The Service Sector – An Opportunity for Development and International Competitiveness for Developing Countries

The Case of Tunisia

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Overview

Lacking mineral resources, Tunisia has been for a long time banking on its human resources which constitute today the essential basis of development and well being.

Tunisia has also made the choice of opening its frontiers by signing the Association Agreement with Europe and by joining the WTO.

The evolution of the economy worldwide places the human factor at the centre of the mechanisms of competitiveness. This evolution seems to be natural when we acknowledge that the new economy lies more and more on knowledge and makes creativity and innovation the driving force behind many activities.

This evolution contributed largely to changing the perception of the services industry, and regarded as a sector that used to mainly contribute to the social well-being, the role of services today is better defined and enhanced.

Being one of the main economic activities in Tunisia, this sector represents 52 % of the national GDP, 53% of the employment and 30% of the Tunisian exports.

These figures are much more important than those of ten years ago, and this can be explained by three major factors:

- The growing evolution of the social and economic life has an impact on the consumers’ demand which is moving more and more towards personalised services calling for example for studies and surveys.

- In the modern world, the risk factor for health, security and environment has grown, and along with it the need to reduce those risks by developing remedies offered on the market under the form of health and hygiene services, insurance and financial services, quality control, R&D...

- The scarcity of time that characterises the modern society, and the need to optimize the use of time leads to appealing (resorting) more and more to services that would enable the saving of time as for example: rapid transport, up-to-date telecommunications, subcontracting....

What Has Been Achieved

Tunisia is undertaking continuous actions to improve the performance level of the services sector:

- Investments have been made to provide a modern infrastructure especially in telecommunications and internet access;

- A constant technological support for the improvement of quality, creation of technological poles along with public and private technological institutions for a better competitiveness

- FAMEX (Fonds d’Accès aux Marchés Extérieurs), a fund aimed to assist Tunisian entrepreneurs in accessing foreign markets: many entrepreneurs benefited by this ambitious program through technical and financial support in preparing export marketing plans, setting up Web sites, participating in trade shows abroad and prospecting foreign markets.
The Organisation of a 2-days international exhibition of export services every other year, an important event that brings together participants from foreign countries, offering the opportunity to show the Tunisian know-how in profitable sectors such as high technology, telecommunications, engineering, as well as health, education, architecture, and financial services.

What Should Be Done

Beyond these actions and beyond the reforms programs undertaken, there remains a lot to do in order to reach the standards of performance and level of competitiveness of developed countries:

From the point of view of the private sector, the strengthening and upgrading (mise à niveau) of this sector are necessary in order to face the international competition and be able to conquer (access) international markets. Although presenting some assets, there are still weaknesses as was diagnosed by the conclusions of the seminar organised in December 2004 by UTICA.

Measures to be taken should include:

- Improving and adapting the existing regulation of this sector;
- Elaborating a dynamic national strategy to promote export-oriented services such as the New Information and Communication Technologies services;
- Creating a governmental structure doomed exclusively to the development of services including its "mise à niveau";
- Strengthening vocational training within companies. I take this opportunity to thank the managing agencies of JITAP, which helped Tunisia very much in this regard;

The Service Sector and Liberalisation

If we look at the services sector in the multilateral negotiations, one has to admit that a wider liberalisation in services – if well and fairly negotiated - could be profitable to the country.

Any liberalisation is resulting from either bilateral or multilateral negotiations and obeys to new rules and regulations, but along with opening up to the rest of the world, it is necessary to take into consideration the specificities and characteristics of each country to make the adaptation to new rules and the ability to benefit from them possible, in the sense that it should enhance development.

Since its accession to the WTO, Tunisia handled the services sector according to the available modes, whether on the national or international level by underscoring its specificities and by presenting a set of commitments in some activities. Negotiations under the Doha Development Agenda concerns all sectors in services and could bring specific commitments in all its branches, but liberalisation doesn’t mean deregulation since the opening process takes into account the development objectives of the national policy.

The Tunisian approach is based on the conformity of its commitments with the GATS principles. One of the advantages of this option is that it allows choosing sectors likely to be open to foreign competition, while enabling to keep appropriate provisional protection levels in order to better develop those sectors.

This approach is characterised by progressivity since it takes into consideration important elements such as:

- Consolidating the regulations in force for sectors having strong growth potentialities;
Exempting certain sectors from the obligation of granting the Most Favoured Nation treatment during a period of ten years. These exemptions concerned mainly transport and cultural services.

It is important to keep in mind that expected potential gains from these negotiations are important at least on four levels:

1. The improvement of the competitiveness of the services sector through a bigger orientation towards intangible investments and R&D. The services sector is supposed to have a more dynamic role in opening new horizons in the field of creation and innovation.

2. The mobilization of the new information and communication technologies; great opportunities exist in this field. The developing of software, the manufacture in electronics, telecommunications, and new applications offer an important potential of growth; they stimulate the innovation, provide employments and contribute to integrate our country into the world map of the economy of intelligence and also attract foreign investments in this field, using national human resources.

3. Increasing the gains in efficiency by strengthening the value-added services

4. Mobilization of Foreign Direct investments in the infrastructure presenting a growth potential. Beyond leading to a better financing of the national economy, the attraction of FDI in those sectors would largely contribute in the work of Development.

**Conclusion**

To conclude, the export of services for Tunisia and the other developing countries could be the engine for the economic growth and international competitiveness. The services sector offers great opportunities but also faces big challenges. The developed countries can play a positive role in assisting developing countries through partnerships, know-how... and should show more flexibility at least on two major issues that are: the free movement of persons and the acknowledgement of diplomas and qualifications.

These are few ideas on how the services sector bears high potential for development and is able - if competitive - to pave the way for the integration in a more and more globalized world.