
Seminar 1: “Why the GATS matters for LDCS”

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“Why Services Matter for LDCs”
WTO Building, Room F
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CHANGED STRUCTURE OF WORLD TRADE
WTO STATISTICS ON COMMERCIAL SERVICES TRADE

Figure B.13: Composition of world goods and commercial services exports, 1980-2011 (US$ trillion and percentage)

Sources: World Trade Report 2013.
SERVICES ARE A BIGGER PART OF TRADE THAN UNDERSTOOD

· SERVICES represent not 20% of world trade, as generally reported but nearly HALF of total trade → 45% on basis of value-added

Why? Because services add significant value to manufacturing and agricultural output processes

Data Base: Joint OECD-WTO Trade in Value-Added Initiative with data on trade in value-added for 58 economies that represent 95% of world output

http://www.oecd.org/industry/industryandglobalisation/measuringtradeinvalue-addedanoecd-wtojointinitiative.htm
WTO/OECD DATABASE ON VALUE-ADDED REVEALS HIGH IMPORTANCE OF SERVICES IN WORLD TRADE
The Services Sector is the most rapidly growing segment of the World Economy.

- Services represent
  - 2/3 (66%) of World Production
  - 2/3 (66%) of World Employment
  - Nearly 50% of World Trade (value-added basis)
  - 3/5 (60%) of Foreign Direct Investment
SERVICES ARE BEHIND THE NEW ECONOMIC REALITY OF 21ST CENTURY

- Services are DRIVING ECONOMIC GROWTH.
- Trade is being led by FDI FLOWS.
- Trade is INCREASINGLY IN INTERMEDIATES and not final goods (has resulted in operation of GLOBAL VALUE CHAINS)
- SERVICES TRADE IS MUCH MORE IMPORTANT than previously understood and appreciated – new Data Base on Trade in Value-Added
- SERVICES Exports are growing in importance across countries of ALL INCOME GROUPS
International trade increasingly in intermediate goods, not final products

Services is fastest growing segment of the world economy.

Services drive productivity and employment creation as well as investment and trade.
INTERNATIONAL TRADE IS COMPOSED PRIMARILY OF INTERMEDIATE GOODS, NOT FINAL PRODUCTS
COMMERCIAL SERVICES FASTEST GROWING SEGMENT OF TRADE

Sources: WTO International Trade Statistics 2013
Types of Commercial Services

- Computer and Information Services
- Communication Services
- Transport Services
- Insurance Services
- Construction Services
- Financial Services
SERVICES ARE DRIVING GDP GROWTH FOR ECONOMIES AT ALL LEVELS OF DEVELOPMENT

![Bar chart showing sources of growth, 1980-2009.

Developed: Services 2.5, Industry 0.5
Low-income developing: Services 3.5, Industry 2.5

GROWING CONTRIBUTION OF SERVICES EXPORTS TO GDP FOR LDCS AND LICS

Source: ITC. LDC Services Exports: Trends and Success Stories.
LOOKING AT SERVICES
TRADE IN AFRICA
SERVICES CONTRIBUTION TO GDP BY REGION

Services Value Added (% of GDP) by Region in 2011

- **East Asia & Pacific**: 60%
- **European Union**: 50%
- **Latin America & Caribbean**: 45%
- **North America**: 75%
- **South Asia**: 50%
- **Sub-Saharan Africa**: 70%
- **World**: 70%

**SERVICES contribution to GDP is quite strong in Sub-Saharan Africa**

*Source: WB Database (2011)*
SERVICES CONTRIBUTION TO GDP BY REGION

Source: WB Database (2014)
http://data.worldbank.org/indicator/NV.SRV.TETC.ZS/countries/1W-ZG-Z4-8S-ZQ-ZJ?display=graph
AFRICA IS BECOMING A DYNAMIC EXPORTER OF COMMERCIAL SERVICES

Growth in exports of commercial services by region, 2011–2012

Source: World Trade Developments (2013). WTO
SERVICES HAVE RECEIVED THE MOST SIGNIFICANT AMOUNT OF FOREIGN INVESTMENT IN AFRICA OVER THE LAST DECADE

SIGNIFICANT INCREASE IN THE SHARE OF SERVICES SECTOR IN GREENFIELD PROJECTS IN AFRICA OVER THE LAST DECADE

Historic evolution of the sectoral distribution of announced greenfield FDI in Africa, 2004-2013 (Percent of total value)

INVESTMENT IN SERVICES IN AFRICA

- Sectoral shift emerging in investment emerging in Africa- towards services →
- Why?
  - Many services activities (especially construction services) have a supporting role for the extractive industry
  - The emergence of a middle class is fostering the growth of FDI in services such as banking, retail and telecommunications

SERVICES TRADE AND AFRICA’S FUTURE
Services important for Africa in several ways:
- For the efficiency of Manufacturing and Agriculture sectors –
- For the functioning of Global Value Chains

Services important domestically for:
- Employment Creation; Contribution to GDP growth
- Reducing social disparities, contributing to gender equality

Services → Critical for Innovation:
- Can offer the opportunity to “leapfrog” stages of development for lower income African countries, if certain policies are followed

Advantages for SMEs in Services:
- African SMEs more likely to be services exporters since the initial investment is lower than in manufacturing
AFRICAN ECONOMIES HAVE TREMENDOUS, UNTAPPED POTENTIAL IN SERVICES

- More efficient services are basis for sustained economic growth and participation in supply chains
- Services are key to improving connectivity in both infrastructure and people

SERVICES ARE THE WAY OF THE FUTURE AND OFFER GREAT OPPORTUNITIES AS WELL FOR BOOSTING REGIONAL TRADE IN AFRICA
AFRICAN SERVICES
SUCCESS STORIES
Senegal exports BPO Services

Senegal → Has moved from agricultural to services exporter

- Services contributed to 60% of GDP (2011 Value added: ITC)
- Commercial services reached $1 billion in 2011 growing at 47%
- Services sector employs 37% of labour force as opposed to agriculture (33%) and manufacturing (14%)
- Premium Contact Centre International (pictured) established by 3 young Senegalese in 2002 with 35 employees
- Today PCCI employs 1800 people in 3 production sites from 20 countries speaking over 50 languages (source ITC)
Ghana → Leading destination for learning English for Francophone countries in West Africa

• Several foreign students study in Ghanaian colleges and universities (Mode 2).
• Reasons for success:
  • Quality of educational system
  • Political stability
  • Good road infrastructure in cities
  • Improving utility coverage in terms of telecoms, water and power
  • Comparatively good housing and hostels for students
S

• Services comprise the largest part of Uganda’s economy – nearly 45% GDP in 2012.
• Reasons for success
  • Low Tuition Fees
  • Large number of private universities with flexible admission requirements.
• Foreign students enrolled (2012):
  • Kampala Intern. Univ. 6,715
  • Makere University 2,444
  • Bugama University 862
  • Islamic University 867, etc.
Over the past few years Kenya has targeted export of professional services to other EAC states (region of 127 million people and a combined GDP of US$73 billion)

Services sector is 56% of Kenya’s GDP

Type of professional services exported: Lawyers; Architects; Engineers (primarily through Mode 4 exports – 60% of firms surveyed, WB study)
Service sector is the second largest contributor to the country’s GDP.

Strong financial services sector: 20 commercial banks in 2013 with 5,810 branches, an increase from 2,193 in 2000. Exp: 11 Nigerian Banks have established subsidiaries abroad in over 20 sub-Saharan countries; 9 out of 11 also have branches in 4 continents outside of Africa (Mode 3 exports).
# Nigerian Banks with Subsidiaries Abroad, 2012

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<thead>
<tr>
<th>Bank</th>
<th>Countries in Operation</th>
<th>Outside Africa</th>
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<tbody>
<tr>
<td>Access Bank</td>
<td>Burundi, Côte d’Ivoire, Democratic Republic of Congo, The Gambia, Ghana, Rwanda, Sierra Leone, Zambia</td>
<td>London, UK, China</td>
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<td>Guaranty Trust Bank (GTB)</td>
<td>The Gambia, Ghana, Liberia, Sierra Leone</td>
<td>London, UK</td>
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<td>Afribank/Mainstreet Bank</td>
<td>Ghana</td>
<td>London, UK</td>
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<td>Zenith Bank</td>
<td>The Gambia, Ghana, Sierra Leone</td>
<td>London, UK</td>
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<td>Diamond Bank</td>
<td>Benin, Côte d’Ivoire, Senegal, Togo</td>
<td>Dublin, Ireland</td>
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<td>Bank PHB / Keystone</td>
<td>The Gambia, Ghana, Liberia, Sierra Leone, Uganda</td>
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<td>Skye Bank</td>
<td>The Gambia, Ghana, Guinea, Sierra Leone</td>
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<td>Democratic Republic of Congo</td>
<td>London, UK, Paris, France</td>
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<tr>
<td>Union Bank</td>
<td>Benin, Ghana</td>
<td>London, UK, South Africa</td>
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Source: BIS, 2013
Burkina Faso ➔ One of the biggest exporters of cultural services in Africa

- Cultural Services exports is the second fastest growing services sector in the world economy at 8.9%, 2008-2013.
- Cultural Services accounts for 4% of GDP in Burkina Faso, employing 170,000 people (2009).
- Example: Events such as the International Festival of Hip Hop Culture, Festival of Jazz, Festival des Masques et des Arts, Festival Pan-African de Cinema de Ouagadougou (FESPACO) and the National Culture Week.
ZIMBABWE EXPORTS NURSING SERVICES

Zimbabwe  Large number of surplus trained nurses exported to neighboring countries and further abroad.

- Zimbabwe "exporting" thousands of qualified but jobless nurses. In 2010, only 374 nurses were employed from 1,516 trained.
  - Over 1,500 nurses were unemployed in 2011.
- Zimbabwe now sending nurses all over the world, including Europe, Caribbean and Australia as well as Africa,
- Many of these through government-to-government agreements.

Source: Africa Report, Janet Shoko, December, 2012
• Ethiopia's current cumulative power generation capacity stands at 2370MW, much more than necessary to meet national demand.
• Ethiopia has exported 60MW to Djibouti (since May 2011) and 100MW to Sudan (since November 2012), and is constructing a 500kV interconnection with Kenya, capable of exporting 2,000MW.
SOUTH AFRICA EXPORTS ICT SERVICES

- Services account for almost 70% of GDP.
- South Africa has a $960 million annual ICT sector, and has moved up the value chain into software development and legal process outsourcing (World Bank; 2011). Government assistance and targeted policies as of 2007 has helped accelerate development of the sector.
THANK YOU

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