What determines productive capacity and export in developing countries: the services linkage

by

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UNCTAD Multi-year Experts Meeting on Trade, Services and Development

Geneva, Palais des Nations, 1 May 2019

«What determines productive capacity and export in developing countries: the services linkage»

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Question raised:

«How do services enhance a country’s productive capacity in terms of productive resources and production linkages?»
(para 58 of doc TD/B/C.I/MEM.4/20)

«What determines the productive capacity of a country?»
“Productive capacity”

Definition: “the productive resources (1), entrepreneurial capabilities (2) and production linkages (3) which together determine the capacity of a country to produce goods and services and enable it to grow and develop.”

(UNCTAD, The Least Developed Countries Report, 2006: Productive Capacities, p. 61)
First caveat:

Studies, findings, etc based mainly on developed countries do not necessarily reflect the specificities of Least Developed Countries and other Developing Countries
Second caveat: difference goods productive capacity vs services productive capacity

Switzerland has no mines, but the major global mining company

Switzerland has no sea shore, but a major shipping company

Other success stories: Aramex (Jordan/UAE), Mercadolibre (ARG), Lion Air (ID), Safaricom (Kenya)
Aramex:
Founded 1982 in Jordan, headquarters then moved to Dubai.

“We have successfully introduced market leading express delivery and logistics services to the Middle East and other emerging economies. As a leading global provider of comprehensive logistics and transportation solutions, our breadth of services include express courier delivery, freight forwarding, logistics, supply chain management, e-commerce and record management services.” (source: Aramex web-site)
«Instead of investing heavily in infrastructure, we acquire or partner with domestic-focused logistics companies that have strong local networks, knowledge and transportation solutions already in place for efficient and effective last-mile delivery.” (source: Aramex website)

- 2018 acquisition of the KSA-based Saudi TAL for Commerce and Contract Company Ltd.
- In 2011, Aramex acquired OneWorld Courier and In-Time Couriers, two Kenyan courier firms and Berco Express, a South African logistics firm.
More productive capacity → ? more exports of goods and services
More productive capacity

more exports of goods and services

Supportive trading environment (competitiveness)
Typical services inputs in the Value Chain:

- Air transport
- Sea cargo
- Inland transport
- Energy
- Telecommunication and Internet access (connectivity)
- Utilities
- Education, training and skills (e.g. management training, trade skills, technology fluency), in particular for SMEs
Typical export sectors of Least Developed Countries (goods and services):

- Extractive industry
- Agriculture
- Tourism
Tourism services

- International transport
- Domestic transport
- Financial services
- Telecommunication (incl. BtoB)
- Connectivity
- Creative industry
- Waste mgt
- Construction
- Water supply
- Electricity
«it remains crucial to increase supply capacity in services themselves to allow countries to benefit from their enabling potential.»

(para 35 of doc TD/B/C.I/MEM.4/20)
Infrastructure is a prerequisite for transport services, which facilitate trade.

(para 45 of doc TD/B/C.I/MEM.4/20)
Least developed countries are particularly lagging behind when it comes to benefiting from the potential of information and telecommunications services to enable international trade.

(para 30 of doc TD/B/C.I/MEM.4/20)
WEF Global Enabling Trade Index (ETI)
(https://www.weforum.org/reports)

ETI Country profiles
(http://reports.weforum.org/global-enabling-trade-report-2016/economy-profiles/.)
Four overall key subindexes (A to D) containing 7 pillars:

A. Market access
B. Border administration
C. Transport and ICT infrastructure
D. Operating environment
Subindex A: Market access
- Pillar 1: Domestic market access
- Pillar 2: Foreign market access

Subindex B: Border administration
- Pillar 3: Efficiency and transparency of border administration

Subindex C: Infrastructure
- Pillar 4: Availability and quality of transport infrastructure
- Pillar 5: Availability and quality of transport services
- Pillar 6: Availability and use of ICTs

Subindex D: Operating environment
- Pillar 7: Operating environment
Subindex C: Infrastructure
Pillar 4: Availability and quality of transport infrastructure

- 4.01 Available airline seat kilometers millions
- 4.02 Quality of air transport infrastructure
- 4.03 Quality of railroad infrastructure
- 4.04 Liner Shipping Connectivity Index 0–157.1 (best)
- 4.05 Quality of port infrastructure
- 4.06 Road quality index
- 4.07 Quality of roads
Subindex C: Infrastructure
Pillar 5: Availability and quality of transport services
- 5.01 Ease and affordability of shipment 1–5 (best)
- 5.02 Logistics competence [seamless logistics chain] 1–5 (best)
- 5.03 Tracking and tracing ability 1–5 (best)
- 5.04 Timeliness of shipments to destination 1–5 (best)
- 5.05 Postal service efficiency
- 5.06 Efficiency of transport mode change [transshipment]
Subindex C: Infrastructure
Pillar 6: Availability and use of ICTs
- 6.01 Mobile-cellular telephone subscriptions /100 pop.
- 6.02 Internet users % pop.
- 6.03 Fixed-broadband Internet subscriptions /100 pop.
- 6.04 Mobile-broadband subscriptions /100 pop.
- 6.05 ICT use for biz-to-biz transactions
- 6.06 Internet use for biz-to-consumer transactions
- 6.07 Government Online Service Index 0–1 (best)
Senegal 2016:

<table>
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<tr>
<th>Index Component</th>
<th>Value</th>
<th>Rank/136</th>
<th>Trend</th>
<th>Dist. from best</th>
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### Senegal 2016:

**Pillar 4: Availability and quality of transport infrastructure**

- Availability and quality of air transport infrastructure: 2.6 / 80
- Availability and quality of rail infrastructure: 2.2 / 85
- Availability and quality of port infrastructure: 3.1 / 83
- Availability and quality of road infrastructure: 4.2 / 80

**Pillar 5: Availability and quality of transport services**

- Ease and affordability of shipment: 2.2 / 126
- Logistics competence: 2.4 / 107
- Tracking and tracing ability: 2.2 / 122
- Timeliness of shipments to destination: 2.6 / 123
- Postal service efficiency: 3.8 / 96
- Efficiency of transport mode change: 4.0 / 62

**Pillar 6: Availability and use of ICTs**

- Mobile-cellular telephone subscriptions: 99.9 / 98
- Internet users as % of pop: 21.7 / 106
- Fixed-broadband Internet subscriptions: 6.7 / 110
- Mobile-broadband subscriptions: 26.4 / 101
- ICT use for business-to-business transactions: 4.6 / 72
- Internet use for business-to-consumer transactions: 4.6 / 68
- Government Online Service Index: 0.38 / 102
### Cambodia 2015:

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### Cambodia 2015:

#### The Global Enabling Trade Report 2016

**Economy profiles**

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Recommendations (1):

1. Identify key economic activities of your economy
2. Identify major services linkages (inputs) for such activities
3. Check whether such services are available to all producers (esp. SMEs) in adequate quantity, diversity, quality (skills) and affordability, incl. issues of seasonality (e.g. tourism)
4. Find and implement policy actions to improve supply (quantity, quality etc) (avoid bottlenecks), incl. with international organizations
Recommendations (2):
«Policy action» shall consider in particular:
- improve education in targeted skills (e.g. creative skills, management skills) as well as general;
- institutions-building: skills of the regulators;
- the regional dimension (regional markets, regional cooperation).
Thanks for your attention