TRENDS AND DEVELOPMENTS IN COMMERCIAL SERVICES TRADE

A. EXPORTS OF COMMERCIAL SERVICES: LOSING PACE IN 2012

The Asia and Pacific region’s exports and imports of commercial services showed signs of a slowdown in 2012. This followed a quick recovery in 2010 and 2011 from the global economic crisis. Growth rates of services exports and imports almost halved in 2012 compared to the previous year (from 11.8% to 6.3% for exports and from 13.8% to 7.7% for imports). In relative terms, the region has been performing better than the rest of the world since the early 2000s, and this is reflected in its growing share of world exports and imports of commercial services. For exports the share rose from 23% to 28% and for imports from 27% to 31%. With the exception of the global economic crisis dip, exports grew steadily. However, in 2012 the region still had an overall deficit in services trade (figure 2.1).

After the crisis, developing economies of Asia and the Pacific recorded faster growth in export of commercial services than the region’s developed economies.
While export growth of developing Asia-Pacific economies slowed from 14.2% in 2011 to 6.4% in 2012, developed Asia-Pacific economies contracted in 2012 by -0.43% against 4.9% growth in 2011. Despite added volatility from global economic uncertainties, service exports from developing Asia-Pacific economies recorded 8% annual average growth rate during 2009 to 2012. In contrast, exports from developed Asia-Pacific economies, on average, stagnated during the same period (figure 2.2). This was driven particularly by the contraction in financial services exports. In the aftermath of the global economic recession, developing countries’ services exports demonstrated higher resilience, especially in the sectors of computer and information services, communication and travel.

The more dynamic developing economies are the leading exporters of commercial services from the Asia-Pacific region. These economies include China, India, Singapore, Hong Kong, China and the Republic of Korea (in order of the value of exports in 2012). As a result, exports of commercial services in the region performed

**FIGURE 2.1** Exports and imports of commercial services by the Asia-Pacific region

![Graph showing exports and imports of commercial services by the Asia-Pacific region](image)


**FIGURE 2.2** Developing economies outperform developed ones in exports of commercial services, 2008-2012 (in billions of United States dollars)

![Graph showing developing versus developed economies exports](image)

better in 2012 than in the previous year (WTO, 2013). In contrast, Japan recorded a fall in exports of commercial services (-2%), pulling down the average for developed Asian economies.

Services as a determinant of competitiveness and global value chain participation

The Asia-Pacific Trade and Investment Report (ESCAP, 2011 and 2012) emphasized the importance of services in improving the efficiency and resiliency of traditional merchandise export-led economies in the Asia-Pacific region, as well as enhancing prospects for its inclusive and sustainable growth. The reports argued that despite the increasing role of services in generating employment and GDP, services remain less than one fifth of the region’s merchandise trade value (a few percentage points less than for the world average). Those estimates were based on the so-called ‘gross value’ of trade. However, recent advances in the measurement of trade, in value added terms, is shedding new light on the role of services. This method of measurement enables proper valuation of the many services involved in the production of goods.

The new database of the Organisation for Economic Co-operation and Development (OECD) and WTO Trade in Value Added (TiVA) shows that in 2009 the services content of trade reached 40% or more in G20 economies. In the United States, the United Kingdom of Great Britain and Northern Ireland (here forth United Kingdom), India, Japan, Turkey and the European Union as a whole, the services value added content of trade exceeded 50%. (figure 2.3).

The inter-linkage between services, on one hand, and production and marketing of goods, on the other, has become much stronger. Services value added in gross export values is increasing fast.

Services are an integral part of production fragmentation and global value chains (GVCs). In fact, the rise of GVCs was built on reduced costs of service links, inter alia. None of these chains can exist without efficient services such as transport, logistics, communication, finance, and business and professional services. Recognition of the value created, directly or indirectly, by services in the process of

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**FIGURE 2.3**

Services value added in gross export values (percentage)

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*Source: OECD/WTO TiVA database, May 2013 release; p.11.*
manufacturing, distribution and marketing of goods has become known as “servicification”. More realistic accounting for the role of services in manufacturing trade (often deemed to be more than 30%) allows a better understanding of the importance of improving service sector efficiency in developing economies. This also includes improvements through further liberalization of services trade. Controlled opening of the service sector can allow for more efficient and higher quality services. In turn, this would enhance the competitiveness of manufacturing firms, allowing them to better participate in global production networks.

Interlinking of services with manufacturing is particularly important for some economies of the Asia-Pacific subregions (e.g. South and South-West Asia, North and Central Asia), as they are not well integrated in regional and global value chains and production networks. Improving this connectivity is very important for regional integration in Asia and the Pacific.

Box 2.1 Servicification: Some illustrations

Servicification is a phenomenon of increased use of services in manufacturing. This is both in terms of production processes and sales and may, in part, reflect the separation of services functions from core production functions. A significant feature of servicification is the opportunity it offers for strategic firm behaviour, including efforts by firms to move up the value chain. While some of the bundling or modularization occurring along supply chains, as a result of servicification, may be occasioned by the exigencies of locational dispersion in production and consumption, or by regulatory requirements; these tendencies are also likely to be fed by strategic motivations internal to firms (Sundin and others, 2009; Sweden, National Board of Trade, 2012). Firms may seek to customize their offerings (in terms of after-sales services, warranty services, easy financial options etc.) so as to differentiate themselves in the marketplace and earn higher returns or to spread risk by diversifying their output mix.

Depending on the product in question, significant scope may exist for the provision of after-sales services as an additional source of product differentiation and profit. These services can take many forms, including technical assistance and training, maintenance, provision of spare parts and repair services, and a range of other customer care services (Saccani, Johansson and Perona, 2007). The means of delivery of after-sales services by a lead firm will vary from direct supply, subcontracting arrangements, agency relationships and franchising (see more details in Low, 2013).

The case study of the Nokia95 phone, undertaken by Ali-Yrkkö and others (2011), produces a detailed breakdown of the value chain for the product. The parts (including processors, memories, integrated circuits, display and camera) accounted for 33% of the product’s retail price (excluding taxes). Assembly only accounted for 2%. The remaining two thirds of the product was accounted for by Nokia’s internal support services (31%), licences (4%), distribution (4%), retailing (11%) and operating profit (16%). Despite the relatively fine detail on breakdown of invisibles in this case study, some value remained still unaccounted for: not all of the different services that went into the production were recorded. This “missing services” issue also applies to the manufacturing part of the operation, notwithstanding its small share.

Source: ETLA, the Research Institute of the Finnish Economy, as cited in Ali-Yrkkö and others (2011).
B. SUBREGIONAL AND SECTORAL BREAKDOWN OF SERVICES TRADE

In 2012, the Pacific, and South and South-West Asia subregions saw almost no growth in commercial services exports (rates reported were 0.1% and 0.9%, respectively). Imports of commercial services into South and South-West Asia continued to contract in 2012, with this subregion being the only one to record a fall in imports since 2009. In contrast, that same year, North and Central Asia recorded the highest growth in commercial service exports (11.4%) and imports (17.5%) of all Asian subregions (figure 2.4).

The relative contributions of individual subregions to services trade has not changed much since the late 1990s (figure 2.5). East and North-East Asia consistently contribute about half of the region’s trade (50.2% in 2012). The other half is split between South-East Asia (22%), South and South-West Asia (16%), North and Central Asia (6%) and the Pacific (5%). South and South-West Asia, and North and Central Asia are continuing their very gradual climb in total share at the expense of the Pacific.

At the individual economy level there have been winners and losers, in terms of the share of total Asia-Pacific exports of services. Between 1999 and 2012, Kyrgyzstan, Azerbaijan, Macao, China, Georgia, India and Mongolia saw the highest growth. India more than doubled its share to reach 12%, while China increased its share to 16% of regional exports. On the other hand, the share of Japan continued to decline and in

**FIGURE 2.4** Commercial services trade growth of Asia-Pacific subregions 2008-2012 (Year-on-year percentage change)

In terms of sectors, commercial services are broadly categorized as transportation, travel and other commercial services. In 2012, other commercial services captured more than 54% of total services exports. Globally, during 2002-2012, travel and transportation services lost their shares to other commercial services. However, the dynamic for the Asia-Pacific region as a whole was different. The travel services export share in the Asia-Pacific region increased from 22% to 33% while the transportation services...
The most dynamic sector of commercial services in Asia and the Pacific is travel, with the growth driven by intraregional demand.

Export share moved up from 29% to 33% (figure 2.6). Other commercial services also registered strong growth in the Asia-Pacific region; after more than tripling export value in the observed period, the share also increased by 6 percentage points to reach 26% in 2012. Nevertheless, commercial services exports from the region are still half of their relative size globally. The Asia-Pacific region’s most dynamic sector is still travel services, where growth is mostly driven by intraregional demand. Box 2.2 provides further details on the performance of the tourism segment of services trade. As tourism opens many opportunities for inclusive growth, it is encouraging that the region, as a whole, shows resilient performance in the sector. However, some smaller Pacific economies, which are highly dependent on this sector for foreign exchange earnings and household income generation, experienced difficulties in maintaining growth.

Box 2.2 International tourism in the Asia-Pacific region

International tourism is one of the 12 sectors covered by the WTO General Agreement on Trade in Services (GATS), and it is also often included in preferential trade agreements. However, it does not feature as a self-standing service activity in trade statistics; rather, it is subsumed under travel services. In national accounts it does not often appear as a well-defined category, even though it is an important source of income and employment for many developing and least developed countries, especially in Asia and the Pacific. There was some recovery in tourist arrivals in 2010 after the sharp decline in 2009, but the global economic environment in 2011 and 2012 was not supportive of strong tourism growth. The downturn of 2009 was caused by the combined effect of the global economic crisis, pandemic threats and factors related to disasters and international security. However, the first half of 2013 shows promising growth of tourist arrivals of 5% and it is expected that this growth will be maintained throughout the year (UNWTO, 2013b). Asia and the Pacific, especially South-East and South and South-West Asia, still leads in this renewed tourism growth.

Asia and the Pacific will continue to see the highest growth in tourists’ arrivals in 2013.

Asia and the Pacific captured almost 23% of total global international tourist arrivals; more than half of those visits are linked to North-East Asia, while the Pacific’s share fell to 1.2% of the region and now captures a smaller share than South Asia (1.4%). The most dynamic growth in international tourist arrivals was recorded in Bhutan and Georgia (39%), Sri Lanka (31%), Palau and Myanmar (26%), Cambodia, Thailand and Viet Nam (20%). After the adverse impact of 2011 disasters, Japan made a comeback by increasing tourism receipts by 37% in 2012.
While there are no detailed and long-term data series on the bilateral flows of travel services, this category appears to be contributing towards an expansion of intraregional trade in Asia. According to the World Tourism Organization (UNWTO) (2012), more than 60% of the travel receipts of China are sourced from Asian economies, particularly Hong Kong, China, as well as Japan, the Republic of Korea and Taiwan Province of China. More than two thirds of the travel exports of the Republic of Korea travel were destined for other Asian economies, with more than 30% of those exports going to Japan. In the case of Hong Kong, China, the share of Asian receipts is even higher (more than 84%), with China being the largest recipient of travel services exports. Asian economies accounted for some 77% of travel exports of Japan and 60% of travel receipts of Australia in 2008. At the same time, Asian economies contributed between 6 and 9% of the total travel exports of the European Union-27, and between 5% and 12% of the exports from the United States of America.


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<tr>
<td>World</td>
<td>6.4</td>
<td>4.8</td>
<td>4.0</td>
<td>3.9</td>
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<tr>
<td>Europe</td>
<td>3.0</td>
<td>6.5</td>
<td>3.5</td>
<td>4.0</td>
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<tr>
<td>Asia and the Pacific</td>
<td>13.2</td>
<td>6.5</td>
<td>6.9</td>
<td>5.2</td>
</tr>
<tr>
<td>Americas</td>
<td>6.6</td>
<td>3.6</td>
<td>4.6</td>
<td>2.2</td>
</tr>
<tr>
<td>Africa</td>
<td>8.7</td>
<td>-0.8</td>
<td>5.4</td>
<td>4.7</td>
</tr>
<tr>
<td>Middle East</td>
<td>11.6</td>
<td>-5.6</td>
<td>-5.4</td>
<td>1.1</td>
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Source: UNWTO (2013a), World Tourism Barometer, August 2013, 2013 rates are forecasts.

Note: UNWTO’s definition of Asia-Pacific comprises the following economies – Australia; Bhutan; Cambodia; China; Cook Islands; Guam; Fiji; French Polynesia; Hong Kong, China; India; Indonesia; Japan; Kiribati; Macao, China; Maldives; Malaysia; Marshall Islands; Myanmar; Nepal; New Caledonia; New Zealand; Niue; Northern Mariana Islands; Pakistan; Palau; Papua New Guinea; Republic of Korea; Samoa; Singapore; Solomon Islands; Sri Lanka; Taiwan Province of China; Thailand; Tonga; Vanuatu; and Viet Nam.
Several transportation services exporters in the region saw some recovery in 2012. Exports of China rose by 8% compared with 4% in 2011. In the Republic of Korea, exports of transportation services increased by 7%. India and Singapore, in contrast, saw their exports grow at a reduced rate of 2% and 3%, respectively (compared to high growth in 2011, which was 32% and 13% respectively).

The other commercial services category is made up of eight subcategories. However, data are not readily available for all countries, although with the available data from WTO International Trade Statistics Database it is possible to provide further details of export developments under these eight subcategories during 2002 to 2012 (table 2.1). In this period, the Asia-Pacific region increased the value of its other commercial services exports by almost fourfold, pushing its share up to 26% in 2012.

Despite improvements in data collection, more than half of the other commercial services category is within the broad subcategory of “other business services”. The remaining part is split into seven other subcategories, some of which have recorded marked increases in their share, such as construction (by 18 percentage points), and computer and information services (by 12 percentage points). Notably, the Asia-Pacific region’s share in both of these subcategories surpasses its average share for all categories; the region exported more than 50% of global exports of construction services and over 29% of computer and information services in 2012. Similarly, exports of insurance and financial services, both closely associated with merchandise trade, increased by more than four times in value, although their relative size increased less. Categories whose shares suffered a contraction in total Asia-Pacific exports are communication services (down by 2.7 percentage points) and personal, cultural and recreational services (down by 13.4 percentage points).

TABLE 2.1
Other commercial services exports breakdown

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<tbody>
<tr>
<td>Other commercial services total</td>
<td>152.17</td>
<td>619.42</td>
<td>100.0</td>
<td>100.0</td>
<td>20.14</td>
<td>26.37</td>
</tr>
<tr>
<td>Communications services</td>
<td>6.83</td>
<td>16.91</td>
<td>4.49</td>
<td>2.73</td>
<td>19.19</td>
<td>16.52</td>
</tr>
<tr>
<td>Construction</td>
<td>11.66</td>
<td>58.51</td>
<td>7.67</td>
<td>9.45</td>
<td>33.42</td>
<td>53.24</td>
</tr>
<tr>
<td>Insurance services</td>
<td>3.02</td>
<td>13.01</td>
<td>1.98</td>
<td>2.10</td>
<td>6.87</td>
<td>13.13</td>
</tr>
<tr>
<td>Financial services</td>
<td>13.50</td>
<td>50.54</td>
<td>8.87</td>
<td>13.70</td>
<td>16.76</td>
<td></td>
</tr>
<tr>
<td>Computer and information services</td>
<td>10.68</td>
<td>77.24</td>
<td>7.02</td>
<td>12.47</td>
<td>17.85</td>
<td>29.11</td>
</tr>
<tr>
<td>Royalties and license fees</td>
<td>12.99</td>
<td>42.85</td>
<td>8.54</td>
<td>6.92</td>
<td>13.01</td>
<td>14.93</td>
</tr>
<tr>
<td>Other business services</td>
<td>88.84</td>
<td>352.66</td>
<td>58.38</td>
<td>56.93</td>
<td>24.24</td>
<td>30.74</td>
</tr>
<tr>
<td>Personal, cultural and recreational services</td>
<td>4.65</td>
<td>5.54</td>
<td>3.06</td>
<td>0.89</td>
<td>28.53</td>
<td>15.09</td>
</tr>
</tbody>
</table>


Note: ESCAP AP – the Asia-Pacific region.

The values of 2001 exports for the Asia-Pacific region are biased downwards due to the lack of data for several Central Asian economies. For detailed country-by-country data, consult the WTO International Trade Statistics Database.

The creation of the General Agreement on Trade in Services (GATS) was one of the landmark achievements of the Uruguay Round, which entered into force on 1 January 1995. GATS mandates WTO member Governments to progressively liberalize trade in services through successive rounds of negotiations (Article XXIX). Negotiations to further liberalize services began in January 2000. At the Doha Ministerial Conference in November 2001 the
services negotiations became part of the “single undertaking” under the Doha Development Agenda, whereby all subjects under negotiation are to be concluded at the same time. As structured in GATS, as of July 2002 the processes of bilateral negotiations are being held on the basis of the “request and offer” and “positive list” approach. The collapse of the Ministerial Conference in Cancun, Mexico brought a halt to negotiations. However, the General Council meeting on 1 August 2004 (commonly known as July 2004 Framework Agreement) brought negotiations back on track. The Hong Kong Ministerial Declaration of December 2005 reaffirmed key principles and objectives of the services negotiations and called on members to intensify the negotiations in accordance with the objectives, approaches and timelines set out in Annex C to the Declaration. Its view was to expand sectoral and modal coverage of commitments and improve their quality, with particular attention to the export interests of developing countries.

The lack of progress in the Doha Round is causing damage to not only services trade liberalization efforts but also to other initiatives, including the implementation of the Least Developed Countries Waiver for Services.

With the failure of the WTO multilateral approach, some countries have turned to discussions among a limited amount of participatory countries. In 2012 more than a dozen countries and country-blocs established a subgroup called “Really Good Friends of Services”, aimed at facilitating closed negotiations on services trade liberalization. The subgroup approach is not without its difficulties, however, as painstakingly seen by the meltdown of the Anti-counterfeiting Trade Agreement in 2012.

As services represent the fastest growing sector of the global economy and account for two thirds of global output, one third of global employment and nearly 20% of global trade, many countries are interested in exploiting this dynamic sector. This is for the purpose of strengthening and improving the quality of their economic growth. The impasse in concluding the Doha Round led some members, who promoted the liberalization of services, to explore other ways to achieve their objectives. Consequently, the Hong Kong Ministerial Declaration included provisions for plurilateral negotiations in addition to the request-offer negotiations which still remain the main method of negotiations. However, it clearly stated that the results of such negotiations shall be extended on a most-favoured-nation (MFN) basis.

Under plurilateral negotiations, a group of members with a common interest can make a joint request to individual members to improve specific commitments in a particular sector or mode of supply. Subsequently, they meet collectively with the countries that have received this request. It is up to each member to respond individually to the collective request. Several developments have taken place since the Hong Kong Ministerial Conference: two rounds of plurilateral negotiations were conducted in early 2006, based on 21 collective requests formulated, mostly, along sector lines. The results of the plurilateral negotiations, as well as additional bilateral meetings, were expected to be reflected in a second round of revised offers. While the submission of these offers was expected by 31 July 2006, all negotiations under the Doha Development Agenda were suspended just one week earlier. This was mostly due to a stalemate over agricultural and non-agricultural market access.

A new group of “Really Good Friends of Services” (RGFS) promotes the Trade in Services Agreement (TISA) as a separate plurilateral agreement, and the most promising opportunity to improve and expand trade in services. This group is neither an exclusive nor a stable group of WTO members, but an ad-hoc coalition of the WTO members that have shown a willingness to advance the services negotiations in the Doha Round. Initiated by Australia and the United States of America, TISA is supposed to be negotiated in Geneva. Since it is structured as a plurilateral agreement, it is not under the auspices of the whole WTO membership. In July 2012, RGFS intensified discussions around a “high ambition” international agreement on a wide range of services, in order to reinforce and strengthen the multilateral trading system. Participants stated that a new TISA should be: comprehensive in sectoral scope; contain new and enhanced rules that countries have developed since the WTO GATS entered into force in 1995; increase market access commitments to be as close as possible to countries’ current practices; and produce new market access improvements.
The present modalities on plurilateral negotiations are not very clear, especially on the issue of multilateralization of commitments. A report by the WTO Chairman of Council for Trade, to the Trade Negotiating Committee said that there are still wide gaps which need to be covered in order to conclude the plurilateral negotiations. The report was on the basis of those submitted by coordinators of the plurilateral groups, as negotiations operate behind “closed doors”. Several issues need to be addressed in the context of these plurilateral negotiations, especially within the overall architecture of WTO framework, but more especially within the Doha Round mandate:

- First, the entire process of plurilateral negotiations are held behind “closed doors” and therefore, unlike other issues of negotiations, not much information is available to other WTO members. Transparency is one of the pillars of the Doha Round negotiations, with the entire modalities and discussions documented. This does not appear to be the case of plurilateral negotiations in services. The WTO members not participating in these negotiations do not have a clear picture, especially on modalities and outcome of discussions.

- The second issue relates to the plurilateral negotiations approach. In WTO there are two different approaches followed in plurilateral agreements. One is in the form of Annex 4 of the General Agreement on Tariffs and Trade (GATT), which limits the liberalization commitments to be extended to only those who are part of the plurilateral agreement [conditional plurilateral]. This is on the basis of the principles of reciprocity of “give and take”. The other form of plurilateral agreement is exemplified by the Information Technology Agreement (ITA), which is an “open plurilateral”. This is where the commitments made are extended to the entire WTO members on MFN basis – that is, they are multilateralized. The purpose of the “closed plurilateral” approach adopted by RGFS is to ensure that other WTO members join the plurilateral negotiations. This is especially applicable to major emerging economies Brazil, India and South Africa, whose services markets are deemed as attractive but closed for the United States and European Union services industries. However, this closed plurilateral approach violates GATS. Even the Hong Kong Declaration clearly states that “The results of such negotiations [i.e. plurilateral, added by author] shall be extended on an MFN basis”.

- Another systemic issue that needs to be revisited relates to ‘limited extension of concessions’ for only those who will participate in plurilateral negotiations. GATS allow such discrimination under the “Economic Integration” provision of Article V. There are separate processes of negotiations outside WTO for economic integration, whereby some countries negotiate a preferential trade arrangement in services and offer preferential market access to each other. The current architecture of TISA appears to be drawing parallels to Article V [since this would mean that the offer will be preferential in nature], but would come from the multilateral process of negotiation and not as a preferential trade agreement. It is still debatable if an outcome of multilateral negotiations can be extended to only a limited number of countries which participate in TISA, and such negotiations did not lead in a formation of “regional integration” per se [see also Sauvé, 2013].

It is, therefore, doubtful if the current form of plurilateral negotiations, if accepted, would be able to pass the GATS test. If so, the entire exercise would be futile as the purpose, which is to liberalize the services under the Doha Round, would be defeated. In order to make negotiations implementable, TISA will require an exception to the multilateral framework of GATS, and the agreement will need to be amended accordingly. Will this be in the spirit of multilateral trade liberalization, which has been one of the fundamental principles of the WTO?
Lastly, the issue relating to market access for least developed countries, which was mandated in the form of “Least Developed Counties Waiver for Services”, needs to be addressed as soon as possible. As explained earlier, it appears that the process has been derailed. There has been no substantial progress on giving least developed countries market access on a preferential basis within sectors that are of export interest to them. On this issue, disagreements still continue. This is mainly around the scope of the waiver, and rules of origin for services and service suppliers. The way the current architecture of services plurilateral agreements are designed, it appears that there will not be automatic extension of these commitments to least developed countries. Participants in the plurilateral negotiation will have to wait for emerging economies to join before considering further steps. Therefore, it is vital to ensure the Hong Kong Ministerial Conference mandates for extending these concessions on an MFN basis.

CONCLUSION

The Asian and Pacific region registered the highest growth of commercial service exports and imports in the world, at 5.2% and 5.9%, respectively. Despite these rates being lower than in 2011, the region increased its share of the global exports of several services, such as construction, computer and information services, and personal, cultural and recreational services.

In 2012, the Pacific and South and South-West Asia saw the lowest growth in commercial service exports of all Asian and Pacific subregions. Since 2008, the imports of commercial services into South and South-West Asia continued to be affected by economic uncertainty, and imports contracted by close to 13% in 2012. In contrast, that same year, North and Central Asia recorded the highest growth in commercial service exports and imports of all Asian and Pacific subregions (11.4% and 17.5%, respectively).

Despite added volatility resulting from global economic uncertainties, the developing economies of the region have shown more resilient growth in service exports than have the developed economies. This has been mainly driven by growth of computer and information services, communication and travel services trade.

Services are an integral part of production networks and global value chains and as such, an essential driver of efficiency and competitiveness. The rise of global value chains has been attributed to the reduced costs of service links, inter alia, as those chains depend on availability of affordable and efficient services such as transport, logistics, communication, finance, and business and professional services in general. The recognition of the value directly or indirectly created by services in a process of manufacturing production, distribution and marketing of goods is become known as “servicification”. It is now recognized that services constitute a much higher share of world trade than the 20 to 25% as previously calculated using gross values of trade. This new higher estimates are much more in line with the recognized contributions of services as employment and GNP generators. Services trade thus should play a stronger role in reducing poverty through creating efficiency, higher employment opportunities, higher incomes, increased consumer choice and quality of life. With proper understanding of the role of services, it is important to increase efforts for improving efficiency in services sectors in developing economies, including through further managed liberalisation of services trade.

REFERENCES


Raghavan, Chakravarthi (2012). The plurilateral services agreement game at the WTO. Economic and Political Weekly, vol. XLVII, No. 43.


**ONLINE DATABASES**


**ENDNOTES**

1. The lack of data on trade in commercial services remains a problem for many economies in Asia and the Pacific, particularly with regard to sectoral and regional breakdowns. Therefore, for the purposes of analysis in this chapter, data were compiled from different sources, including mirror data. However, even so it is not possible to provide an up-to-date and detailed account of intraregional services trade flows.

2. The current classification of countries following the World Trade Organization broad groups of developed and developing lists only Australia, Japan and New Zealand as the region’s developed countries.

3. The ranking is based on world trade, excluding intra-EuropeanUnion-27 services exports.

4. See annex to chapter 2 in ESCAP (2012) for a more detailed explanation of the “other commercial services” category, pp. 43-44.

5. These are communications, construction, insurance, financial, computer and information, royalties and license fees, other business services, and personal, cultural and recreational services (see annex of chapter 2 in ESCAP, 2012).

6. The General Council is WTO’s highest-level decision-making body in Geneva, meeting regularly to carry out the functions of WTO. It has the authority to act on behalf of the Ministerial Conference, which only meets about every two years.

7. This share is based on gross trade valuation. New measurements of net value added of services indicate that share of services in global trade value is much higher. See also box 2.1 on servicification in this chapter.


9. As of June, 2013, participants in the TISA include Australia, Canada, Chile, Colombia, Costa Rica, European Union, Iceland, Israel, Japan, Mexico, New Zealand, Norway, Pakistan, Panama, Paraguay, Peru, Republic of Korea, Switzerland, Turkey, the United States, Hong Kong, China, and Taiwan Province of China. China has also indicated that it is ready to participate in TISA negotiations, and is likely to make offer on market access on 4 November 2013 (Drake-Brockman 2013).


11. The Trade Negotiations Committee operates under the authority of the General Council.

12. Neither the WTO Secretariat nor the Chairman attends meetings between Members in the request/offer process. Exchanges in those meetings are strictly private, unless otherwise provided for by the participants.

