

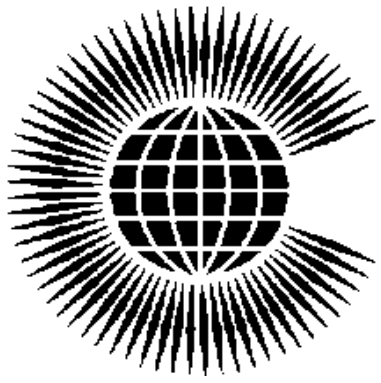
**REGIONAL MEETING ON PROMOTING SERVICES SECTOR DEVELOPMENT AND TRADE-LED GROWTH IN
AFRICA**

organized by UNCTAD in collaboration with the African Union Commission (AUC) and the UN Economic Commission for Africa (UNECA) and in partnership with the International Organisation of La Francophonie

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Achieving sustainable development and job creation through the service sector for the Commonwealth

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COMMONWEALTH SECRETARIAT

Contextual Background

- ❑ The Commonwealth comprise 54 member countries.
- ❑ Commonwealth African members include Botswana, Cameroon, The Gambia, Ghana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Rwanda, Seychelles, Sierra Leone, South Africa, Swaziland, Tanzania, Uganda and Zambia.
- ❑ Maintaining economic growth, creating jobs, and reducing inequality are central and challenging problems for all members of the Commonwealth, - posing immense risks to social and political stability; Unemployment rates vary across the Commonwealth; 17 Commonwealth countries in excess of 10 % & some 50 per cent.
- ❑ Majority grappling with high levels of entrenched youth employment. Phenomenon of “jobless growth” has consigned millions to underemployment and poverty. Inequality is on the rise and has significant economic and social costs for both individuals and society.

Contextual background continue...

- Many CW **Africa and Asian members** have re-emerged from the economic crisis, but face a longer-term problem – which pre-dates the crisis – in that economic growth is not creating sufficient jobs. **The policy challenge for these countries is to translate growth into rising employment and improved social outcomes.**
- To address these challenges, ComSec focussing efforts on combination of analysis and sharing information and good practices on policies geared at sectors with the potential to generate significant productivity gains - reallocation of labour from low productivity activities (e.g., subsistence agriculture) to more dynamic sectors (e.g., manufacturing and ‘modern’ services).
 - Example, joint UNCTAD-Comsec project on *“Intra-Regional Trade and Potential Supply Chains in Asia and Sub-Saharan Africa”*.

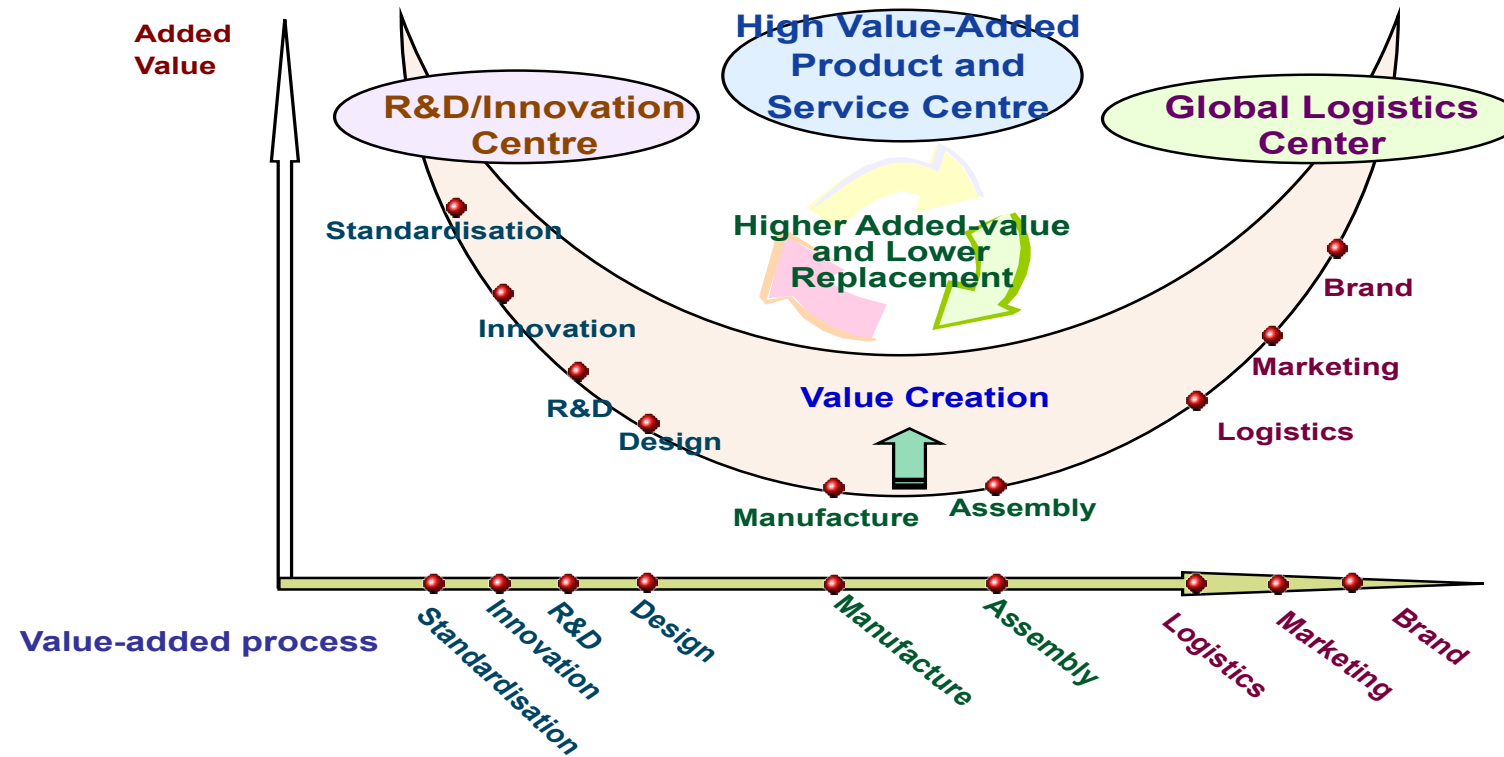
including ***Service Enablers for Global Goods Value Chains***

To complement ongoing production value chains work and in recognition of the importance of services as enablers of this process, ComSec commenced analysis and pan-CW dialogue on:

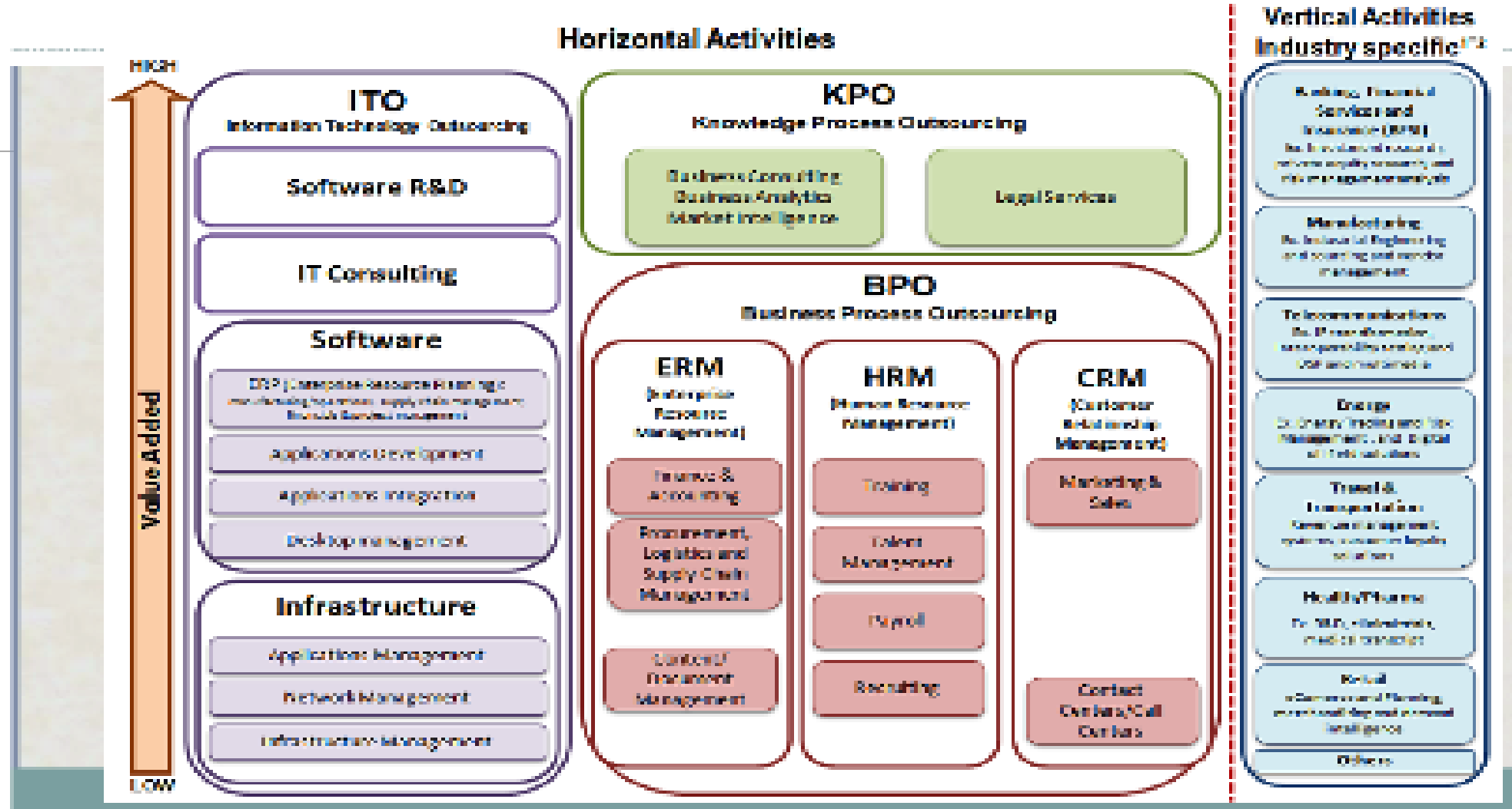
- ❑ *The Services Trade Dimension of Global Value Chains and its Implications for Commonwealth Developing Countries, including Small States. Further region-specific analysis anticipated;*
- ❑ *Mobility, portability of qualification and the importance of (ever more expensive) tertiary education in moving higher up the services value chain.*
- ❑ *The Role of Aid for Trade in Promoting Global Value Chains for Developing Countries.*
- ❑ *Operationalizing the implementation of WTOs services modalities for LDCs - a workable mechanism for granting preferences to the services exports of poorest and most vulnerable countries;*
- ❑ *Policy Framework on options for effectively negotiating favourable rules and market access arrangements in the key emerging growth service sectors of development interest to Commonwealth developing countries, including the African region.*

Services Trade Dimension of GVC: Opportunities for CW developing countries

The “Smiley Face” – Role of Services in Value-Added



The offshore services value chain

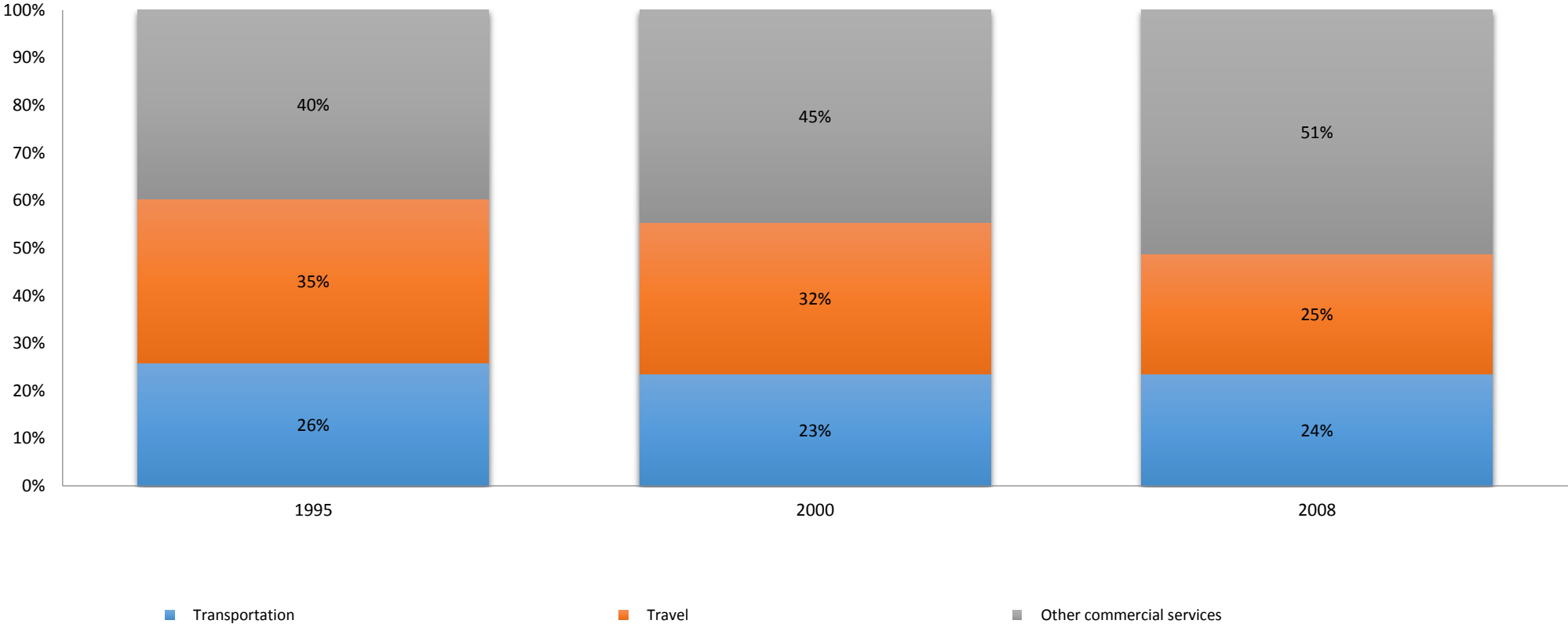


Source: Gereffi (2010).

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Development of Service Supply Chains, Trends and Emerging Service Growth Centres

Changing composition of world services trade



Development Considerations

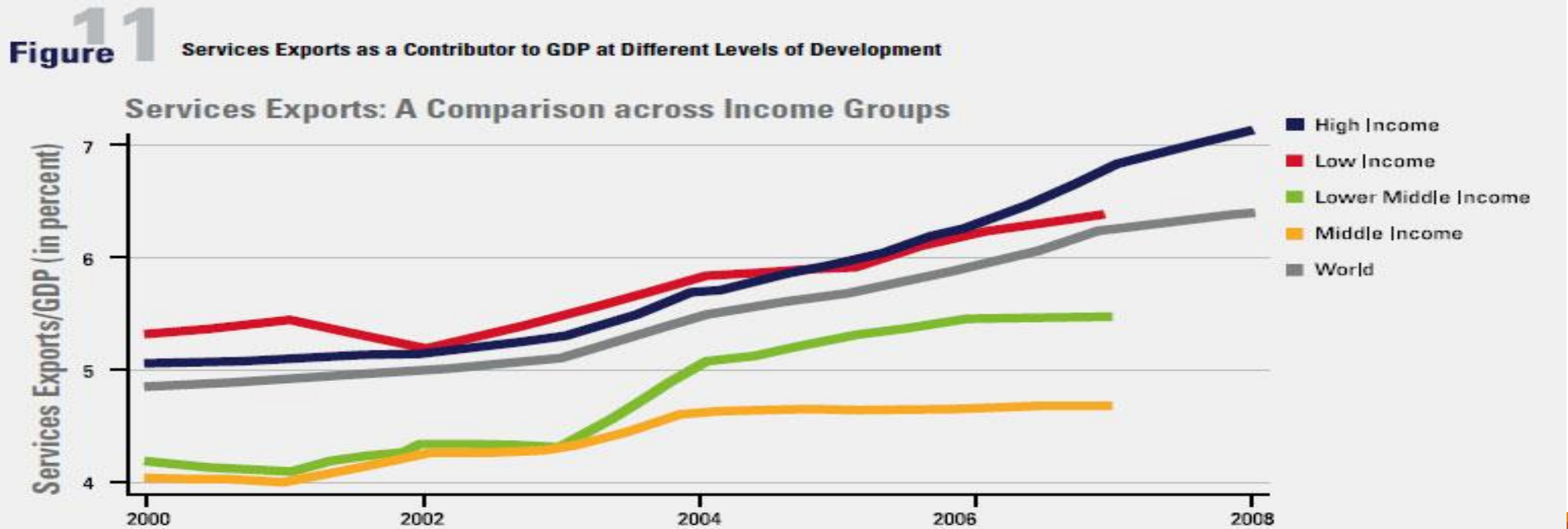
- ❑ Entry into Global Value Chains can play an important role as a source of jobs and growth for Commonwealth small and developing states.
- ❑ Participation in the international production chains in the services area offers great potential for developing and small states, and potentially more viable than participation in GVCs in the goods area for a number of reasons;
 - ❑ **First**, services are not linked to natural resource endowment:
 - ❑ **Second**, for services, GVCs do not depend as much on the geographic location of the participating firms as transport costs for services, especially when provided cross-border, are negligible. Landlockedness & remoteness should no longer be the obstacles to trade that they once were;
 - ❑ **Thirdly**, governments can 'create' a comparative advantage in a service task - Since services are all about people and human capital rather than physical capital, the role of policy can be determinant in this regard.
 - ❑ **Fourthly**, services unlike goods, are not subject to economies of scale in the same manner. For those countries on the lower income rankings, services may provide a platform for "leap-frogging" stages of development if the government can help to create conditions necessary for developing the services sector;

Poverty Alleviation Factors of Services GVC

- ❑ Other positive spillovers generated - opportunities for women. Much of the intermediates and 'tasks' are in the services sector where the majority of women are employed. Contributing to tasks in Global Value Chains is an additional way to bring more women into the labour force - a major factor in alleviating poverty and improving childhood educational opportunities.
- ❑ For purposes of poverty alleviation, low value-added jobs equally important as high value-added jobs, especially for developing countries in their first experiences in capturing a services task, or if their level of human skills do not offer opportunities otherwise. Often low value jobs are the first step toward gaining participation in GVCs. Example: Intel experience in Costa Rica.
- ❑ Cautionary note: domestic stakeholders fear participation in global activity could prove unsustainable and possible future elimination of a services "task" or an intermediate input. GVCs do magnify and accelerate skills-biased technological change and firms/countries need to adapt. Challenge - focus on appropriate education and skills training to create the appropriate competitive conditions to retain firms and help retrain those affected by job loss.

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- ❑ Services exports are making higher contribution to GDP for poorer countries than for middle income economies; just under 6% for lower middle income economies and just over 6% for low income economies



by Commonwealth Developing and Small States

The studies cited illustrate the wide variety of services exported by Commonwealth states, ranging from medical tourism to education, professional services, and information technology services.

Recent World Bank study on developing country services exports shows a number of Commonwealth developing countries have revealed comparative advantage not only in labour-intensive services, such as construction, travel and transport but also in skill-and technology-intensive services such as communications services, computer and IT services and financial services.

Table 1: Revealed Comparative advantage in Services Exports for Developing Countries: A few Examples Source: World Bank (2011)

Services Sector	Input Intensity	RCA for LDC Group	Developing Countries with RCA>1 (examples)
Communications Services	Skill and Technology Intensive	1.29	Indonesia, Venezuela, Colombia, Zambia, Philippines, Botswana, Egypt, Argentina, India
Computer and Information Services	Skill and Technology Intensive	2.08	India, Israel, Costa Rica, Sri Lanka, Uruguay, Armenia, Argentina
Construction Services	Labor Intensive	1.32	Russian Federation, Egypt, Malaysia, Senegal, Mozambique, Tunisia, Indonesia, Slovenia, Israel, Turkey, Botswana
Financial Services	Skill and Technology Intensive	1.30	Tajikistan, India
Insurance Services	Skill and Technology Intensive	0.33	Bahrain, Mexico, Peru, Bolivia, Botswana, Zambia, Paraguay, Sri Lanka, Armenia, Chile, Brazil, Turkey
Other Business Services	Skill and Technology Intensive	0.72	Lebanon, Brazil, Paraguay, China,, Oman, Israel, Argentina, Philippines, Russian Federation, Botswana, India
Transportation	Labor and Resource Intensive	1.84	Chile, Ethiopia, Azerbaijan, Sri Lanka, Kenya, Egypt, Uruguay, Colombia, Iraq, Tunisia, Pakistan, China, Malaysia
Travel	Labor and Resource Intensive	1.69	Mexico, Turkey, South Africa, Costa Rica, Tunisia, Philippines, Malaysia, Egypt, Colombia, Indonesia, Argentina

Policy Recommendations

- ❑ Inadequate donor activity, individually or jointly, exists to fix the widespread information deficit on the services sector, on the services dimension of global value chains and on services trade opportunities for developing countries. **Improving the evidence base and disseminating the results should be a prime focus of international institutions and donor's technical assistance and capacity building.**
- ❑ Developing countries would benefit from greater opportunity to share and disseminate international experience regarding policy and regulatory settings which have proved conducive to attracting services work for the global market onshore. **Further background research should be conducted and case studies collected to inform an active policy and regulatory dialogue at regional and pan-Commonwealth level.**

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- Many services are infrastructural in nature and local inefficiencies in their supply are prejudicing Commonwealth developing countries opportunities to participate in Global Goods Value Chains. **Achieving efficiency gains in logistics services and transportation and otherwise facilitating two-way cross border trade in goods should be a sustained focus of Commonwealth developing country policy attention.**
- The global evidence is that there are prerequisites required for developing countries to enter Global Services Value Chains successfully and that these become more critical at higher points of value-added. One prerequisite is digital infrastructure - cost effective and reliable telecommunications links. Other prerequisites include technical interoperability, mutual recognition and global standards conformity and assurance. Investment in tertiary education and human capital is also vital. **Technical assistance and capacity building efforts need to be expanded to cover services economy infrastructure.**

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- In value-added terms, services account for nearly half of world trade and the upward trend is clear. Services similarly dominate global investment flows. **Developing country trade officials should be encouraged to give much higher attention to trade and investment in services, including in inter-governmental negotiation at the bilateral, regional, mega-regional, plurilateral and multilateral level.**
- Participating in Global Services Value Chains necessarily requires openness to services trade, including to imports of services intermediates. **Developing countries should prepare for greater internal policy coordination on services trade matters and for more intensive public private policy dialogue and associated advocacy on Global Services Value Chains.**
- Developing countries, particularly smaller and more vulnerable economies, need assistance to devise appropriate strategies to promote exports of services into global value chains. **Donor countries should partner with other trade-related international organisations to showcase services export promotion best practice methods and tools.**

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- Developing countries need technical assistance to review their investment and innovation policy regimes. **Capacity building efforts should focus on investment and industry policy in tandem with trade policy reform.**
- Services should be given higher priority generally in development cooperation initiatives. **Capacity building efforts should be directed to identifying and leveraging the factors that impact on competitiveness both at all-of-services level and in individual prospective services growth sectors.**

THANK YOU

