

# The Role of Trade in Services in the Sustainable Development



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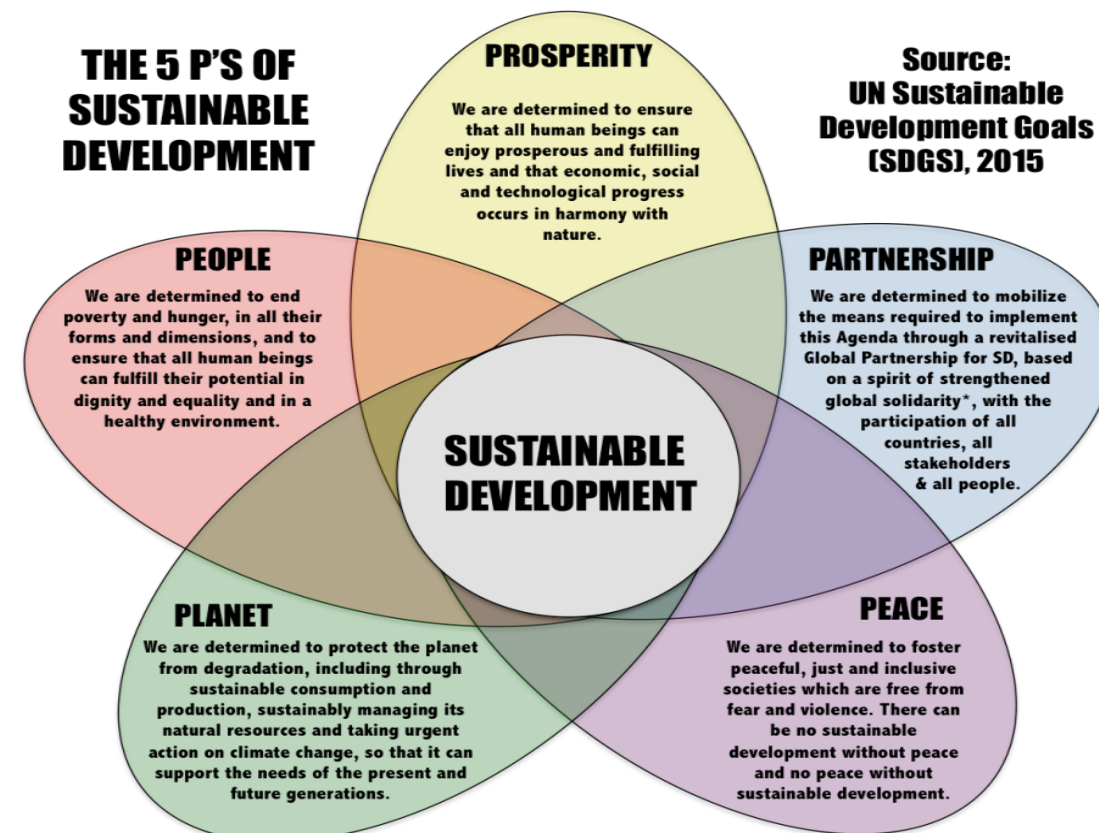


# SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



## THE 5 P'S OF SUSTAINABLE DEVELOPMENT



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\* focussed in particular on the needs of the poorest and most vulnerable and with the participation of all countries. SD = Sustainable Development





# Agreements on Trade in Services

**Multilateral level** : The General Agreement on Trade in Services (GATS)

**Regional level** : ASEAN Framework Agreement on Services (AFAS)

**Bilateral Level** : Free Trade Agreement (FTA) (TAFTA...)



# International trade in services defined by the Four Modes of Supply of the General Agreement on Trade in Services (GATS)

**Mode 1 Cross border trade**, which is defined as delivery of a service from the territory of one country into the territory of other country;

**Mode 3 Commercial presence** - which covers services provided by a service supplier of one country in the territory of any other country, and

**Mode 2 Consumption abroad** - this mode covers supply of a service of one country to the service consumer of any other country

**Mode 4 Presence of natural persons** - which covers services provided by a service supplier of one country through the presence of natural persons in the territory of any other country.

# TRADE IN SERVICES MODES

## MODE 1

Cross-border supply



Supplier provides services across ASEAN from its territory (Ex: IT-BPO)

## MODE 2

Consumption abroad



Supplier provides services to ASEAN consumers within its territory (Ex: Local tourism packages for ASEAN tourists)

## MODE 3

Commercial presence



Supplier provides services by establishing branches across ASEAN (Ex: Banks and clothing lines)

## MODE 4

Temporary movement of people



Supplier provides services by deploying workers from its territory to ASEAN (Ex: Intra-corporate transferees)



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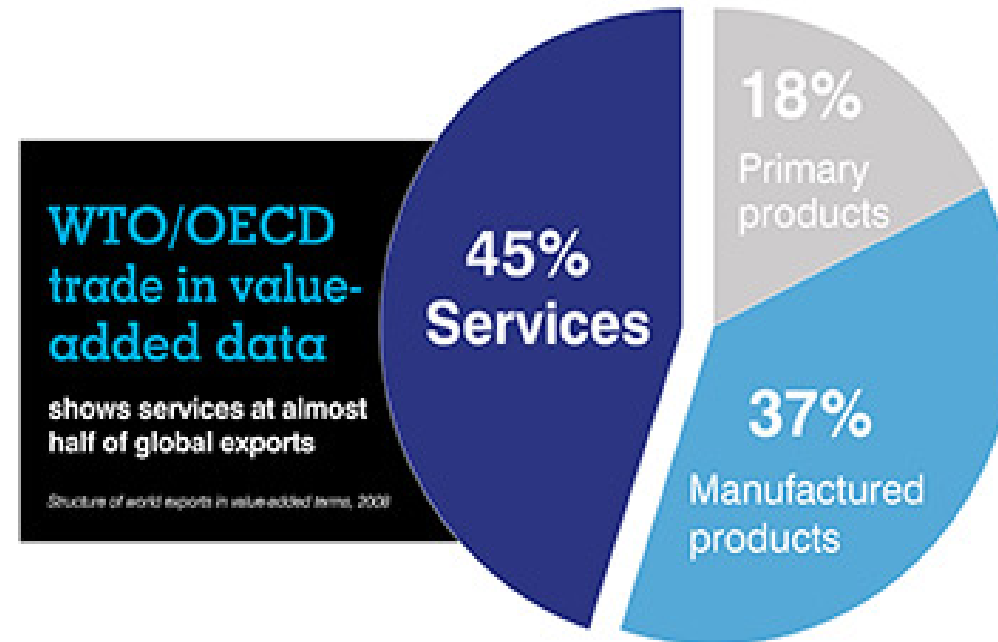
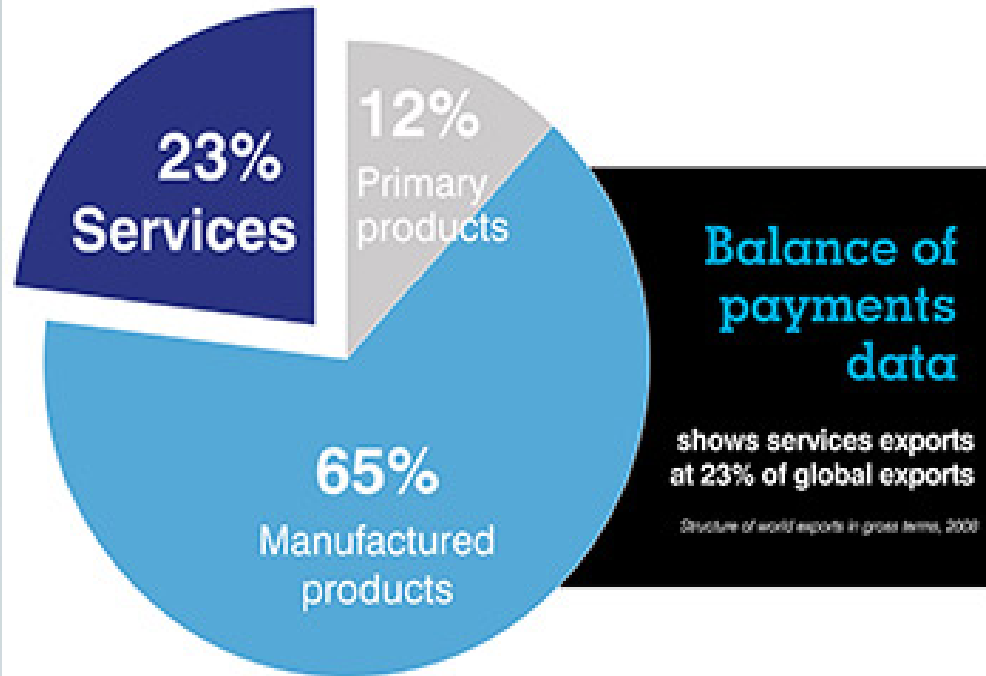
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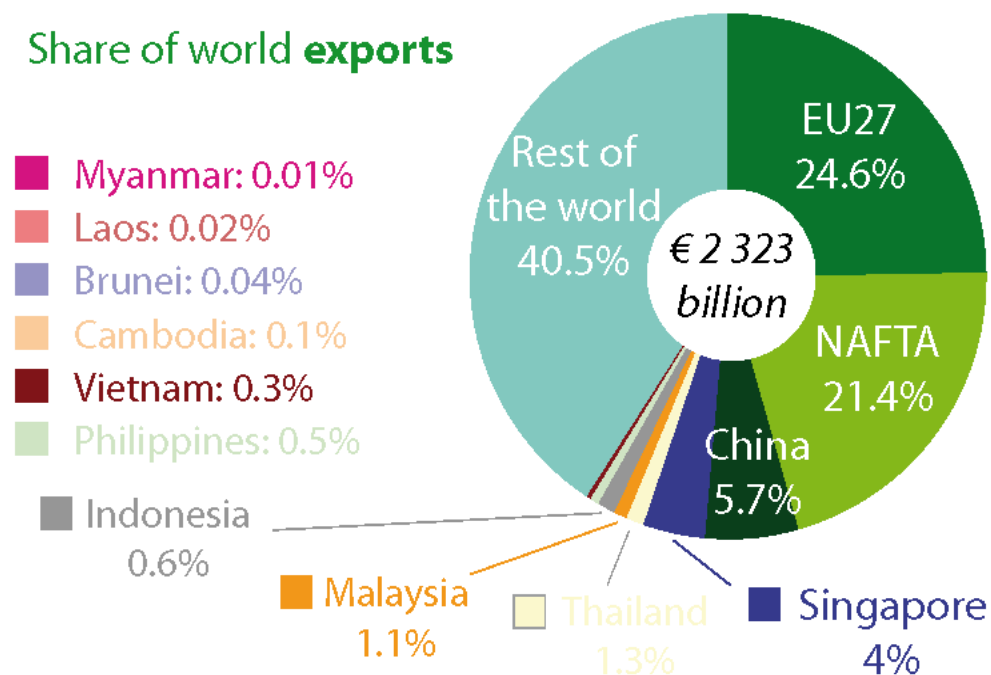


## Trade in services in the global economy



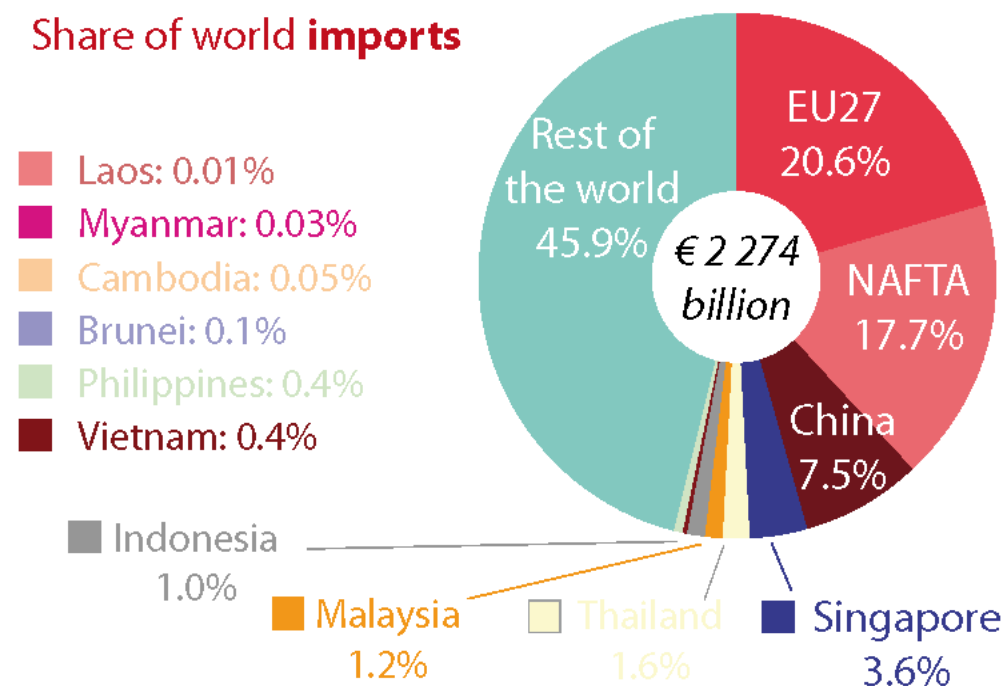
## World trade in services (2011)

### Share of world **exports**



The ASEAN countries' exports altogether amount to € 183 billion, representing 7.9% of the global exports

### Share of world **imports**

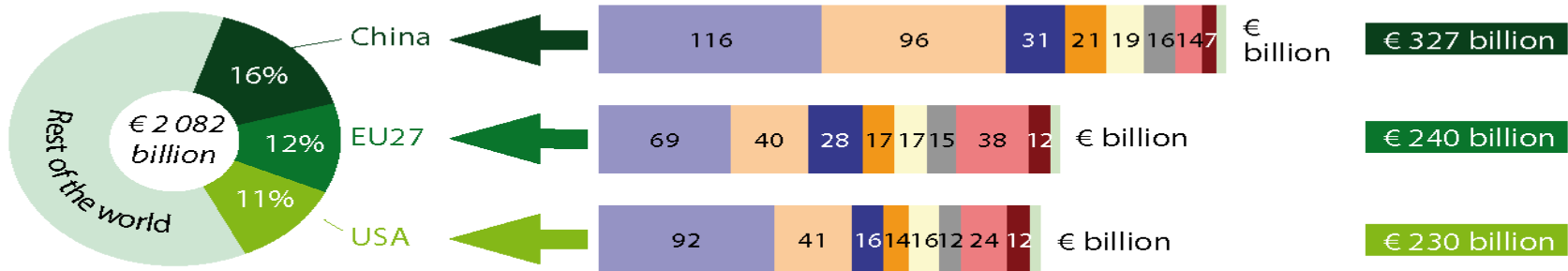


The ASEAN countries' imports altogether amount to € 189 billion, representing 8.3% of the global imports

Source : World Trade In Services (2011)

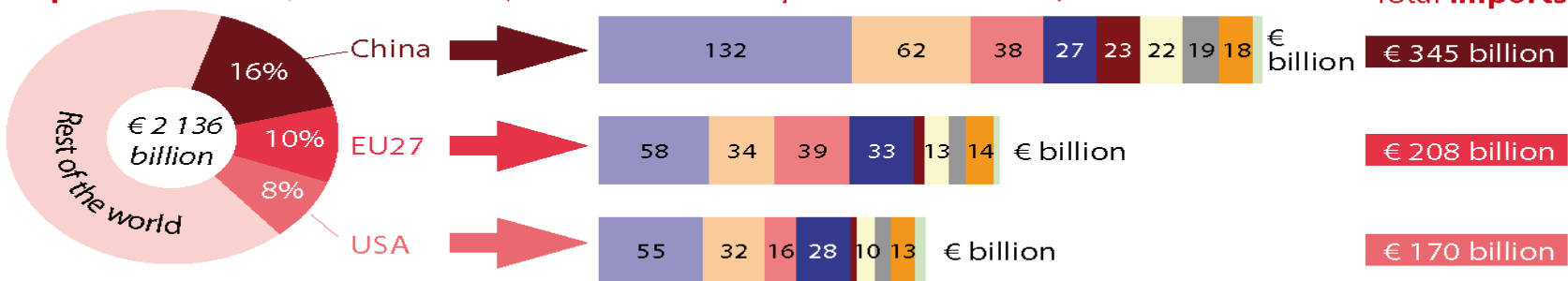
## World trade in goods of the *selected countries* (2011)

### Exports to China, EU27 and USA (as share of world exports and in € billion)



12% of the *selected countries'* exports go to the EU

### Imports from China, EU27 and USA (as share of world imports and in € billion)



10% of the *selected countries'* imports come from the EU

Japan, South Korea, Singapore, Malaysia, Thailand, Indonesia, India, Vietnam, Philippines

Source : EU-Asia Trade Relations Beyond China



### 3. A GLOBAL STRATEGIC CHALLENGE: PROMOTING INVESTMENT IN SUSTAINABLE DEVELOPMENT

Sector	Description
Power	Investment in generation, transmission and distribution of electricity
Transport	Investment in roads, airports, ports and rail
Telecommunications	Investment in infrastructure (fixed lines, mobile and internet)
Water and sanitation	Provision of water and sanitation to industry and households
Food security and agriculture	Investment in agriculture, research, rural development, safety nets, etc.
Climate change mitigation	Investment in relevant infrastructure, renewable energy generation, research and deployment of climate-friendly technologies, etc.
Climate change adaptation	Investment to cope with impact of climate change in agriculture, infrastructure, water management, coastal zones, etc.
Eco-systems/biodiversity	Investment in conservation and safeguarding ecosystems, marine resource management, sustainable forestry, etc.
Health	Infrastructural investment, e.g. new hospitals
Education	Infrastructural investment, e.g. new schools

*Source : UNCTAD, Investment Policy Framework for Sustainable Development*



## *What exactly is Aid for Trade?*

***The OECD** defines its aid for trade work as follows: “OECD’s work in trade supports a strong, rules-based multilateral trading system to maintain the momentum for further trade liberalisation while contributing to sustainable development. It strengthens trade policy dialogue with developing and emerging economies, increases the understanding of the effects of trade liberalisation, and promotes mutually beneficial integration of these economies into the multilateral trading system”.*

***The World Trade Organization (WTO)**, which started its Aid for Trade initiative in 2005, provides the following definition: “Aid for Trade is about helping developing countries, in particular the least developed, to build the trade capacity and infrastructure they need to benefit from trade opening”. The WTO notes that “trade has the potential to be an engine for growth that lifts millions of people out of poverty”, but that “internal barriers – lack of knowledge, excessive red tape, inadequate financing, poor infrastructure” hamper that potential.*

*Aid for Trade has become increasingly popular as a form of ODA*

*Source: Understanding Aid for Trade part one: a dummy’s guide*

# WTO outlines four components to Aid for Trade

- **Trade policy and regulation:**

Building capacity to formulate trade policy, participate in negotiations and implement agreements

- **Productive capacity building:**

Strengthening economic sectors – from improved testing laboratories to better supply chains – to increase competitiveness in export markets

- **Economic infrastructure:** Investing in the infrastructure – roads, ports, telecommunications, energy networks – needed to link products to global markets

- **Adjustment assistance:** Helping with any transition costs from liberalisation – preference erosion, loss of fiscal revenue, or declining terms of trade



# TRADE IN SERVICES AND SUSTAINABLE DEVELOPMENT

*WTO, WORKSHOP ON AID FOR TRADE AND SERVICES, 29 June 2012*

**1. Services matter for development for a variety of reasons.** Three are cited here:  
**first**, as an avenue for export diversification;  
**second**, as an input into the production of goods and services; and  
**third**, as a significant contributor to employment and poverty alleviation.

**2. Trade in services, particularly business services, is a dynamic component of trade – and an option for export diversification in developing countries.**  
The recent development experience of South Asia and the increasing trade ability of services support this position. South Asia's, and in particular India's, recent experience shows that growth has been led by services exports – and that labour productivity levels in services can be higher than those in industry.



# TRADE IN SERVICES AND SUSTAINABLE DEVELOPMENT

*WTO, WORKSHOP ON AID FOR TRADE AND SERVICES, 29 June 2012*

**3. Increasing trade ability is driving a "Service Revolution".** Advances in **information and communications technology**, combined with rapid growth in technology and the global expansion of the internet are transforming the trade ability of services.

**Services can be an input for trade in goods** (and other services), but also a "final export" for direct consumption.

**Services are also increasingly** subject to the same unbundling as trade in goods i.e. a **single service activity in the global supply chain can now be completed across different geographic locations.**

**Increasing specialization and sophistication in the service exports** of developing countries are offering **new avenues for economic development.**



# TRADE IN SERVICES AND SUSTAINABLE DEVELOPMENT

WTO, WORKSHOP ON AID FOR TRADE AND SERVICES, 29 June 2012

**4. Services have a significant impact on growth and efficiency across a wide range of industries, and economic performance overall.** Services are essential inputs in the production of virtually all other goods and services, and producers depend on services to deliver their output to end-users. Because the price and quality of the services available in an economy have major impacts on all sectors, **service sector policies and efficiency enhancing reforms – including regulatory and institutional changes –** can exert major effects on overall economic performance.

Sectors such as transport, telecommunications and financial services are key determinants of the conditions in which persons, merchandise, services and capital flow. **Infrastructure services – financial, transport, telecommunications, water and energy – are fundamental for development, including in providing access to essential services for attaining the MDGs on water, energy, health and education.** Services have become a fundamental economic activity and play a key role in infrastructure building, competitiveness and trade facilitation.





# TRADE IN SERVICES AND SUSTAINABLE DEVELOPMENT

*WTO, WORKSHOP ON AID FOR TRADE AND SERVICES, 29 June 2012*

**5. The importance of services in the global economy is mirrored in employment statistics.** Looking at developments over the 1997-2007 period, a significant shift of employment from the agriculture and industry to the services sector can be observed.

**Services' contribution to total employment gained on average 5 percentage points in high income countries.** Available information suggests that the increase was also sharp on average in most middle- and low- income countries. Employment data further confirm **the importance of the services sector, which accounts for more than half of the employment in many countries.**



# TRADE IN SERVICES AND SUSTAINABLE DEVELOPMENT

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**6. Services help lessen poverty through two channels.** Directly, they **provide the largest source of new job growth.** Indirectly, they **provide the income** that, when spent, drives further demand for goods and services and for the jobs to produce them. In addition to direct job creation, some estimates suggest that **the indirect effect of a growing services sector** can be larger than its direct effect.

For instance, India's information technology industry association (NASSCOM) estimates that for every job created in the information technology sector, four additional jobs are created in the rest of the economy, because of the high levels of consumption spending by professionals employed in this sector. 7 One World Bank study that examined a sample of 50 developing countries over the period 1990-2005, found that growth in the services sector was more closely correlated with poverty reduction than growth in agriculture



# Negotiations to Liberalize Trade in Services : New Challenges for Sustainable Development





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