WTO, Services and SDGs

A presentation at the MIKTA Workshop
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Date: Oct. 12, 2016
Outline

- Importance of services for achieving SDGs
- SDGs related to services
- Services trade for developing countries and LDCs
- Three key sectors:
  - Financial services, ICT and tourism
- WTO and achieving SDGs
  - Concluding DDA
  - LDC services waiver
  - Aid for Trade
Importance of services for achieving SDGs

• Services are fundamental to modern economy
• Services have direct impact on competitiveness in manufacturing and agriculture sectors
• Services trade is the new frontier for expanding and diversifying export
• Efficient services is needed for increased participation in international value chains
• Globally countries are moving towards “services economy”
Services account for 70% of global GDP, 60% of global employment, 46% of global exports measured in value added terms

Two-thirds of the global FDI stock is in the services sector
Services and poverty reduction

Source: World Bank, World Development Indicators
SDGs related to services

• 1.3 Implement nationally appropriate social protection systems and measures for all…
• 1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, …appropriate new technology and financial services, including microfinance
• 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services …
• 4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university
• 5.b Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women
• 7.1 By 2030, ensure universal access to affordable, reliable and modern energy services
• 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors
• 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation…
• 8.9 By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products
• 8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all
SDGs related to services - continued

- 9.c Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020
- 10.7 Facilitate orderly, safe, regular and responsible migration and mobility of people…
- 10.c By 2030, reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent
- 11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all…
- 12.b Develop and implement tools to monitor sustainable development impacts for sustainable tourism that creates jobs and promotes local culture and products
- 14.2 By 2020, sustainably manage and protect marine and coastal ecosystems …
- 8.a Increase Aid for Trade support for developing countries…
- 10.a Implement the principle of special and differential treatment for developing countries, in particular least developed countries, in accordance with WTO agreements
- 17.10 Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the WTO, including through the conclusion of negotiations under its Doha Development Agenda
- 17.11 Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries’ share of global exports by 2020
SDG 17.11 Significantly increase the exports of developing countries, in particular with a view to doubling the LDCs’ share of global exports by 2020.

Share of developing economies goods export increased from 35% in 2005 to 43% in 2015.

2000-2015, south-south trade increased from 8% to 25%.

Share of developing economy services export increased from 24% in 2005 to 32% in 2015, up by 8%.

Source: WTO-UNCTAD-ITC estimates
LDC exports of goods and services grew by an annual average of 7.6% over the 2005-2015 period, slightly more than the exports of other developing economies (7.3% average).

In 2015, due to steep reduction in commodity prices, LDCs’ goods exports decreased by 25%, imports fell by 9%, resulting in an overall trade deficit of US$87 billion.

In 2015, LDCs' services exports increased by 1%, to US$36 billion (in contrasts to declines in other developing and developed economies), driven by sustained expansion of tourism.

As a result, the share of LDCs in world exports of commercial services increased to 0.8%.

LDCs, as a group, are net commercial services importers, with services trade deficit of US$39 billion in 2015.

Source: WTO
2005 to 2015, LDC services exports grew almost twice as fast as their goods exports

2005 to 2015, LDC services exports grew twice as fast as the rest of the world

Source: WTO Secretariat.

LDCs’ export of commercial services
2005-2015 (index 2005=100)

Source: WTO-UNCTAD-ITC estimates
LDCs’ share in world exports of services increased from 0.4 per cent in 2005 to 0.8 per cent in 2015 (doubling in 10 years). On the import side, it rose from 1 per cent to 1.6 per cent.
Financial Services

**SDG 8.10** Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

- Globally, only 50 per cent of the adult population have a formal bank account.
- 90% of adults in developed economies have a bank account, only 13.4% in low income economies. In Sub-Saharan Africa, less than 1 in 5 adults have a bank account.
- 70% of the population in high income countries have debit cards, roughly 3% of the population in low income economies have one.
- ICC data show that 60% SME application for trade finance are turned down by banks.
Leapfrog with e-payment

Share of individuals with credit card

<table>
<thead>
<tr>
<th>Country</th>
<th>Share (%)</th>
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<tbody>
<tr>
<td>Japan</td>
<td>66</td>
</tr>
<tr>
<td>U.S.</td>
<td>60</td>
</tr>
<tr>
<td>Korea</td>
<td>56</td>
</tr>
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<td>China</td>
<td>16</td>
</tr>
</tbody>
</table>

Source: UNCTAD E-commerce Readiness Index

- mobile payment covers 27% of China’s population

In 2015
- credit card per person dropped from 0.34 to 0.29
- mobile payment users increased by 64.5% to 357.7 million
- Preferred payment options: e-payment 79.5% > cash 79%

Source: Financial Times
ICT services

SDG 9.c Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020

4 out of 7.5 billion are NOT yet on the internet
Travel and Tourism

**SDG 8.9** By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products

42 EIF countries out of 47 (having a DTIS) – including 38 LDCs – have identified tourism as a key sector in their Diagnostic Trade Integration Studies

*Source: UNWTO, 2016*
Travel and Tourism contribution to GDP, % share

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maldives</td>
<td>96.5</td>
<td>70.8</td>
<td>70.5</td>
<td>74.0</td>
</tr>
<tr>
<td>Macau</td>
<td>71.2</td>
<td>93.1</td>
<td>93.6</td>
<td>94.7</td>
</tr>
<tr>
<td>Seychelles</td>
<td>62.1</td>
<td>64.4</td>
<td>63.0</td>
<td>64.4</td>
</tr>
<tr>
<td>Antigua and Barbuda</td>
<td>57.1</td>
<td>61.5</td>
<td>62.9</td>
<td>66.5</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>47.3</td>
<td>48.4</td>
<td>45.8</td>
<td>50.3</td>
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<tr>
<td>Bahamas</td>
<td>46.9</td>
<td>45.4</td>
<td>44.3</td>
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<tr>
<td>Cape Verde</td>
<td>43.2</td>
<td>44.1</td>
<td>41.9</td>
<td>42.0</td>
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<tr>
<td>St Lucia</td>
<td>41.5</td>
<td>34.5</td>
<td>32.5</td>
<td>31.6</td>
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<tr>
<td>Barbados</td>
<td>39.5</td>
<td>35.6</td>
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<td>Dominica</td>
<td>39.0</td>
<td>25.1</td>
<td>31.6</td>
<td>28.6</td>
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<td>Fiji</td>
<td>38.7</td>
<td>40.0</td>
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<td>Belize</td>
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<td>Cambodia</td>
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<td>29.3</td>
<td>27.9</td>
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<tr>
<td>Jamaica</td>
<td>29.3</td>
<td>24.5</td>
<td>24.9</td>
<td>27.6</td>
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In 2015, aggregate contribution of travel and tourism for LDCs reached 73.4% of total services exports compared to 56.7% for other developing economies and 37.7% for developed economies.

Source: WTO
Source: UNWTO/ITC/WTO, based on UNWTO-EC Sustainable Tourism for Development (2013)
Concluding DDA

**SDG 17.10** …conclusion of the Doha Development Agenda

**SDG 10.a** Implement the principle of special and differential treatment for developing countries and LDCs

Source: OECD STRI
LDC services waiver

SDG 17.11 Significantly increase the exports of developing countries, in particular with a view to doubling the LDCs’ share of global exports by 2020.

• Waiver adopted at the MC8
• Allows deviation from MFN rule to provide preferential treatment to LDCs
• MC 10 extended waiver until 2030
• 23 Members notified preferences responding to LDC collective request
Aid for Trade

SDG 8.a Increase Aid for Trade support for developing countries, in particular least developed countries, including through the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries

OECD: one dollar invested in AFT leads to nearly 8 additional dollars in exports from all developing countries – and 20 dollars for the poorest countries
AfT, more is needed for services

Total Aid for Trade Disbursements (2006-13)

- Trade policy and regulations
  - 7.6 billion
  - 3.1%

- Economic infrastructure
  - USD 129 billion
  - 52.4%
  - Communications
    - 1.9%
  - Energy
    - 21.0%
  - Transport
    - 29.5%

- Building productive capacity
  - USD 109.6 billion
  - 44.5%
  - Banking services
    - 5.4%
  - Tourism
    - 0.4%
  - Business services
    - 5.4%
  - Industry/mining
    - 7%
  - Agriculture
    - 21.6%

Source: OECD/DAC CRS aid activity data base
Thank you!
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