sellers appear to have a domestic presence
(i.e. have a “.ca” website, show prices in Canadian dollars, French/English
text, etc.), the transactions are in fact routed and processed by non-resident
businesses, with the resident domain site merely serving to advertise products.

This appears to be an intractable problem, as it seems very unlikely that
households will ever be in a position to determine whether they are ordering
through a real resident platform or not.

That being said, one area where household surveys may prove useful relates to
expenditures on digitally delivered products. There is some concern that some
expenditures made by households, in particular on digitally delivered services
(see also Chapter 4) may not be well captured in current trade statistics.
Although the use of supply-use tables in most countries will be able to cast
light on whether this is occurring in the raw data, providing a means for
adjustments to be made in definitive trade statistics and the national accounts
(by comparing supply and demand estimates of specific products), explicit
questions in household surveys asking consumers to identify the share of
expenditures in certain products that were digitally delivered will be able to
reinforce this balancing process.

**Recommendation 3.7** Household surveys should include questions asking
respondents to identify the share of expenditures on digitally delivered services
by specific product, following at a minimum the COICOP classification but
preferably CPC or equivalent.

Another potential area where household surveys could be exploited concerns
expenditures abroad and tourist expenditures in the compiling economy.
Specific questions could be added to either conventional household expenditure surveys or international travel surveys to identify the share of expenditures on accommodation and (separately) travel services purchased abroad that were digitally ordered, which may help to identify and quantify potential underestimates in these areas (see also Box 3.2). Similarly, conventional household income surveys could be used to ask households if they provided (and the value of) short-term accommodation services via digital intermediation platforms. Whilst such questions would not be able to differentiate (at least initially) between accommodation services provided to residents and those provided to non-residents, it would provide an order of magnitude (and upper-bound estimate, notwithstanding potential deliberate under-recording\(^{57}\)).

**Recommendation 3.8** Household and/or international travel surveys should include questions asking respondents to identify the shares of residents’ expenditures on accommodation and (separately) travel services related to their foreign travel that were digitally ordered. Non-resident visitors could also be asked, in international travel surveys, for similar (digitally ordered) purchases from residents. In addition, to derive an upper-bound for exports of accommodation services provided by resident households, conventional household income surveys should also ask questions on short-term

\(^{57}\) Reinforcing the importance that household surveys make regarding confidentiality of respondents data and its use for statistical purposes only.
3.4. Credit card data

A promising area being explored by many countries, especially with respect to B2C cross-border transactions, concerns the use of credit card data, see Box 3.3 (The Israeli experience in using credit card surveys to measure cross-border online purchases), and Box 3.4 (the experience of the United States with using credit card data to measure international travel transactions), see also Annex 3.A.

Typically, these approaches are able to differentiate between two main modes of transaction – those where the card was present and those where the card was not present – providing meaningful proxies\(^{58}\) for transactions that were not digitally ordered and those that were.

However, whilst these approaches are able to provide a relatively simple means to arrive at overall household expenditure that was digitally ordered, they can only provide a partial view of the product that was digitally ordered, as they depend greatly on the code of the merchant (Merchant Category Code); which

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\(^{58}\) “Proxies” as transactions can be made with the card not being present but are not digitally ordered, for example ordering via the telephone.
will only closely align with the product ordered for specialised merchants and platforms.

For estimates of digital trade, additional complications arise. The merchant’s clearinghouse (where the transaction is processed) may, for example, be located abroad but the transaction may ultimately reflect a resident to resident transaction; for example, when the merchant is also a DIP facilitating a transaction in goods and/or services between residents, in which case only the fee for services provided by the DIP should be treated as cross-border trade. Moreover, even if the ultimate transaction is between a resident and a non-resident, the clearinghouse may not be in the same country from where the goods and services are provided, meaning that bilateral estimates of digital trade may be distorted. Further, it is possible that the merchant clearinghouse has a local presence, but the actual producer is located abroad.

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**Box 3.3. Using credit card data to measure cross-border online purchases in Israel**

Benefitting from the legal framework in place allowing access to credit card information, and a memorandum drawn up with three major companies, the Israeli Central Bureau of Statistics (CBS) has started to develop more robust estimates of digitally ordered purchases from abroad by consumers.

The credit card companies have since provided monthly or quarterly data covering the period from 2012 onwards, and currently report approximately two weeks after the end of the quarter.

Data are separately available showing expenditures by Israeli tourists abroad (providing a measure of tourism expenditures) and expenditures by Israeli residents cleared through foreign websites, providing insights on digitally ordered trade (see main body of Chapter 3 for some of the challenges involved).

Data are broken down by duty rates for imported goods set by the customs authorities, in order to distinguish goods that were cleared by customs (i.e. transactions > USD 500), and therefore already included in import statistics.

The data are classified according to the international classification of Merchant Category Codes (MCC) – a classification of businesses made by credit card companies – and relate to households only (business credit cards were excluded), and only those transactions where cards were not present (as these primarily refer to on-line purchases, although they may include purchases made by telephone or fax).

Source: Israel Central Bureau of Statistics

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Notwithstanding the challenges involved, credit card data does appear to provide scope for meaningful estimates of household imports of digitally ordered trade, including for breakdowns of some categories of expenditure, such as accommodation services and travel.

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**Recommendation 3.9.** Credit card data provides considerable scope to estimate the total value of digitally ordered expenditures by households. Whilst there are some challenges involved in identifying that part that is cross-border, countries are encouraged to explore their potential, not least as they can be a cost-
Box 3.3. Compiling travel transactions in the USA using credit card data

In the mid-2000s, BEA explored the use of credit card data to estimate trade in travel services as it offered several advantages over self-reported expenditure data, including that it did not rely on travellers’ recall or expectations and they provided complete geographic coverage. BEA collected card data for transactions related to trade in travel via a quarterly survey of bank and payment card processors for 2008-2017.

BEA’s original survey captured all cross-border purchases and cash withdrawals made with a card for both spending in the United States using cards issued by foreign banks and spending in other countries using cards issued by U.S. banks. The survey collected a breakdown of total transactions for six broad categories of travel-related purchases as well as detail on total transactions by country. BEA’s initial concerns with the survey data were that it appeared to include e-commerce transactions and that classifications by spending category varied across reporters, while transactions unrelated to travel spending were also being reported.

BEA attempted to address these concerns with a redesign of the survey in 2012. One of the most important changes included the separation of reported transactions by whether the card was or was not present at the time of the transaction. The vast majority of retail goods and services purchased without a card present were expected to represent e-commerce, and not in-person point-of-sale transactions thought to be typical of travel expenditures. E-commerce transactions could therefore be omitted from BEA’s calculation of travel expenditures. The instructions were also modified to specify how each transaction’s merchant category code (MCC) should be classified into the spending categories and to omit certain MCCs that did not correspond to the types of purchases made by travellers. In addition, transactions were collected by both spending category and country, which allowed for more detailed comparisons with alternative data sources.

The improvements to the survey were only partly successful because not all reporters could fully comply with the new instructions. In addition, survey reporters could only identify transactions by country based on the location of the bank that issued the card rather than by the country of residence of the traveller using the card. This identification not only affected the ability to correctly attribute transactions by country of the purchaser, but also whether transactions should be classified as resident/non-resident. Further, data from card transactions did not correspond with data from alternative sources on traveller counts and spending. When combined with traveller counts, the implied spending per person was significantly higher than self-reported spending from a survey of air travellers, even though it did not include purchases made without a card or international purchases channelled through entities in the country of residence of the purchaser (e.g. a U.S. resident booking a foreign hotel via a U.S. website). Furthermore, the country-level estimates of implied per person spending revealed unrealistic levels of spending and unexpected differences in spending across countries that are geographically close to one another and have similar traveller demographics.

Another concern with the card transactions data was that certain relevant card transactions would be missed by the survey due to the structure of the card-processing and card-issuing industries. For example, reciprocal agreements may allow a foreign card processor to process a relevant transaction, and relevant card payments on closed-loop or digital wallet payment systems may not be captured by the survey. Also, the categorisation by MCC may not correspond to the goods or services purchased because merchants may have one or a few MCCs per retail outlet, which does not allow for a high level of disaggregation by product type. In BEA’s analysis, the level and seasonal pattern of spending for categories thought to be well identified by MCC, such as lodging, were quite different from self-reported spending in the traveller survey.

Since not all spending is done with cards and some transactions related to travel may be booked via intermediaries resident in the same country as the traveller, BEA planned to account for transactions made by methods other than cross-border credit card transactions using data collected on a one-time companion sample survey of international travellers. The companion survey provided information on the portion of total spending attributable to cross-border card transactions, but there were concerns over the quality of the data collected and its associated cost, so it was not repeated. BEA ultimately decided that the credit card data it collected was not a reliable basis to estimate trade in travel and discontinued the survey of card processors.

Source: US BEA
3.5. Using data from other payment processing firms

Similar approaches to using credit card data are being adopted in some countries, drawing on information from specialised online payment companies. Although similar challenges, as those for credit card data, arise, as shown below (see Box 3.5 showing the experience of the Bank of Russia), meaningful results can be derived.

**Recommendation 3.10** Information from other specialised payment companies provides considerable scope to estimate the total value of digitally ordered expenditures by households. Whilst there are some challenges involved in identifying that part that is cross-border, countries are encouraged to explore

**Box 3.5. Using online payment companies to measure digitally ordered trade transactions: the Russian experience**

Digitally ordered trade transactions are nearly always settled via specialised online payment companies. In Russia, both international companies such as PayPal, and national IT companies such as Qiwi or Yandex operate in this market. Russian law requires such companies to have licenses to work as credit institutions and to notify the Bank of Russia when they begin transferring electronic funds.

The online payment companies are required to report detailed information to the Bank of Russia on a regular basis, including on e.g. direction of payment, the counterparty country and the currency of transactions. Due to the large number of small transactions (the average transfer amount is $20), the individual transactions are not categorised by type of goods and services. However, considering the growing importance of digital ordering, a quarterly survey of specialised online payment companies was developed in order to obtain disaggregate information on transactions by major product categories. To reduce the burden on respondents, a list of the types of goods and services that account for the largest shares in international transactions was developed with input from the operators of payment systems, and only the three largest operators, which account for more than 80% of total international transactions, are surveyed. Categories identified in the approach include the purchase of goods; the purchase of services in the field of culture and recreation (computer games); computer services (content, hosting, domain registration); communication services (cellular communication and internet, SIM cards for tourists, information services); participation in online casinos; transactions on the Forex market; and transfers between individuals.

The first survey was conducted in 2014. The results showed that imports of goods from online stores, participation in online casinos, and computer games made up the largest shares of online cross-border transactions conducted by individuals. The practice has been considered successful and is currently used in the calculation of imports and exports of goods and services, personal remittances and other balance of payments items.
3.6. De minimis trade

One area where there has been considerable concern that digitalisation may have led to mismeasurement—that is underestimation\(^59\)—relates to the estimation of de minimis trade, i.e. transactions below the minimum value (weight or size) on which duties are collected, which are therefore outside of the scope of conventional merchandise trade statistics. For example, the 2017 International Post Corporation E-commerce Shopper Survey found that 84% of cross-border goods purchased online weighed 2kg or less and almost two-thirds of them (66%) cost less than 50 euros. Moreover, while the number of cross-border online transactions is increasing, their average value is decreasing, including from some smaller businesses using ‘just in time’ inventory management systems, including through EDI.

In addition, the OECD-IMF stocktaking questionnaire showed that the de minimis thresholds currently in use vary widely across countries. For example, among OECD countries, the threshold ranges from GBP 15 in the United Kingdom to USD 2,500\(^60\) in the United States. Some countries also apply a volume threshold and thresholds can vary for each tax or duty applied. Among non-OECD surveyed countries customs thresholds ranged from a minimum of about USD 25 (Belarus, Philippines, Mauritius) to USD 2,000 (or less than 50kg) for imports and USD 5,000 for exports in Colombia. Seven countries also indicated having different thresholds for postal shipments or by type of transport, such as Russia, which applies different thresholds varying by mode of transport on duty-free imports by individuals.

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\(^59\) It’s important to note that the measurement issue affects exports less than imports, as exports under a de minimis regime will be recorded as output of the exporting firms and, so, any systematic underestimation will reveal themselves as supply-demand imbalances when compiling the national accounts.

\(^60\) Note in this section that the estimates for ‘de minimis’ referred to above may reflect the thresholds actually used by statistics agencies to estimate small-parcel trade and not the de jure thresholds set by Customs authorities. For example in the United States, the de minimis threshold is actually USD 800, one third the threshold used by the US Census Bureau to estimate small parcel trade.
Figure 3.1. Percentage of respondents to the OECD-IMF Stocktaking questionnaire that...

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**Note:** It is likely that the lower number of non-OECD respondents making an adjustment to Balance of Payments figures compared to International Merchandise Trade Statistics is influenced by the organisations (central banks) answering the questionnaire.

Around half of OECD countries, as well as several non-OECD countries, produce estimates of de minimis trade for balance of payments purposes, using various sources, including: the national postal service, administrative reports from Customs, credit card information or estimation models (See Boxes, 3.6, United States, and 3.7, Russia).

In most cases, de minimis trade amounts to around 1-3% of total trade but can reach as high as 15% in Azerbaijan (for Q1 2017). Countries that do not produce de minimis estimates often cite limitations in source data or consider these flows as insignificant.

While there is likely to be a strong correlation between the growth in de minimis transactions and growth in digital ordering, it is important to note that not all de minimis trade will be digitally ordered, and so some care is needed in interpreting the data.
A key take-away from national experiences is that estimates based on information from postal delivery providers can provide relatively robust estimates of overall *de minimis* trade but only (as the case of Russia shows) if the estimation process covers (at least) the majority of postal and courier service providers, covering all transport modes.
Of course such approaches are not able to identify the scale of digitally ordered transactions that fall under *de minimis* trade thresholds but (as the Russian example shows, and indeed the examples for Israel above), credit card data can provide a useful approach for estimating digitally ordered trade below de minimis thresholds if credit card companies are asked to compile data showing the value of transactions below and above those thresholds.

**Recommendation 3.11** Countries should give greater priority to estimate *de minimis* transactions using a variety of sources. Information provided by postal and courier agencies can provide meaningful estimates as long as coverage of providers is high and all modes of transport are representatively covered. These efforts should be coupled with information from credit card companies (and other actors providing payment services) on transactions below *de minimis* thresholds (where these are valued in monetary terms) to gain insights on

**Box 3.8. International efforts on digitally ordered *de minimis* trade**

The Universal Postal Union (UPU), WTO, UNCTAD and OECD are currently investigating the scope to use postal data from the UPU to measure digitally ordered merchandise trade broken down by B2B and B2C transactions. UPU postal data include information on e-commerce shipments, such as product options, track and trace and return options, and information on electronic customs declarations between postal operators. An update of this work will be provided in future versions of this Handbook.

3.7. Digitally ordered merchandise trade directly from customs statistics

More systematic efforts that may deliver significant results on digitally ordered (goods) trade in the short to medium term, including on *de minimis* trade, are in development.

A key pillar of these efforts reflects work led by the WCO, in collaboration with large ecommerce enterprises\(^{61}\), to better identify and monitor digitally ordered trade in customs records via improved (electronic) identification of origin/destination and content of packages, for example via the S10 bar code, or special (simplified) declaration forms for ecommerce.

The WCO’s work is governed by its "Framework of Standards" on cross-border e-commerce (See Box 3.9), which offers structural guidance on measuring ecommerce (digitally-ordered) transactions, and aims to establish global standards in the e-commerce supply chain, including a harmonised

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\(^{61}\) Who, in turn, may benefit from more efficient customs procedures.
approach to risk assessment, clearance/release, revenue collection, and border cooperation, from both trade facilitation and customs control perspectives.

**Box 3.9. WCO Luxor Resolution on E-commerce**

The WCO’s framework on standards is based on eight guiding principles for cross-border e-commerce outlined in the Luxor Resolution, (adopted at the 2017 WCO meeting) and includes one specific principle (V) on measurement and analysis:

i. Establish a set of common terminologies and reliable mechanisms to accurately measure and analyse cross-border e-Commerce in close cooperation with international organisations such as the WTO, UNSD, OECD, UNCTAD, UPU, ICAO, WEF, World Bank Group, as well as with national statistical organizations and e-Commerce stakeholders;

ii. Use Data Analytics (including “Big Data” modules) and the existing capabilities of international organisations, e-vendors/e-platforms, and other stakeholders, with a view to generating trends and analysis for evidence-based decision making to support the implementation of the Guiding Principles and the efficient and sustainable growth of cross-border e-Commerce;

iii. Establish mechanisms, including supporting legal framework, to capture data at item level to facilitate the development of E-Commerce trade statistics, while implementing simplified clearance processes, for example the consolidated simplified summary declaration."


Several countries have already started to implement these systems:

**Japan**

Japan has a regulatory framework on the clearance system for low-value goods, which includes a simplified tariff, manifest-based clearance, *de minimis* regime, and inspection, at express service providers’ premises when needed. Their initiatives include the exchange of advance electronic information for postal items and the promotion of paperless environment.

**Canada**

Canada has initiated a postal modernisation initiative (PMI) which includes advance electronic data on small parcels and related systems such as a postal operations support tool (POST) and international conveyor systems (ICS). The Courier Low-Value Shipment Programme is also designed to expedite the processing of imported non-prohibited, regulated or controlled goods worth less than CAD2500.

China Customs, which unlike many other customs authorities is also responsible for the publication of official international merchandise trade statistics, is also making significant advances in this area (see box 3.10), supported by government policy aiming to create an environment conducive to e-commerce development. The government is strengthening five areas of e-commerce policy, including: 1) Customs clearance, 2) inspection and quarantine, 3) tax policy, 4) payment and settlement; and 5) financial support.
Comprehensive test areas for cross-border e-commerce have been set up to conduct pilot regulatory systems and policies, beginning in Hang Zhou.\textsuperscript{62}

The most important data elements compiled from these sources include individual stock-keeping unit (SKUs) names and item numbers for the product, origin and destination, with breakdowns of the transaction price into its associated freight or other logistics costs and insurance fees, as well as firm-level information on the transacting enterprise, the e-commerce platform used, and the logistics or freight company transporting the product. In addition, Chinese Customs also requests detailed contact information on the payer or consignee and specific product details such as its name, commodity classification code, dimensions and weight.

\textbf{Box 3.10. Measuring cross-border merchandise E-commerce using customs data in China}

In recent years, e-commerce has flourished in China, and China has become the world's largest e-commerce market where all forms of e-commerce (including for example B2B, B2C, C2C) have developed rapidly. This growth has brought challenges for accurately measuring cross-border e-commerce involving goods, related to high-frequency and low-value transactions. As the institution responsible for producing official Chinese merchandise trade statistics, China Customs has developed new approaches to ensure the statistical coverage of these transactions, covering both B2C and B2B.

For the B2C cross-border e-commerce transactions, China Customs has established a specialised clearance system named Cross-border E-commerce Information System (CBEIS). Specific customs regime codes (9610, 1210 and 1239) help identify goods that are cleared via CBEIS. Customs allow the release of B2C cross-border e-commerce goods via a simple declaration which combines and cross-validates the original orders, logistics and payment data, while e-commerce platforms declares summarized data to Customs afterwards for statistics and other purposes.

Since e-commerce platforms typically have high quality data management systems to oversee the entire chain of transactions, logistics and payments, information is easy to collect and report. China Customs uses the information on orders provided by e-commerce platforms both within and outside China to develop statistical estimates on the overall scale of cross-border e-commerce. By also incorporating administrative records of cross-border logistics and cross-border payments, using big data methodologies, China Customs can compare and cross-validate the data to improve the accuracy of measurement. This approach delivers complete, accurate and timely statistical information.

For B2C goods cleared as mail parcels and courier deliveries rather than through CBEIS, China Customs and the postal agency have carried out a pilot survey, using sampling methods to determine the proportion of e-commerce postal parcels, to estimate the scale of cross-border e-commerce merchandise trade via postal channels.

For the B2B transactions, China Customs currently encourages importers and exporters to declare whether the goods are ordered via e-commerce. This information will be used for a future statistical survey to further estimate and validate these data.

3.8. Data linking and private data sources

Another avenue to explore in developing statistics on cross-border digitally ordered transactions involves microdata linking, for example by integrating merchandise trade statistics with e-commerce enterprise surveys, albeit coupled with stylised assumptions relating to foreign/domestic e-commerce splits, or proportionality assumptions when applying the share of foreign sales that occurs via ecommerce equally to all products and trading partners. Further refinements could also be made in combination with Broad Economic Categories (BEC) classifications to provide estimates of the share of cross-border sales that can be classified as B2B and as B2C.

The OECD-IMF Stocktaking survey indicated that several countries have started concrete projects along these lines. For example, Germany is developing TEC data for NACE Rev.2 47.91 (retail sales via mail order), and others (Luxembourg, the Netherlands, Slovenia) are exploring the ability to capitalise on ICT surveys. Each of these initiatives (and others) will be added to this section as they reach maturity.

New insights on cross-border digitally ordered trade can also be derived from linking administrative data with private data sources (see Box 3.11)
3.9. Conclusions

As highlighted in the opening remarks to this chapter, whilst there have been significant efforts over the last decade to measure digitally ordered transactions (e-commerce) in many countries, work is only just beginning to explore the trade dimension.

In virtually all cases, current efforts still need to overcome significant challenges. A key challenge affecting many of the current approaches, and in particular household-based surveys, concerns the difficulty involved in determining from where goods and services were provided, (i.e. imports of digitally ordered trade).

The Canadian experience using household surveys well illustrates the difficulties involved here: the presence of a site with a domain name in any country is not a sufficient marker to associate that site as being the source of goods or services subsequently delivered. This can affect measures of bilateral trade but also estimates of trade itself. The same caveats in this respect also apply for other data sources, for example credit card data, where the merchant
processing transactions may not be the location from where the goods and services were despatched.

That being said, measures of digitally ordered exports are less affected by these locational issues; as the starting point for measures of trade in this instance are enterprises with an economic presence in the compiling country, and so the use of enterprise surveys, and indeed the mainstreaming of additional questions pertaining to trade and digital ordering are strongly encouraged.

That is not to say, however, that the current approaches to better measure digitally ordered imports are not worth pursuing. In those countries that currently have no information on digitally ordered trade, data should be developed and disseminated despite the current caveats. Certainly this is a strong recommendation concerning the estimation of de minimis imports for all countries, but especially those who currently make no estimates.
Measuring e-commerce

Why do we need indicators on e-commerce?

E-commerce has been high on the agenda of policy makers since the mid-1990s. In 1998, the OECD Ministerial Conference on Electronic Commerce in Ottawa recognised e-commerce as a global driver of growth and economic development (OECD, 1998). In 2016, the OECD Ministerial Declaration on the Digital Economy called for policies to “stimulate and help reduce impediments to e-commerce within and across borders for the benefits of consumers and business” (OECD, 2016).

The e-commerce landscape has become increasingly dynamic in recent years. New players have emerged at the same time that established actors have taken on new roles; some barriers to e-commerce, such as Internet access have been greatly reduced, while new barriers, such as concerns about security and privacy, have become more prominent. Above all, new opportunities have arisen to unlock the potential of e-commerce to boost growth and consumers’ welfare. (OECD, 2019a). As technological change and new business models are changing the e-commerce landscape, policy faces challenges in a range of areas, including consumer protection, tax, competition and environmental policy. Sound statistics on e-commerce are necessary to design, monitor and implement these policies. However, statistical information on consumer and operator behaviour and on the effects of online platforms is still scarce.

What are the challenges?

The OECD first developed a statistical definition of e-commerce in 2001. Based on this definition, data on e-sales and e-purchases by individuals and businesses are collected yearly in OECD and selected Partner countries, through two dedicated surveys on ICT usage. Both the e-commerce definition and model surveys are regularly updated to adjust to new technological developments and new usages.

Measurement of e-commerce through the ICT usage surveys presents methodological challenges that can affect the comparability of estimates. These include the adoption of different practices for data collection and estimations, the treatment of outliers, the extent of e-commerce carried out by multinationals, and the imputation of values from ranges recorded in surveys. Other issues include differences in sectoral coverage of surveys and limited measures concerning the actors involved (B2B, B2C, etc.). Convergence of technologies brings additional challenges for the treatment (and surveying) of
emerging transactions, notably over mobile phones, via SMS or using devices that enable near field communication (NFC).

While ICT use surveys have been successful in measuring the diffusion of e-commerce among individuals and firms, collecting information on the value of e-commerce transactions and on the flows of cross-border e-commerce has proven more difficult. Individuals find it hard to recollect the value of their online expenditures and do not always know when they buy an item from a domestic or a foreign supplier; and the accounting systems of many businesses do not make it possible to split online and offline transactions nor to identify the location of their customers and suppliers. In addition, because Business to Consumer transactions include purchases of digital products, which are increasingly downloaded or streamed over the Internet, it is difficult for the consumer to identify the country of origin.

Beyond survey data, several other sources have been used to approximate shipments in e-commerce, including across borders. These include the aggregation of data from company reports, payment data, parcel shipments or Internet traffic among others (UNCTAD, 2016). However, each of these sources usually only provides a partial and potentially biased perspective on e-commerce transactions.

For example, the aggregation of company reports typically covers only a limited number of large firms, sometimes restricted to pure online retailers. Payment data is typically limited to a specific method of payment or might contain certain transactions that are not related to e-commerce (e.g. payments via Near Field Communication - NFC). Additionally, the geography of cross-border payments does not always reflect the geography of cross-border e-commerce, as the payment processing might have been outsourced to a third country. Parcel shipments only relate to physical products and mostly do not provide detailed information on the value of shipments. More importantly, not all parcel shipments are due to e-commerce transactions. Similarly, internet traffic, sometimes used as a proxy for cross-border transactions, is influenced by non-commercial transactions and rarely reflects the value of shipments.

**Options for international action**

International initiatives to improve measurement of e-commerce are being deployed along three main axes. The first is to improve the quality of the data collected through the ICT surveys. For example, a consortium of seven European countries led by Finland (Eurostat, 2017) has tested existing questions in view of potential simplification as well as new questions to capture new developments in e-commerce. The testing addressed issues related to the distinction between Web sales and EDI-type sales; demand-driven orders, e.g. an order sent automatically by the IT system of an enterprise;
bookings and reservations, i.e.: the booking is placed online but the actual service is not ordered online; window shopping, e.g. customers visiting a website but placing their order by phone; the breakdown of web sales turnover from an enterprise’s own website or apps vs. via an ecommerce marketplace website or app.; standing orders, e.g.: magazine subscriptions, cloud services, streaming services, etc.; as well as the treatment of e-commerce transactions among firms belonging to the same group. The findings of this work are being reflected in the European ICT usage surveys and could be considered for inclusion by other countries.

The second axis for international action is the inclusion of e-commerce questions in surveys that may be better suited to this purpose. In general, measuring the value of e-commerce requires detailed information that cannot be collected through ICT surveys. The framework of the Structural Business Surveys appears more appropriate for firms to report on the value of their e-sales and e-purchase (Eurostat, 2017). Similarly, it may be easier for individuals to record the value of their e-purchases as part of Household Expenditure Surveys, which typically include a diary of daily expenses. As both Structural Business Surveys and Household Expenditure Surveys are sources underlying the System of National Accounts and are harmonised among countries, international organisations can play an important role in developing these surveys to collect better information on e-commerce.

**Figure: Off-line and online payments by age in Spain, 2016**

![Graph showing off-line and online payments by age](image)

*Source: OECD, 2018.*

Finally, private Big Data sources, e.g. from banks, credit cards companies, etc. may help to improve measurement of e-commerce in areas where surveys tend to be less effective. For instance, businesses, and especially individuals, buying
online typically ignore the location of the seller, an issue complicated further by online platforms. In those circumstances, private source data may become a useful complement to official, survey-based statistics. It is important, however, that the official statistics provide the overall background, particularly in terms of statistical representativeness, consistency, etc. That private source data, by their very nature, cannot always achieve.

A collaboration between the OECD and the Spanish Bank BBVA provides a recent example of this approach. As shown in the figure, analysis of credit card transactions of BBVA customers in Spain provided novel insights into the consumption patterns of consumers online and the determinants of domestic and cross-border expenditure flows (OECD, 2019b).

References


4. Compiling statistics on digitally delivered trade

4.1. Introduction

Digitally delivered trade as defined in this Handbook refers to all cross-border transactions that are delivered remotely over ICT networks – i.e. over voice or data networks, including the internet, in an electronically downloadable format.

As such, the underlying concept of digitally delivered trade is fully consistent with that underpinning the concept of ICT-enabled services (i.e. 'services products delivered remotely over ICT networks')\(^{63}\), developed by the UNCTAD-led Task Group on Measuring Trade in ICT Services and ICT-enabled Services (TGServ) of the Partnership on Measuring ICT for Development as well as the TFITS.

Although there are on-going discussions concerning the possibility of classifying 3-D printing transactions in the goods account, in the absence of any definitive position, this Handbook takes the convention that only services can be delivered digitally.

In practice, a significant share of digitally delivered transactions is likely to be digitally ordered, especially fully digital and downloadable products, such as software, music, e-books, data and database services. However, it is also likely that many digitally delivered services transactions are not digitally ordered, for example roaming mobile communications charges incurred whilst abroad; where the service provider for the ‘roaming resident’ pays fees to the service provider abroad or indeed many - and possibly most large-scale - transactions in services between firms, and especially intra-firm.

It’s important to note that most of these transactions, whether digitally delivered or not, like most other digital trade transactions described in this Handbook, are already likely to be recorded in official statistics but many may not be.

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\(^{63}\) Although there are differences concerning the coverage of all services trade, namely with respect to those: provided by DIPs; and digitally delivered transactions via mode 2 in EBOPS 2010 Travel services.
Many intra-firm cross-border services transactions, for example, may not currently be recorded in cross-border trade statistics, with corresponding flows, instead, implicitly captured as primary income transactions (which is not uniquely a digital trade phenomenon but is likely to have been exacerbated by digitalisation). In addition (although not currently part of the definition of digital trade itself), nearly all cases of non-market transactions (e.g. provision of e-mail, social media, cloud etc. services) between households and producers, will not, by definition, be digitally ordered, because there is no sale or purchase.

In the absence of digitally delivered services that are not digitally ordered, estimating digital trade would be significantly simplified; as it would only require estimates of digitally ordered trade to be collected.

In practice this is not the case, which is at the heart of the ‘overlap’ problem that exists in current approaches used by countries to measure total digital trade. Current, and indeed emerging, approaches gravitate around compiling estimates of total digitally ordered trade and total digitally delivered trade, including measures of potentially digitally delivered services. However, adding the two together would over-estimate digital trade as digitally delivered digitally ordered services would be double counted.

It is precisely to avoid double counting that Figure 2.1 of this Handbook describes three distinct groups of digitally delivered services:

- Digitally ordered via platforms
- Digitally ordered but not via platforms
- Not digitally ordered.

Like Chapter 3, this Chapter is organised around the principle of the primary data source used. Not surprisingly, given the overlap, many similar challenges to those concerning digitally ordered transactions arise in considerations of digitally delivered services. For example, households, and indeed, often, firms, struggle to identify whether the service was imported, especially when the transaction passes through a local, and purely virtual, domain site.

As shown in Chapter 3, a number of countries, are using, or exploring, credit card data to identify household transactions. In the interests of parsimony therefore, and to avoid repetition with other chapters, this Chapter does not cover those sources that uniquely, or primarily, provide a view of digitally ordered digitally delivered services, such as credit care data for example.

As such, the main focus in this Chapter is on delivering total estimates of digitally delivered services at the total economy level but also by sector (businesses/government and households).
The chapter begins with reviewing traditional International Trade in Services Statistics (ITSS) surveys (section 4.2), followed by administrative tax data sources (section 4.3). The Chapter (section 4.4) also reviews specific data sources that have been used to measure facets of digitally delivered products, such as online gambling and digital financial services.

4.2. Compiling digitally delivered transactions using ITSS surveys

International Trade in Services Surveys (ITSS) provide perhaps the best existing survey vehicle to develop estimates of digitally delivered trade in services, although it is important to note that they will struggle to capture household-to-household transactions and, in particular, household-to-household transactions facilitated by intermediation platforms (see also section 4.x).

**Recommendation 4.1:** Although trade by unincorporated enterprises represents a small share of overall trade in services, existing ITSS surveys should review coverage and related grossing and stratification methods, in particular for digitally delivered services.

Notwithstanding the challenges related to households (unincorporated enterprises), in the simplest case, ITSS surveys could be enhanced with a supplemental question\(^{64}\) that asks respondents to estimate the share of exported services (by product) that were delivered remotely over ICT networks – i.e. over voice or data networks, including the internet, in an electronically downloadable format.

Similar questions should also be asked concerning the share of imports that are digitally delivered\(^ {65}\). For obvious reasons, supplemental questions should only asked for those products that can be delivered digitally, and, so, would not need to be added for many services transactions, such as transportation, and water, gas, and electricity distribution.

As part of its efforts on this front (and specifically to measure potentially ICT-enabled services, i.e. those that could be delivered digitally), the UNCTAD-led

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\(^{64}\) For comprehensiveness, and in particular for those countries not able to derive separate estimates of cross-border digitally ordered digitally delivered services in totals for digitally ordered trade, additional questions could ask for further disaggregation into: digitally delivered services, digitally ordered via DIPs; digitally delivered services digitally ordered but not via DIPs; and other digitally delivered services.

\(^{65}\) As was the case for digitally ordered trade, many firms will struggle to definitively know if the transaction was cross-border or not. Whilst this is also true for ITSS the challenge for the firm is to identify the share of the trade that they have already identified as cross-border (and included in official trade statistics) that is digitally delivered.
TGServ Task Group\textsuperscript{66} developed a classification of products, using the EBOPS 2010 (Table 4.1) and CPC Ver. 2.1 (Annex 4.A).

**Table 4.1 Potentially ICT-enabled services**

<table>
<thead>
<tr>
<th>Title</th>
<th>SDMX</th>
<th>EBOPS 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance and pension services</td>
<td>SF</td>
<td>6</td>
</tr>
<tr>
<td>Financial services</td>
<td>SG</td>
<td>7</td>
</tr>
<tr>
<td>Charges for the use of intellectual property n.i.e.</td>
<td>SH</td>
<td>8</td>
</tr>
<tr>
<td>Telecommunications, computer, and information services</td>
<td>SI</td>
<td>9</td>
</tr>
<tr>
<td>Research and development services</td>
<td>SJ1</td>
<td>10.1</td>
</tr>
<tr>
<td>Professional and management consulting services</td>
<td>SJ2</td>
<td>10.2</td>
</tr>
<tr>
<td>Architectural, engineering, scientific and other technical services</td>
<td>SJ31</td>
<td>10.3.1</td>
</tr>
<tr>
<td>Other business services n.i.e.</td>
<td>SJ35</td>
<td>10.3.5</td>
</tr>
<tr>
<td>Audiovisual and related services</td>
<td>SK1</td>
<td>11.1</td>
</tr>
<tr>
<td>Health services</td>
<td>SK21</td>
<td>11.2.1</td>
</tr>
<tr>
<td>Education services</td>
<td>SK22</td>
<td>11.2.2</td>
</tr>
<tr>
<td>Heritage and recreational services</td>
<td>SK23</td>
<td>11.2.3</td>
</tr>
</tbody>
</table>

The coverage of products in Table 4.1 closely aligns with those required for estimates of digitally delivered trade but it is important to note that it does not include (amongst others) digitally delivered services provided by digital intermediation platforms (recorded as exports by the platforms and imports by the producers using the platforms to export, including via Mode 2).

For Digital Intermediation Platforms therefore, **additional questions are needed** on their exports of intermediation services, broken by type of service being intermediated. Provisional guidance is for the platform to be classified to the service it mainly intermediates, and so, by extension, the intermediation services should also be classified to the service being intermediated (and to distribution services in the case of goods).

Similarly, to estimate imports of services provided by DIPs, respondents should be asked to provide an estimate of the commission they pay (which should be determined as the difference between the price paid by the final

consumer and the basic price charged by the producer (respondent), after accounting for taxes and subsidies on products\(^{67}\), see also Chapter 5).

There are currently very few examples of this approach being implemented but efforts are being accelerated as shown below.

### 4.2.1. UNCTAD’s model enterprise survey

As part of its work to develop estimates of actual, as opposed to potentially, ICT-enabled services, UNCTAD developed a model enterprise survey (as well as training material) that focused on the export side (as it is easier to identify and survey the narrower population of services exporting firms than that of importing firms). The survey was piloted in 2017 in Costa Rica (see also Box 4.1), India and Thailand.\(^{68}\)

The results demonstrated that, in practice, most potentially ICT-enabled services were actually ICT enabled, and, so, by extension, most potentially digitally delivered services were actually digitally delivered.

In Costa Rica for example, the results\(^{69}\) revealed that 97% of the exports of services that could be ICT-enabled were actually delivered over ICT networks (with a predominance of large foreign-owned enterprises, providing management, administration and back-office services). These services accounted for 38% of total services exports.

Similarly, for India, the results\(^{70}\) showed that 81% of potentially ICT-enabled services were actually delivered over ICT networks. ICT-enabled services accounted for 57% of total services exports. Computer services were the biggest contributor, accounting for almost two-thirds of India’s ICT-enabled services exports. For services exporting SMEs, delivery over ICT networks constituted the predominant mode of supply (more than 99%).

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\(^{67}\) This follows the existing guidance that the DIP commission should be viewed as being paid entirely by the producer, whose products are being intermediated, where no explicit charges are made.


4.2.2. **ITSS surveys linked to Modes of Supply**

By definition, all digitally delivered cross-border services transactions are Mode 1, so supplementary questions in ITSS asking for the share of exports or imports that were digitally delivered also provide a view of Mode 1 service delivery (for those same products). Note, however, that Mode 1 service delivery is broader than digitally delivered.

In large part in reflection of this equivalence (for those products that can be delivered digitally), the UK Office for National Statistics (ONS) and the US Bureau of Economic Analysis (BEA) have begun to develop methods that provide estimates of digitally delivered trade as well as modes of supply (for Modes, 1, 2 and 4).

The starting-point for the approach is similar but not exactly the same as that adopted in the UNCTAD model survey. Whereas the UNCTAD model based

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**Box 4.1. Measuring digitally delivered services in Costa Rica**

Costa Rica was among the first countries to leverage the assistance offered by UNCTAD to set up a data collection, and compile statistics, on services that were actually delivered remotely over ICT networks (i.e. ICT enabled, or digitally delivered).

Using the classification system developed by UNCTAD (Table 4.1 and Annex 4.A) Costa Rica implemented a survey among 285 enterprises that were identified as potential exporters of digitally delivered services in 2017. 185 responses were received, of which 117 responded that they exported services that were delivered digitally.

The results were grossed up to the entire population of firms exporting these services (digitally or not), a total of 1196 firms; using selected economic variables of the Central Bank of Costa Rica (BCCR) and other administrative records, including enterprise size, different trading regimes (special regime or free trade zone and final regime), and industry, to stratify and gross up responses.

The results show that 82% of firms sold cross-border digitally delivered services, amounting to 97% of all potentially digitally delivered services, 18% of total exports and 38% of total services exports. Over three-quarters of firms exporting digitally delivered services were foreign owned, predominantly American or European.

Source: Central Bank of Costa Rica (BCCR)
survey directly targets ICT enabled services, the target concept used by the ONS and BEA is remotely delivered services. This latter concept, targeting modes of supply, includes delivery of services by post and telephone and not only digitally-delivered (or ICT enabled) services. However, in both countries the share of delivery of services using non-digital means is considered to be marginal (because of the simplicity of delivering digitally – indeed, often, the same service is delivered by more than one channel) and, so, remotely delivered provides a meaningful estimate of digitally delivered.

The approach adopted by the US (Box 4.2) predates that of the UK (Box 4.3) who were able to capitalise on lessons learnt in the US experience.
Box 4.1. Digitally delivered transactions using ITSS surveys in the United States

BEA has recently taken steps to compile digitally delivered transactions using ITSS as an offshoot of an effort to measure services supplied by the four GATS modes of supply. BEA has expanded its Benchmark Survey of Transactions in Selected Services and Intellectual Property with Foreign Persons for 2017 to collect data on the share of trade in certain services delivered through mode 1. Although mode 1 is broader than digitally delivered services in that it includes supply by means such as telephone and post but the value of services delivered by these means is considered negligible.

BEA considered and tested several versions of a question set before arriving at a final design. A first version collected information on modes 1, 2, and 4 but feedback from respondents indicated that this approach would be excessively burdensome and impractical because most accounting systems do not track services by mode of supply.

A second version asked respondents to provide the predominant mode through which services are supplied. Feedback indicated that this would not be overly burdensome. However, BEA concluded that the information would be of limited use because respondents would almost certainly report that mode 1 dominated for most service types; consequently, the data would paint a misleading picture depicting close to 100 percent of services exports and imports supplied through mode 1.

BEA settled on an approach that respondents indicated would not be too burdensome, yet might provide reliable measures. Under this approach, respondents simply report the share of certain services delivered by mode 1 within percentage ranges. Mode 4 can then be measured as the residual of total trade for a given service type less mode 1. Services delivered through modes 2 and 3 would be measured using independent data sources available to BEA, most notably statistics for travel services statistics for mode 2 and FATS collected by BEA for mode 3. The approach incorporates an additional simplification that advises respondents that they can provide information from general knowledge of their company’s operations rather than from their accounting systems.

<table>
<thead>
<tr>
<th>Transaction type¹</th>
<th>Did you report exports/imports of this service? (Check yes or no)</th>
<th>For each “Yes” response, check the appropriate percentage range. (Check one)</th>
<th>This information provided is based on (Check one)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>No</td>
<td>Less than 25%</td>
<td>25-49%</td>
</tr>
</tbody>
</table>

¹Transaction type
This question applies to the following 13 transaction types, which are expected to have mode 1 transactions, which may be digitally delivered: accounting, auditing, and bookkeeping services; advertising services; other computer services; education services; architectural services; engineering services; surveying, cartography, certification, and technical inspection services; legal services; market research services; public opinion and polling services; other management, consulting, and public relations services; provision of customized and non-customized research and development services; other research and development services.

Source: US BEA
Box 4.3. Digitally delivered transactions using ITSS surveys in the United Kingdom

The approach adopted by the UK ONS was very similar to that adopted by the BEA except that it included a response category ‘unknown’ in addition to the 6 percentage ranges adopted by the BEA.

In the initial phase of the ONS’ work, a sample of 100 businesses were selected to test the new survey questions in September 2018. The results indicated little change in the response rate among the pilot sample and most businesses were able to respond with the information needed. As a result new questions were added to the 2018 annual ITSS survey of 5,000 businesses known to engage in international trade in services.

An additional variation of the ONS approach (compared with the BEA approach) was the integration of data from the proportional allocation method developed by Eurostat (Annex 4.B). In addition the ONS questionnaire did not restrict responses for mode 1 trade to those products that could be remotely delivered, as described in Annex 4.A.

Of particular interest in this respect is the fact that respondents identified mode 1 delivery in a number of products that are not typically considered as being remotely delivered (and not considered in the UNCTAD or Eurostat templates, Annexes 4.A and B., see also Table below.)

For construction this is likely to reflect sub-contracting services, whilst for maintenance, this may also reflect specialised, digitalised, services (for example real-time monitoring and remote – digital – intervention). For manufacturing this may also reflect other digitised inputs.

<table>
<thead>
<tr>
<th>Service type</th>
<th>Exports Eurostat</th>
<th>Exports ITIS survey</th>
<th>Imports Eurostat</th>
<th>Imports ITIS survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>0</td>
<td>49</td>
<td>0</td>
<td>37</td>
</tr>
<tr>
<td>Maintenance and repair</td>
<td>0</td>
<td>49</td>
<td>0</td>
<td>37</td>
</tr>
<tr>
<td>Transportation</td>
<td>65</td>
<td>65</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>Travel</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Construction</td>
<td>0</td>
<td>47</td>
<td>0</td>
<td>23</td>
</tr>
<tr>
<td>Insurance and pension</td>
<td>100</td>
<td>84</td>
<td>100</td>
<td>71</td>
</tr>
<tr>
<td>Financial</td>
<td>100</td>
<td>89</td>
<td>100</td>
<td>79</td>
</tr>
<tr>
<td>Intellectual property</td>
<td>100</td>
<td>83</td>
<td>100</td>
<td>87</td>
</tr>
<tr>
<td>Telecommunications, computer and information services</td>
<td>87</td>
<td>85</td>
<td>89</td>
<td>85</td>
</tr>
<tr>
<td>Other business services</td>
<td>75</td>
<td>65</td>
<td>75</td>
<td>65</td>
</tr>
<tr>
<td>Personal, cultural and recreational</td>
<td>75</td>
<td>43</td>
<td>75</td>
<td>29</td>
</tr>
<tr>
<td>Government</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
</tr>
</tbody>
</table>
Source: UK ONS

https://www.ons.gov.uk/businessindustryandtrade/internationaltrade/articles/modesofsupplyukexperimentalestimates/2018
Perhaps the three most important lessons from the efforts of the US and UK were that:

- respondents had great difficulty in estimating trade by Mode of Supply;
- crude approaches that ask respondents to identify their main mode of supply should be avoided; and
- some services (see Box 4.3) not covered in UNCTAD’s list of potentially ICT-enabled services are digitally deliverable.

Instead the approach (used by both the BEA and ONS) was to ask respondents (for those products that could be digitally delivered, or provided by Mode 1) to estimate the share of trade that was actually delivered via Mode 1 within certain ranges (see Box 4.2).

Estimates of the share of trade using other modes (for all products) was derived using information from other sources (such as international travel surveys, especially for mode 2) and through expert judgement, (e.g. using proportional allocation methods, such as those developed by Eurostat, see Annex 4.B).

### 4.2.2.1 Services categories in scope for digitally delivered services

The work of the ONS demonstrated that the product range of Mode 1 delivery of services extends beyond those products covered in UNCTAD’s list of potentially digitally delivered services (Annex 4.A). These chiefly concern manufacturing, maintenance and repair, and construction services (see Box 4.3), where the shares of mode 1 delivery, as a percent of total trade in the particular products, was surprisingly high (close to half for exports).

The question therefore is whether these products should also be considered as being in scope for measures of digitally delivered services?

It’s important to note in this context that the driver for the ONS work was to estimate services trade by mode of supply (in particular mode 1), using the concept of ‘remotely delivered’, which is broader than digitally delivered (as it includes delivery by post for example).

Notwithstanding these differences (i.e. postal vs digital) there are also philosophical differences which suggest care in translating ‘remotely delivered’ directly into ‘digitally delivered’. Consider the case of construction services contracted out to a third party for example. Whilst the recording of the transaction is certainly mode 1 for the principal party (importing the construction service), the digitisation of the contract confirming delivery of that service should not be interpreted as meaning that the actual service itself – i.e. the construction of a building - has been digitised. It clearly has not.
Of course, a similar argument could be made for other services that are contracted out, for example, where a principal located abroad contracts out computer services (e.g. trouble shooting) to a local computer services provider in the host economy. Similar examples could be made for many other services, solicitors, accountants, cleaners etc. but only those services (as distinct from contracts) that can be provided in a digitised form (e.g. a final report, new software code etc.) should be included in scope for digital delivery.

As such, the Handbook recommends that the range of products that should be considered as being in scope for digitally delivered remains consistent with those identified in Annex 4.A (including with estimates for DIP services). However, it also recommends further work in areas, such as maintenance and repair, as there is growing scope for many services to be delivered digitally.

**Recommendation 4.2**

The scope of cross-border digitally delivered services should be restricted to those products included in UNCTAD’s definition of potentially ICT-enabled services (Annex 4.A) including additions for DIP services. Further work should however investigate the need to widen this scope if, and as, the range of digitally delivered services expands. Chief in this respect concerns maintenance and repair services.

The scope of products included in digitally delivered services in the goods and services account (as opposed to pure cross-border transactions) is wider than that included in Annex 4.A and should include adjustments for...

### 4.2.3. Conclusions from adapting ITSS surveys

The approach used UNCTAD, the BEA and the ONS appear promising, providing robust results that help fill information gaps, both for digitally delivered services and also Modes of Supply (in the case of the BEA/ONS efforts).
All existing efforts (UNCTAD/ BEA/ONS) highlight that most transactions in the list of potentially delivered services (see Annex 4.A) are in fact actually digitally delivered; upwards of 80% in most cases. This suggests that total potentially delivered services could be used as a meaningful (albeit upper-bound) proxy of actually digitally delivered services (notwithstanding the results from the ONS work that suggest that the scope of potentially digitally delivered should be expanded nor the need to include intermediation services provided by DIPs). Although estimates of potentially digitally delivered services can serve as a reasonable proxy for actual digitally delivered services, (see also Box 4.4), the broad commonality in shares across many of the existing initiatives, including in Eurostat’s simplified approach for modes of supply, show that it is preferable to derive estimates of actual digitally delivered services by applying expert judgement shares – including based on other (similar) countries’ experiences (by specific product) - to national estimates of trade in services. However this should only occur in cases where there is a sufficient degree of product detail) and at a minimum, at the main EBOPS 2010 categories. Further, the evidence suggests that it is not unreasonable to assume that any

Recommendation 4.3: Existing ITSS surveys should include questions on the share of services trade (for each product that can be delivered digitally, see Annex 4.A) that is actually remotely (or digitally) delivered. An additional question should be included to identify (commissions/fees) paid to non-resident digital intermediation platforms (by the type of service the platforms are intermediating for the respondent as a producer – and not as a final consumer). A simplifying assumption could be that all intermediation commissions/fees paid (implicitly or otherwise) to non-resident DIPs are in respect of the main activity of the responding firm.

For DIPs, questions on exports should also ask for the value of intermediation services exported, broken down by all types of service being intermediated.

Most products included in Annex 4.A are delivered by Mode 1 supply. Unless there is evidence to the contrary, it can be assumed that all Mode 1 supply of products included in Annex 4.A is also digitally delivered. Under these circumstances, supplementary questions in ITSS can instead focus on

Recommendation 4.4: Taking into account the impact on respondent burdens, countries should consider the possibility/scope to also request breakdowns of digitally delivered services by whether they were ordered via a DIP, other digitally ordered, or not digitally ordered. However this should not
Mode 1 estimates for the category of potentially delivered services identified in Annex 4.A are in fact digitally delivered.

One important point to note, however, concerning both the UNCTAD model survey and those adopted by the BEA and ONS, relates to overall estimates of digitally delivered services and trade by Mode of Supply. By design they focus only on firms included in ITSS surveys, and so, without supplementary information, struggle to cover digitally delivered services to non-residents (via Mode 2); at all in the case of the UNCTAD approach, as the emphasis in both cases is pure cross-border trade. This reinforces the need to use complementary sources, as is the case in the BEA/ONS approach.

In addition, and again because the focus is on firms, complementary sources are essential to capture households’ direct imports of digitally delivered services (a form of de minimis trade). The same is also true for household exports of digitally delivered services but whilst the value of data provided by households remains outside the core goods and services accounts, this type of trade can be considered negligible.

**Recommendation 4.5:** For countries not able to estimate actual cross-border digitally delivered services (Recommendation 4.3), a second best, but acceptable approach, is to derive estimates by applying expert judgement shares. These shares can be based on anecdotal sources, including estimates observed in other (and similar) countries but they must be applied at a sufficiently detailed degree of product disaggregation, at a minimum, at the main EBOPS 2010 categories.

If shares are applied using breakdowns or estimates, anecdotal or otherwise, by modes of supply, it is not unreasonable to assume that Mode 1 estimates for the category of potentially delivered services identified in Annex 4.A are in fact digitally delivered.
Box 4.4 ICT and potentially ICT-enabled services in the USA

The BEA introduced statistics on trade in ICT and potentially ICT-enabled services as a supplement to its main presentation of trade in services statistics in 2016. Trade in ICT and potentially ICT-enabled services statistics are calculated as an aggregation of existing trade in services categories, so their compilation did not require BEA to make modifications to existing data collection instruments or methodologies. The statistics complement BEA’s standard presentation of international trade in services statistics by providing insight into the extent to which ICT may be used to facilitate trade in services. BEA has received positive feedback from many data users regarding these statistics, which highlight the potential for digitally delivered trade in services.

Publication of ICT and potentially ICT-enabled services has also introduced challenges. The first concerns potential misinterpretation. Users often ignore the word “potentially” and mistake this for actual digitally enabled trade. BEA has used multiple approaches to address this, starting with adopting the full title, “potentially ICT-enabled services,” rather than a shorter term. BEA also released a report describing how the statistics are compiled, and presents the trade in potentially ICT-enabled services total alongside its individual components to provide users better insight into what these statistics include.

The second major challenge is that because trade in ICT and potentially ICT-enabled services statistics are aggregations of published, and in some cases unpublished, statistics, their separate publication requires additional resources for disclosure analysis. To address this challenge the BEA prioritized the publication of statistics on standard categories of trade in services over the statistics on trade in ICT or potentially ICT-enabled services, which resulted in suppressions in some trade in ICT or potentially ICT-enabled services components.

Source: US BEA. For more information, see Alexis N. Grimm, “Trends in U.S. Trade in Information and Communications Technology (ICT) Services and in ICT-Enabled Services,” SURVEY OF CURRENT BUSINESS 96 (May 2016).

4.3. Compiling digitally delivered transactions using ITRS data

For countries that rely heavily on the International Transaction Reporting System (ITRS)\(^{71}\) in the collection of their trade in services statistics, these can also provide scope to estimate digitally delivered services, at least for large enterprises that are known to predominantly provide digitally delivered services, such as Facebook or Google.

The experience in Brazil (see Box 4.5) shows that this approach is feasible, and, in turn, can provide a mechanism to derive separate estimates of intra-firm digitally delivered trade (which may be helpful in determining whether current official trade statistics require adjustment, for example with respect to transactions in intellectual property products, see also Appendix 2).

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Box 4.5. Digitally delivered services in Brazil

The Central Bank of Brazil (Banco Central do Brazil, BCB) traces international trade in services flows using the International Transactions Reporting System (ITRS). The Brazilian ITRS was originally conceived within the framework of foreign capitals control system but as this no longer exists, BCB restructured the system with a focus on supporting: (i) the compilation of external sector statistics; and (ii) the assessment and supervision of the foreign exchange market. In this regard, the ITRS covers all foreign exchange settlements between residents and non-residents.

The Brazilian ITRS has more than 50 different codes to identify the different types of services transactions, allowing national compilers to allocate transactions in the BoP with a good level of detail. It is possible to automatically determine the economic sector of the parties involved, particularly of the resident, as every transaction is registered (i.e. no threshold

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\(^{71}\) It is important to flag that ITRS does have drawbacks for measuring international trade in services, as described in MSITS 2010 and the associated Compilation Guide. These include: higher potential for misclassifications, as banks classify transactions on behalf of the reporters; transactions are recorded when payments are made and not necessarily at the time of output and consumption; and the counterpart country responsible for the payment may not correspond to the partner country from or to which the service is delivered. However, these can at least partially be mitigated, as described in the example by Brazil, e.g. via stringent quality checks, and by ensuring that the reporters in financial institutions are well-trained. In addition, supplemental information may be included without increasing the burden on respondents. In addition, when reporting thresholds are absent or low as if often the case, data coverage may be higher in the ITRS than in ITSS.
4.4. Compiling digitally delivered transactions using administrative tax data

4.4.1. VAT data

Many countries are beginning to introduce new tax measures that allow them to collect VAT on services digitally delivered into their country by foreign actors, which can provide a new source of data for digitally delivered trade (see Box 4.6 for Argentina).

**Box 4.6. VAT data in Argentina**

Information on digitally delivered services has recently been developed in Argentina by capitalising on new legislation (Law No. 27430/2017, Senado y Cámara de Diputados de la Nación Argentina, 2017), that obliges non-resident providers of digital services to declare their revenues on services provided. On which 21% VAT is applied. Equally resident financial intermediaries that act as agents for non-resident service providers are also asked to provide similar information and
payments.

In many cases the services provided were not purely related to digital services products per se (for example e-commerce transactions, accommodation intermediation etc.) and so to avoid imposing VAT on transactions not covered by the new law, the fiscal authorities (AFIP\textsuperscript{72}: Administracion Federal de Ingresos Publicos) set out a threshold of 10 USD above which it was assumed that the transactions did not relate to digitally delivered services.

Initial results from using these data look promising. The first set of data collected information from 699 (intermediaries) and 956 (non-resident providers).

However, disaggregation by product detail could not be identified, so, additional information was requested directly from the intermediaries. Broadly however (but not always), estimates were derived by assuming, that the non-resident firm exports products that make up its main activity (based on specific information by the reporting firm, e.g. its name). A detailed concordance on how matching was made to EBOPS categories is shown below.

\textbf{For computer services (9.2):} a) companies that manufacture and distribute antivirus software, such as Symantec or Panda (9.2.1 computer programs); b) applications that allow the creation and design of web pages, such as Wordpress (9.2.2 other computer services); c) companies that offer hosting of web pages (web hosting), servers or domain (for example, Bluehost), (9.2.2 other computer services); and d) platforms for downloads of videogames or other computer software (such as Sega or PlayStation Network) that are classified with code 9.2.1 computer programs.

\textbf{For information services (9.3.2):} a) web hosting services for information, images, video or other content that can be stored -cloud computing (such as Google Storage or Icloud); and b) subscription services to digitised versions of newspapers/magazines

\textbf{For Audiovisual and related services (11.1.1):} streaming services, i.e. transmission or digital distribution of multimedia content through the Internet, (Spotify and Netflix).

\textbf{For business and management consulting and public relations services (10.2.1.3):} services of companies that provide consulting services through videoconferences or other digitised means (e.g. Neelus).

Remote education services (e.g. OpenEnglish) were assigned to other personal, cultural and recreational services (11.2.2).

Intermediation platforms facilitating connection between bidders and demanders of different business services were imputed to other business services n.i.o.p. (10.3.5), (e.g. Habitissimo). Employment services that may be free, but charge premium services (e.g. DGNNet, LinkedIn), were assigned to 10.3.5.1.

Companies such as Instagram, Facebook and Twitter were assigned to advertising services, market research and public opinion surveys (10.2.2), reflecting their core revenue stream.

Services of messages, calls and video calls provided through IP by companies such as Skype or Viber were assigned to telecommunications services (9.1).

Payments made to companies for a membership that grants privileges, benefits or rights, but not a specific

\textsuperscript{72} http://servicios.infoleg.gob.ar/infolegInternet/anexos/310000-314999/310227/norma.htm
service (like Amazon Prime) were allocated to **other personal services (11.2.4)**.

Although the main revenue streams are derived via advertising (from data), ‘free’ dating platforms such as (Tinder, Badoo), were classified to **other personal services (11.2.4)**.

For companies offering a range of products (e.g. Google Play, anecdotal evidence was used to provide a split between products, e.g. computer programs (9.2.1) for downloaded games and audio-visual and related services (11.1.1) for streaming etc. services.

Because of the nature of the digital services provided, and the method of payment (mainly through credit cards), it was assumed that the resident sector involved was the household sector.

Two caveats are needed with this approach in relation to coverage. The first relates to intermediation services for platforms intermediating goods, whose commission, in theory, is captured in goods statistics (valued at C.I.F). The second concern the use of the 10 USD threshold (although anecdotal evidence suggests that this is currently not a significant problem).

<table>
<thead>
<tr>
<th>Table</th>
<th>Imports of digital delivered services paid by households in the third quarter of 2018, USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.1.1 Audiovisual services</td>
<td>US$ 70,202,546</td>
</tr>
<tr>
<td>9.2.1 Computer services</td>
<td>US$ 23,157,717</td>
</tr>
<tr>
<td>9.3.2 Other information services</td>
<td>US$ 2,749,113</td>
</tr>
<tr>
<td>11.2.4 Other personal services</td>
<td>US$ 2,563,827</td>
</tr>
<tr>
<td>9.2.2 Other computer services</td>
<td>US$ 1,187,867</td>
</tr>
<tr>
<td>10.3.5.1 Employment services</td>
<td>US$ 758,212</td>
</tr>
<tr>
<td>10.2.2 Advertising services</td>
<td>US$ 537,844</td>
</tr>
<tr>
<td>11.2.2 Education services</td>
<td>US$ 525,317</td>
</tr>
<tr>
<td>9.1 Telecommunications services</td>
<td>US$ 239,223</td>
</tr>
<tr>
<td>10.3.5 Other business services n.i.o.p.</td>
<td>US$ 95,491</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>US$ 102,017,156</strong></td>
</tr>
</tbody>
</table>

Source: Digital services imports by the household sector in Argentina’s balance of payments, María de las Mercedes Juaristi Llorens and Florencia Victoria Dal Bianco, INDEC, 2019

### 4.4.2. MOSS

Within the European Union, changes in legislation were recently introduced on Value-Added Tax (VAT) for telecommunications, broadcasting and electronically delivered services. These changes aimed to ensure that local VAT rates were applied to all services that were delivered and that the VAT revenue goes to the country of the consumer. To implement this legislation, the Mini One-Stop-Shop (MOSS)\(^73\) scheme was developed.

Via the MOSS portal, taxable persons (i.e. VAT-able, and predominantly enterprises) can report sales of the aforementioned services to non-taxable persons (predominantly consumers), in member states in which they do not

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have an establishment, to account for the VAT due on those supplies. The data and VAT is then distributed to the relevant tax authorities within the scheme via the MOSS network.

The MOSS scheme is optional for enterprises, but without the scheme, the supplier is required to register in each MS in which it supplies services to its customers, which is a strong incentive to use the scheme. Non-EU taxable persons can also register with the MOSS scheme, and are free to choose the EU Member State where it reports its information. When choosing to register in the scheme, activities in all EU Member States should be included.

Because of its focus on digitised services, data derived from MOSS has already been explored to measure digital trade transactions, for example in Hungary (Box 4.7) and Denmark (Box 4.8). Both experiences highlight several statistical challenges:

- The first challenge is that there is no further division of the type of service delivered, other than that it must be either telecommunications, broadcasting or electronically delivered services. To address this issue, Statistics Denmark used the names and VAT numbers of the enterprises involved to clearly identify the enterprises involved, and subsequently manually classified the types of services provided by the 60 largest companies (by value), accounting for 90% of the total reported value of services in MOSS.

  In some cases, a split was required, using expert judgement, as certain enterprises are known to provide multiple types of services. As part of the process, certain transactions were separately identified to avoid double counting (such as bookings via Airbnb, which are already included in Travel services in the Balance of Payments). One recommendation noted from this work, by Statistics Denmark, is the utility of having information on the NACE codes of enterprises in the European business register, which at the moment does not provide sufficient information to connect with MOSS data.

- Coverage of firms can be also an issue. MOSS is a voluntary scheme, and enterprises are entirely free not to use it, and instead take on the additional costs of registering separately in each country in which they operate.

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74 It is important to note that, where a taxable person has a fixed establishment in a Member State, supplies of telecommunication, broadcasting and electronic services to non-taxable persons in that Member State are declared through the domestic tax authorities and not through the MOSS scheme.

75 The data distributed to the MOSS network contains quarterly information on VAT payments by enterprise and the VAT rate that was applied. The identification country, VAT-number, registration date and address for the enterprise are also included, as is the country of origin of any non-EU businesses that use the scheme.
supply telecommunication, broadcasting and electronically delivered services. At present it is difficult to assess to what extent this may be the case. One complicating feature of these alternative arrangements relates to whether services provided by affiliates abroad should have a cross-border trade element (See also Appendix 2).

A related issue concerns the coverage of institutional sectors. The consumer in the MOSS scheme may include public authorities as well as private individuals. The former may have already been included in international trade in services surveys, creating a risk of double counting (in the BOP). Since this is difficult to identify in MOSS, and since several services (gaming, dating, and most audiovisual services) are typically only provided to private individuals, it is currently assumed that most of the supply reported through the MOSS system is consumed by private persons. However, for certain services, such as anti-virus and cloud services, this assumption may have to be revisited in future work.

- Even though enterprises are required to report on a quarterly basis, the availability of quarterly reports may fluctuate (e.g. enterprises may not trade during a particular quarter, or forego the quarterly report for other reasons). Taking advantage of the fact that MOSS contains information on registration and termination dates (providing a means to identify possible missing quarterly reports), Statistics Denmark investigated this possibility, for large firms (using minimum thresholds of 1 million and 5 million DKK - approximately 150,000 and 750,000 USD - in quarterly MOSS sales. They identified only 26 (with a threshold above 1 million DKK) and 12 (with a threshold above 5 million DKK) missing reports, which accounted for almost all of the values that were not reported. Since only a few enterprises were involved, it was feasible to determine for each company the reason for not reporting, (one important explanation being the establishment of a local subsidiary).
Box 4.7 The use of MOSS data in Hungary: first results

Exports

A first step in assessing the potential, and the scope, of MOSS data to deliver estimates on components of digitally delivered services trade (in the service categories covered by MOSS) included a comparison of export data for 9 enterprises identified in MOSS and ITSS. The results revealed a high degree of consistency between the two sources (although in one case, the results revealed a need to reclassify the EBOPS category recorded in ITSS).

The 9 enterprises accounted for 78% of total Hungarian exports included in MOSS. As a percent of their total services 49% percent of their exports of services to the EU were digitally delivered and 17% in total. However, some perspective is needed, as MOSS only covers specific digital services, and only specific digital services provided to non-taxable persons (mainly households) in the EU, the MOSS data accounted for only 0.03% of total Hungarian services exports.

Imports

MOSS can also be used to derive information on imports of digitally delivered services by households (which are not covered in ITSS sources). Results for 2017 revealed that MOSS data was around 40% of the value of comparable estimates of households’ imports of digitally delivered services (partly reflecting the fact that MOSS remains optional for reporting enterprises). As a share of total services imports, MOSS data amounted to 0.73%.

Future plans

Identifying which non-resident enterprises provide services in Hungary is not yet possible in the MOSS dataset, as only MOSS identifiers, and not company names, are provided. But this is scheduled to change in the near future, which will enable HCSO to better assess import data and to estimate trade by country and region of origin. In addition, it is expected that the coverage of MOSS data will grow in the future.

Source: Hungarian Central Statistical Office (HSCO)
4.5. Compiling digitally delivered transactions with household surveys

Notwithstanding the challenges households have in identifying imports of digital trade (ordered or delivered) household surveys remain an option for measuring these flows by applying assumptions on the share of consumption that was imported (using expert judgement or in combination with/complements to estimates drawn from other approaches, such as VAT or ITSS, or ITRS data, when applied at product levels of detail, as described above, which may suffer from coverage problems). National experiences suggest that household surveys that target total consumption of digitally delivered services (cross-border and domestic) are of acceptable quality (see Box 4.9).

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**Box 4.8. The use of MOSS data in Denmark**

In Denmark, as elsewhere, the supply of digital services provided directly to private consumers has increased greatly in recent years. Before MOSS data became available, Statistics Denmark estimated these services using a variety of sources, for five different categories, including streaming, apps, gambling, games and other services.

The introduction and use of MOSS data has resulted in not-insignificant revisions to earlier estimates (except for betting services, which are not covered in MOSS). For example imports of computer services were revised upwards to 2.8 billion DKK from 0.4 billion, while imports of audio-visual services by private individuals have been revised down (likely reflecting the fact that consumers typically pay for these services through subscriptions with local intermediaries). In total MOSS data showed that imports by private individuals accounted for 6% of all imported computer services and almost 30% of audio-visual services.


**Recommendation 4.7**: Many countries are beginning to implement regimes to collect VAT data from non-resident digital services providers. This can be a very useful source of information on household imports of digitally delivered sources, and area where current coverage may be weak (even if total estimates of...
**Box 4.9. Household surveys on the consumption of digitally delivered services**

Recently, Statistics Canada released the results of a household survey on consumptions of digitally delivered products. The Digital Economy Survey (DES) was a household survey targeting individuals aged 18 and older. It covered the use and purchase of various digital services products, such as music and video streaming services, e-books, mobile apps, and online gaming subscriptions. It examined ways of earning money through the digital economy—for instance, by selling new or used products through online bulletin boards or platforms. There were also questions about the type of payment methods used—for example, cash versus debit or credit card.

Sufficient samples were allocated to each of the provinces so that the survey could produce province level estimates. An initial sample of 12,000 dwellings was selected. Due to difficulties identified during testing, respondents were not asked to break their expenses between Canadian and international sellers. One option being explored is to determine the trade component as a residual after excluding sales from Canadian enterprises (after accounting for exports).


**4.6. Digital financial services provided by non-bank entities**

Rapid advances in digital technology and continuously evolving-market dynamics are transforming the financial services landscape. New enterprises exploiting these technological innovations, “Fintechs” (financial technology firms) have emerged, bringing about new opportunities but also challenges to consumers, traditional financial services providers (banks), and regulators alike. Fintechs are non-bank institutions that use advanced technologies, such as big data and cloud-based technologies, to perform traditional banking activities repackaged in a new, often mobile-phone based format, and may also provide new types of services.
These services are often summarised under the name of mobile money, and can include funds transfers (remittances), payment, savings, credit, insurance, trade financing (including for small business) and other financial services. Examples of these new players are M-Pesa, MTN Mobile Money, Kopo Kopo, TransferWise, Azimo, Avuba, CurrencyFair, ClearXchange and Midpoint, and may also consist of partnerships between telecommunications firms and banks (see also Box 4.X).

The IMF’s Financial Access Survey (FAS), the most comprehensive source of global supply-side data on financial inclusion, has been collecting country data on mobile money services since 2014, and shows that mobile money services are primarily prevalent in Africa, especially in regions where the presence of traditional channels to access financial services, such as ATMs, still lag. In more developed economies, new payment systems are probably developed in response to the high margins associated with incumbent systems and adopted on the basis of their ease of use. Overall, mobile money services are growing rapidly, although at a different pace across economies (Figure 4.1).

**Figure 4.1. Growth of registered mobile money accounts in Sub-Saharan Africa**

Source: GSMA - Groupe Spéciale Mobile Association. GSMA represents the interests of mobile operators worldwide; see [www.gsma.com](http://www.gsma.com).

The IMF has also engaged in a pilot project with African countries to produce economic indicators based on mobile money transfer data available from telecommunication companies and to develop a “tool-box” that can potentially be used by other countries with similar data infrastructure. Person-to-Business payments and receipts for goods and services are included among the derived economic indicators. East Africa continues to lead in terms of mobile money adoption and usage rates, and is the focus of the pilot project.
Box 4.10. Mobile money: how it works

Mobile money refers to a network that facilitates payments from one user to another, via a mobile device. It is a safe and easy-to-use electronic wallet service, which allows users to store, send and receive money using their mobile phone. Money is stored as credit on a smart card or in a system-provider’s books, while continuing to use national currencies.

Users with a mobile money device and a registered sim card can register a mobile money account with a secret pin code to/from which they can deposit, draw down, send or receive money. Deposits and withdrawals are facilitated by agents who provide virtual money in exchange for cash and cash in exchange for virtual money at a fee. Sending and receiving of virtual money to and from registered parties is carried out through the mobile money platform by simply following a menu in the service provider’s app, without requiring services of an agent. Unregistered users can equally send and receive mobile money, however, only through agents since they do not have registered mobile money accounts.

Users can also make payments while abroad, and pay for foreign goods and services. Transactions can be infrequent and small in value (more typical of households), as well as frequent and large (more typical of corporations). When making cross-border payments, different types of users place special emphasis on low-cost, security, convenience, predictability, and transparency - the assurance that intermediaries will preserve the confidentiality of information.


Mobile money transactions are not confined to national borders. For example, non-residents may use the roaming network for transfers, similar to residents. Residents and non-residents may also each use the mobile money services of their respective telecommunications services providers to arrange for such cross-border transactions. The telecommunications providers in turn typically use an integration technical partner to facilitate a seamless integration, which, amongst others, determines the exchange rates used for conversion, and validates in real time the destination of the mobile money system as well as the availability of funds on the recipient’s online account.
Whether residents or non-residents use the same roaming network or different ones, funds are credited and debited to and from the respective mobile money accounts of the beneficiary and sender in the two countries where they are each resident, or through the accounts of designated agents in the two countries (if the beneficiary and/or sender do not have a registered mobile money account, see box 4.10).

An important challenge for compilers is that these operations are usually packaged as a single product, although they cover distinct telecoms, financial services, and (technical) intermediation services related to the deposit, withdrawal, transfer and foreign exchange conversions of money, to the transmission of short messages notifying senders and recipients of funds transferred and balances on their accounts, as well as fees for the agents that facilitate the exchange of cash for virtual (mobile) money and vice-versa.

In the case where a third party (integration technical partner) is involved, there are, in addition, revenue-sharing agreements between the integration technical partner, the mobile money agents handling the transactions, and the telecommunications companies that provide the mobile money services76.

Information on the overall size of the fees and commissions paid and received, as well as on how these are shared among the different commercial players involved in executing the international transaction, may not be readily available. In Uganda, one mobile money service provider indicated that around 60 percent of all revenues are paid out to mobile money agents, 5 percent to the integration technical partner and the remaining 35 percent is shared between the telecommunications companies, but it is unclear if this represents an (international) industry standard.

The example in Table 4.2 below illustrates the potential transactions for an economy whose residents receive or send money abroad via mobile services, and their implications for recordings in the Balance of Payments.

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76 Note that the commercial bank which provides the account where the actual float is maintained typically does not receive any share from the revenues arising out of the transaction fees.
### Table 4.2. Examples of Mobile money transactions and their treatment in the BOP

<table>
<thead>
<tr>
<th>Description of Mobile Money (MM) Transactions</th>
<th>BOP transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residents acquiring MM from a non-resident telecom company</td>
<td>Charges for the acquisition of MM</td>
</tr>
<tr>
<td>Non-residents acquiring MM from a resident telecom company</td>
<td>Charges for the acquisition of MM</td>
</tr>
<tr>
<td>Residents sending MM to non-residents via a resident telecom company, which may alternatively be using a non-resident integration technical partner</td>
<td>Charges associated with MM transfer levied by the resident telecom company and shared with: -non-resident MM company; -non-resident integration technical partner;</td>
</tr>
<tr>
<td>Residents sending MM to non-residents via a resident telecom company, which may alternatively be using a resident integration technical partner</td>
<td>Charges associated with MM transfer levied by the resident telecom company and shared with the non-resident telecom company</td>
</tr>
<tr>
<td>Residents sending MM to non-residents via a non-resident telecom company</td>
<td>Full charges associated with MM transfer</td>
</tr>
<tr>
<td>Residents receiving MM from non-residents via a resident telecom company; alternatively, a non-resident integration technical partner is used</td>
<td>Revenues associated with MM transfers levied by the non-resident telecom company and shared with the resident telecom company</td>
</tr>
<tr>
<td>Residents receiving MM from non-residents via a resident telecom company; Alternatively, a resident integration technical partner is used</td>
<td>Revenues associated with MM transfers levied by the non-resident telecom company and resident integration technical partner</td>
</tr>
<tr>
<td>Residents using the MM received from non-residents (draw down; bill payment, etc.)</td>
<td>Charges for MM withdrawal/use</td>
</tr>
<tr>
<td>Non-residents using the MM received from non-residents (draw down; bill payment, etc.)</td>
<td>Charges for MM withdrawal/use</td>
</tr>
</tbody>
</table>

### 4.5.1. Potential data sources for measuring cross-border digital financial services provided by non-bank entities

While data collection on the cross-border transactions involving mobile money is still in its infancy, a variety of potential data sources has been identified to support the compilation of statistics in those countries where these types of transactions are particularly important.
First, dedicated surveys of telecommunication companies that have developed and marketed mobile money can provide a key source of information both for the gross flows involved, as well as for data on the payments (fees) made to the various intermediaries involved, including resident mobile money agents, non-resident integration partners, and the non-resident telecom partner.

Data on the revenue received from non-resident telecom companies arising from inward mobile money transfers from non-residents to residents can also be collected from these companies.

Another direct source of information are the resident integration technical partners. Given the limited set of questions, as well as the small number of telecommunications companies that are typically active in each (developing) country that offer such services, response burdens (at least in the context of the overall population of firms) does not seem onerous. Uganda, Jordan and the Philippines are currently conducting a pilot study to collect such information, see Box 4.11.

Instead of asking telecommunications companies to report the detailed figures, an alternative approach is to develop estimates derived from the total inflows and outflows of international mobile money transfers, by country and telecom partner, as reported by telecoms companies involved in cross border mobile money transfers to the telecommunications regulator (administrative source data).

Information on the country and telecoms partner are useful in applying the relevant tariff for estimation purposes. As such, with data on mobile money tariffs of individual telecom companies, estimates of the outward transfer charges payable to the non-resident integration technical partners and the non-resident telecom companies (as well as the revenues receivable from non-resident telecom companies for inward transfers), could be developed.

For the exchange rate margins on the transactions received by the integration partner, estimates could be obtained using the information provided on the daily exchange rates used for conversion of mobile money transfers to different destinations together with information on the official mid-rate for the respective days and the amounts involved.

The margin payable would be the difference between the amount received in the domestic currency from the resident sender by the telecom company for outward transfer converted into the destination country’s currency using the official mid-rate and the actual rate used by the telecom company.

A third option that could be explored is the ITRS, provided it is well developed to enable collection of such information.
For cases where international mobile money transfers are carried out directly using the roaming telephone facility, in a similar manner to domestic transfers, the potential source data are: (i) partner country data on credits received by the counterparty telecom company for roaming charges and purchase of virtual money by non-residents; and, in their absence (ii) a survey among resident agents of non-resident telecom companies that provide international mobile money services, which can collect information on the transaction charges paid by residents for the acquisition of virtual money on a non-residents telecom company’s mobile money platform, and the commission received by the resident agent from the non-resident telecom company.

The balance of payments debit would be the difference between charges less commissions received by the resident agents, noting however that the quality of the data will depend importantly on the design and stratification of the survey sample.

---

**Box 4.11. Pilot study to collect data on mobile money transactions in Uganda (also used in Jordan and the Philippines)**

In the course of 2018, a pilot study has been conducted in Uganda, Jordan and the Philippines to collect data from telecommunications companies on cross-border mobile money. The survey consisted of a single table, with several definitions:

**Definitions**

International mobile money transfers services cover services related to the transfer of funds from residents to non-residents or from non-residents to residents through mobile money platforms provided by telecom companies.

A mobile money agent is an agent of a telecom company providing a mobile money platform who is authorised to Register Mobile Money Customers, make deposits of virtual money into registered customers’ account and process cash withdrawals for registered & non-registered customers from customer’s accounts that have virtual money.

An integration partner is the provider of the system that validates in real time the existence of the recipient customer on the destination mobile money system as well as the availability of sufficient funds on the merchants’ online account of the telecom company sending the mobile money.
Questions
Payments and receipts for international mobile money transfer services (please report in Uganda Shillings). Report for the quarter ending: __________

<table>
<thead>
<tr>
<th>Service</th>
<th>Amount (USHS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Value of international transfers to non-residents</td>
</tr>
<tr>
<td>B</td>
<td>Gross revenues from residents for international transfers to non-residents</td>
</tr>
<tr>
<td>i</td>
<td>Payments out of gross revenues to resident mobile money agents</td>
</tr>
<tr>
<td>ii</td>
<td>Payments out of gross revenues to non-resident integration partners</td>
</tr>
<tr>
<td>iii</td>
<td>Payments out of gross revenues to non-resident telecom partners</td>
</tr>
<tr>
<td>C</td>
<td>Value of international transfers from non-residents</td>
</tr>
<tr>
<td>D</td>
<td>Gross revenues from non-resident telecom partners for international transfers to residents</td>
</tr>
</tbody>
</table>
Annex 4.A. Potentially Delivered Services – Classification List EBOPS 2010 and CPC Ver 2.1
<table>
<thead>
<tr>
<th>1.1 ICT services - Telecommunications</th>
</tr>
</thead>
<tbody>
<tr>
<td>841 Telephony and other telecommunications services</td>
</tr>
<tr>
<td>842 Internet telecommunications services</td>
</tr>
<tr>
<td>84631 Broadcasting services</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.2 ICT services - Computer services (including computer software)</th>
</tr>
</thead>
<tbody>
<tr>
<td>8313 IT consulting and support services</td>
</tr>
<tr>
<td>8315 Hosting and IT infrastructure provisioning services</td>
</tr>
<tr>
<td>8316 IT infrastructure and network management services</td>
</tr>
<tr>
<td>8434 Software downloads</td>
</tr>
<tr>
<td>8713 Maintenance and repair services of computers and peripheral equipment</td>
</tr>
<tr>
<td>73311 Licensing services for the right to use computer software</td>
</tr>
<tr>
<td>8314 IT design and development services for networks and systems</td>
</tr>
<tr>
<td>83143 Software originals</td>
</tr>
<tr>
<td>84391 On-line games</td>
</tr>
<tr>
<td>84392 On-line software</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.3 Sales and marketing services, not including trade and leasing services</th>
</tr>
</thead>
<tbody>
<tr>
<td>836 Advertising services and provision of advertising space or time</td>
</tr>
<tr>
<td>837 Market research and public opinion polling services</td>
</tr>
<tr>
<td>8596 Convention and trade show assistance and organization services</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.4 Information services</th>
</tr>
</thead>
<tbody>
<tr>
<td>844 News agency services</td>
</tr>
<tr>
<td>845 Library and archive services</td>
</tr>
<tr>
<td>931 Human health services</td>
</tr>
<tr>
<td>961 Audiovisual and related services</td>
</tr>
<tr>
<td>8394 Original compilations of facts/information</td>
</tr>
<tr>
<td>8432 On-line audio content</td>
</tr>
<tr>
<td>8433 On-line video content</td>
</tr>
<tr>
<td>8461 Radio and television broadcast originals</td>
</tr>
<tr>
<td>84311 On-line books</td>
</tr>
<tr>
<td>84312 On-line newspapers and periodicals</td>
</tr>
<tr>
<td>84313 On-line directories and mailing lists</td>
</tr>
<tr>
<td>84393 On-line adult content</td>
</tr>
<tr>
<td>84394 Web search portal and directory services</td>
</tr>
<tr>
<td>84395 Other on-line content n.e.c.</td>
</tr>
<tr>
<td>8462 Home programme distribution services, basic programming package</td>
</tr>
<tr>
<td>84633 Home programme distribution services, discretionary programming package</td>
</tr>
<tr>
<td>84634 Home programme distribution services, pay-per-view</td>
</tr>
<tr>
<td>96921 On-line gambling services</td>
</tr>
<tr>
<td>83899 All other professional, technical and business services, n.e.c.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.5 Insurance and financial services</th>
</tr>
</thead>
<tbody>
<tr>
<td>712 Investment banking services</td>
</tr>
<tr>
<td>714 Reinsurance services</td>
</tr>
<tr>
<td>715 Services auxiliary to financial services other than to insurance and pensions</td>
</tr>
<tr>
<td>717 Services of holding financial assets</td>
</tr>
<tr>
<td>719 Other financial services, except investment banking, insurance services and personal financial services</td>
</tr>
<tr>
<td>7132 Accident and health insurance services</td>
</tr>
<tr>
<td>7161 Insurance brokerage and agency services</td>
</tr>
<tr>
<td>7162 Insurance claims adjustment services</td>
</tr>
<tr>
<td>7163 Actuarial services</td>
</tr>
<tr>
<td>7164 Pension fund management services</td>
</tr>
<tr>
<td>7169 Other services auxiliary to insurance and pensions</td>
</tr>
<tr>
<td>71311 Life insurance services</td>
</tr>
<tr>
<td>71312 Individual pension services</td>
</tr>
<tr>
<td>71313 Group pension services</td>
</tr>
<tr>
<td>71331 Motor vehicle insurance services</td>
</tr>
<tr>
<td>71332 Marine, aviation, and other transport insurance services</td>
</tr>
<tr>
<td>71333 Freight insurance services</td>
</tr>
<tr>
<td>71334 Other property insurance services</td>
</tr>
<tr>
<td>71335 General liability insurance services</td>
</tr>
<tr>
<td>71337 Travel insurance services</td>
</tr>
<tr>
<td>7111* Central Banking services</td>
</tr>
<tr>
<td>7112 Deposit services</td>
</tr>
<tr>
<td>7113* Credit-granting services</td>
</tr>
<tr>
<td>7114* Financial leasing services</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.6 Management, administration, and back office services</th>
</tr>
</thead>
<tbody>
<tr>
<td>821 Legal services</td>
</tr>
<tr>
<td>822 Accounting, auditing and bookkeeping services</td>
</tr>
<tr>
<td>823 Tax consultancy and preparation services</td>
</tr>
<tr>
<td>824 Insolvency and receivership services</td>
</tr>
<tr>
<td>851 Employment services</td>
</tr>
<tr>
<td>852 Investigation and security services</td>
</tr>
<tr>
<td>855 Travel arrangements, tour operator and related services</td>
</tr>
<tr>
<td>8311 Management consulting and management services</td>
</tr>
<tr>
<td>8312 Business consulting services</td>
</tr>
<tr>
<td>8319 Other management services, except construction project management services</td>
</tr>
<tr>
<td>8591 Credit reporting services</td>
</tr>
<tr>
<td>8592 Collection agency services</td>
</tr>
<tr>
<td>8593 Telephone-based support services</td>
</tr>
<tr>
<td>8594 Combined office administrative services</td>
</tr>
<tr>
<td>8595 Specialized office support services</td>
</tr>
<tr>
<td>8599 Other information and support services n.e.c.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.7 Licensing services</th>
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</thead>
<tbody>
<tr>
<td>7333 Licensing services for the right to use R&amp;D products</td>
</tr>
<tr>
<td>7335 Licensing services for the right to use mineral exploration and evaluation</td>
</tr>
<tr>
<td>7339 Licensing services for the right to use other intellectual property products</td>
</tr>
<tr>
<td>7312 73112 - Licensing services for the right to use databases</td>
</tr>
<tr>
<td>73340 Licensing services for the right to use trademarks and franchises</td>
</tr>
<tr>
<td>7332* Licensing services for the right to use entertainment, literary or artistic originals</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.8 Engineering, related technical services and R&amp;D</th>
</tr>
</thead>
<tbody>
<tr>
<td>811 Research and experimental development services in natural sciences and engineering</td>
</tr>
<tr>
<td>812 Research and experimental development services in social sciences and humanities</td>
</tr>
<tr>
<td>813 Interdisciplinary research and experimental development services</td>
</tr>
<tr>
<td>832 Architectural services, urban and land planning and landscape architectural services</td>
</tr>
<tr>
<td>833 Engineering services</td>
</tr>
<tr>
<td>891 Publishing, printing and reproduction services</td>
</tr>
<tr>
<td>8342 Surface surveying and map-making services</td>
</tr>
<tr>
<td>8343 Weather forecasting and meteorological services</td>
</tr>
<tr>
<td>8382 Photographic processing services</td>
</tr>
<tr>
<td>8392 Design originals</td>
</tr>
<tr>
<td>8393 Scientific and technical consultancy services n.e.c.</td>
</tr>
<tr>
<td>8395 Translation and interpretation services</td>
</tr>
<tr>
<td>83815 Restoration and retouching services of photography</td>
</tr>
<tr>
<td>83819 Other photography services</td>
</tr>
<tr>
<td>83911 Interior design services</td>
</tr>
<tr>
<td>83912 Industrial design services</td>
</tr>
<tr>
<td>83919 Other specialty design services</td>
</tr>
<tr>
<td>846* Radio and television channel programmes</td>
</tr>
<tr>
<td>8414* Research and development organisations</td>
</tr>
<tr>
<td>8344* Technical testing and analysis services</td>
</tr>
<tr>
<td>8399* All other professional, technical and business services, n.e.c.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.9 Education and training services</th>
</tr>
</thead>
<tbody>
<tr>
<td>921 Pre-primary education services</td>
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<tr>
<td>922 Primary education services</td>
</tr>
<tr>
<td>923 Secondary education services</td>
</tr>
<tr>
<td>924 Post-secondary non-tertiary education services</td>
</tr>
<tr>
<td>925 Tertiary education services</td>
</tr>
<tr>
<td>9252 Educational support services</td>
</tr>
<tr>
<td>92911 Cultural education services</td>
</tr>
<tr>
<td>92912 Sports and recreation education services</td>
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</tbody>
</table>
Annex 4.B. Eurostat’s proposed concordance table for EBOPS and Modes of Supply
<table>
<thead>
<tr>
<th>Level</th>
<th>BOP Item</th>
<th>BOP sub-item</th>
<th>Bop item name</th>
<th>Mode type</th>
<th>Mode 1 (%)</th>
<th>Mode 2 (%)</th>
<th>Mode 3 (%)</th>
<th>Mode 4 (%)</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>S</td>
<td>S3</td>
<td>Services</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>S</td>
<td>S4</td>
<td>Manufacturing services on physical inputs owned by others</td>
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<td>100</td>
<td></td>
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<tr>
<td>2</td>
<td>S</td>
<td>S5</td>
<td>Maintenance and repair services n.i.e.</td>
<td>2,4</td>
<td>90</td>
<td>10</td>
<td></td>
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</tr>
<tr>
<td>3</td>
<td>S</td>
<td>S6</td>
<td>Transport</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>S</td>
<td>S7</td>
<td>Sea transport</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>S</td>
<td>S8</td>
<td>Sea transport: Passenger</td>
<td>1</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>S</td>
<td>S9</td>
<td>Sea transport: Freight</td>
<td>1</td>
<td>100</td>
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<td></td>
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<td>4</td>
<td>S</td>
<td>S10</td>
<td>Sea transport: Other than passenger and freight</td>
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<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>S</td>
<td>S11</td>
<td>Air transport</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>S</td>
<td>S12</td>
<td>Air transport: Passenger</td>
<td>1</td>
<td>100</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>S</td>
<td>S13</td>
<td>Air transport: Freight</td>
<td>1</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>S</td>
<td>S14</td>
<td>Air transport: Other than passenger and freight</td>
<td>2</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>S</td>
<td>S15</td>
<td>Other modes of transport</td>
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<tr>
<td>4</td>
<td>S</td>
<td>S16</td>
<td>Other modes of transport: Passenger</td>
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<td>S</td>
<td>S17</td>
<td>Other modes of transport: Freight</td>
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<td>S</td>
<td>S18</td>
<td>Other modes of transport: Other than passenger and freight</td>
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<td>4</td>
<td>S</td>
<td>S19</td>
<td>Pipeline transport</td>
<td>1</td>
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<tr>
<td>4</td>
<td>S</td>
<td>S20</td>
<td>Electricity transmission</td>
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<td>100</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>4</td>
<td>S</td>
<td>S21</td>
<td>Other supporting and auxiliary transport services</td>
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<td>S</td>
<td>S22</td>
<td>Postal and courier services</td>
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<td></td>
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</tr>
<tr>
<td>2</td>
<td>S</td>
<td>S23</td>
<td>Travel services (58% of travel exp. and 75% of imp.)</td>
<td>2</td>
<td>100</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2</td>
<td>S</td>
<td>S24</td>
<td>Construction (10% is included in mode 3)</td>
<td>4</td>
<td>90</td>
<td></td>
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<tr>
<td>2</td>
<td>S</td>
<td>S25</td>
<td>Insurance and pension services</td>
<td>1</td>
<td>100</td>
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<td></td>
</tr>
<tr>
<td>2</td>
<td>S</td>
<td>S26</td>
<td>Financial services</td>
<td>1</td>
<td>100</td>
<td></td>
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</tr>
<tr>
<td>2</td>
<td>S</td>
<td>S27</td>
<td>Charges for the use of intellectual property n.i.e.</td>
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<tr>
<td>3</td>
<td>S</td>
<td>S28</td>
<td>Telecommunications, computer, and information services</td>
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<td></td>
</tr>
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<td>S</td>
<td>S29</td>
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<td>S</td>
<td>S30</td>
<td>Computer services</td>
<td>1,4</td>
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<td>S</td>
<td>S31</td>
<td>Information services</td>
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<tr>
<td>2</td>
<td>S</td>
<td>S32</td>
<td>Other business services</td>
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<td>S</td>
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<td>Professional and management consulting services</td>
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<td>S</td>
<td>S35</td>
<td>Technical, trade-related, and other business services</td>
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<td>75</td>
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<td>Engineering services</td>
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</tr>
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<td>5</td>
<td>S</td>
<td>S38</td>
<td>Scientific and other technical services</td>
<td>1,4</td>
<td>75</td>
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</tr>
<tr>
<td>4</td>
<td>S</td>
<td>S39</td>
<td>Waste treatment and de-pollution, agricultural and mining services</td>
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<td>75</td>
<td>25</td>
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</tr>
<tr>
<td>5</td>
<td>S</td>
<td>S40</td>
<td>Waste treatment and de-pollution</td>
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<td>75</td>
<td>25</td>
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<tr>
<td>5</td>
<td>S</td>
<td>S41</td>
<td>Services incidental to agriculture, forestry and fishing</td>
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</tr>
<tr>
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<td>S</td>
<td>S42</td>
<td>Services incidental to mining, and oil and gas extraction</td>
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<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>4</td>
<td>S</td>
<td>S43</td>
<td>Operating leasing services</td>
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<td>100</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>S</td>
<td>S44</td>
<td>Trade-related services (part of distribution services)</td>
<td>1</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>S</td>
<td>S45</td>
<td>Other business services n.i.e.</td>
<td>1,4</td>
<td>75</td>
<td>25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>S</td>
<td>S46</td>
<td>Other business services n.i.e.; Of which Employment services</td>
<td>1,4</td>
<td>75</td>
<td>25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>S</td>
<td>S47</td>
<td>Personal, cultural, and recreational services</td>
<td>1,4</td>
<td>75</td>
<td>25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>S</td>
<td>S48</td>
<td>Government goods and services n.i.e. (not relevant for exports)</td>
<td>1,4</td>
<td>75</td>
<td>25</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
5. Compiling Statistics on Digitally Intermediated Platform Trade

5.1. Introduction

Chapter 2 defines Digital Intermediary Platforms (DIPs) charging a fee, and the services they provide as, respectively, the following:

- **Online interfaces that facilitate, for a fee, the direct interaction between multiple buyers and multiple sellers, without the platform taking economic ownership of the goods or services that are being sold (intermediated).**

- **Online intermediation services enabling transactions between multiple buyers and multiple sellers, without the platform conducting the intermediation service taking economic ownership of the goods or rendering services that are being sold (intermediated).**

As shown in Figure 2.1 however, the scope of digital intermediation platforms includes non-monetary transactions. Digital intermediation platforms not charging a fee are defined as:

- **Platforms providing ‘free’ digital services to multiple end-users that are financed through advertising and data revenues paid by units seeking to sell goods and services to end-users receiving free digital services.**

The OECD Advisory Group on Measuring GDP in a Digitalised Economy, defines this category of firms as a subset of the category ‘Data and Advertising Driven Digital Platforms’ (DADDPs).

Although most transactions intermediated by digital intermediation platforms (DIPs) charging a fee (and, so, included in conventional trade statistics) are covered by digitally ordered and/or digitally ordered, DIPs are separately identified in the conceptual framework (Figure 2.1) and reporting template (Table 2.2) for three important reasons.

i. **Policy**: Digital Intermediary Platforms are key drivers in the digital transformation, in particular through their intermediation of peer-to-peer transactions in the sharing/gig economy but also as providers of ‘free’, data and advertising driven business models, services to households; (referred to as DADDPs in the remainder of this chapter). In addition, Digital Intermediation Platforms charging a fee (DIPs) and indeed DADDPs, have transformed the ability of producers (in particular SMEs) to access the global marketplace.
ii. **Concepts:** As demonstrated in Chapter 2, DIPs also raise conceptual challenges. Non-resident DIPs may facilitate an exchange between two residents for example but the value of the cross-border service should only reflect the intermediation service provided by the DIP, (see the gross versus net discussion in Figures 2.2 and 2.3).

iii. **Measurement:** Exacerbating the conceptual challenges is the fact that, in practice, DIPs are difficult to identify and even if they can be identified as being present in the country it is not always clear if the intermediation service is provided by the resident entity.

Of all areas in this Handbook, as shown below, guidance and investigations are very much at an exploratory phase. The extent of guidance in this chapter is therefore, currently, limited. This in part also reflects an attempt to avoid repetition in this Handbook. Chapters 3 and 4 contain a number of recommendations related to DIPs and Chapter 2 provides a detailed description of the conceptual challenges presented by DIPs. Readers should refer to the relevant Chapters for those discussions and recommendations.

### 5.2. Identifying digital intermediation platforms

At present, very few countries are able to identify DIPs (either domestic or foreign owned) in their economy, and even less able to identify payments to non-resident digital intermediary platforms (Figure 5.1). Digital intermediaries *should* be in the business register, but formal identification remains difficult in the absence of a specific industry classification in which these enterprises are active.

**Figure 5.1. Percentage of respondents that can identify:**

![Percentage of respondents that can identify DIPs](chart.png)

*Source: OECD-IMF 2018 Stocktaking survey.*

Efforts are being developed in this area, however, notably within the framework of the OECD’s Advisory Group on Measuring the Impact of Digitalisation on GDP, and their Digital Supply-Use tables. These include a specific aggregation of firms under the category of DIPs *charging a fee* (see
also Appendix 1) and breakdowns of key transactions in products that are intermeditated via platforms.

The current guidance in this respect includes platforms intermediating the sale of goods under ISIC 4791, preferably with a new sub-code that allows them to be separately identified as digital intermediation platforms as opposed to e-vendors. For platforms intermediating services, the guidance is to record the platforms under the service they intermediate. That being said however, practical guidance on identifying the DIPs remains a work in progress.

Many countries responding to the OECD-IMF Stocktaking questionnaire reported that manual identification of the largest DIPs, for example based on business name, could generate meaningful results. A recent EC study using such an approach identified nearly 500 peer-to-peer digital intermeditory platforms active in Europe (2016), but noted that only 4% of these (i.e. less than 20) are very large with over 100,000 unique daily visitors.

One approach (Box 5.1) adopted by Statistics Netherlands used web scraping in combination with data from commercial providers, that linked information on Dutch websites (e.g. websites with a presence of shopping carts and/or certain calls to action) with the statistical business register.

77 http://ec.europa.eu/newsroom/just/item-detail.cfm?item_id=77704

78 A marketing term that refers to instructions designed to provoke an immediate response. On a website, it refers to a clickable button ‘buy’, ‘order’, ‘register’, etc.
Box 5.1. Using Big Data to identify DIPs in the Netherlands

In 2016, Statistics Netherlands engaged in a partnership with Google and Dataprovider, to estimate the size of the internet economy in the Netherlands. Enterprises were in scope if their website generated sales.

Dataprovider made structured information available on, amongst others, business names, chamber of commerce numbers, shopping cart systems, and site traffic estimation, for approximately 2.5 million websites that either had a .nl top level domain, were written in the Dutch language, or were hosted in the Netherlands and displayed either a Dutch address or phone number.

These data were subsequently combined with the official Statistical Business Register (SBR), taking advantage of the fact that the Dutch SBR already records the websites of enterprises.

The figure below illustrates the main categories of enterprises identified and classified using the Dataprovider information as well as expert judgement. While not fully aligned with the conceptual framework introduced in this Handbook, category D (“Online Services +”) includes DIPs, demonstrating the potential scope of such an approach to identify DIPs separately.

5.3. Compiling transactions facilitated by DIPs

The current difficulties involved in identifying resident and non-resident DIPs means that there is only limited guidance, so far, on national approaches used to measure international trade DIP transactions.

Responses to the OECD-IMF Stocktaking Survey indicated the likelihood, in most cases, that cross-border trade in services for DIPs intermediation services are being picked up in EBOPS category *trade related services*, but further investigation will be needed.

Countries are exploring a number of options, including the use of credit card data in Belgium, Estonia, Finland, France, Israel, Latvia and Mexico, although as demonstrated in Chapter 3, credit card is not a perfect source. Payments may, for example, be made to locally registered entities (allocated to Merchant Category Codes) that only exist to channel revenues to a foreign affiliate or parent that actually provides the intermediation service. In addition, payments made to foreign entities may be in relation to transactions intermediated between residents. Considerable care is needed therefore in adopting credit-card data to ensure that:

a) imports of intermediation services are not incorrectly imputed as imports by households when the payment, if any, should be recorded as an import by the supplier of the good or service being intermediated;

b) payments for intermediation services by suppliers of goods and services being intermediated are in fact intermediated by a foreign unit, as opposed to a foreign unit that handles payment of behalf of a resident unit actually providing the intermediation service; and

c) payments made to foreign intermediation providers only include the value of the intermediation service.

An (in)ability to identify DIPs is not just a challenge for statistical compilers. Chapter 3, also highlighted the significant difficulties involved for survey respondents, in particular households, in determining whether their transaction was with a foreign or resident DIP (exacerbated by the fact that DIPs identified as resident by respondents may only be local domain names, with no actual presence in the country).

5.3.1. DIPs services related to tourism statistics

One area where some progress is being made however (see also Chapter 3) is in the realm of tourism statistics. Travel services are among those where DIPs have been particularly disruptive.
Contrary to most other services transactions, which are measured via enterprise surveys, travel services are typically captured by surveying the demand-side (tourism expenditure surveys)\(^{79}\).

The results from the OECD-IMF stocktaking survey indicated that several countries have developed statistics, or are in the process of doing so, to identify trade booked through online DIPs, via additional questions in tourism expenditure surveys.

For example INE in Spain (see Box 5.2) established that in 2017, 68% of outbound tourists booked accommodation (excluding hotels) using an online intermediation platform. Italy used a similar approach (see Chapter 3, Box 3.2). France (see Box 5.3) included similar questions in its household survey and targeted domestic and outbound tourism.

Most purchases by households using DIPs will not incur a specific intermediation fee. As such, because (as described in Chapter 2) only the supplier of the goods and services that are being intermediated is assumed to pay the intermediation fee, there is no need to include a specific payment for intermediation services as an ‘import’ of the household. All that is needed is an ability to identify whether the good or service purchased by the household was imported and purchased via a DIP (resident or not).

5.3.1. Estimating the DIPs intermediation fee

As described in Chapter 2, when DIPs fees are not explicitly charged (as a separate payment), the payment is assumed to be paid by the supplier of the good or service being intermediated. At present, few if any countries have concrete experience in this area.

Recommendation 3.5 in Chapter 3, described one approach for estimating fees paid (imported) by suppliers of goods and services being intermediated. For households as final consumers, as described above, no such estimation is needed (as the supplier of the goods and services being intermediated is assumed to pay for the service). However, some payments made by resident unincorporated households\(^{80}\), who will typically be outside of the scope of

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\(^{79}\) In EU countries, both supply and demand side surveys are subject to the Regulation (EU) 692/2011 on tourism statistics.

\(^{80}\) A similar approach was used in Statistics Netherlands in the context of the 2015 revision of the National Accounts, see Leo Hiemstra (Statistics Netherlands), 2017, ‘Measuring challenges of the sharing economy: the case of Airbnb’ [online] (5 February 2018).
surveys covered in Recommendation 3.5, are also needed (Recommendation 5.1\textsuperscript{81}).

\begin{boxedtext}
\textbf{Recommendation 5.1} Household income surveys (including Labour Force Surveys) should include questions on the value of goods and services provided by DIPs. Because respondent households will not be able to determine whether the platforms are resident or foreign, survey questions should target sales made via the most popular foreign based platforms. Average intermediation fees (imports of services) paid to the foreign platforms can be determined using rates (percentages or fixed costs divided by average value of products intermediated) charged by DIPs in the domestic
\end{boxedtext}

\textsuperscript{81} Research by the European Commission indicated that the total average transaction fee for Airbnb was around 15.5% in 2016. Likewise, the transaction fee for Uber was to be around 20%.
Box 5.2. Use of digital platforms to book accommodation in tourism statistics - a demand approach: Experience of the INE, Spanish National Statistics Institute

The Residents Travel Survey (RTS) is conducted by the INE to measure the number of trips made by residents in Spain to a destination within the country (domestic tourism) or abroad (outbound tourism) every month. The main characteristics of these trips are also studied: length, expenditure, purpose, accommodation, transport, etc.

Different forms of accommodation are considered, including those provided either on a commercial basis as a paid service (rented accommodation) or on a non-commercial basis (non-rented accommodation) such as accommodation provided without charge by friends or relatives or on own account. Linked to the type of accommodation, information on how the booking was made is collected, including a specific category for digital platforms when the chosen accommodation is a rented holiday home (or a room in a private dwelling), as shown in the table below.

Q1. What was the main type of accommodation used during the trip?
   (1) Hotels or (2) Similar establishments
   (3) Rented dwelling or (4) Rented room in private home
   (5) Rural tourism accommodation or (6) hostels
   (7) Camping or (8) cruise
   (9) Other rented accommodation
   (10-14) Non-rented accommodation (Q2 not applicable)
   (3) face-to-face

Q2. How did you book the main accommodation?
   (1) Directly with the service provider through its web or App
   (2) Directly with the service provider in person, by mail or by phone
   (3) In a travel agency or tour operator (or real estate if Q1 was 3 or 4) through its web or App
   (4) In a travel agency or tour operator (or real estate if Q1 was 3 or 4), in person, by mail or by phone
   (5) through a specialised web page (e.g. AirBnb, Homeaway, Booking, Homelidays, Niumba, Rentalia, Housetrip, Wimdu, Interhome, Friendly Rentals, etc.) only if Q1 was =3 or 4
   (6) don't know
Results (see the graph below) show that the role of digital platforms in booking vacation homes differs between whether the destination is within Spain or abroad. When travelling within the country, residents chose to book their holiday home through a digital platform in 37% of cases in 2017. But making the arrangements directly with the service provider offline was still an important choice (33% of trips). On the other hand, when traveling abroad, platforms represented up to 68% of the trips using this kind of accommodation.

Considering all domestic trips made by residents in Spain in 2017, using any type of accommodation, those to rented holiday homes booked through platforms represented 2% of trips, 2.6% of nights spent and 4.0% of total expenditure. In the case of outbound trips, rented holiday homes booked through platforms represented 9.3% of trips, 7.5% of nights spent and 7.4% of total expenditure.

**Box 5.3. Digital intermediary platforms in tourism: experience of France**

By including questions in their panel survey on resident households, which covers both domestic tourism and trips abroad, France is able to identify if various travel services have been ordered using DIPs; no such questions are included in the border survey on foreign visitors. The survey contains specific questions on the mode of reservation for transportation and for accommodation, see the table below:

<table>
<thead>
<tr>
<th>How was the booking of your transportation/accommodation made?</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) phone</td>
</tr>
<tr>
<td>(2) internet / application</td>
</tr>
<tr>
<td>(3) face-to-face</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>What type of operator was used</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) travel agent / tour operator (non-digital or online)</td>
</tr>
<tr>
<td>(2) directly with the carrier/hotel (non-digital or online)</td>
</tr>
<tr>
<td>(3) online intermediation platform (with examples for transport / accommodation)</td>
</tr>
<tr>
<td>(4) aggregator / search engine (with examples for transport / accommodation)</td>
</tr>
</tbody>
</table>

Even though households as final consumers do not pay for (import) intermediation services (unless explicitly invoiced), household consumption surveys can prove to be a useful source of information on imports by resident suppliers using foreign platforms to sell goods and/or services to other...
residents. When combined with publicly available information on fees, surveys asking households to estimate their consumption made through well-known (non-resident) platforms could serve as a basis for estimating the value of imports of DIPs services imported by resident suppliers.

Box 5.4 (United Kingdom), highlights that this may be feasible. It describes efforts made in the UK to identify ‘sharing-economy’ transactions with explicit references made to popular sharing economy DIPs$^{82}$. Although the approach does not differentiate between whether the platforms are resident or not, it is not impossible to foresee how such a distinction could be added, especially for large operators.

$^{82}$ Statistics Canada used their labour force survey to study the demand and supply of sharing services via online platforms. The first results indicated that only a small portion of Canadians offer ride sharing services or private accommodation. Approximately 72,000 people aged 18 and older living in Canada reported offering peer-to-peer ride services during the 12 months to October 2016, while about 69,000 adults living in Canada indicated that they had offered private accommodation services. [https://www150.statcan.gc.ca/n1/en/daily-quotidien/170228/dq170228b-eng.pdf?st=th3tX5rx](https://www150.statcan.gc.ca/n1/en/daily-quotidien/170228/dq170228b-eng.pdf?st=th3tX5rx)
Box 5.4. Towards measuring the sharing economy

The Office for National Statistics (ONS) of the UK, included several new questions in its’ Opinion and Lifestyle Survey, to capture information on the sharing economy. Following Eurostat requirements, the survey included, since 2017, questions on the use of intermediary websites or apps to arrange accommodation and/or transport, as indicated in the table below.

<table>
<thead>
<tr>
<th>Transport</th>
<th>In the last 12 months, have you used any website or ‘app’ to arrange transportation services (e.g. car travel) from another private individual?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1) yes, intermediary websites or ‘apps’ dedicated to arranging transport services (such as Uber, Lyft, BlaBlaCar, Liftshare, etc.)</td>
</tr>
<tr>
<td></td>
<td>(2) yes, other websites or ‘apps’ (including Facebook, Twitter, etc.)</td>
</tr>
<tr>
<td></td>
<td>(3) No, I have not.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Accommodation</th>
<th>In the last 12 months, have you used any website or ‘app’ to arrange accommodation (room, apartment, house, holiday cottage, etc.) from another private individual?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1) yes, intermediary websites or ‘apps’ dedicated to arranging accommodation (such as Airbnb, HomeAway, Onefinestay, SpareRoom, etc.)</td>
</tr>
<tr>
<td></td>
<td>(2) yes, other websites or ‘apps’ (including Facebook, Twitter, etc.)</td>
</tr>
<tr>
<td></td>
<td>(3) No, I have not.</td>
</tr>
</tbody>
</table>

The main findings were that 28% of adults used intermediary websites or apps to arrange accommodation, and that 22% used these digital intermediary platforms to arrange transport.

The ONS is currently exploring the use of additional data sources, including the household expenditure survey as well the LFS, where initial results on questions on whether respondents have used a DIP to find work, and whether it was their main source of earnings suggested that the questions fitted will within the overall questionnaire, even if they may need to be reworded.


Recommendation 5.2 Household consumption surveys should include questions on the value of goods and services purchased through well-known non-resident DIPs. Combined with information on commission percentages, such an approach can provide an estimate of the value of intermediation services imported by resident suppliers of goods and services, using those intermediation services to sell goods and services to other residents.

One option that is being considered (but not yet explored) and, so, remains very much a theoretical proposition, is the possibility of targeting large global DIPs directly with a questionnaire asking for breakdowns of the value of intermediation services exported by importing country. When combined with information of the rates charged by the DIP for a given good or service, this could also help to provide an estimate of the underlying good or service being intermediated (and for goods whether the good was also transported across borders). Such an approach, assuming that it was feasible, and that data could
be shared across countries, would significantly improve the coverage of DIPs in international trade statistics.

**Recommendation 5.3** National and international statistics agencies should explore the possibility of targeted surveys to large global DIPs, with cross-border data sharing arrangements

5.4. Conclusion

As this chapter shows, despite their significant role in the digital transformation, and in particular the specific challenges they present for international trade statistics, current national practices in this area are limited.

A key complication in this regard reflects the identification of the platforms themselves, and it is hoped that additional momentum will be advanced here in updates to the ISIC classification system and indeed as countries begin to develop their digital supply-use tables.

One area where nothing is included in this current chapter, and whose absence may go unnoticed, concerns the valuation of ‘free’ services provided by DADDPs. Efforts to measure these services will also need to be advanced under the auspices of the work on digital SUTs but at present the national accounts community is some way off making recommendations in this area, which is why this chapter is also currently silent. As this work stream develops it will be added to this Handbook.

It is important to stress however that an absence of values of ‘free’ services provided by DADDPs is not the same thing as saying that the revenues and services provided by these platforms is also absent. One does not follow the other, and there is no reason to believe that payments for the services provided by these platforms are not systematically recorded in current international trade statistics.
6. **COMPLEMENTARY STATISTICS ON, AND SIMPLE APPROACHES TO ESTIMATING, DIGITAL TRADE (TO BE COMPLETED)**

6.1. Introduction

While many of the variables described in the core reporting template (Table 2.2) require the development of new data sources and surveys, in particular in relation to digitally ordered and platform enabled trade in many countries, there are a number of existing data sources that are essentially ‘low-hanging’ and that can be readily picked to provide important complementary insights on the size of components of digital trade. These include, in particular, trade in ICT products and potentially ICT (digitally) enabled services also discussed in Chapter 5).

In addition, whilst it is clear that actual estimates of the core components of digital trade, using survey based approaches, are always preferential to cruder approaches, in the absence of data now, and with a likelihood that it may be some time before all countries are able to develop the statistical infrastructure needed to estimate digital trade, cruder approaches should not be overlooked. Indeed, some of these ‘cruder’ approaches appear as explicit recommendations in various parts of this Handbook.

This chapter provides some recommendations that countries could adopt in developing cruder approaches, and an overview of some low-hanging complementary indicators. In all cases, the recommendations that follow should be read with the following qualifier, namely, that they should be developed *in the absence of more robust survey based approaches*. For ease of exposition, the qualifier does not precede every recommendation included below but it should be clear that these approaches should only be seen as second best solutions.

6.2. Digitally Ordered Trade in Goods

Most countries, can or indeed do, provide estimates of Trade by Enterprise Characteristics (i.e. through linking firms in business registers with firms in trade registers – customs data – countries can provide a view of merchandise trade that identifies the industrial sector (the who) of the exporting firm and the products they import and/or export (the what). What is missing for digital trade is of course the ‘how’.

The information is available via size class of the firm and indeed by partner country. Either through anecdotal sources, including expert judgement, ad-hoc small scale surveys, through mirror statistics, or indeed using estimates of digital ordering at the whole economy level (i.e. not broken down between whether the market for output/consumption is home or abroad, and again broken down ideally by firm), it is clear that it is possible to arrive at estimates (albeit crude) of digitally ordered trade in goods, by applying these ratios to a firm’s imports and exports of goods.
**Recommendation 6.1** Crude estimates of digitally ordered trade in goods (imports and exports) can be derived using ratios applied to the exports/imports of individual firms (recognising that the ratios can vary by firm, including in particular by industrial sector of firm, by size of firm, by partner (source of imports, destination of exports), and by product).

Because national supply-use tables\(^{83}\), identify imports

Appendix 1: Extract from OECD “Measuring the Digital Transformation” The digital transformation and economic statistics

**Why do we need to measure the digital transformation in economic statistics?**

Digital technology, in its broadest sense, has had a significant impact on the economy in recent years - transforming and disrupting many production processes and activities, whilst also generating significant benefits to society at large. Consumers increasingly purchase goods and services online (e-commerce) and have access to a range of (typically) free services – search engines, social networks, media etc.; businesses are able to capitalise on digital tools, including data, to boost productivity and penetrate new markets.

The pace of change has been unprecedented and in its wake, many have questioned the ability of statistical information systems and concepts to keep up. From a conceptual perspective the answer is that they have - at least with respect to the current GDP accounting framework, the 2008 System of National Accounts (see Ahmad and Schreyer, 2016). But it is also clear that some aspects of the statistical information system, notably concerning the classification of firms, products and transactions, have lagged behind the pace of the digital transformation. In addition, questions are being raised about the scope of the GDP production boundary, to capture for example new digitally enabled services that households produce for themselves.

\(^{83}\) Although not requested in the development of digital supply-use tables, which do not require a split by firm of imports by use (intermediate or final demand)
Notwithstanding the evidence that digitisation has exacerbated longstanding measurement challenges, particularly with regard to price and quality changes in rapidly changing industries and products, these effects are mitigated when looking at broader measures of economic activity and inflation, and cannot explain the current productivity slowdown (Ahmad, Ribarsky and Reinsdorf, 2017 and Reinsdorf and Schreyer, 2017). However, the inability to articulate the actual size of the digital economy – through references to actors, products, transactions etc. – in the core accounts continues to create questions about what is and is not captured in macro-economic statistics; in turn, fuelling the broader mis-measurement hypothesis. These challenges can be met with a digital satellite account that delineates key digital actors and transactions within the National Accounts Framework.

**What are the challenges in developing a digital satellite account?**

In response, in 2017, the OECD created an Informal Advisory Group on Measuring GDP in a Digitalised Economy (see OECD, 2016), to develop new classifications and accounting tools that are better equipped to show this digital reality and provide metrics that highlight the scale of digital transformation.

From the outset the emphasis in designing the framework was for it to be able to provide a broadly holistic view of the digital economy that could respond to the multitude of questions asked by analysts and policy makers; notably those that current mainstream statistical information systems cannot respond to.

The multi-dimensional nature of these questions meant that the framework could not be built exclusively around mono-dimensional aspects such as industries (producers), or consumers (households and industries), or products (digital and non-digital) or transactions (digitised and non-digitised), as each approach, on its own, only provides a partial view. That being said, a central unifying theme, broad enough to reflect the multidimensional policy needs, is elusive but revolves around the concept of digital transactions. A consensus has emerged around the idea that any framework needs to be able to separately identify transactions based on their “digital nature”, i.e. that are digitally ordered, digitally delivered, and/or digital intermediary platform enabled (partly because of their different economic impact but also because of the different ways in which transactions are recorded in the accounts). An overview of the conceptual unifying framework is described in the figure.
Importantly the framework has been designed to capitalise on blocks that can, at least in theory, be readily derived from current information sets and in line with current international accounting standards. But, as depicted in the first column of the Figure it also goes further through its inclusion of many non-monetary digital transactions that are typically not included in GDP but that may have important economic implications, for example in considerations of measures of welfare. A special mention in this respect concerns the explicit reference to data; see the third column of the Figure X. In the current international accounting standards the acquisition of data without a monetary transaction is treated as “free”, therefore, in the accounts much of these data neither appear as a good or a service. There is however considerable interest in monetising these flows, and indeed their value in the underlying databases (where they are included under the category of enablers) that support their business models to better understand how they contribute to production (see also Ahmad and Van de Ven, 2018).

The operationalisation of these principles to develop a digital satellite account builds on national supply and use tables (a core part of current national statistical information systems), which provide detailed information on the production process, the origin of various goods and services (supply) and the destination of these goods and services (use) (see Mitchell, 2018). The digital satellite account goes further by requesting more detailed breakdowns of goods and services based on the mode of ordering and delivery, providing more information on probably one of the most visible manifestations of digitalisation, i.e. electronic ordering (e-commerce), electronic delivery and platform enabled transactions; and recommending breakdowns and new groupings of producers more relevant for the digital economy, e.g. digital intermediary platforms, e-sellers, and firms dependent on intermediary platforms. In addition, the framework separately distinguishes digital enablers, in both the producers’ and the products’ dimension.

**International actions to further promote the implementation of the digital satellite account**

The proposed template for capturing information on the digital economy within a macro-economic framework, the digital satellite account, received positive support at
the previously mentioned Informal Advisory Group of experts as well as the Advisory
Expert Group (AEG) on National Accounts and is expected to gain formal agreement
from the relevant OECD bodies in 2019.

Countries will be requested to start populating the proposed template in the beginning
of 2019. Due to its complexity, and the novelty of information required, including the
requirement to make new delineations in actors, and modes of supply (the “how” in
the Figure below), it is not expected that countries will be able to fully populate the
template at this early stage in the process. But the template is intended to motivate the
up-take and development of changes in statistical information and classification
systems that will be required in the medium term. That being said, even a partial
approach in the short-term will be able to deliver significant new insights as the
template deliberately builds on work already undertaken or initiated by countries and
the international statistical community that aims to separately identify key elements of
the digital economy. Some countries have already started to populate parts of the
satellite account and have developed indicators on topics such as e-commerce, digital
enabling industries, and consumer use of digital products and services.

Completion of the digital template, which is the first step in creating a more
comprehensive satellite account, will be supported by exchanging country practices
and information on ongoing initiatives aimed to address specific measurement aspects
of the digital economy.

References

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Appendix 2: Recommendations from the OECD Informal Reflection Group on the Impact of
Globalisation on the Measurement of GDP

GDP continues to be a useful aggregate but may require a more differentiated reading.

GDP remains key for production and productivity analysis. But there is a tension
between the reality of modern production where labour, physical and intangible
capital that are used to produce output can be located in different parts of the world, and our ability to measure domestic production in an economically meaningful way when the location of moveable assets, such as intangible capital, can be readily shifted from one country to another.

Nominal GDP maintains its interpretation as the income generated in a particular territory through the use of the factors of production, including intellectual property. Measures of the drivers of real GDP and of domestic productivity require a more cautious interpretation than in the past when MNEs use intangible assets. For instance, intellectual property assets may be accounted for in one country but provide capital services across affiliates abroad. This complicates the measurement and interpretation of the volumes of factor inputs, and by extension, of productivity (see also below).

Even a differentiated interpretation of GDP does not dispense with the thorny question in which country a particular activity and the incomes derived from it should be recorded in the first place.

This question arises in particular in conjunction with the management of intellectual property products (such as the sale of licences) or with factoryless management of physical production elsewhere.

Clear guidelines concerning statistical residency and economic ownership of assets are critical as intuitively appealing options such as proportional allocation, allocating all value-added entirely to the headquarters, or to the original producers of the asset, create other problems, including the disconnect (although not insurmountable) that taxes on income may be paid in one country but the actual income generated is shown in another in the national accounts. That said, of the various options the idea of allocating the activities of Special Purpose Entities to the country of their headquarters has some traction, although, even if fully implemented, it would not resolve all issues (for example the tax issue) and further guidance may be needed in identifying and determining SPEs, and indeed the ‘headquarters’ if such a recommendation was adopted. Incidentally, this is a question that also arises in a national context, for instance when R&D investment has to be allocated to sub-national entities.

Also of note in this context is the need to ensure that any guidelines and recommendations can be implemented in way that does not generate global accounting inconsistencies through asymmetric treatment by different NSOs or other inconsistencies in the well-established implementation of the SNA framework.

**Recommendation 1:** A reflection on how to determine statistical residency of units should be undertaken, reviewing whether current criteria are still up to the task. Concerning more specifically production arising from moveable assets, such as intellectual property but also some tangible assets, clearer and more prescriptive criteria and practical guidance should be elaborated to determine in which country (or indeed countries for partitioned assets) an activity should qualify as production, who the economic owners of assets are, and when the activities should be instead recorded as accounting vehicles that do not enter the measurement of GDP. This entails working out an implementable definition of economic ownership with lists of criteria to establish the presence of production, such as managerial and strategic decision-making, financial planning etc.
Theoretically, from a production-perspective, the productivity of MNEs can only be properly measured at the level of the MNE, i.e. across national borders.

One approach towards conceptualising production within an MNE is to assert that the production function of an MNE is naturally defined over its entire operations, wherever these take place. Put differently, the only meaningful way of formulating the production process and of capturing in particular the role of movable and intangible assets is by considering an integrated production function that stretches across borders. While this does not help in the quest for a ‘good’ measure of domestic productivity, it points to the usefulness of constructing international ‘MNE’ accounts.

**Recommendation 2:** Develop MNE accounts to track outputs and inputs – including Intellectual Property inputs – consistently and so draw a picture of MNEs’ production processes in nominal and real terms. MNE accounts would complement conventional national accounts and, with breakdowns by the country of their affiliates, provide insights on the potential impact of relocations.

The most promising avenues to deal with the impact of globalisation on the measurement of GDP and national accounts, and indeed other macro-economic frameworks such as the balance of payments, require some form of exchange of information and data between countries.

Just as it has become difficult to conceptualise domestic production in a globalised world, it has become difficult to carry out statistical operations on a purely domestic basis. A first step is ensuring coherence and consistency of treatment of similar transactions across countries along with an exchange of information between NSOs to develop a common understanding of ownership and structures of MNEs. In a second step, exchange and comparison of selected statistical data on MNEs may be envisaged to paint a full picture of the geography of production. It is important to ensure that the implementation of current and possible future guidelines (e.g. regarding Special Purpose Entities) does not result in accounting asymmetries.

Also, national accountants and international tax policy makers should engage in discussion on how far the tax base and GDP can meaningfully divert and how international information exchange in the context of the OECD’s Base Erosion and Profit Shifting (BEPS) project and information exchange between NSOs can complement each other.

Naturally, any progress in international harmonisation of taxation itself (as under the BEPS Initiative) will also help the statistical case as there will be reduced incentives to shift assets for fiscal reasons in the first place.

**Valuation of intellectual property assets remains a major challenge.**

With the rising importance of intellectual property assets as a source of value creation, their measurement in countries’ balance sheets and as an input is important. At the point of production, intellectual property products produced for own use are typically valued as the sum of costs, which is prudent. Subsequent changes in value are in theory captured as holding gains or losses but to what extent these revaluations are captured in practice is not clear. Although of limited consequence for GDP, this may not be the case for multi-factor productivity measurement. In addition, if the assets are subsequently transferred to an affiliate abroad, it is (a) not always clear how this is
captured on the balance sheets of the exporting country, and (b) how the asset is subsequently depreciated in the receiving country – i.e. whether the relevant parameters (such as the remaining service life) reflect its age at the point of transfer. Both potential mismeasurements may affect sectors’ and countries’ level and changes in net worth.

**Recommendation 3:** Improve methods to value investment in IP assets, i.e., the output of research and development activity and investigate methods for the treatment of internationally transferred assets (remaining service life, symmetry in treatment, etc.).

**Communication on what GDP measures and what it doesn’t is more important than ever.**

It will be important to further enhance transparency about methods used and granularity of information provided for macro-economic aggregates. Key users of GDP such as Central Banks already focus on a wide variety of indicators and typically use many models to minimise the risk of reacting solely to any one indicator, but added break-downs of national accounts aggregates and methodological descriptions in particular for international transactions will add to these efforts.

Similarly, communication on GDP and other indicators may need reinforcing. At one level, this concerns the general concept of GDP as a measure of production and associated incomes but not a measure of welfare. At another level, communication relates to explaining the driving forces behind movements in GDP. One reason why the ‘Irish case’ did not transform itself into in a major political issue lay in the efforts by CSO Ireland to be transparent and pedagogical in its communication.

**Recommendation 4:** Develop a common understanding for the most pertinent additional break-downs that should be provided in the national accounts. This would in particular include but not necessarily be limited to:

- a standardised break-down of key accounts, including institutional sector accounts and Supply and Use Tables into activities of purely domestic enterprises, affiliates of foreign MNEs, and domestic MNEs. The objective here is to identify the role of MNEs in domestic production, income and in the fiscal space and the possibility to develop aggregates excluding MNEs;

- a break-down of gross operating surplus into the value of capital services by type of asset. This is well established in the economics literature and conceptually recognised in the 2008 SNA, but only partially put in place in countries. Growth accounting with a well-developed set of capital services measures will, for instance, allow measuring the share of GDP growth that is due to IP assets, which will be even more powerful if coupled with break-downs by the category of firms described above.

**Recommendation 5:** Elaborate communication strategies around GDP and other national accounts aggregates both new (such as those described above) and existing (such as net national income or household disposable income).

V. **VOLATILITY MATTERS FROM A PRACTICAL PERSPECTIVE.**

Volatility, in and of itself, does not necessarily make GDP wrong, if it reflects volatility of the underlying series and thus one type of economic reality. But volatility
in conjunction with large revisions can be a source of concern for users, for instance if monetary policy were to target nominal GDP. Also, GDP has been used as a reference indicator for multiple purposes including of an administrative nature because production processes used to be largely domestically defined and relatively stable. As there is nothing inherent in GDP that qualifies it as the single or best scaling variable and as the national accounts offer a number of meaningful and potentially more stable alternatives, these should be considered. These should include concepts net of depreciation given the growing importance of quickly depreciating assets.

**Recommendation 6:** For certain administrative or analytical uses, e.g. tracking debt sustainability, broad stability of a reference measure is a valued characteristic, and it may be appropriate to use or develop alternative aggregates specifically designed for this purpose – for instance, an ‘administrative GDP+/GNI+/NNI+'. These should be derived from existing national accounts.


**Why do we need indicators on cloud services?**

New technologies and business models are fundamentally changing the way businesses access and use software and hardware. Cloud services mark a paradigm shift in ICT provision, allowing businesses and individuals to access “on-demand IT services over a network”. Data processing and storage takes place in a remote data centre which will typically have a scalable and resilient modular design. These can offer businesses, especially small and medium sized enterprises, cost reduction opportunities and increased flexibility.

While there are undoubtedly broader impacts for businesses, such as enabling wider access to the latest technologies by lowering barriers to adoption, the most important, fundamental impact of moving to cloud provision of business ICT is on cash flow. Simply put, firms can now access powerful ICTs on a “pay-as-you-go” basis, avoiding the need to finance large capital expenditures on servers, maintenance, and the like. For established businesses this makes managing their money much easier, and the scalability of cloud services reduces risk exposure. For new firms, this can reduce investment needs and lead to more start-ups securing funding.

As a consequence of this shift, ICTs may become less visible in firms’ production costs while simultaneously becoming ever more vital for their productive activities. Alongside this, the shift to cloud is likely to reduce the efficacy of existing policies incentivising purchases of ICT equipment and software. It is vital that cloud services use can be measured so that their impacts on firm-level performance and aggregate productivity can be taken into account, as well as so that infrastructural needs (e.g. bandwidth) and other policy implications can be managed.

**What are the challenges?**

Statistical frameworks such as the System of National Accounts and the Balance of Payments Manual are founded on the principle that production is inextricably linked to a specific location. However, the nature of cloud services is that they can be used from anywhere with a reliable Internet connection, and could be “produced” from anywhere, or a combination of, the provider’s datacentres anywhere in the world. Even where a given customer’s data is known to be housed in a given datacentre in a given location, it is also likely to be duplicated (e.g. backed up) in one or more other locations, with the network dynamically determining where the data should be
accessed based on factors such as network traffic, the load on the each datacentre, maintenance, etc. This means it is likely to be very challenging, if not practically impossible, to identify the location of production of any given unit of cloud services. Furthermore, digitally traded services are known to be especially challenging to measure, even without locational ambiguities.

In addition, the capital-substituting nature of cloud services can have material implications for economic statistics including GDP. Fundamentally, businesses (and others) are using ICTs in their business processes as they have traditionally; using software and hardware for data storage, processing, access, analysis, etc. (although the scale, scope, tools, etc. have, of course, evolved greatly). However, the way they access these is changing considerably – from a model of local provision, to providing terminals locally from which cloud services are accessed. In National Accounts terms, this implies a switching from investment in hardware such as servers to increased intermediate consumption expenditure, which reduces value added and GDP ceteris paribus. In practical terms it fundamentally changes the information that businesses report in surveys and there is a need to understand what is being reported as current and capital expenditure, and why. A challenge related to this is the lack of a specific product, or sub-product breakdown for cloud services in the Central Product Classification (CPC). Furthermore, source data and product categories do not always align well with common definitions of cloud computing. This makes it difficult to assess the pace with which cloud services consumption is increasing and how this compares to falls in firms’ ICT investment.

This shift also implies a concentration of ICT investment in the balance sheets of a relatively small number of cloud services providers; many of which have global operations with both service delivery as well as data centres in many countries. This capital formation needs to be appropriately captured in national statistics, with nuances such as whether a cloud service provider builds their own servers/datacentres (own account investment) or procures them from third parties taken into account.

Measures of price change are also an important; existing deflators do not always appear to be accounting for the rapid quality improvements observed in cloud services. By using archived online price lists and press releases from cloud services providers to construct a price index for cloud services, it has been shown that quality-adjusted prices are declining even more rapidly than nominal prices. Nevertheless, there are significant challenges with such an approach, including the wide range of different products offered by each provider, a lack of expenditure weights for these products, and the fact that quality improvements tend to be continuous. A further complicating factor is the proliferation of cloud computing services that are provided to end users free of charge or adopt a “freemium” model where basic service is free but payment is required for additional features such as extra storage. This is especially common in products are targeted at individuals rather than businesses, such as personal email services. Such services are likely uncounted in measures based on transactions and may also act as a substitute for paid software.

Business ICT use surveys give an indication of how many firms use cloud services in each country. Additional detail on services used and the perceived outcomes in terms of production costs, sales, and productivity can be collected to provide contextual and policy relevant information. Nevertheless, the extent and impacts of cloud services can only be understood by finding ways to measure the volumes of cloud services used, amounts paid, the extent of substitution from “traditional” ICT provision models toward cloud services, etc. ICT usage surveys are not seen as a good means for
collecting reliable monetary data e.g. expenditure on cloud services. This would more naturally fit with the business expenditure component of structural business statistics. However, without a specific cloud services category in the CPC, such presentations are likely to rely on individual countries collecting experimental additional breakdowns.

Much relevant information might be available from cloud services providers themselves, including information on installed capacity, use volumes, and the types of applications using cloud services (figure below). However, these large multinational companies can be challenging to gather data from and viable strategies which minimise the burden on them (e.g. by avoiding multiple countries making separate data requests) need to be identified. From the cloud service providers’ side, the commercial sensitivity of such information is a key concern.

**Figure: Global data centre workloads and compute instances by applications: Traditional vs. cloud (2016)**

![Figure 1: Global data centre workloads and compute instances by applications: Traditional vs. cloud](image)

*Source: Cisco Global Cloud Index, 2018*

*Note: In traditional data centres, one server carried one workload and compute instance. With increasing server computing capacity and virtualization, multiple workloads and compute instances per physical server are common in cloud architectures.*

**Options for international action**

Given the evident role of cloud services a keystone digital technology, they have been distinguished separately in digital supply-use tables being developed by the OECD. Countries now need to collect separate data on cloud services and demonstrate the viability for including a separate category for cloud services in a future revision of the CPC. Alongside this, it may be useful for the OECD and others to build upon previous work to establish internationally agreed definitions and classifications of types of cloud services for statistical purposes and to operationalise these in business ICT usage surveys to gain additional insight on the use of different cloud services.

In addition, it may be possible to agree with a number of the largest firms to provide standard data to the OECD under a non-disclosure agreement, which the OECD can then aggregate and publish to provide an overall view of the cloud services market. As it is likely that cloud services providers will have some knowledge of where their customers are based (e.g. based on the payment address), this approach might help to shed light on the flows of cloud services being provided into different countries.
Appendix 4: A Toolkit for Measuring the Digital Economy: Extract from the 2018 G20 Ministerial Declaration

Following the 2017 Ministerial Declaration that encouraged countries to reflect the measurement of the digital economy in national statistics in a comprehensive way and review existing statistical frameworks, the Argentine G20 Presidency, in collaboration with a steering committee of international organizations (IOs) led by the Organisation for Economic Co-operation and Development (OECD)[1], has produced a draft "G20 Toolkit for Measuring the Digital Economy". The toolkit highlights methodological approaches and indicators used to monitor the digital economy, and key gaps and challenges regarding digital economy measurement for further study. This Annex comprises an abridged version of this Toolkit.

Objectives and scope

The Toolkit aims to provide a first assessment that could serve to propose possible measurement approaches that support evidence-based policymaking, diagnoses the challenges and opportunities of the digital economy, identifies the issues that could be addressed by public policies, and serves as a potential guide for countries to implement standardized measurement activities.

Indicators and initiatives to measure the digital economy

Rather than producing new content, the document brings together more than 30 key existing indicators and methodologies produced by major international organizations to monitor and assess the size and penetration of the digital economy, organized in four themes: i) Infrastructure, including access to mobile and fixed networks, the development of Next Generation Access (NGA) networks, the dynamics of household and business uptake; ii) Empowering society, including access to and use of digital technologies, people's use of the internet, education, financial inclusion and interaction with government; iii) Innovation and technology adoption, including new digitally enabled business models, the role of ICTs as an engine for innovation, and the adoption of ICTs and other emerging technologies by businesses; iv) Jobs and Growth, including indicators related to the labor market, employment creation, investment in ICTs, value-added, international trade, e-commerce, and productivity growth.

The toolkit also includes other studies, surveys, pilot initiatives, and various measurement efforts in G20 countries and international and regional organizations, to complement standard measures and potentially expand coverage to more countries or new areas within countries.

Gaps and challenges

Acknowledging that data are far from being comprehensive, country coverage is limited, timeliness is often an issue, and differences in data collection methodologies and approaches across countries persist, the toolkit identifies two types of gaps: methodological and availability.

Methodological gaps relate to what existing indicators measure, how they capture the digital economy and how to address issues such as the need to improve existing indicators, identification of new measures to be developed, or the review of data sources and collection methods.
• There are important difficulties in measuring data flows. G20 members may wish to explore ways to better utilize existing usable data sets.
• Although educational attainment and occupation indicators are available, there is a lack of widespread measurement of skills, abilities and competencies that would allow for cross-country comparison.
• Measures of the use and benefits of emerging technologies, such as artificial intelligence, internet of things, 3D printing, robotics, distributed ledgers or data science-based processes should be improved to capture their use in different industries and their impact on the change in aggregate and business-level value added.
• More emphasis should be placed on the development of methodologies to measure digitally enabled trade and produce related indicators.
• The collection of e-commerce statistics involves methodological challenges such as differences in industry coverage, actors involved, and type of survey used to gather data across countries. Consistent and comparable data on the growth and adoption of e-commerce by both individuals and businesses in all industries is helpful in identifying barriers to trade.
• Existing indicators do not always allow for sex and age breakdowns to examine the use of new technologies, jobs, or potential biases in how society is affected by digitization.
• Existing indicators do not always reflect the socio-economic impact of the digital transformation. Having this type of indicators being developed could help to create targeted approaches to develop and implement digital technologies.
• The use of more diverse sources of data is another area where we see important challenges. The number of indicators produced jointly with the private sector and other actors of civil society is limited, and almost exclusively related to infrastructure. Interaction between businesses, government and actors from civil society to explore new sources of data, tools, and alternatives to exploit available data could have a positive impact on countries' measurement capacities.
• While household and business surveys are used in several G20 countries to measure the digital economy, the use of administrative records remains very limited.
• Information on the extent of regional disparities or dispersion within countries is often absent from key standardized measures of household or business uptake of digital technologies. Although surveys generally collect regional codes, indicators are usually not tabulated by that dimension in international comparisons. Collaboration between international organizations and G20 countries to make regional data available, for example by advancing on methods to make microdata more accessible, should help to make progress on this front.
• Current indicators may not adequately reflect the transformation unleashed by digitalization and the value added to national economies, particularly in developing countries. We see a challenge to report on the rate of growth of digitalization across various indicators to highlight the impact of digitalization along its various dimensions.

Availability gaps are closely linked to effective implementation. Even in areas where international standards to guide statistical collection exist, countries may lack the
capacities and resources to implement them systematically, disseminate the resulting information openly, or make efforts to ensure that data are comparable.

There is a clear lack of coverage in developing countries compared to developed countries due to differences in statistical capacity among countries, or user needs and priorities for statistical collection. Moreover, the timeliness of available data varies widely across countries for critical indicators.

**Actions for improvement and forward agenda**

New and more flexible approaches could be developed to meet the specific priorities and resources of G20 countries. To make statistical systems more flexible and responsive to the new and rapidly evolving digital era, G20 members could: i) experiment with concepts and data gathering within existing measurement frameworks, ii) exploit the potential of existing survey and administrative data, iii) add questions to existing surveys, iv) periodically augment existing surveys with topic-specific modules, v) develop short turnaround surveys to meet specific needs, vi) define policy needs and, in cooperation with other stakeholders, set priorities for internationally comparable measurement; and vii) work with stakeholders, including international organizations, to harness the potential of big data for developing indicators to measure the digital economy.

The toolkit identifies actions that could inform the measurement agenda of G20 members in the next few years, considering the rapid pace of change in the digital economy:

1. Promote a comprehensive, high-quality data infrastructure and collection tools for measuring the adoption of digital technologies at the individual and business levels, together with its associated risks and benefits, including collecting data on key characteristics such as sex, age, skills and education, region, as well as business size, sector, and location, where appropriate.

2. Work towards improving the measurement of the digital economy in existing macroeconomic frameworks, e.g. by developing satellite national accounts.

3. Foster more fluid communication and cooperation between international organizations and G20 countries to share national initiatives, adhere and disseminate international standards and best practices, improve comparability of indicators, and reduce differences in coverage and timeliness of the data, with greater emphasis on capacity building in developing countries where resources, both monetary and human, are scarce.

4. Encourage interactions among government, business and other actors of civil society to strengthen the evidence base and complement official statistics, improving the design of frameworks that facilitate and allow a better use of data in business-to-business (B2B), business-to-government (B2G) and government-to-businesses (G2B) contexts.

5. Enable the collaboration between the public and private sectors to plan and implement business surveys about innovation and the uptake of new digital technologies, including joint efforts to identify and anticipate the demand for skills and competencies.

6. Encourage development partners, in collaboration with international organizations, to assist less developed countries in the collection of relevant statistics needed to enable evidence-based policy making in this area.
7. Promote the use of interoperable tools and data formats that facilitate access to and sharing of public sector data, in an effort to drive innovation, and make government activities more open and transparent.

Notes: [1] The draft document "A G20 Toolkit for Measuring the Digital Economy" was produced by the G20 Argentine Presidency with the support of the International Telecommunication Union (ITU), the United Nations Conference on Trade and Development (UNCTAD), the European Union, The World Bank Group (WBG), the International Monetary Fund (IMF), and the International Labour Organization (ILO)


The US Department of Commerce’s research on Measuring the Value of Cross-Border Data Flows, brought together 46 stakeholders, who developed the following recommendations to improve the availability and quality of statistics and economic analysis related to cross-border data flows and the larger digital economy. The full report is available at https://www.ntia.doc.gov/files/ntia/publications/measuring_cross_border_data_flows.pdf

- Improve the overall coverage and quality of the government statistics on the service-sector.
- Develop a standard nomenclature or standard definitions for concepts related to cross-border data flows, distinguishing between concepts such as digital economy, digitally intensive, digitally enabled economy, and ICT.
- Develop a greater understanding of how firms use cross-border data flows and what economic value the data flows provides. These metrics should cover the entire U.S. economy as well as specific sectors.
- Develop improved and consistent macro-economic statistics to measure the value of cross-border data flows and the digital economy, such as the contribution of data flows and the digital economy to GDP. These metrics should cover the entire U.S. economy as well as specific sectors.
- Continue the Department-private industry dialogue to facilitate data sharing and the linking of public and private datasets, where possible.
- Continue the collaborative efforts of the Department and international organizations to ensure that metrics on cross-border data flows and the digital economy are widely available for countries around the world.

Appendix 6: OECD-IMF Stocktaking Survey on Measuring Digital Trade

As part of the collective efforts to address the broader measurement challenges related to digital trade, the OECD and the IMF have conducted two main stocktaking exercises, in 2017 and in 2018, among their respective Members. The stocktaking exercises aimed to collect views of countries (statistical offices and central banks) on the conceptual and measurement framework for digital trade that is currently presented in Chapter 2, as well as to develop a large inventory of measurement practices on all aspects related to digital trade.
The first survey was developed and sent out among OECD members (35) and OECD key partner countries and invitees (10) in early 2017. The results, which were based on 35 responses, were presented at the March 2017 meeting of the OECD Working Party on Trade in Goods and Services (WPTGS). The IMF sent out the same survey later that year to a selection of 51 non-OECD countries, targeting institutions responsible for balance of payments compilation, from which 39 responses were received. The joint results, including the views of 74 countries in total, were presented at the IMF BOPCOM meeting in October 201784.

The second survey was conducted simultaneously by OECD and IMF in early 2018, to a similar set of countries, with 38 responses from OECD members and key partners and 38 responses from countries approached by IMF. The joint results for 76 countries were presented at the OECD WPTGS meeting in March 201885. As per the conclusions of this meeting, the survey questions of both surveys will be combined into an online tool to exchange experience and monitor progress, to further support the national work in developing statistics on digital trade.

The third survey was conducted simultaneously by the OECD and IMF in early 2019, to a similar set of countries, with 35 responses from OECD members and key partners (covering 49 statistical institutions) and 47 responses from countries approached by IMF. The joint results for 78 countries were presented at the OECD WPTGS meeting in March 201986.


85 More information about the survey questions and the results can be found here: http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=STD/CSSP/WPTGS(2018)3&docLanguage=En

86 For a more in-depth summary of WPTGS results, as well as the details of the topic related questions covered by the questionnaire see SDD/CSSP/WPTGS(2019)3