



**WORKSHOP ON FACILITATING THE INCREASING PARTICIPATION OF  
LEAST-DEVELOPED COUNTRIES IN TRADE IN SERVICES**

**DEDICATED SESSION OF THE COUNCIL FOR TRADE IN SERVICES**

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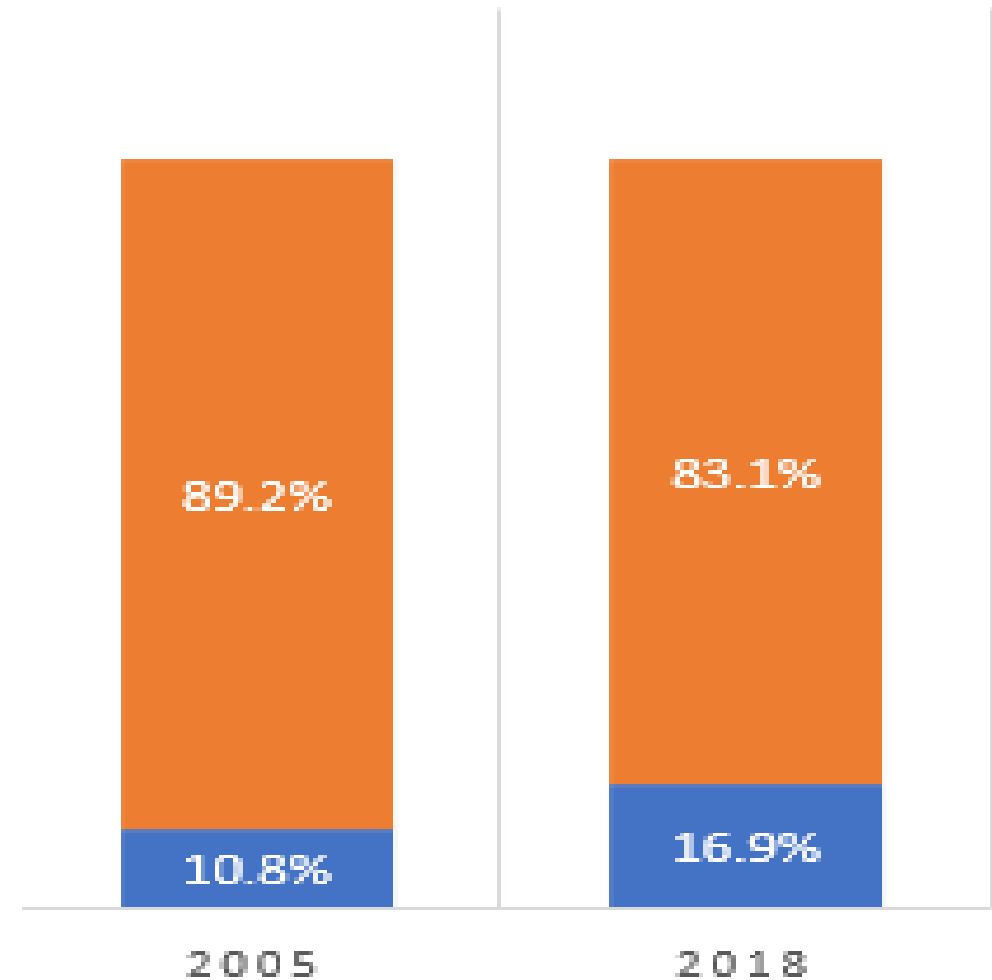
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# Early messaging

- LDCs' share in global services exports increased at a faster rate than their share in global goods exports.
- The share of services in total LDC exports is increasing while that of goods is decreasing.
- The export performance of LDCs shows greater resilience for services than for goods, recalling the lesser cyclical nature of services trade.
- Despite much untapped potential, LDC's services exports remain highly [unduly] concentrated in travel/tourism and transport services
- Efforts at export diversification in services is key – how can the waiver best help?
- What should domestic reform efforts concentrate on in strengthening LDC supply capacity in services?
- How can Aid for Trade initiatives best be marshaled?

# LDCs: Export Structure, 2005 and 2018

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■ Share of goods in total LDC exports

■ Share of services in total LDC exports

**LDCs:  
Composition of  
Services  
Exports,  
2005 and 2018**

Sub-sector	2005	2018	Trend
<b>Goods-related services</b>	1.6%	3.7%	↑
<b>Transport services</b>	21.2%	25.3%	↑
Travel services	52.7%	49.8%	↓
Construction services	2.2%	2.2%	→
Insurance and pension services	1.2%	0.6%	↓
Financial services	1.7%	1.1%	↓
Charges for the use of intellectual property	1.1%	0.2%	↓
Telecommunications, computer, and information services	6.8%	6.5%	↓
Other business services	11.4%	10.2%	↓
<b>Personal, cultural, and recreational services</b>	0.2%	0.4%	↑

Lessons from recent WBG  
country case studies –  
Ethiopia, Lao PDR, Liberia,  
Myanmar, Nepal

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# Key lessons from country case studies

- There is **strong evidence of links between the quality of backbone services and firm productivity**. In particular, the quality of transportation and electricity/energy supply and the level of digital connectivity exert significantly positive effects on firm-level productivity.
- **Weak services tax economy-wide performance**: exporters in SSA pay transport costs for their goods up to five times higher than the average tariffs they face in industrial country markets.
- Too many LDCs suffer from **high and rising export concentration in services**. Such dependence increases vulnerability to sector-specific shocks.
- **Export diversification is key**, notably by **building up the stock of human capital**, with key emphasis placed on foreign language, business and financial literacy skills. Upskilling is key to upgrading into more sophisticated services and in promoting “servicified” manufacturing.
- Encourage **expanded services exports through trade promotion** interventions aligned with international best practices.
- **Establishing a payments gateway** allowing payments to be made and received online is critical for digital uptake and expanded Mode 1 exports.

## Key lessons from country case studies (2)

- While **travel and tourism** are centrally important activities in most developing and least developed countries, trade policy (and trade agreements) exert relatively limited traction in the sector, not least because of air transport's *de facto* exclusion from trade and investment governance.
- Services such as **software and BPO** are promising sources of growth and competitiveness for many LDCs, with significant upside for inclusive growth for women and younger workers, dampening pressure for outward migration.
- **Remoteness is a less binding constraint** for exports of modern services. Being landlocked is less of a disadvantage in services than in manufacturing. But clustered talent, finance and value chain linkages matter.
- In most LDCs, the developmental benefits of services (and of services trade) are held back by **weak policy formulation ecosystems**. There is a need to enhance trade policy formulation through improved mechanisms for stakeholder consultations and inter-agency coordination.
- **LDCs can harness preferential trade agreements** as platforms for wider integration with the global marketplace - Lao PDR and Myanmar in ASEAN; African LDCs in the AfCFTA; Pacific Island LDCs under PACER+.

# Policy take-aways

- **Services trade matters for growth.** The empirical literature confirms the positive relationship between trade in services and productivity, which exerts a large impact on growth over time. These results hold in LDC policy settings.
- **Reducing barriers to trade is a necessary condition** to promote lower-cost and higher-quality services markets, but it is not sufficient.
- **Poor sectoral regulation** can also act as a *de facto* barrier to export competitiveness and deter inward investment.
- Many limitations to trade and investment in services stem from **weak and ineffective governance**.
- To fully reap the benefits of liberalization, **governments must both address trade policies that impede services trade (both X and M) and improve regulatory quality**.
- But beware: **reducing policy restrictiveness does not necessarily improve regulatory quality**.



# Policy take-aways (2)

- **Regulatory strengthening is key** - agencies also often lack adequate resources to fully evaluate the complexity of the market and the impact of regulations.
- The **spatial and distributional effects** of market opening require greater empirical scrutiny.
- Expanding trade in **fragile and conflict-recovering settings** is challenging as markets tend to be highly concentrated.
- Steps need to be taken to **improve the business environment** - by relaxing licensing requirements, increasing transparency, reducing corruption and informality.
- **Continued reliance on unilateral domestic reforms and stepped-up engagement in trade diplomacy** are needed: seeking permanent exemptions from negotiated rules or commitments cannot address supply-side shortcomings.
- **But greater engagement should rest on stepped-up levels of Aid for Trade:** regulatory impact assessments, e-readiness assessments, more granular sectoral diagnostics and increased investments in backbone services, regulatory institutions and human capital are all needed.

# Suggested readings

- Dihel, Nora and Arti Grover Goswami (2016), *The Unexplored Potential of Trade in Services in Africa : From Hair Stylists and Teachers to Accountants and Doctors*, Washington, D.C.: The World Bank Group, available at <http://hdl.handle.net/10986/24968>
- Hollweg, Claire and Sebastian Saez, eds., (2019), *Services for Trade Competitiveness: Country and Regional Assessments of Services Trade*, Washington, D.C.: The World Bank Group, available at <https://elibrary.worldbank.org/doi/book/10.1596/978-1-4648-1406-8?chapterTab=true>
- Hollweg, Claire Honore; Van Der Marel, Erik Leendert; Saez, Juan Sebastian; Taglioni, Daria; Zavacka, Veronika (2015), *Valuing services in trade : a toolkit for competitiveness diagnostics*, Washington, DC : World Bank Group, available at: <http://documents.worldbank.org/curated/en/665381468133530424/Valuing-services-in-trade-a-toolkit-for-competitiveness-diagnostics>
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- World Bank Group, *World Development Report 2020: Trading for Development in the Age of Global Value Chains*, Washington, D.C.: World Bank Group, available at <https://www.worldbank.org/en/publication/wdr2020>
- World Bank Group (2019), *An Analysis of Issues Shaping Africa's Economic Future*, Africa's Pulse, No. 20, (October), available at <https://openknowledge.worldbank.org/handle/10986/32480>
- World Trade Organization (2019), *World Trade Report 2019: The Future of Services Trade*, Geneva: World Trade Organization, available at: [https://www.wto.org/english/res\\_e/reser\\_e/wtr\\_e.htm](https://www.wto.org/english/res_e/reser_e/wtr_e.htm)



Thank you!

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