

UNCTAD Multi-year Expert Meeting on  
**TRADE, SERVICES AND DEVELOPMENT**  
Enhancing productive capacity through services  
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**Presentation of the background note**

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# Enhancing productive capacity through services

*Creating trade opportunities for Developing Countries*

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# The Evolution of Services Trade

With the rise of digital technology, there are **new ways to trade**, creating opportunities never before imagined, especially for developing countries and LDCs



# Productive Capacity



productive resources



entrepreneurial capabilities



production linkages



## Services enhancing productive capacity

Services **provide productive resources** as inputs to other economic sectors and **create linkages** with production in other sectors.

# The nexus between services and other sectors

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EFFICIENCY



Services provide the means for **different activities to interact.**



Services can induce **efficiency** and **effectiveness**, and increase productivity and enhance productive and export capacity.



## **Enabling role of transport services:**

The Jamaica Logistics Hub Initiative

Services add value to **output and exports** of all economic sectors measured by **forward and backward linkages.**







# Where Services add value

## Forward linkages

Services account for **59% to the value added** in total output of developing economies and LDCs.

For exports, **developing countries are missing out in ICTs** in total forward linkages.

## Backward Linkages

Developing countries lag behind in the value added of services in many sectors, especially in **agriculture** and **energy production**.

# Case studies from the MENA Region

The business services sector plays a major role in the value-added of services content of MENA country exports.



A graphic featuring a compass rose and a circular scale. The compass rose is blue and has a silver needle pointing towards the top-left. The circular scale has concentric lines and is labeled with 'S' and 'SW'. The text 'DIGITAL Transformation' is written in blue and black. The background is a dark blue gradient.

**DIGITAL**  
Transformation

# Services, Digitalization and MSMEs

Digitalization helps MSMEs move to **high value-added production** and **reduce** their **trade costs**.

# Recommendations for Developing Countries

Policy for development of strategic services sectors to boost value added

Encourage FDI

Creation of production hubs

Financial support geared to MSMEs to boost product capacity in ICT

Capitalize on opportunities for cooperation with international partners





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