



OPINION PIECE

Connected services: A pathway to development⁹

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Connected services can turbocharge economic transformation. But to do so, they must be accessible to all firms.

Services are hard to grasp. We drive, wear and sleep in products made by industry. We eat the products of the land. But services sometimes seem invisible, even though they are everywhere. This is because they are intangible – you don't touch them, and often you don't even own them. Also, they are increasingly incorporated into something else.

This publication is a good example. Its value does not come from its physical properties. It derives from the specialized services that went into creating it: researching, editing, translating, designing and printing. The dozens of people who perform these services usually do not all meet in person, but technology allows them to work seamlessly together.

The production of this report thus embodies two trends that are reshaping services. First, they account for a growing share of the value of whatever is produced. Second, they are increasingly supplied using digital technologies.

But not all services are the same. A set of four activities – which the International Trade Centre (ITC) has dubbed “connected services” – are at the forefront of these trends. Financial services, information and communications technology (ICT), transport and logistics, and business and professional services link the various parts of a supply chain, and are spearheading digital innovation.

These connected services are valuable in their own right. Employment created in these four services sectors is growing rapidly, particularly in low-income economies. Globally, these sectors are also exporting more, attracting more investment from abroad and reinvesting a larger share of their revenue in innovation.

However, it is their contribution to overall competitiveness that makes connected services critical. ITC research shows that firms in all sectors are more competitive when they have access to high quality

connected services. They provide the key ingredients that all firms need to prosper: efficient payment solutions and innovative financing, reliable digital and physical connectivity, and cutting-edge business expertise.

Connected services also make our societies more equal. Through them, small businesses can integrate into value chains and adopt digital technologies to produce and engage with buyers and suppliers more efficiently. In this way, trade becomes more inclusive, with gains more broadly distributed.

Unfortunately, many small businesses in developing economies cannot access connected services easily. Governments have a role to play in closing this gap, particularly when it comes to regulation. Connected services companies often cite technical requirements, taxation, the temporary movement of individuals abroad to supply services, and quality control measures as the most burdensome barriers to trade, according to ITC Non-Tariff Measures Business Surveys in a handful of countries.

As digital technology transforms the services sector, new regulatory challenges emerge. Issues such as data flow and privacy, competition, digital taxation and intellectual property protection will require enabling regulation if firms are to operate and flourish.

We must put in place the necessary measures to make connected services flourish, to benefit all firms, foster more prosperous economies and build more inclusive societies.

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