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**Towards a coherent services regulation and
trade policy for structural transformation:
New research and capacity building agenda**

by

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UNCTAD MULTI-YEAR EXPERT MEETING ON TRADE, SERVICES AND DEVELOPMENT

SESSION 5:

**“TOWARDS A COHERENT SERVICES REGULATION AND TRADE POLICY FOR
STRUCTURAL TRANSFORMATION: NEW RESEARCH AND CAPACITY BUILDING
AGENDA”**

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Good Afternoon Ladies and Gentlemen.

Without a doubt, services is playing an increasingly important role for many developing countries. As a joint agency of UN and WTO, ITC's mandate is to support our parent organizations' regulatory, research and policy strategies, and implement and deliver practical Trade Related Technical Assistance projects. Whereas UNCTAD focuses on research and policy, and the WTO focuses on trade rules, we focus on businesses and exporters.

Therefore, I'd like to address the issue of services regulation and trade policy from a "business and exporters" perspective. I'll first introduce ITC offerings on capacity building in services trade, and then I'll focus on what we have learned on what matters on the policy side through our work with Micro Small and Medium-sided Enterprises (MSMEs).

ITC's support to MSMEs trading in services

At ITC, we work with and for MSMEs and we work with Trade and Investment Support Institutions and policy makers who provide support to MSMEs in their country.

MSMEs are our most important beneficiaries and working directly with MSMEs on capacity building is what distinguishes ITC from many other international organizations. ITC's offering in services focuses currently mainly on three areas:

- Tourism
- IT and IT-enabled services
- and e-commerce activities.

- *Tourism*

Tourism constitutes for many developing countries the single largest foreign exchange earner. Tourism has linkages into many other parts of the economy, contributing to job creation and poverty reduction. It is estimated that one out of every ten jobs worldwide is directly or indirectly interlinked to tourism. Tourism's potential to contribute to sustainable development is strongly reflected in the Sustainable Development Goals. Taking this into account, ITC and the UN-World Tourism Organization have entered a strategic partnership to aggregate the two organizations' resources and competencies and to share perspectives in the process of rethinking a joint approach to Aid for Trade in tourism. We are particularly proud to host the UNWTO's liaison office in Geneva and to have inaugurated that office at the beginning of 2017, the International Year of Sustainable Tourism.

ITC and the UNWTO already work together in Myanmar and the Gambia, and we look forward to expand our technical assistance work in other countries by taking a holistic view of the tourism value chain and aims to address issues at every step along this chain.

- *IT and ITES*

Information technology and IT-enabled services offers tremendous opportunities in cross-border trade in services, and increasingly developing countries are getting a foothold in the international market.

ITC projects and programmes in IT and ITeS build the export capacity of SMEs and help them connect to the international market in a sustainable manner. In the context of the Netherland Trust Fund project, for example, ITC has helped over 100 IT and IT enabled services companies in

Bangladesh, Kenya and Uganda, to improve their services offerings and reach out to the global customers.

- ***E-commerce***

E-commerce is rapidly changing the landscape of international trade and provides exciting opportunity particularly for MSMEs. It enables them to build an international reputation, access markets and participate in the international value chain in ways previously only feasible for larger companies.

However, SMEs in developing countries struggle to capture these benefits as they lack awareness, lack access to payment and logistics solutions, and suffer from burdensome technical requirements in target markets.

To bridge e-commerce divide, ITC “e-solutions” and “Virtual Market Places” projects take MSMEs in Jordan, Morocco, Rwanda, Senegal, Tunisia and other countries by hand and guide them through the e-commerce process chain from establishing business online, accessing e-payment, cross-border delivery to finally providing satisfactory customer service in aftersales. These projects have helped MSMEs make real sales through e-commerce to customers in Europe and expand their business through enhanced online transactions.

What we have learned on the policy side

So, what we have learned on the policy side that really matters to the MSMEs from our technical assistance projects?

On tourism, for example, we have learned that infrastructure is a big challenge in many developing countries and LDCs, but policies are also relevant. Visa openness and open sky agreements are key to ensure mobility of international tourist. Investment policies regarding the establishment of hotels and resorts, regulations for tour operators often have a significant impact on the development of the sector.

On IT and ITeS, for example, most of IT and ITeS exports are supplied cross-border via the internet, which is to the advantage of MSMEs. Nevertheless, temporary movement of professionals, recognition of education and qualifications are often on the watch list of the private sector, as well as emerging issues such as data regulations, privacy and cybersecurity, which may have an impact on business models and growth trajectories.

On E-commerce, it cut across various types of activities and has triggered much policy discussions, including at the WTO and UNCTAD. This is why last year we produced a highly downloaded publication “Bringing SMEs onto the E-commerce Highway”, which analyses the major policy bottlenecks and provides policy recommendations for developing countries to increase uptake of e-commerce by MSMEs. The report provides a comprehensive framework to analyse e-commerce policy issues in four components that are important to SMEs: establishing an online business, international e-payment, cross-border delivery, and aftersales - and the three layers of competitiveness: firm capability, business ecosystem and national environment. This layout allows policymakers to assess e-commerce policy issues at the different levels, focus interventions where they will be most effective and identify actionable policy recommendations to remedy weaknesses in e-commerce environment.

To strengthen the voice of business in the policy discussion, we are also conducting an SME E-commerce Survey, which gathers first-hand information on the challenges SMEs encounter in cross-border e-commerce and puts them in the context of the current discussions at the WTO. The

Survey has attracted about 2000 respondents and the report is expected to be ready for Public Forum in September. Preliminary findings show that logistics are still a major bottleneck for MSMEs with the cost of logistics in the final price of e-traded goods being twice as high in developing than in developed countries. Speedy implementation of the Trade Facilitation Agreement can help to address this. MSMEs in developing countries also express concern about a lack of access to international e-payment solutions and they find it hard to predict whether and which duties will be applied on returned products. MSMEs are also concerned about their own lack of technical knowledge, language skills and weaknesses to raise visibility of their offering for consumers abroad. As a consequence, many firms abandon their attempts to get onto the e-commerce high-way, with female owned companies getting stuck earlier in the process than male owned companies.

ITC: from MSMEs to Policy Makers

All of these policy challenges need to be addressed for the healthy development of services sector and services trade in the developing countries and LDCs.

For policy makers, (as mentioned in this panel), UNCTAD's Services Policy Review (SPR) and Trade Policy Framework (TPF) are very useful tools that contribute to formulation and implementation of trade and services policies. They provide broad frameworks to guide countries on improving policies and conducting reforms.

At ITC, we complement this work with an offering based on what we have learned in our projects and programmes and tailored to the needs of MSMEs.

First, we work on **trade intelligence**, which are vitally important for informed policy decisions. ITC has developed a suite of market intelligence tools, such as trade map, investment map, which all contain useful information on services trade. Our web-interfaces are particularly friendly for enterprises who are interested in exporting. In addition, our country specific services snapshots, serve as a tool to help policymakers acquire an at-a-glance overview of a country's services development and services export. ITC also deploys a comprehensive firm-level survey that enables developing countries to assess their SME sector's strengths and weaknesses, in turn helping policymakers and the private sector make more informed policy decisions.

Second, based on trade intelligence, we help countries develop their **national export strategies**, including specific services sector development and export strategies. These export strategies are developed in partnership with governments provide useful blueprints for actionable measures on policy side to develop services sectors and boost services exports. At the recent Global Review on Aid for Trade we launched our most recent offering in this area: the joint ITC-UNWTO national tourism export strategies.

Third, we work on **building knowledge and negotiation capacity** for policy makers who wish to take MSME concerns and positions and concerns into account in their work. ITC has developed a number of e-learning courses for policy makers on services trade, e-commerce, ICT and digital trade, and we host face-to-face workshops such as the ones on digital trade and preparing LDC delegations for the LDC services waiver negotiation at the WTO.

Fourth, we work on **strengthening capacity of Trade and Investment Support Institutions**. TISIs play an important role in channelling business voices into the policy making process and promote export and national branding. ITC projects, for example, have helped the Coalitions of Services Industries in developing countries conduct industry mapping and organize public-private dialogues, through which policy makers can hear directly from the industries and have a better understanding of their needs and concerns.

Finally, as mentioned before, all above culminate into real and targeted technical assistance projects for MSMEs in the field of services trade, including tourism, IT and ITeS and e-commerce.

Another policy perspective important for ITC is Gender. And Gender is particularly relevant for services. Studies show that services sectors employ more women and provide more opportunities to women entrepreneurs.

Nevertheless, there're many challenges for women to tap into services trade. Through our survey, we find gender gap is particularly large in the digital sphere. 40% of women-owned firms said they were not familiar or comfortable with using technology for their business; women-managed firms were 12% less likely to use email than men-managed firms; and in developing countries women were 8% less likely to have access to the Internet than men. Bridging gender digital gap is crucial for ensuring equal participation of women in international trade and other economic activities. Through our SheTrade project, we aim to connect one million women entrepreneurs to market by 2020 and increase the participation of women entrepreneurs in international supply chains.

Lessons learned and conclusions

ITC is a 100% Aid for Trade agency and we have been in the business of providing trade related technical assistance for over 50 years. Through our project and programmes, we have learned the following:

- ***Policies need to catch up with business reality***

The business world is moving ahead much faster than before and it is becoming increasingly challenging for policy world to catch up with its pace. Advancements such as internet and digital technologies have fundamentally changed the way people do business, and opened doors for MSMEs, providing them with the tools that were previously only available to the large corporations. At the micro level, we're seeing many MSMEs are "born global". They rely on digital technologies to establish their own global supply chains, no matter how small the company is, and supply their products and services to the global market. At the macro level, technologies change production and consumption patterns and we're seeing the trend of "servicification" where services account for increasingly larger shares in company's inputs and outputs.

Policy makers need to catch up with these trends and provide MSMEs with matching support. This is the reason ITC has been focusing on the new frontiers, such as cross-border e-commerce, digital trade, innovative business models and new tools for business growth. These dynamic fields are among the most demanded ones from our beneficiaries and we have adjusted timely to respond to these demands.

- ***Soft infrastructure are as important as hard infrastructure***

When we discuss challenges for developing country SMEs to access global market, lack of infrastructure is often identified as a major challenge. Surely, roads, ports and telecom networks are vitally important for connectivity and trade flow. But where it may not be feasible to improve these hard infrastructure in a short time, making the best use of the existing infrastructure can make a big difference. This is where soft infrastructure comes into play. Improved regulations, reducing red taps, improving transparency can all contribute significantly towards reducing trade costs and improving trade flow. Implementation of the WTO's Trade Facilitation Agreement, is one such example.

In the services world, regulation is even more important, as services trade is mostly affected by behind the border domestic measures. This is the reason why ITC, and many international organizations including UNCTAD, invest so much in disseminating best regulatory practices and

building an enabling business environment. Results of these interventions might be hard to measure in terms of sales and transactions, but they do play a key role in sector development and advancing services trade.

I wish you an insightful discussion and we stand ready to take this collaborative effort further, together with the UNCTAD, WTO, UNWTO, and many more players in the world of trade and development, to help countries to improve their services regulations and build service export capacity.

Thank you.