

Plenary Session A

Service Exports – Beyond Selling Promises

The Issue: Service exports account for only 23% of world trade and the proportion is not growing significantly. Developed countries dominate the sector, and it may appear that developing / transition countries have little chance of catching up. One can therefore sympathise with the views of many strategy-makers in these countries that prospects for service exporting are highly overrated.

It is understandable, therefore, why most developing / transition economies have, to date, generally ignored service exporting. The common view is that:

- services do not represent “real” exports;
- agriculture and other product sectors are more important;
- indigenous service suppliers cannot be competitive vis-à-vis those from more developed economies;
- it would require a leap in faith to attempt to transform a commodity-based economy into a service-oriented one.

Is all the noise about trade in services justified? Does it really suggest that there is high potential for developing / transition economies?

The Proposition: Indications are that there is reason to be optimistic. Strategy-makers should accordingly give the service sector another look. There IS potential.

The GATS negotiations are intended to further liberalize trade in services. And they are progressing. A number of developing countries have had marked success in exporting their services. For some, this has become the major driver behind their economic growth. An efficient service sector, moreover, translates into efficient production of exportable goods. To cap it all off, the share of services in total world trade is likely to be significantly greater than the reported 23%.

In short, the market is greater than what it seems. Significant commercial opportunities are available to those countries that are 'ready', or prepare themselves in the immediate future to be ready. But readiness requires strategy...but not any strategy.

While containing some of the fundamentals of export strategy for goods – effective public-private sector partnership, focus on capacity development rather than exclusively on market promotion – a distinct approach must be taken for the service sector.

The distinctiveness is based on the fact that success in the service sector relies much more on entrepreneurship and innovation than does the product sector. The strategy must reflect this.

As importantly, the strategy must respond to the unique characteristics of each sub-sector within the sector, each of which requires a unique solution.

Focus of the Debate: It is proposed that the debate focus on the following:

1. Generally speaking, is the export of services a matter of hype or high potential? Have those countries, which are not active in the international market for services, missed the boat? If so, is there any point in investing in a strategy for the service sector?
2. Do you agree that the fundamental difference between strategy for the service sector and strategy for product sectors is the level of response to entrepreneurship and innovation? Is it essential that institutions supporting the development of the service sector match the level of innovation and entrepreneurship that exists within the sector itself? What are the implications for strategy, and what are the implications for the public sector's support programmes?
3. What are the criteria that strategy-makers should apply in determining which sub-sectors the service sector strategy should focus on?