

Conclusion

The composition of global trade in services has changed markedly in recent years, a period that has seen developing economies register significant export gains in the services sector despite the severe impact of the COVID-19 pandemic. Such gains cover a host of non-traditional, high-value adding, services that can be more readily supplied today through digital means.

While important progress has been made in developing analytical tools to inform policy

choices in services, conducting development-enhancing reforms in the sector and boosting services exports remain complex endeavours that continue to prove challenging for many poorer countries. Much more can be done through increased international cooperation to help developing economies take full advantage of the structural changes at play in the global economy and to unlock the benefits that expanded trade in services can bring.



Services have the potential to transform economies

Harnessing the benefits of services trade will require a shift in the policy attention governments pay to services, particularly with regard to international trade and investment policy. The difference that services – and services trade – can make to growth and development warrants greater policy attention.

Policies that facilitate trade and investment in services and reduce policy uncertainty at the regional and international level can go a long

way towards reducing trade costs, boosting productivity – offering new paths for export growth and increasing diversification and resilience. Greater focus on services trade policies will also be instrumental in reducing prevailing digital divides, promoting inclusivity by providing jobs and business opportunities for women, youth and micro, small and medium-sized enterprises (MSMEs), including in least-developed economies, and contributing to sustainability and the fight against climate change.



Improving services trade policies through greater international cooperation

Trade in services stands to benefit through increased international cooperation targeting three key dimensions: increasing the predictability of policy and commitments made in trade agreements; promoting trade-facilitating regulatory practices and strengthening regulatory capacity; and lowering barriers to trade in services.

Increased multilateral engagement on services trade will help to maximize the potential benefits of expanded trade and investment in the sector. The deeper integration driven by preferential trade agreements can also play an important role by encouraging “learning by doing” and policy experimentation on trade issues arising from new challenges in the services sector.



Multilateral engagement will strengthen services trade governance

Greater multilateral engagement could provide a major boost to strengthening services trade governance. Digital technologies are expanding the opportunities to use trade in services for economic development. Important steps are being taken through ongoing plurilateral talks held by WTO members on services domestic regulation, e-commerce, investment facilitation and MSMEs.

Jump starting the WTO's agenda on services could result in a wider distribution of the benefits of trade in the sector – notably for poorer countries, whose participation in preferential trade agreements remains more limited. An effort to improve the transparency of trading conditions could take the form of non-binding inventories of relevant measures. Enhancing predictability of commitments on

services at the WTO could focus on closing the widening gap between “best” preferential and existing multilateral commitments.

Closing the gap between preferential and existing multilateral commitments appears feasible when considering that, with few exceptions, services commitments granted preferentially tend to be implemented on a *de facto* non-discriminatory (i.e. most-favoured-nation) basis.

Meanwhile, the continued prevalence of high barriers to trade in many key services subsectors recalls the considerable scope that exists to roll back existing measures standing in the way of improved economy-wide performance and gains.



Mobilizing additional resources will be critical to strengthen services trade capacity

The changing structure of services trade and its growing importance for developing economies point to a need to rethink not only the “why” but also the “how” of deepened international cooperation in services. Mobilizing and deploying additional resources, knowledge and expertise directed to strengthening the services trade capacity of developing and least-developed economies will be critical to harnessing the rapid pace of change in services markets and overcoming the challenges associated with the sector.

The ascendant role of services in development and trade integration points to the need for increased multilateral engagement to be underpinned by scaled-up levels of Aid for Trade in the services sector.

A “Services Trade for Development” initiative could help to mobilize a coherent Aid for Trade package in services, targeting key challenges such as:

- (i) addressing data gaps in services trade;
- (ii) supporting greater participation of developing and least-developed economies in policy discussions on trade in services;
- (iii) strengthening regulatory frameworks and institutions;
- (iv) promoting diversification offered by digital services trade;
- (v) addressing key supply-side constraints and improving the services-related skills of workers.