LDC Services Exports: The case of Cambodia

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What is TiVA data?

- A Joint OECD-WTO Initiative
- Recognizing that 60% of global trade consists of B2B trade in intermediate goods and services and
- In order to avoid double counting and to reveal the role of imports in exports
- TiVA data tracks the source of value that is added by each country/industry in the production of goods or services for export
What is TiVA data cont…?

- TiVA database provides a breakdown of gross exports by industries and source
  - Domestic Value Added
    - Direct (pure services exports e.g. transport services, business services, financial intermediation etc.)
    - Indirect (originating from domestic services intermediates)
    - Re-imported domestic services value added
  - Foreign Value Added by source country

- The data base covers large aggregated industry groups; in the services sector it covers ISIC 45 (construction), ISIC 50 to 55 (wholesale and retail trade, hotels and restaurants), ISIC 60 to 64 (transport and storage, post and telecommunication), ISIC 65 to 67 (financial intermediation), ISIC 70 to 74 (real estate, renting and business activities) and ISIC 75 to 95 (community, social and personal services).

- Not all countries have input/output tables on which this data is based. The country coverage is therefore limited.

- There is only 1 LDC that is included in the data base - Cambodia
What is TiVA data cont…?

iPhone example (WTO, 2012):

<table>
<thead>
<tr>
<th>US trade balance in iPhones with:</th>
<th>CHN</th>
<th>TWN</th>
<th>DEU</th>
<th>KOR</th>
<th>ROW</th>
<th>World</th>
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</thead>
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<tr>
<td>Gross</td>
<td>-1646</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>-1646</td>
</tr>
<tr>
<td>Value Added</td>
<td>-165</td>
<td>-207</td>
<td>-161</td>
<td>-800</td>
<td>-413</td>
<td>-1646</td>
</tr>
</tbody>
</table>
What is TiVA data cont…?

TiVA data enables us to learn more about the services content of goods exports.
In 2009, services VA content of gross Cambodian exports stood at 41%, 8% higher than in 1995.

- OECD total services VA content of gross exports average is 48%.
- ASEAN average is 34%.

All trade data relates to commercial services only.

Source: UNCTAD-WTO-ITC Trade in Services Database
The growth in the services share of gross exports is a result of relatively rapid growth of direct services exports, which grew over the period by 10 percentage points.
Figure 3: Direct domestic services industry value added in export, % of total

- As % of total VA from exports, direct services exports account for 33%
- Cambodia stands out. Direct (pure) services industry exports VA are growing and growth is particularly high relative to other AMS
Figure 5: Sectoral breakdown of Direct domestic services industry value added in exports,
TiVA data for Cambodia

- Wholesale and retail, hotels and restaurants (51%) and Transport and Storage, Post and telecommunications (35%) account for the lion's share of direct services VA exports.
- Financial intermediation and Business services have grown hugely but still account for a small fraction of direct services exports VA (fig. 5).
Figure 4: Direct services value added of gross exports, 1995-2009 US$(millions)

- Financial intermediation and Business services grown several-fold but still account for a small fraction of total Direct services exports VA (fig. 4)
While there has been some slight increase in the foreign services content of agricultural, food and wood product exports, there has been a downwards trend overall in the share of services VA in Cambodia’s goods exports; this suggests an increasing degree of specialization in manufacturing activities with low services intensity, e.g. assembly.
Indirect domestic services content in goods exports

![Bar chart showing indirect domestic services content in goods exports for different sectors from 1995 to 2009.](chart.png)

- **TOTAL**
- Agriculture
- Mining
- Food products
- Textiles
- Wood, paper
- Chemicals & Minerals
- Basic metals
- Machinery
- Electrical equipment
- Transport equipment
- Other manufacturing

<table>
<thead>
<tr>
<th>Year</th>
<th>Agriculture</th>
<th>Mining</th>
<th>Food products</th>
<th>Textiles</th>
<th>Wood, paper</th>
<th>Chemicals &amp; Minerals</th>
<th>Basic metals</th>
<th>Machinery</th>
<th>Electrical equipment</th>
<th>Transport equipment</th>
<th>Other manufacturing</th>
</tr>
</thead>
</table>
Services content of gross goods exports, 2009

- Agriculture
- Mining
- Food products
- Textiles
- Wood, paper
- Chemicals & Minerals
- Basic metals
- Machinery
- Electrical equipment
- Transport equipment
- Other manufacturing

Domestic content
Foreign content
1995 Total
Summary of Key Findings

- In value added terms, services accounted for 41% of Cambodia’s gross exports in 2009, 8 percentage points higher than in 1995. (OECD average is 48%; ASEAN average is 34%)
- This increase is chiefly due to a rapid increase in pure services exports, whose share of gross exports grew over the period by 10 percentage points compared with 1995.
- In 2009 Cambodia’s direct services exports constituted more than one third of Cambodia’s total gross export value added (fig 2).
- This is a standout performance within ASEAN (fig 3).
- The aggregated set of services which includes wholesale and retail, hotels and restaurants and the aggregated set of transport and storage, post and telecommunications saw exports grow 10 fold over the period and account for 86% of services export content; (pie chart)
- While there has been some slight increase in the foreign services content of agricultural, food and wood product exports, there has been a downwards trend overall in the share of services VA in Cambodia’s goods exports; this suggests an increasing degree of specialization in manufacturing activities with low services intensity, e.g. assembly.
Implications for Competitiveness

◆ The increasing share of foreign services content in two of Cambodia’s largest resource based goods exports indicates an increasing degree of participation in GVCs; but there are also clear alerts in the data that there may be growing deficiencies in the ability of local Cambodian firms to provide similar services.

◆ The decreasing share of overall services intensity (both foreign and domestic) in goods exports suggests an increasing trend to specialize in low services value-added activities: this is another red flag – greater focus on the efficiency of the local services sector would improve the prospects for Cambodian manufacturers to start to climb up rather than edge down the value added chain.