

TRADE IN SERVICES AND ECONOMIC DIVERSIFICATION

Discussion Paper for the G20 Trade and Investment
Working Group (TIWG)

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EXECUTIVE SUMMARY

The global economy has gone through a dramatic shift towards services. Services now generate more than two-thirds of economic output, attract over two-thirds of foreign direct investment, and provide most jobs globally. While services may in the past have been perceived as secondary to a country's industrial strength, they have now become critical to development strategies, as strong, sustainable and inclusive growth will not be achieved without due consideration of services.

Services trade policies can be an important element to overall productivity and trade performance, inclusiveness, and diversification. Expanding the service economy and boosting trade and investment in the sector can be an important pillar of economic diversification strategies – notably for countries with high commodity dependence. However, overall, at the international level, government trade-related policies do not appear to have shifted towards services. G20 economies may wish to reflect on ways to provide impetus to services trade and to new avenues of work and cooperation in this field to facilitate the contribution of trade in services to growth, diversification, and the achievement of sustainable development goals.

TRADE IN SERVICES AND ECONOMIC DIVERSIFICATION¹

1. INTRODUCTION

1. The world is experiencing structural changes that are bringing services to the forefront. In recent decades, services have grown to dominate the production and employment landscape of economies at different levels of development. They are also increasingly prominent in international trade and investment: services are the most dynamic component of international trade and form the backbone of the global economy. They account for about 50% of world trade in value added terms and over two thirds of foreign direct investment.
2. The role of services in trade and economic development has increased and consequently amplified the impact and relevance of government policies that affect trade in services. Services trade policies, which cover a wide range of 'inside-the-border' measures, are an important determinant of foreign direct investment, economy-wide productivity, and export performance. Services trade policies are also an important element in forging a country's integration into the global economy.
3. In this light, trade in services and services trade policies can play a central role in economic diversification. Sustained diversification relies on the contribution of services to performance and productivity gains across the whole economy. Sound services trade policies are key components of a policy framework and business climate that facilitates competition and investment in new activities, boosts private sector expansion, and permits reallocation of resources to higher productivity activities, resulting in a broader base of economic activities (World Bank, 2019).
4. Services trade policies also stimulate trade diversification because, as inputs, they often facilitate exports of new or upgraded products and expansion into new markets. For example, access to more

¹ This Discussion Paper draws, in particular, on WTO (2019) and Roy (2019).

abundant, high quality, and lower priced services inputs, as well as more efficient infrastructure services (e.g., transport, logistics, distribution, payment services) enable the diversification of goods exports. Moreover, efficient and affordable telecommunication services are fundamental to take advantage of export opportunities for a wide array of ICT-enabled services.

5. Services are also increasingly exported by manufacturing firms as a strategy to add value and to create a long-term relationship with customers. These strategies are a source of economic diversification and allow countries to move up the value chain and engage in new activities, building on their existing manufacturing expertise.
6. Despite the role of services in the global economy and the contribution of services trade policies, barriers to trade and investment in services persist, and transparency and predictability are limited by relatively low levels of international trade commitments compared to goods trade. The sector has generated limited negotiating traction at the WTO in recent year and, more generally, has attracted less trade policy attention. For instance, services trade does not appear to figure in Aid for Trade engagements in a manner commensurate with its weight in total trade.
7. This policy brief provides background for a discussion in the G20 TIWG. It highlights how the global economy is shifting toward services (section 1), shows how services are transforming world trade (section 2), and reviews the impact of services trade policies (section 3). Section 4 highlights the limited state of international cooperation to address barriers to services trade, the limited transparency and predictability offered by existing international commitments, and the state of Aid-for-Trade efforts in relation to services trade policies. Section 5 concludes.

2. THE SHIFT TOWARD SERVICES

8. Services have already transformed national economies on a massive scale. Not only are a range of services – from logistics, to finance, to informatics – indispensable to run increasingly complex and sophisticated economies, but services is also the fastest growing sector in its own right – from business services, to healthcare, to entertainment.

9. The contribution of services to national economies has increased over time for countries at all levels of development, but the shift toward services has been especially rapid in some developing countries. In most developing countries, services experienced a higher growth rate in the last decades than manufacturing and agriculture. Between 1980 and 2015, the average share of services in GDP across all developing countries grew from 42% to 55% (UNCTAD, 2017). For example, in China's economy services accounted for 52% of GDP in 2018, up from 41% in 2005. In India, services now make up almost 50% of GDP, up from just 30% in 1970. Some developing countries seem to have by-passed the industrialization phase altogether, leapfrogging directly from agriculture to services. Services industries can offer many advantages for developing countries that manufacturing industries do not: they are generally less capital-intensive, more mobile, and can be up and running more quickly (The Economist, 2011).
10. The contribution of services to employment has also increased; **services now create more jobs, and at earlier stages of development** (Ghani and O'Connell, 2014). Globally, services and agriculture each accounted for 39% of total employment in 2000; as of 2018, however, just over half of the world's population worked in services (52%), while agriculture's share of total employment slipped to 26%. Services' share of employment is projected to continue to expand in the coming years for countries at all levels of development (ILO, 2018).
11. Highlighting the gender dimension, **services are even more important to women's employment**. While 48% of all men worked in services in 2018, the sector accounted for 58% of women's employment, compared to 41% in 2000. In 2018, the service sector employed 87% of women in high income countries, 65% in upper-middle income countries (compared to 35% in 2000), 41% in lower-middle income countries (up from 27%), and 22% in low income countries (up from 15%).²
12. The **service sector also hosts the greatest number of enterprises, as well as the greatest number of MSMEs, and is, consequently, a key channel for economic and social inclusion** (OECD, 2017). As a result, a rise in services trade is less likely to be biased towards large firms than a rise in manufacturing trade (WTO, 2019).

² <https://www.ilo.org/wesodata>

13. Growth of services does not necessarily imply a shrinking manufacturing sector. Though a diminishing share of the workforce is engaged in manufacturing, the sector's output continues to expand, even in services-dominated economies. An economy's prosperity depends on the productivity of the economy as a whole rather than the relative size of its manufacturing or services sectors. Overall productivity depends, in turn, on efficiencies and innovations across all sectors, and the extent to which they are mutually reinforcing. Creative integration of services and manufacturing is a key reason why productivity continues to grow. The idea that productivity improvements derive from manufacturing, and therefore that expansion of the services sector would come at the expense of overall growth, is eroding, as services become more tradable, technology intensive, and subject to economies of scale. This profile allows greater competition, innovation, and technology diffusion to take hold in services (Nayyar and Cruz, 2019).
14. **While services were once secondary to a country's industrial strength, they are now central determinants of productivity, competitiveness, and rising living standards. The ability to access and export efficient, affordable, and innovative services has become critical to development strategies.** Globalization of services (from transport, logistics and information technology, to finance and education) has the potential to scale up growth, deepen integration, and facilitate diversification. It holds out the promise of a major expansion of development and economic growth, not just of trade.

3. SERVICES HAVE TRANSFORMED WORLD TRADE

- i. Trade in services forms a large and growing share of global cross-border trade
15. Measured according to balance-of-payment (BOP) statistics, **cross-border trade in services has expanded at a faster pace than trade in goods** since 2011. Services' share of world trade has grown from 9% in 1970 to over 23% today. The WTO (2019) forecasts that services could account for up to one-third of world trade on a BOP basis by 2040, representing a 50% increase in the share of services in global trade in just two decades.

16. **This expansion of cross-border trade in services has been prompted by advances in information and communications technology**, exemplified by the global expansion of the Internet, which has boosted opportunities for supply from a distance. A broad range of services can now be supplied cross-border over digital networks, e.g., professional, business, audiovisual, education, distribution, financial or even health services.
17. Consequently, **the structure of world cross-border trade in services has also changed**. The share of travel and transport services has diminished considerably, while that of services that can be supplied electronically has increased. Indeed, the share of 'other commercial services' in world service exports went from 47.6% in 2005 to 53.8% in 2018, while the participation of travel, tourism and goods-related services diminished from 52.4% to 46.2% over the same period. Between 2005 and 2018, exports of the fastest growing subsector, 'telecommunications, computer, and information services', increased at an average annual rate of over 10%.
18. **This change in the composition of services trade has also reflected increased exports of developing economies**. The share of 'other commercial services'³ in their total services exports rose from 34% to 45% between 2005 and 2018. Overall, developing countries' share of global trade in services increased from 26% in 2005 to 33% in 2018.⁴ Consequently, cross-border services exports support a high share of employment not only in developed economies, but also in a number of developing countries. For Chile, Costa Rica, India, South Africa, and Turkey, exports account for more than 10% of employment in services (WTO, 2019).
19. In a number of developing countries, the expansion of trade in services has resulted in successful developmental outcomes. The Annex to this Paper mentions cases studies in Ethiopia, India, Kenya, Mauritius, Mexico, the Philippines, and Senegal. In a number of cases, export opportunities in services have been facilitated by government policies and engagement with the private sector.

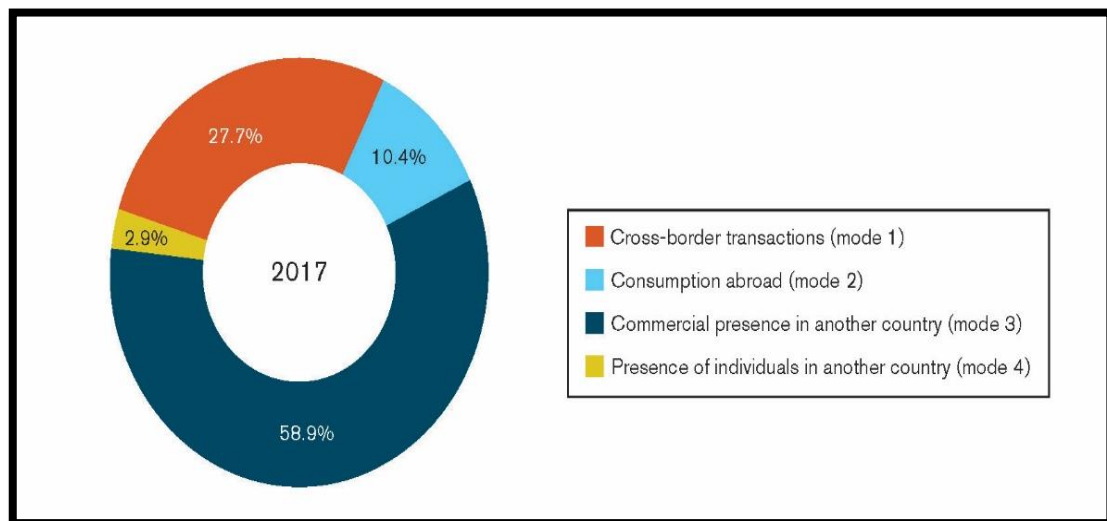
³ 'Other commercial services' amount to all commercial services, less transport, travel, and goods-related services. 'Other commercial services' include, for example, financial, telecommunication, business and audiovisual services.

⁴ <https://data.wto.org/>

ii. Trade in services through commercial presence further underscores the sector's weight in the world trading system

20. While BOP statistics highlight the growing importance of trade in services, they do not cover trade via mode 3, which involves the supply of services by foreign-owned companies abroad. Indeed, in the WTO, trade in services is defined according to four modes of supply, some of which are not analogous to goods trade.⁵ Recently, the WTO Secretariat produced an "experimental" dataset called TiSMoS (i.e., Trade in Services by Mode of Supply) that estimates trade in services by mode of supply for some 200 economies, from 2005 to 2017.

Figure 1: World trade in commercial services by mode of supply, 2017

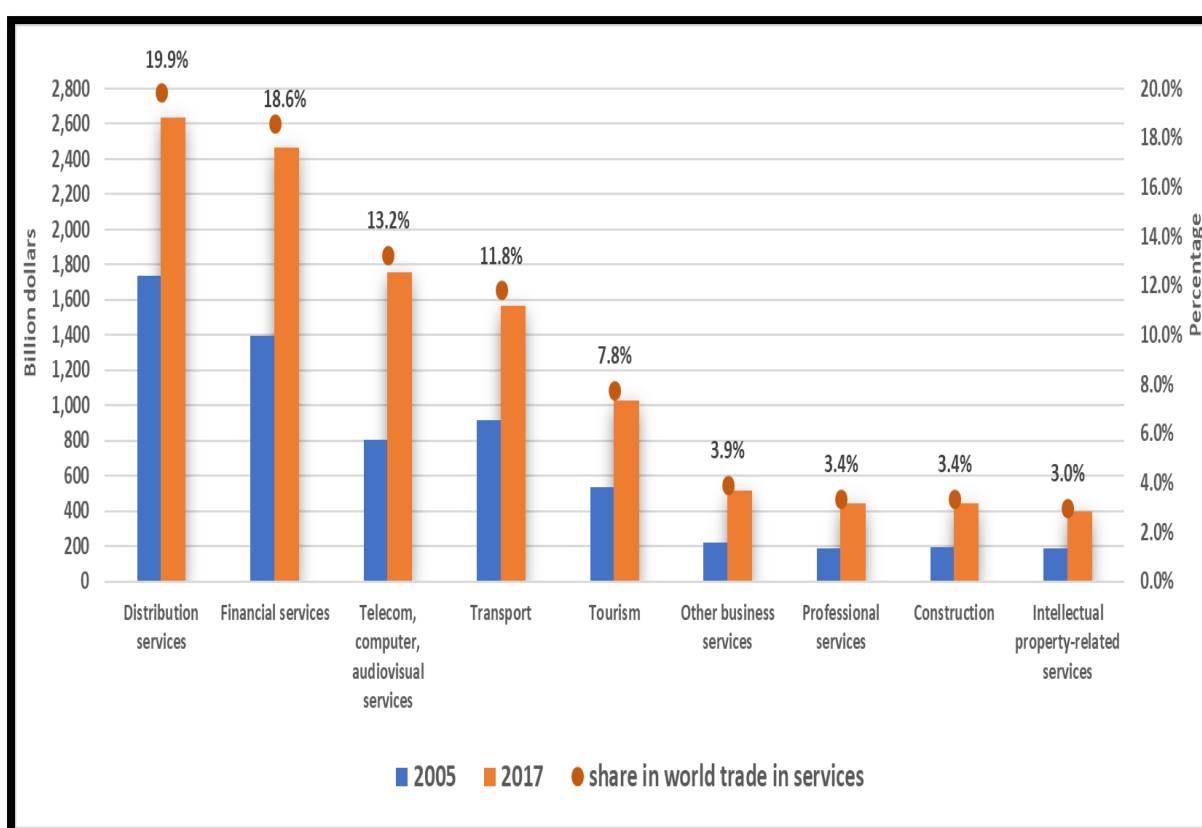


Source: WTO (2019)

⁵ There are many ways that services can be traded internationally, referred to as "modes of supply". The WTO General Agreement on Trade in Services (GATS) categorizes services trade according to four modes of supply: - Cross-border supply (mode 1), in which services are supplied from the territory of one member (i.e. WTO member) into the territory of any other member, such as through the internet; - Consumption abroad (mode 2), in which services are provided in the territory of one member to a consumer of any other member, such as tourism; - Commercial presence (mode 3), in which services are delivered by a supplier of one member through commercial presence in the territory of any other member, such as establishing a controlled affiliate in a foreign country to serve the local market; - Presence of natural persons (mode 4), in which a supplier of one member provides services through the presence of natural persons in the territory of another member, such as consultants.

21. Using data for the four modes of supply reveals global trade in commercial services of US\$ 13.3 trillion in 2017. In contrast, the value of world merchandise exports stood at US\$ 17.7 trillion the same year. In other words, when all modes of supply are considered, services' share of world trade is 20 percentage points higher than traditionally estimated. Figure 1 shows the importance of the four modes of supply in services trade. With a value of US\$ 7.8 trillion, sales through the establishment of foreign-controlled affiliates worldwide (mode 3) is the dominant mode for trading services globally (58.9%).⁶ Cross-border services transactions (mode 1), including through electronic means, accounted for 27.7% of the total.

Figure 2: World trade in commercial services by sector, 2005 and 2017



Source: WTO (2019)

Note: On the basis of the Trade by Mode of Supply (TISMOS) dataset.

22. Distribution and financial services are the largest globally traded sectors, accounting for 19.9% and 18.6% of total services trade in 2017, respectively (Figure 2). According to estimates, world trade in

⁶ Financial services and distribution services together account for around half of this value.

finance and distribution predominantly takes place by means of the establishment of a commercial presence in other countries (mode 3). In 2017, around 77% of financial services and over 70% of distribution services were traded worldwide through foreign affiliates. In contrast, trade in information and communication technology (ICT) services, a rapidly growing sector, predominantly takes place under mode 1 (cross-border supply), with the European Union the largest exporter, and India ranking second.

23. On the basis of TISMOS data, the share of developing economies (excluding LDCs) in global services trade increased by 10 percentage points since 2005, from 14.7% to 25.2%. Such an impressive result is the outcome of a process of structural economic transformation and successful trade diversification from goods to services in several developing economies, particularly in Asia, the emergence of new services traders, and new ways to trade services. By contrast, over the same period, although the share of LDCs also increased, it only accounted for 0.3% of world exports and 0.9% of imports.⁷

iii. The Broader Role of Services in World Trade: Services as Value Added Content in Goods Exports

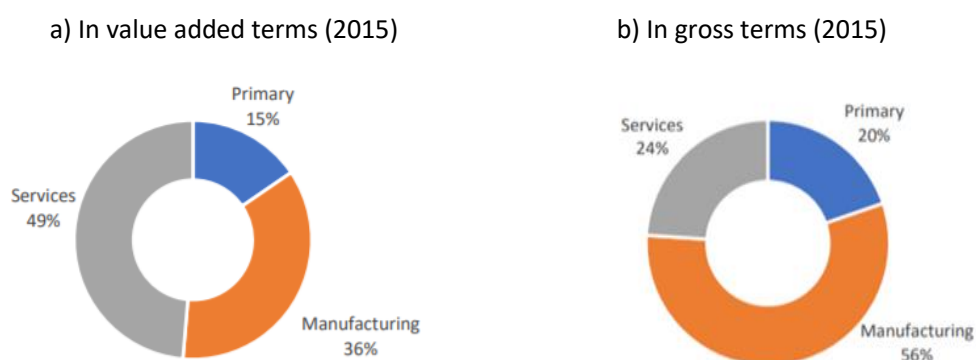
24. Measuring world trade in value-added terms, rather than in gross terms such as with BOP statistics, sheds further light on the contribution of services to world trade. It permits taking into account services that are exported indirectly, such as services embodied in exports of goods. The OECD's trade in value added (TiVA) statistics highlight the contribution of services and services trade to manufacturing activities and exports, and to merchandise exports more generally. **When trade is measured in value-added terms, services contribute to 49% of world trade**, compared to 15% for the primary sector and 36% for manufacturing (Figure 3).⁸ By contrast, services' share of world exports in value added terms was estimated at 30% in 1980 (Heuser and Mattoo, 2017).

⁷ The developing economies' impressive trade performance is largely due to 5 economies that rank as leading services exporters and importers: China; Hong Kong, China; the Republic of Korea; Singapore; and India. They accounted for 57% of developing economies' exports, in part because, like for developed economies, most of their exports occur through mode 3. For other developing economies, cross-border supply is the predominant mode of services exports, such as in professional and other business services. With respect to LDCs, their services exports have been rising by an annual average of almost 11% since 2005, albeit from a very low base, with growth led by tourism, boosted by greater intra-regional arrivals in recent years.

⁸ The most recent update of TiVA statistics was released in December 2018, with coverage up to 2016.

25. This rising share of services in total trade is also the result of major structural changes in the fabric of economic activity; production processes increasingly make complementary use of services and manufacturing components. In this so-called **servicification of manufacturing**, the manufacturing companies increasingly rely on services, procure services inputs – from home and abroad – and, also, supply services themselves (e.g., transport, research and development, information technology, professional services, repair and maintenance and other after-sales services).

Figure 3: Structure of World Trade



Source: Roy (2019). Computed from OECD, Trade in Value Added database and WTO Statistics Database

26. **Services value added represents a large and increasing proportion of total exports, reaching 56% on average for OECD economies, and 40% for non-OECD economies in 2016.** However, the share of services content in total exports increased most in non-OECD economies since 2005. For example, services value added accounted for over 50% of India's total exports in 2016, while it reached a higher share than the average for such countries as Brazil (46%), Costa Rica (61%), Morocco (48%), or the Philippines (50%).

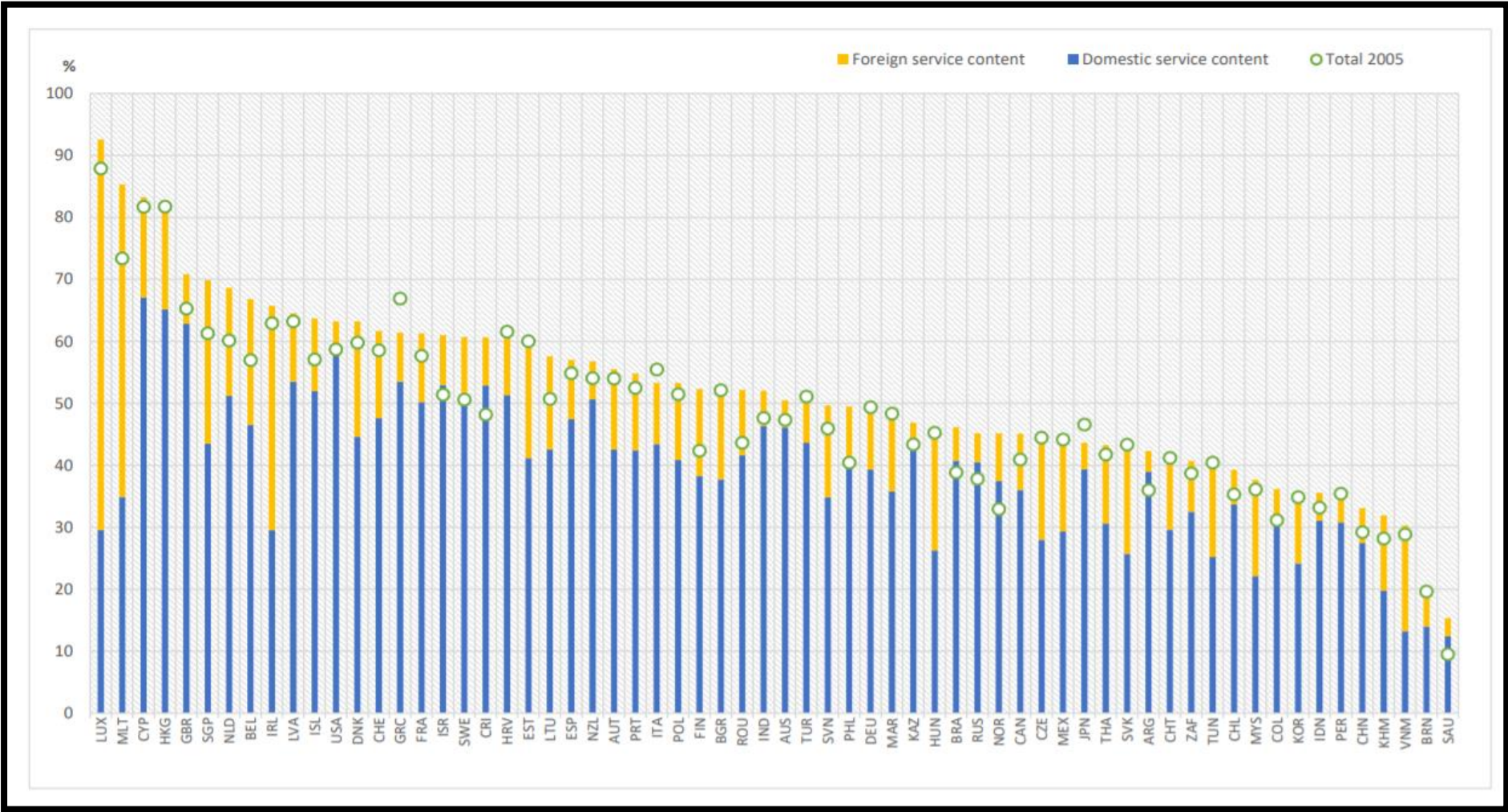
27. Figure 4 shows that **services value added represents 25% to 40% of the content of manufacturing exports for a wide range of economies**, and that in many cases a **significant proportion is foreign services value added.** Services value added accounted for 33% of manufacturing exports of developed economies, compared to 29% in developing countries in 2015. The share is relatively high for a number

of developing economies, including Brazil (35%), Chile (33%), Mexico (36%), South Africa (30%), or Turkey (34%).

28. TiVA statistics reveal not only the important role of services in manufacturing competitiveness and exports, but also the contribution of imported services to such exports. Moreover, they underscore that **various developing countries, in value-added terms, are significant services exporters**. Even in countries where services represent a small proportion of total exports in gross terms (BOP), services often account for a significantly larger share of total exports in value-added terms. For example, services amounted to 18% of Argentina's total BOP exports in gross terms in 2016, but the proportion jumps to 42% in value-added terms (Roy, 2019). Similarly, looking at trade in value-added terms also suggests that countries at different levels of development have comparative advantage in some services even though they tend to export final goods more than final services (Miroudot and Cadestin, 2017b).⁹

⁹ Still, TiVA statistics may yet underestimate the weight of services in world trade because they do not capture the services value added provided by manufacturing companies. TiVA statistics capture services bought as inputs by enterprises in other sectors, but manufacturing companies also undertake services activities 'in-house' which are not captured in TiVA statistics as 'services value added' of manufacturing exports. With data for a sample of countries that are mostly OECD economies, Miroudot and Cadestin (2017a) find that services inputs account for 37% of the value of manufacturing exports, but this share increases to 53% when adding services activities taking place within manufacturing firms.

Figure 4: Services Values Added Embodied in Total Exports (%), by Domestic and Foreign Origin, 2005 and 2016



Source: Roy (2019). Computed from OECD, Trade in Value Added database.

iv. The broader role of services: services as enablers of goods trade

29. Certain services also play a broader role in trade integration and diversification because they are key enablers of merchandise trade. Services promote trade integration by providing the basic infrastructure on which trade in goods relies. Without efficient services, goods cannot be successfully traded, as a diversity of services is needed to bring final goods from their production site to consumers across borders. These include, most obviously, services such as maritime transport (e.g. freight, port services), road transport, air transport (e.g. freight, airports), logistics services (e.g. freight forwarders, customs brokers, storage, warehousing), express delivery services, and distribution services (wholesale and retail). The better the performance of these services, the more trade in goods is facilitated.
30. Services, and trade in services, are also key enablers of global and regional value chains, as services provide the "glue" that connects the fragmented and dispersed production stages that constitute global value chains (GVCs) (Díaz-Mora and others, 2018). The deployment of international production networks, as well as their recent growth, have been made possible by efficient and quality services, such as transport, logistics, communication, and financial services, as well as a wide array of business services, which are often supplied cross-border.¹⁰

v. The broader role of services: digitally-enabling and -enabled services

31. Services are central to digital trade not only because they provide the basic enabling infrastructure, but also because a broad range of services can now be supplied online. Services in sectors such as telecommunication and computer services, in particular, but also financial and logistics services, are **key enablers not only of e-commerce in goods, but also of digital supply of services. Telecommunication services**, which encompass Internet, mobile telephony, and data transmission services, provide the basic infrastructure and transport capacity that **allow a range of services to be supplied digitally**, and also permit goods to be offered and purchased through these networks. Technological developments, such as growth in broadband networks – including mobile broadband – have improved the quality and

¹⁰ See: Low and Pasadilla (2015); World Bank (2020).

capacity of these services, brought costs down, and facilitated the growth of online platforms, making it easier to connect producers, sellers, and consumers across borders.

32. **Retail and wholesale trade is another service sector that forms the backbone of e-commerce.** The strong growth of retail and wholesale services of goods purchased online has been facilitated by the increased capacity and speed, as well as the lower communication costs brought about by improvements in telecom and computer services, but also by competition, foreign investment, and a general enabling environment in the distribution services sector. In a similar fashion, the growth of goods and services purchased and/or supplied online relies on efficient financial services, in particular payment solutions using Internet and mobile applications. Also facilitated by technological advances, **e-payments are key to the growth of e-commerce**, by making such transactions practical and possible (Marchetti, 2018).

vi. The broader role of services: services provided by manufacturing firms and sold with goods

33. While trade statistics can give the impression that trade in goods and trade in services are two entirely separate activities, goods and services are often exported bundled together (Cadestin and Miroudot, 2020). This is the result of servitization strategies through which manufacturing firms aim at providing full solutions to their customers (Vandermerwe and Rada, 1988). Using firm-level data for France, Crozet and Milet (2017) find that 75% of manufacturing firms produce services, with 22% reporting more sales of services than sales of goods. This covers cases where goods and services are combined to different degrees, from basic product-oriented services that are added to the good sold (e.g. installation or maintenance services) to customised process-oriented services where all operations related to the good are managed by the service supplier (e.g. office solutions provided by manufacturers of photocopy machines).
34. Firms engaged in these strategies have to invest to develop a capacity in services. In this process, some of them become full services providers and benefit from opportunities to join new markets. For example, some mineral-rich countries have successfully diversified into the provision of engineering and geological services. In Australia, mining services now account for a higher share of employment

than the mining sector itself (Korinek, 2020). It is easier to develop services out of existing manufacturing activities, as the needed expertise and know-how are already available. It may also be a successful strategy for middle-income countries with raising wages and facing new competition. The textile and apparel industry offers other examples of upgrading and diversification in services, from textile manufacturing and garment assembly to sourcing and intermediary services and then retail and e-commerce (Li and others, 2018).

4. SERVICES TRADE POLICIES CAN BE AN IMPORTANT KEY TO PRODUCTIVITY AND DIVERSIFICATION

35. Given the increased role and broad impact of services in the trading system and the global economy, government policies in relation to services trade naturally have great significance for trade and economic performance. Barriers to trade in services, which are not barriers at the border, are most typically measures that discriminate against foreign services or suppliers (national treatment) as well as market access limitations, as defined in GATS, which are mainly quantitative restrictions.¹¹ Research on the economic impact of services trade has yielded several key findings in recent years.

36. **Services trade openness improves economy-wide productivity and the performance of services sectors.** Barriers to trade in services shield domestic suppliers from competition, leading to higher prices and reduced incentives to invest, innovate, or otherwise improve service quality. Services sectors facing lower trade costs – which are themselves associated with lower services barriers – tend to be more productive and have higher productivity growth than those with higher trade costs (Miroudot and others, 2013). Across developed countries, services policies, in particular restrictions on FDI, have been found to explain differences in total factor productivity, which in turn largely mirror differences in productivity growth (Van der Marel, 2012). Services trade restrictions negatively affect performance in

¹¹ Because trade in services extends, for example, to the presence of foreign-owned suppliers or the movement of natural persons, services trade policies cover a wide array of government measures that have a deep impact on the functioning of services markets and, also, on domestic enterprises. Barriers to trade in services most typically involve government measures that discriminate between foreign and domestic services or suppliers in different modes of supply (GATS Article XVII: National Treatment). Services trade barriers can also take the form of discriminatory or non-discriminatory measures that limit the total number of service suppliers, operations, value of transactions, number of natural persons employed, and foreign ownership, or that restrict the type of legal entity through which a supplier may provide a service (as spelled out in GATS Article XVI: Market Access). Taken together, market access and national treatment measures largely determine the extent to which there is international contestability and competition in a country's service market.

a number of important service sectors, as measured by comparable indicators across a broad range of countries. For example, countries that impose more trade-restrictive policies in commercial banking have less-developed credit markets (Nordås and Rouzet, 2016). A negative correlation also exists between entry barriers and restrictive regulations on services, on the one hand, and investment in digital technologies and ICT, on the other (World Bank, 2016). This suggests that barriers to entry and competition in service sectors reduce the incentive of suppliers to invest in digitization.¹²

37. Restrictive Services Trade Policies Limit Physical Connectivity. Services trade policies impact physical connectivity, as higher levels of services trade restrictiveness in logistics, maritime and road transport result in higher trade costs (Nordås and Rouzet, 2016).¹³ Focusing more specifically on the transport of containerized cargo on liner vessels, Bertho and others (2016) find that government restrictions in the shipping sector, especially in relation to FDI, significantly increase maritime transport costs. Because most global trade in merchandise takes place through shipping, these restrictions considerably reduce trade flows.¹⁴

38. Services Trade Restrictions Have a Negative Impact on Foreign Investment. They are associated with both reduced foreign investment inflows and lower output of foreign affiliates. Countries with lower restrictiveness are significantly more likely to attract foreign investment in services than countries with more trade-restrictive frameworks (Rouzet and others, 2017; Andrenelli and others, 2018).

39. Opening Services Trade Benefits Manufacturing Productivity and Merchandise Trade. Achieving a reduction in trade costs for goods largely hinges on improving the performance of the services used by goods-producing enterprises. A body of country-specific research established that openness in services trade increases the productivity of manufacturing industries.¹⁵ Hoekman and Shepherd (2017) find that a 10% increase in services trade restrictiveness results in a 5% decrease in bilateral trade in manufactured products. In terms of sectors, trade and investment restrictions on transport and

¹² Investment in, for example, the use of cloud facilities by transport companies, the supply of online services by professional services firms, or the use of the Internet by retailers.

¹³ See also Raballand and Macchi (2009).

¹⁴ Restrictions are found to increase shipping costs by 26% to 68% and to reduce trade flows by 48% to 77%.

¹⁵ See: Arnold, Mattoo, and Narciso (2008); Arnold, Javorcik, and Mattoo (2011); Arnold, Javorcik, Lipscomb, and Mattoo (2015); Duggan, Rahardja, and Varela (2013).

retailing services have the largest impact on the export performance of merchandise goods. Recent studies further emphasized the role of FDI policies in service sectors, finding that restrictions on inward FDI in services have a particularly strong negative impact on manufacturing exports.¹⁶ Others find that **services trade restrictiveness negatively impacts the sophistication of manufacturing exports** (Su and others, 2019), suggesting that greater services trade openness can be a strategy to not only promote manufacturing exports, but also the quality of the export basket.¹⁷

40. **Restrictions on Trade in Services Negatively Affect Services Value Added in Exports.** Higher services trade restrictions are associated with lower shares of services value added within GVCs (Miroudot and Cadestin, 2017b). Trade barriers in both the exporting and importing countries exert an overall negative impact on services value-added flows. Services barriers in the exporting country have a greater impact; they reduce competition in domestic services markets, leading to less efficiency and performance, thereby limiting the services value-added contribution to exports.

41. **Restrictions Limit Cross-Border Trade in Services.** Other studies show that restrictiveness in services raises costs for foreign exporters, thereby also limiting cross-border trade in services. Moreover, the restrictions not only limit imports but also limit the services exports of the country with restrictions (Nordås and Rouzet, 2016).

42. **Trade Barriers in Telecommunications Exacerbate the Digital Divide.** Services trade policies also play a key role in the development of the backbone infrastructure that enables digital trade. Over the past 25 years, a large majority of countries have moved from monopolies to regulatory environments that harness competition; they have reduced barriers to entry and often privatized state-owned incumbents (ITU, 2016). These changes have enhanced affordability, as well as quality and diversity of telecommunication services (Lestage and others, 2013). Moreover, countries that introduced effective pro-competition regulation witnessed greater success than others in stimulating market growth and

¹⁶ See also: Liu, Mattoo, Wang, and Wei (2018); Díaz-Mora, Gandoy, and González Díaz (2018); Wolfmayr, 2012. Further, the positive impact of services trade is linked to the quality of institutions and regulatory frameworks. Beverelli, Fiorini and Hoekman (2017) find that the impact of services trade openness on a country's manufacturing productivity is larger for countries with stronger institutions. In a similar vein, Fiorini and Hoekman (2020) find that the impact of openness to trade under mode 3 on manufacturing productivity is greater when accompanied by quality (pro-competitive) domestic economic regulation. See also: Fiorini and Hoekman (2018b).

¹⁷ Export sophistication captures the productivity level of a country's export basket. A country is considered a more sophisticated exporter if it exports more goods of higher productivity. See Hausman, Hwang and Rodrik (2007).

readiness for the digital economy (ITU, 2017). A study of 165 countries between 2001 and 2012 shows, for example, that mobile broadband penetration was 26.5% higher in countries with competitive markets (UN, 2013).¹⁸ Studies have also found that markets characterized by more intense competition achieved greater price decreases and better services; other studies have linked telecom liberalization to higher GDP growth rates, as well as to higher productivity of firms in other sectors of the economy.¹⁹

43. **Since levels of female employment are significantly higher in this sector, women may be expected to benefit more from services exports than from manufacturing exports.** A study on India suggests that opening up services has helped to close gender education gaps by raising education levels among women more than those among men (Nano and others, 2019). Increasing participation in the services sector in low-income countries in areas such as tourism, education, and distribution services has a positive impact on women's economic empowerment. Government policies that provide an environment for these sectors to grow, such as by enabling FDI and mode 3 supply, can therefore bring considerable employment opportunities for female workers.²⁰

5. AN ECONOMIC SHIFT, BUT NO POLICY SHIFT: DO SERVICES TRADE POLICIES GET THE ATTENTION THAT MATCH THEIR IMPORTANCE FOR TRADE, DEVELOPMENT AND DIVERSIFICATION?

44. Globally, the policy attention paid to the service sector seems to generally lag behind the growing importance of services in world trade and investment, and the potentially far-reaching impact of services trade policies for growth, overall productivity and trade performance, diversification and

¹⁸ Higher levels of services trade restrictiveness in telecommunication services are associated with lower penetration rates for fixed, mobile and broadband Internet. See: Nordås and Rouzet (2016) and Borchert, Gootiiz, Goswami, and Mattoo (2017).

¹⁹ See: Mattoo, Rathindran, and Subramanian (2006); Eschenbach and Hoekman (2006); Balchin, Hoekman, Martin, Mendez-Parra, Papadavid, Primack, and Willem te Velde (2016); Keck, A. and C. Djiofack-Zebaze (2009).

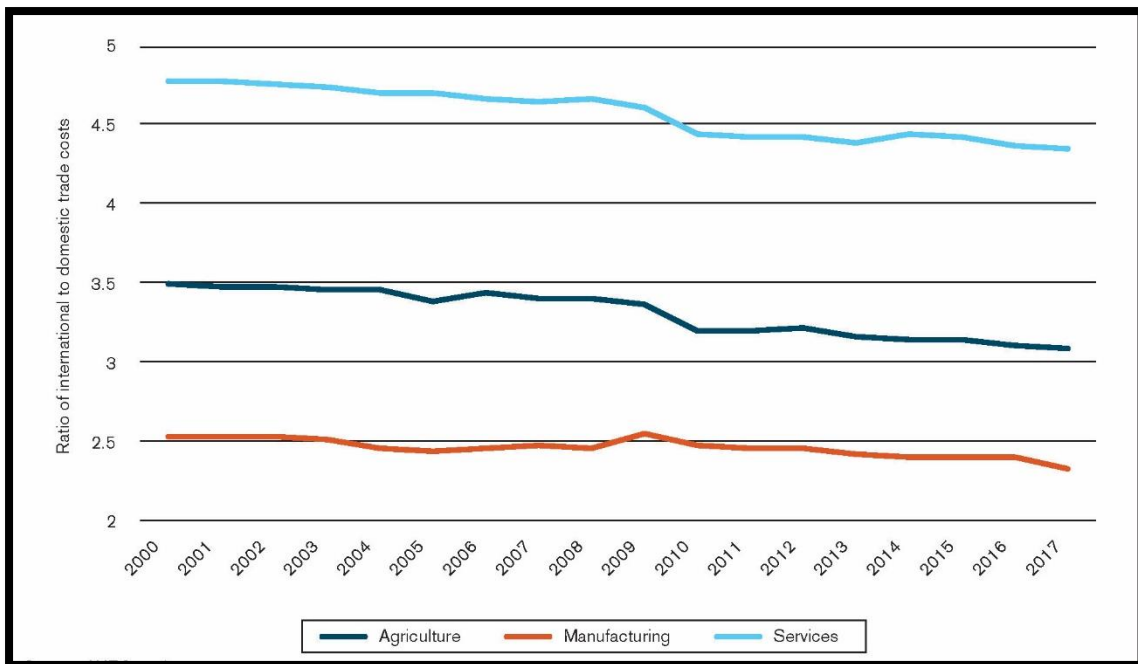
²⁰ See: Lan and Shepherd (2019); Sauvé (2019).

inclusiveness. This section looks at global trade costs and barriers, international commitments, and Aid-for-Trade undertakings in services.

i. Services trade costs are much higher than for goods

45. Using a new approach that focuses on modes 1, 2 and 4, the WTO (2019) estimates that trade costs in services are almost the double of those in manufacturing (Figure 5). Trade costs compare costs of supplying services internationally versus domestically, and are key in determining the extent to which a country trades.²¹ The WTO Secretariat finds that the ratio of international to domestic trade costs stood at 4.3 in 2017, meaning that international trade was about 4 times more costly than domestic trade.

Figure 5: Trade costs by broad sector, 2000-17



Source: WTO (2019).

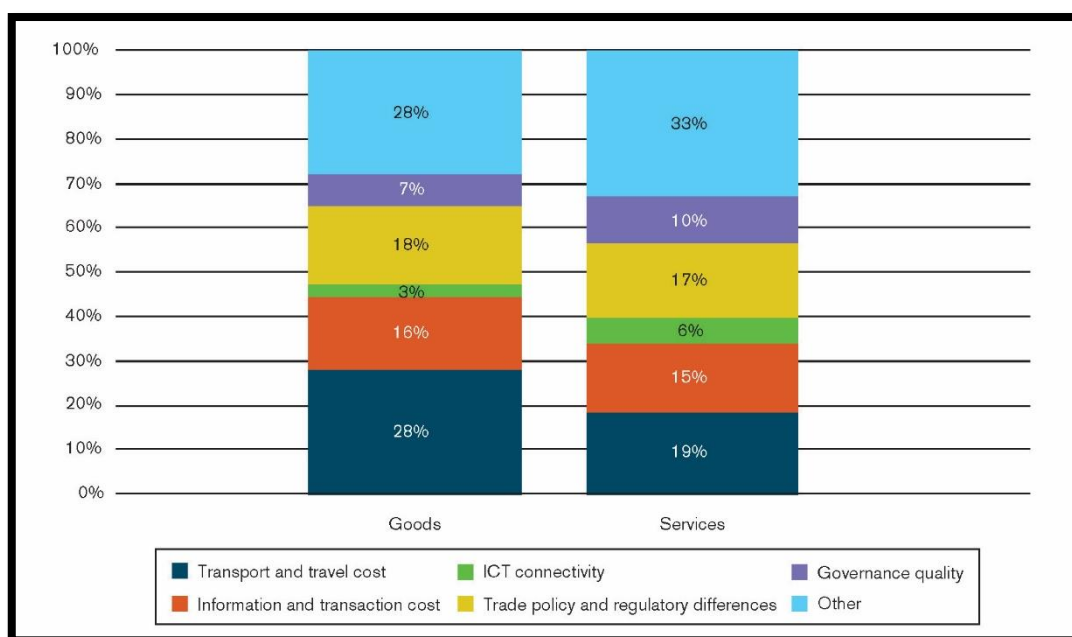
Note: The results are based on data for 43 economies. The value of trade costs represents the ratio of international to domestic trade costs.

²¹ Trade costs do not solely capture costs resulting from trade barriers. They encompass costs resulting from geographical distance or differences in language, for example, as well as policy-induced costs. Some of the trade costs relating to government policies concern trade barriers, while others may relate to legitimate differences in policy objectives.

46. Although trade costs in services have declined by around 9% over the last two decades, in part as a result of technological developments and increased ICT penetration, services trade costs in emerging economies remained 66% higher than in advanced economies in 2017.²²

47. The WTO analysed the contribution of different components of trade costs.²³ As illustrated in Figure 6, trade costs that are policy-induced – in contrast to those linked to 'geography and cultural differences' – are important, as a third of total services trade costs pertain to a combination of 'trade policy barriers and regulatory differences' (17%), 'governance quality' (10%), and 'ICT connectivity' (6%). The proportion of total trade costs that relate to 'ICT connectivity' is two times higher in services than in goods.

Figure 6: Breakdown of bilateral trade costs in services and goods in 2016



Source: WTO (2019)

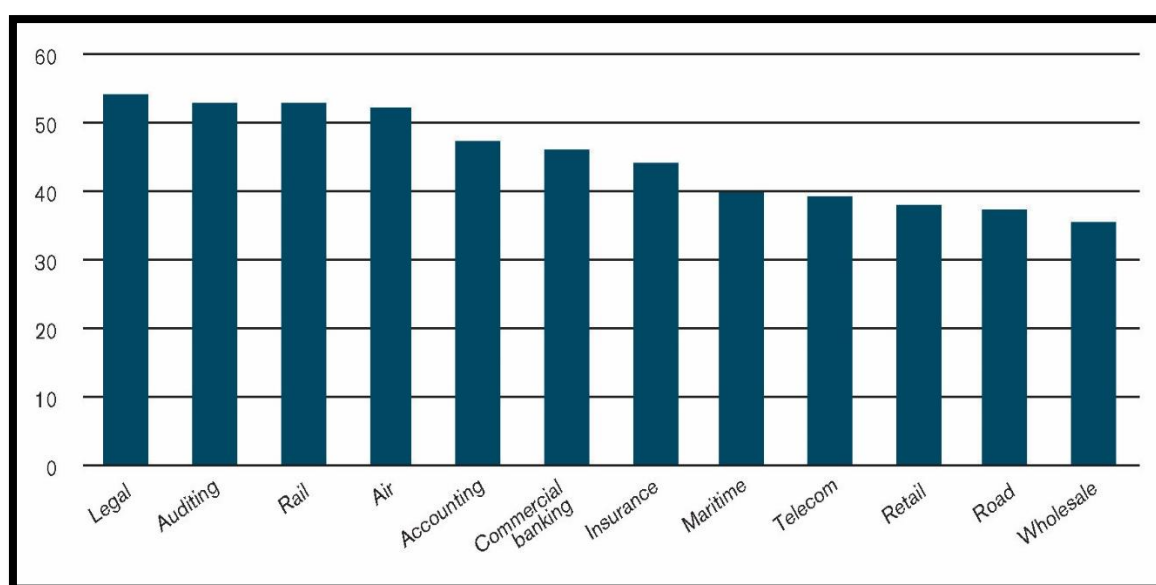
²² Some sectors experience relatively lower trade costs, such as transport, financial intermediation, logistics, wholesale trade and telecommunications, while others show higher trade costs, including construction, retail trade, and hotels and restaurants.

²³ Five components of trade costs were identified: (i) trade policy barriers and policy differences; (ii) information and transaction costs (mostly influenced by cultural, linguistic and institutional similarity); (iii) governance quality (e.g., regulatory quality and predictability of doing business); (iv) ICT connectivity; and (v) transport and travel costs (geographical distance and quality of transport infrastructure).

ii. Services trade barriers are high

48. Barriers to trade in services contribute significantly to trade costs and, as noted in the Part 4, have impacts in various policy areas. The OECD and the World Bank have developed services trade restrictiveness indices (STRI) that capture – by country, mode of supply, and service sector – the extent to which government policies restrict services trade.²⁴ **Overall, barriers to services trade are high**, yet with significant variations across sectors, modes of supply, regions and levels of development.
49. Sectors such as professional and transport services, for example, tend to be more restricted than telecom or distribution services, as illustrated in Figure 7. Developing economies have, on average, higher levels of restrictiveness in all sectors covered.

Figure 7: Services Trade Restrictions Index by subsector, 2016



Source: Source: World Bank STRI (information for 43 economies from OECD STRI; for 25 economies from WBG/WTO), from WTO (2019).

50. **STRI**s also show the extent to which service sectors particularly crucial to trade integration are subject to trade restrictions around the world. Sectors fundamental to the movement of goods within and

²⁴ The OECD's STRI can be consulted here: <https://gdd.oecd.org/subject.aspx?Subject=063bee63-475f-427c-8b50-c19bffa7392d>. The World Bank's STRI is available here: <https://i-tip.wto.org/services/SearchApplied.aspx>

across borders, such as transport services, face significant restrictions in a number of economies. Similarly, despite the role of telecommunication as an enabler of electronic supply of services and e-commerce more generally, a number of countries restrict the sector's trade via mode 3. Barriers to trade in services that are important sources of value added in manufacturing exports, such as professional services, are also high.

51. Nevertheless, Borchert and others (2020) show that the overall level of services trade restrictiveness has decreased globally between 2008 and 2016, albeit with different patterns across sectors. Looking at more recent policy changes across 46 countries, the OECD (2020) finds that the level of services trade restrictiveness increased significantly over the course of 2019, especially in services sectors that enable digital trade, such as computer or telecom services.

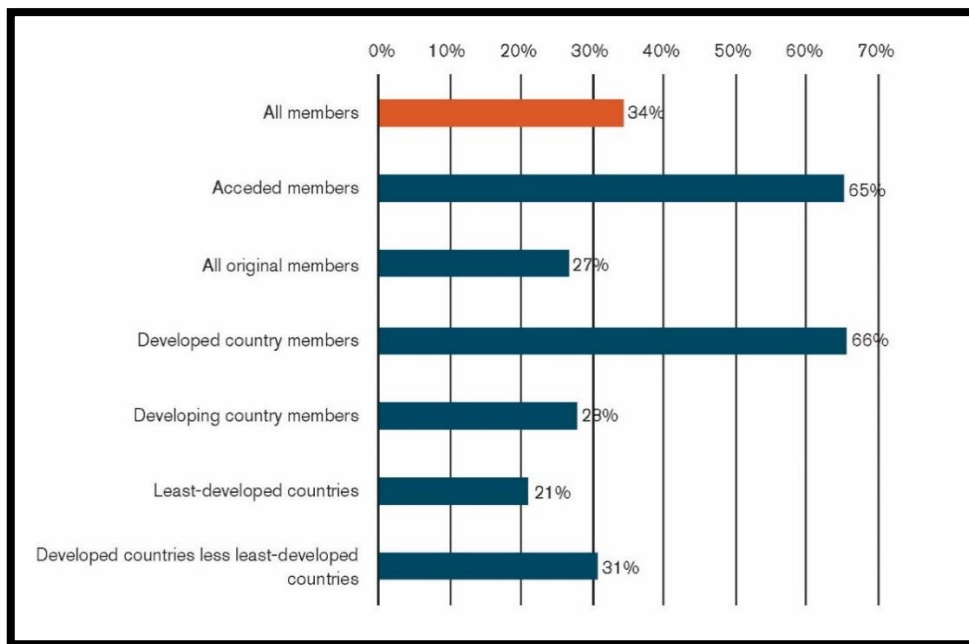
iii. International commitments provide for limited predictability, transparency and protection against trade-restrictive policy reversals

52. The gap between the contribution of services to world trade, on one hand, and international services commitments, on the other hand, is wide compared to tariff bindings for goods. As a whole, **WTO Members have so far made limited use of the GATS to encourage lower services trade restrictiveness or to guarantee existing levels of access** so as to ensure predictability and prevent surges in trade restrictive measures. Since the Uruguay Round and its extended negotiations in telecommunications and financial services (1997), specific commitments of WTO Members have not been improved as a result of negotiations. Nevertheless, Members that went through the process of accession to the organization have generally tended to undertake relatively ambitious commitments.

53. While trade barriers impose costs, **uncertainty stemming from the absence of, or relatively limited, multilateral commitments carries additional trade costs**. Research underscores that the predictability of market access conditions underpinned by WTO disciplines has commercial value in itself. In the case of goods, trade policy uncertainty – measured as the gap between bound and applied tariffs (also

known as tariff “water”) – is a significant trade impediment.²⁵ Recent studies corroborate that services commitments in the GATS, as well as in RTAs, also have a positive impact on services trade, even when controlling for applied levels of openness. Further, services commitments that bind the status quo tend to generate more trade than commitments that have 'water' (Ciuriak and others, 2019; Lamprecht and Miroudot, 2018).

Figure 8: Average proportion of services sub-sectors subject to specific commitments under the GATS, by different groups of members



Source: WTO (2019).

Note: The number of services sub-sectors is based on the Services Sectoral Classification List (WTO document MTN.GNS/W/120). The schedule of the European Union (25) is counted as one, except for the categories of "original members" and "acceded members", where the schedule of the then European Communities (12) is used, given that a number of the EU (25) members acceded to the WTO after 1995.

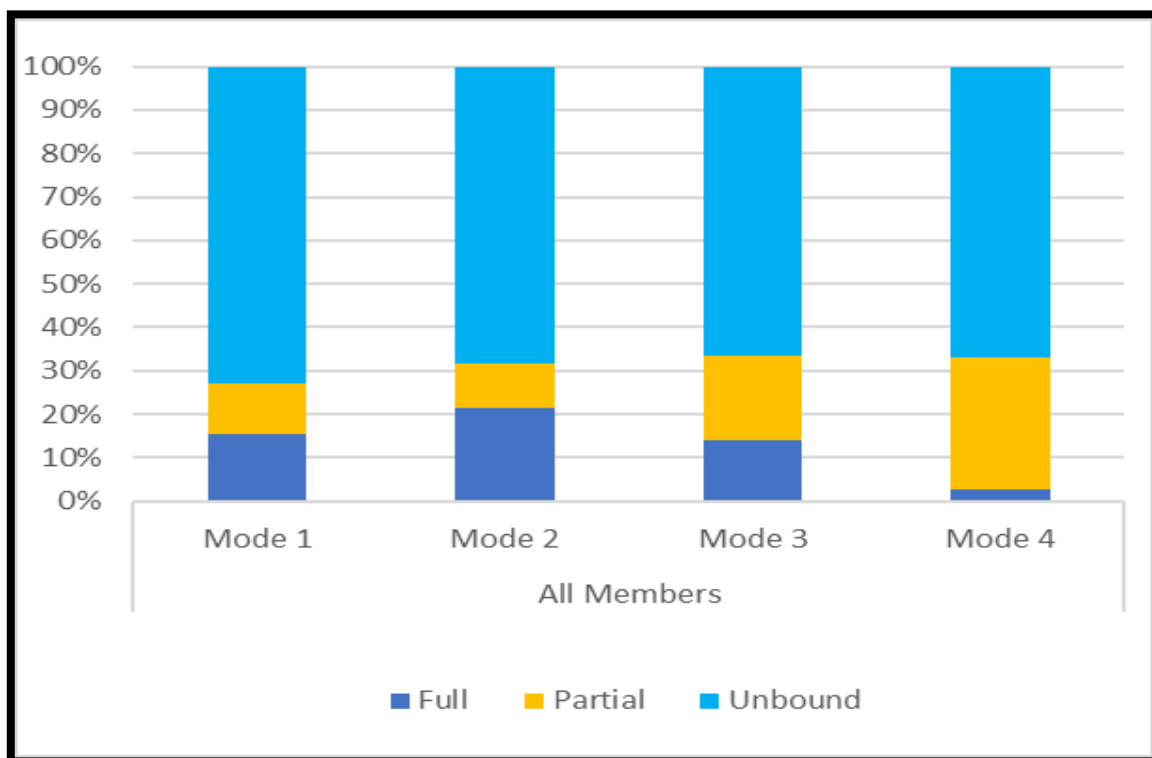
54. However, multilateral services commitments are, overall, modest. As regards sectoral coverage, the majority of WTO Members do not have commitments in the majority of services sectors. On average, schedules of WTO Members have specific commitments in roughly a third of all services subsectors, as

²⁵ 'Water' In a study covering 149 countries, Osnago, Piermartini, and Rocha (2015) find that the elimination of tariff water increases the probability of exporting by 12%; a 1% decrease in water increases export volumes by 1%. The study also finds that, on average, trade policy uncertainty is equivalent to a level of tariffs between 1.7% and 8.7%.

illustrated in Figure 8. Sectoral coverage varies significantly across the membership, with developed Members having, on average, more commitments (about two-thirds of sub-sectors) than developing Members (31%), which in turn have more than least-developed countries (21%).

55. Further, for sectors where market access guarantees are undertaken, commitments are sometimes 'unbound' for certain modes of supply or allow for the use of trade restrictions ('limitations'), as illustrated in Figure 9. Overall, with the notable exception of WTO Members that acceded post 1995, GATS commitments tend not to bind the existing level of openness. In other words, the level of restrictiveness allowed by the GATS far exceeds, on average, the restrictiveness of applied regimes (Miroudot and Pertel, 2015).

Figure 9: Average levels of treatment bound by mode of supply, for all Members and all services subsectors (committed and uncommitted)



Source: WTO (2019)

Note: The vertical axis represents the average proportion of full, partial and unbound/uncommitted entries for market access and national treatment per mode of supply, across all services subsectors. Horizontal limitations are not taken into account in determining whether sector-specific commitments are "full" or "partial". "Full" means that commitments do not contain sector-specific limitations for both market access and national treatment, for a given mode of supply. "Partial" commitments contain some sector-specific limitation to market access or national treatment or are "unbound, except as indicated in the horizontal section". "Unbound" means that no commitment is undertaken for a given mode of supply or that the whole subsector is uncommitted.

56. This picture contrasts with commitments undertaken in regional trade agreements (RTAs) covering services, where Parties have undertaken, on average, significantly higher levels of commitments than at the multilateral level.²⁶ While services RTAs, unlike goods agreements, result in little or no new liberalization in practice²⁷, most services RTAs have managed to bind existing levels of access and non-discrimination to a much greater extent than under the GATS. However, despite the substantial increase in the number of services RTAs since 2000 (now exceeding 150), these agreements cover only part of all trading relationships among WTO Members.

iv. Development Assistance in relation to services trade policies appears limited compared to aid for infrastructure

57. A significant part of aid-for-trade disbursements (totalling US\$ 43.4 billion in 2017) have some relation to services sectors, as suggested by a breakdown of broad categories of disbursements (see Table 1). Indeed, important shares of total Aid-for-Trade relate to 'transport and storage' (29%) and 'energy generation and supply' (25%), but for these two categories, a significant share of disbursements relate to hard infrastructure (physical installations such as roads or airports) rather than soft infrastructure (government policies and service markets). Indeed, classification of aid-for-trade data does not provide sufficiently disaggregated information to fully and readily capture the extent to which development assistance relates to the regulation of service markets or to services trade policy. Other services categories, such as communications, business and other services, or tourism, account for a relatively small – and sometimes diminishing – share of total disbursements.²⁸

²⁶ See, for example, Roy (2014); Roy, Lim and Marchetti (2007); Van der Marel and Miroudot (2014).

²⁷ There are nevertheless some important exceptions. See: Roy, Lim and Marchetti (2007).

²⁸ In the 2019 WTO-OECD Aid for Trade Monitoring and Evaluation exercise, most donor (66%) and recipient countries (88%) identified services as the sector where future support for economic diversification would be most required.

Table 1: Percentage of Total Aid-for-Trade Disbursements by Category.

AfT categories	2005	2010	2015	2016	2017
Trade Policy and Admin. Management	2.9%	2.0%	1.0%	1.4%	1.7%
Trade Facilitation	0.3%	1.1%	1.0%	1.0%	0.8%
Regional Trade Agreements	0.2%	0.3%	0.2%	0.4%	0.2%
Trade-related Adjustment	-	0.2%	0.0%	0.0%	0.0%
Multilateral Trade Negotiations	0.1%	0.1%	0.0%	0.0%	0.0%
Trade Education/Training	0.1%	0.1%	0.1%	0.1%	0.1%
Transport and Storage	28.2%	29.4%	27.4%	28.3%	28.7%
Communications	2.7%	1.7%	1.1%	1.4%	1.5%
Energy Generation and Supply	16.7%	21.8%	24.0%	24.4%	25.4%
Business and Other Services	5.5%	5.1%	5.0%	4.6%	3.6%
Banking & Financial Services	8.9%	7.8%	13.7%	11.8%	10.3%
Agriculture	18.9%	21.4%	18.0%	19.2%	17.4%
Forestry	2.6%	2.4%	1.8%	1.4%	1.9%
Fishing	1.4%	1.0%	0.6%	0.9%	1.3%
Industry	6.6%	4.5%	4.4%	3.6%	5.6%
Mineral Resources and Mining	4.8%	0.6%	1.1%	1.0%	1.1%
Tourism	0.2%	0.5%	0.4%	0.5%	0.5%

Source: OECD Creditor Reporting System Database

6. CONCLUDING REMARKS

58. The service sector is the largest contributor to economic activity and employment, and hosts more enterprises, including SMEs, than any other economic segment in most countries. Trade in services and services trade policies now play an increasingly important role in the global economy, including through their impact on foreign direct investment, economy-wide productivity, connectivity, and manufacturing competitiveness and exports. Trade in value-added statistics underscore that services are important for countries at all levels of development. In that context, services trade policies are key to any sustained effort to achieve economic and trade diversification.

59. Services trade policy is a potentially important tool to help attain a range of UN Sustainable Development Goals (SDGs). On the one hand, services trade policies contribute to SDGs through their impact on economic growth and higher per capita incomes brought about by higher productivity of services sectors. On the other hand, trade is a channel to improve access to higher-quality, cheaper and more varied services in sectors targeted in SDGs, such as finance, ICT, transport, or environmental services (Fiorini and Hoekman, 2018a). Further, improving the policy environment for FDI in services can help attract the foreign and private investment needed to fill infrastructure gaps and investment shortfalls, thus contributing to fulfilment of the SDGs. UNCTAD has stressed that public finances alone will not suffice to meet demands for financing that the SDGs warrant, and that the contribution of the private sector is therefore indispensable for many developing countries (UNCTAD, 2014).
60. Still, it appears that relatively limited attention is focused on services trade policies, which, overall, are relatively restrictive, despite their dampening economy-wide effects. Global cooperation on trade in services likewise appears relatively limited. Despite the fact that services policies, unlike tariffs, typically tend to be applied on an MFN-basis, existing multilateral commitments, generally, do not guarantee existing levels of openness, thereby providing only limited certainty and predictability to traders. Finally, Aid-for-Trade in relation to services trade policies seems much less common than perhaps might be expected.
61. Advances in these different areas of cooperation (reduced barriers, improved international commitments, effective Aid for Trade) could help tackle many of the policy-induced trade costs for services (e.g., 'trade policy barriers', 'governance quality', 'information and transaction costs', 'ICT connectivity'); costs which, overall, are significantly higher than for merchandise trade.

ANNEX

CASE STUDIES – EXPANSION OF TRADE IN SERVICES AND DEVELOPMENTAL OUTCOMES²⁹

Air transport in Ethiopia

Ethiopia has encouraged economic growth by increasing trade in transport services. Due to a successful expansion of the Ethiopian Airlines regional network and abundant cargo capacity, high-value or time-sensitive Ethiopian exports can be transported much more cheaply and quickly than before. The improvement in transportation services has allowed the cut flowers industry to flourish in Ethiopia; exports of cut flowers from Ethiopia to the rest of the world increased from US\$ 12 million in 2005 to US\$ 662 million in 2014 (Hoekman and te Velde, 2017).

ICT services in India

The ICT services sector in India illustrates another instance of services trade contributing to economic development. Due to a combination of low wages, an abundant supply of moderately skilled workers, the labour force's proficiency in English, and the establishment of software technology parks, India has become a prominent global exporter of ICT services. Indian ICT exports totalled US\$ 103 billion in 2014, and the whole sector contributed 9.5% of the economy's GDP. India's ICT sector, which employs roughly 3.5 million Indians, has created many jobs for women and outlying cities (Hoekman and te Velde, 2017).

Financial services in Kenya

Kenya provides a pertinent example of a developing country that has used services trade in the context of trade-opening or liberalization to expand its financial services sector. Through increased openness in the financial sector, the establishment of diversified financial hubs, technological advancements in mobile technology, and a modification of the tax regime, Kenya has expanded its financial sector, boosted trade in financial services, and become a regional leader and hub for financial services. Foreign bank participation, coupled with sound regulation, has been an important driving factor. As at the end of 2017, Kenya's banking sector comprised 42 commercial banks, of which 15 were fully foreign-owned and accounted for 30.1% of total banking assets. Exploiting the potential for banking services in its own region, Kenya's banks and financial institutions have pursued vigorous expansion over the last years, with nine banks having subsidiaries operating

²⁹ These case studies are reproduced from WTO (2019, pp. 57-59) and OECD/WTO (2017, p. 124).

in other East African Community (EAC) countries. From 2011 to 2016, the number of branches of Kenyan banks abroad increased from 211 to 297. This transformation has allowed Kenya to generate high-skilled and high-wage jobs in the financial sector. Additionally, the Kenyan reforms have made financial services an important part of the economy, as the sector now accounts for 2.8% of Kenya's total formal employment, and 4.6% of total services exports (Hoekman and te Velde, 2017). A significant factor in Kenya's success in expanding financial inclusion has been the expansion of the mobile banking sector. M-PESA, a subsidiary of Safaricom, remains the leading player, servicing about 19 million users with about US\$ 150 million worth of transactions daily. Services offered have been expanded to include loans and saving products.

Health, tourism and financial services in Mauritius

Mauritius has reduced ICT trade barriers and experienced beneficial effects similar to those of India. By opening up regulations for the industry, Mauritius has become more efficient and internationally competitive in ICT services. The value of ICT exports increased from US\$ 0.3 billion in 2005 to US\$ 1.3 billion in 2015, and the share of ICT services in total services exported doubled from 18.5% to 37% over the same period (Hoekman and te Velde, 2017). Mauritius has also invested heavily in supporting infrastructure, by creating health facilities, to promote health tourism. These investments led to a 15-fold increase between 2005 and 2011 in the number of foreign patients receiving healthcare in Mauritius. The government's aim is to expand the number of foreign patients to 100,000 by 2020, which would increase revenue from the health tourism sector to approximately US\$ 1 billion (United States International Trade Commission (USITC), 2015). In addition to Mauritius' efforts to promote its ICT and health tourism sectors, the country has also targeted the export of financial services as a vehicle for economic growth. Mauritius introduced offshore banking in 1988, in the hope of transforming the economy into an international finance hub. This has played a vital role in the development of the country's financial services sector ever since. Between October 2002 and 2011, more than 20,000 companies registered in the offshore banking sector, and between 1976 and 2010, the tertiary sector (including tourism and financial services) increased from 50% to 70% of GDP (Zafar, 2011). The Government of Mauritius expects this share to grow further and to spur economic growth.

Tourism in Mexico

Faber and Gaubert (2019) looked at the impact of tourism on various localities in Mexico and on the country as a whole. Faber and Gaubert find that international and domestic tourism inflows cause large and significant local economic gains in "touristic regions" relative to less touristic regions, for example, a 10% increase in local hotel revenues leads to a 2.5% increase in total employment in a given municipality, and a 4% increase in nominal municipality GDP. Furthermore, these gains are in part driven by significant positive spillovers in manufacturing. Faber and Gaubert estimate that a 10% increase in local hotel revenues leads to a 3.9% increase in local manufacturing GDP. These cross-sector spillover effects can occur through a variety of mechanisms. The development of tourism in an area increases demand for other services inputs to tourism, such as legal, accounting and consulting services. As these complementary services sectors expand in the area, local manufacturing firms can draw on these services inputs to improve their own productivity. Increased tourism revenues can loosen credit conditions in an area, which can help manufacturing firms borrow for their

working capital requirements. Manufacturing firms in the area also benefit because of access to an expanded set of contacts and business networks created by the expanding tourism sector. Finally, the favourable economic conditions in touristic regions created by the expansion of tourism can lead manufacturing firms from non-touristic regions to relocate there. This means that, while tourism leads to sizable gains at the local level, these gains are muted at the national level, since the relocation of manufacturing firms from non-touristic to touristic regions reduces the positive agglomerative effects of manufacturing in the non-touristic regions.

The business process outsourcing (BPO) sector in the Philippines

The Philippines is another example of how services trade can transform an economy and catalyse economic development. It did so through business process outsourcing, which involves foreign companies outsourcing their business processes to a service provider domiciled in the Philippines. The BPO industry has several component sectors: contact centres, back office services, data transcription, animation, software development and engineering development. It has become a critical part of the economy of the Philippines. In 2015, the BPO sector generated US\$ 22 billion in revenue, accounting for 7.3% of the GDP of the Philippines and employing 1.2 million full-time employees (Price and others, 2016). The Philippine BPO sector tripled its share of the global BPO market from 4% in 2004 to 12.3% in 2014 and is expected to increase it to 19% by 2020 (Errighi and others, 2016). The sector's international success owes a lot to the fact that the country has a young, educated workforce with a strong command of English, as well as relatively low living costs that allow labour to be compensated at an internationally competitive rate (Shead, 2017). Moreover, Errighi and others (2016) find that, given the BPO sector's growth rate, it will soon overtake foreign remittances as the largest contributor to the GDP of the Philippines.

ICT Services in Senegal

Senegal is another developing country that has recently experienced strong growth in services exports, driven in large part by the export of ICT services. Senegal's most important services exports (on a BOP basis) are in the area of "other commercial services" (49.3%), followed by travel (37.1%) and transport (12.2%). Telecommunication, computer and information services are the main component (47%) of the "other commercial services" category, followed by "other business services" (e.g., professional services) (33%). Policies targeting the domestic environment have played a key role in facilitating the success of service suppliers in ICT and BPO. Key steps include the liberalisation of the sale of computer terminals in 1997, the lowering of tariffs on computer imports, and a series of policies to create a more competitive and efficient telecommunication sector. These policy choices include privatisation of the incumbent telecom operator, pre-commitments on telecommunication services, adoption of the Reference Paper on Regulatory Principles in the extended GATS negotiations on telecommunications, and the establishment of an independent telecom regulator. All of this helped provide ICT and BPO service operators with access to relatively low-priced and robust infrastructure that has allowed them to expand. These efforts have been complemented by reforms in other areas, such as the inclusion of incentives in the investment code and the adaptation of the labour code to take into account the work schedules of call-centres. Exports of Senegalese BPO and ICT services are mostly

in mode 1, although some suppliers have also established a commercial presence abroad, mostly in other West African countries. Experts also travel regionally to work for subsidiaries and to provide consulting services directly (mode 4). For example, Call Me — created in 2002 as a subsidiary of Chaka Group, the Senegalese computer engineering firm —provides BPO services, including voice services and outsourced appointment-taking for visa applications. It also provides advisory services (quality management, team training, and performance in customer teams). Call Me exports to Europe as well as to other African countries, and opened subsidiaries in Mali, Côte d'Ivoire, Guinea, Mauritania and Mali). The domestic Senegalese market accounts for approximately 25% of Call Me's turnover, while 60% is generated from other African markets and 15% from non-African foreign markets (Doubouya and others, 2015).

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