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# Diversifying into Services: Experiences from the Commonwealth

Ad Hoc Expert Group Meeting on Implementing The Paris Agreement: Response Measures and Trade

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The Commonwealth

## Introduction

- The Commonwealth is home to 2.4 billion people - 60% under 30 years - and includes both advanced economies and developing countries.
- Our members, especially SIDS, LDCs and SSA, are highly vulnerable to the impacts of climate change.
- They also have the least capacity to diversify their production and exports in response to these impacts.
- The Commonwealth is a global advocate about the environmental, economic and social risks of climate change - and the need for regenerative development.
- Secretariat provides technical assistance to assist member states develop trade policies and export strategies to diversify into new products and services.
- A Commonwealth Climate Finance Access Hub assists small and vulnerable countries to access and effectively use international climate finance.

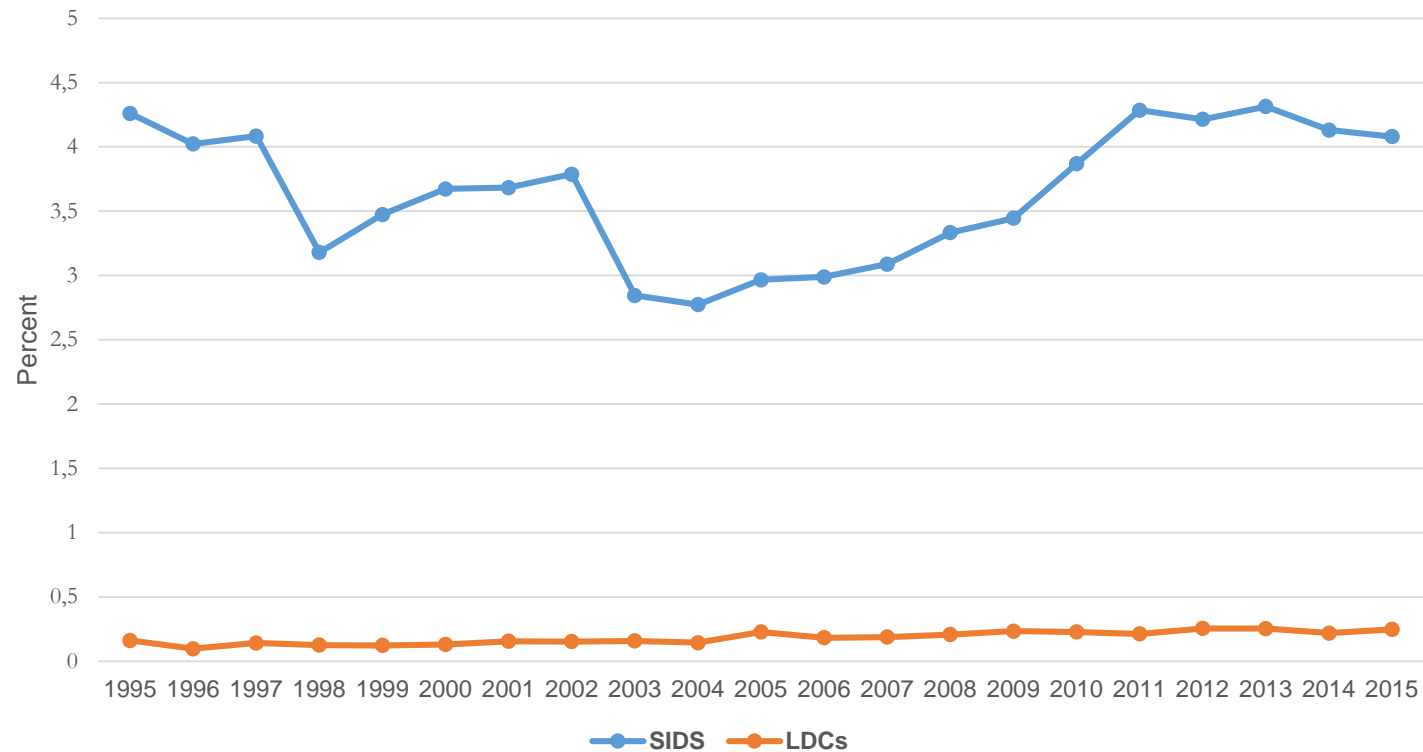
## Climate Change and the Commonwealth

- Some Commonwealth members have high export concentrations in climate sensitive sectors (agriculture, mining, fisheries, forestry, tourism) - others may be affected by mitigation policies (e.g. tourism, fossil fuels).
- Strategies: climate-proofing; tech leapfrogging; economic/export diversification to build resilience.
- Focus has been on merchandise exports, especially manufacturing.
- Services play increasingly important role in GVCs: direct (financial services, telecoms IT, logistics) and indirect - incorporated in manufacturing products.
- Services already significant % of GDP in Commonwealth: > half for low-income economies and rises.
- Insufficient attention to non-tourism and -financial services for export.

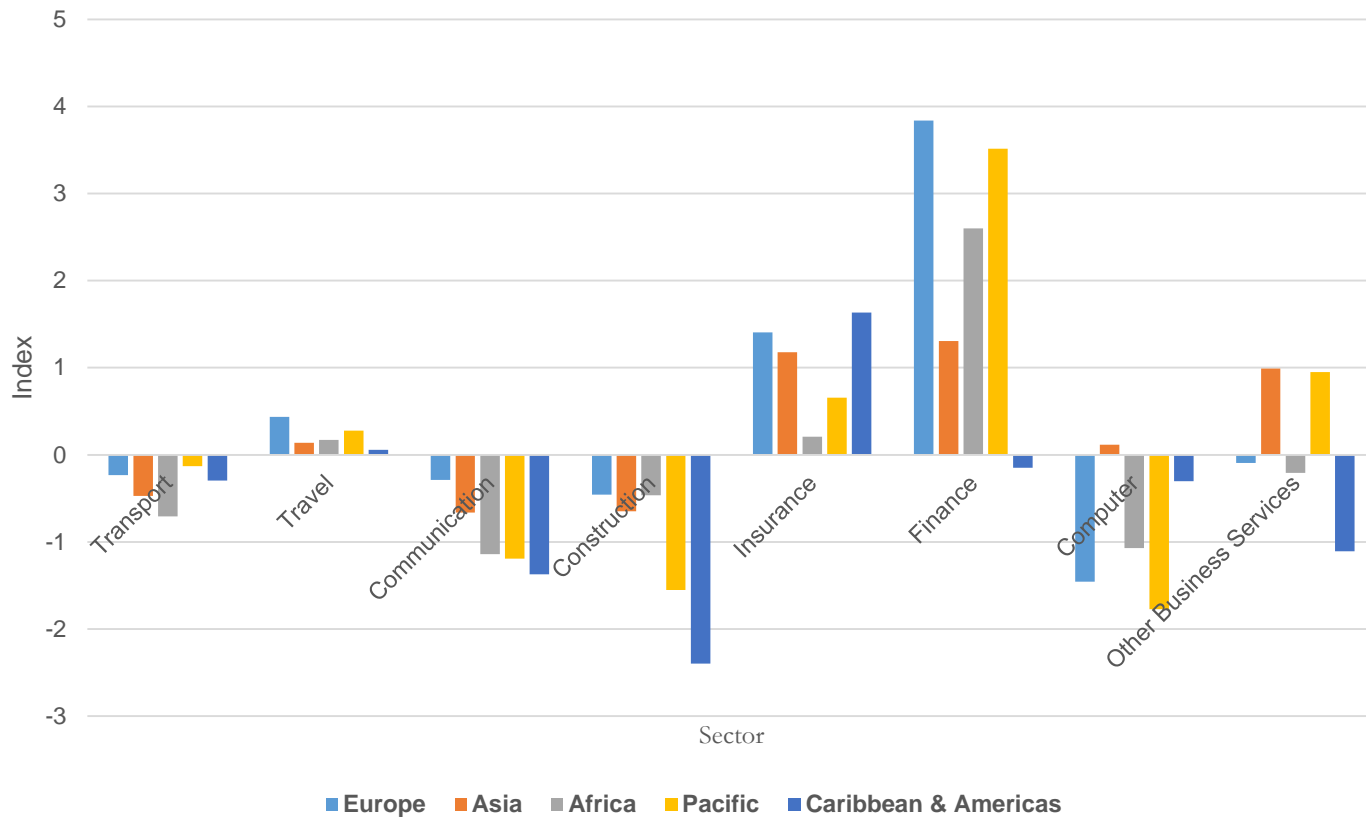
## Stylised facts: Services and the Commonwealth

- Cross-border services trade now for 23% of total world exports.
- Share of developing countries over 20% (2014), up from 3% in 1970.
- Data constraints for Commonwealth developing countries, especially LDCs and SIDS, and the capacity of local firms to potentially supply regional and global markets.
- Role of trade - and services exports - in supporting 2030 Agenda for Sustainable Development and SDGs.
- Specific trade challenges of members:
  - Size
  - Geography
  - High trade costs
  - Export composition
  - Debt

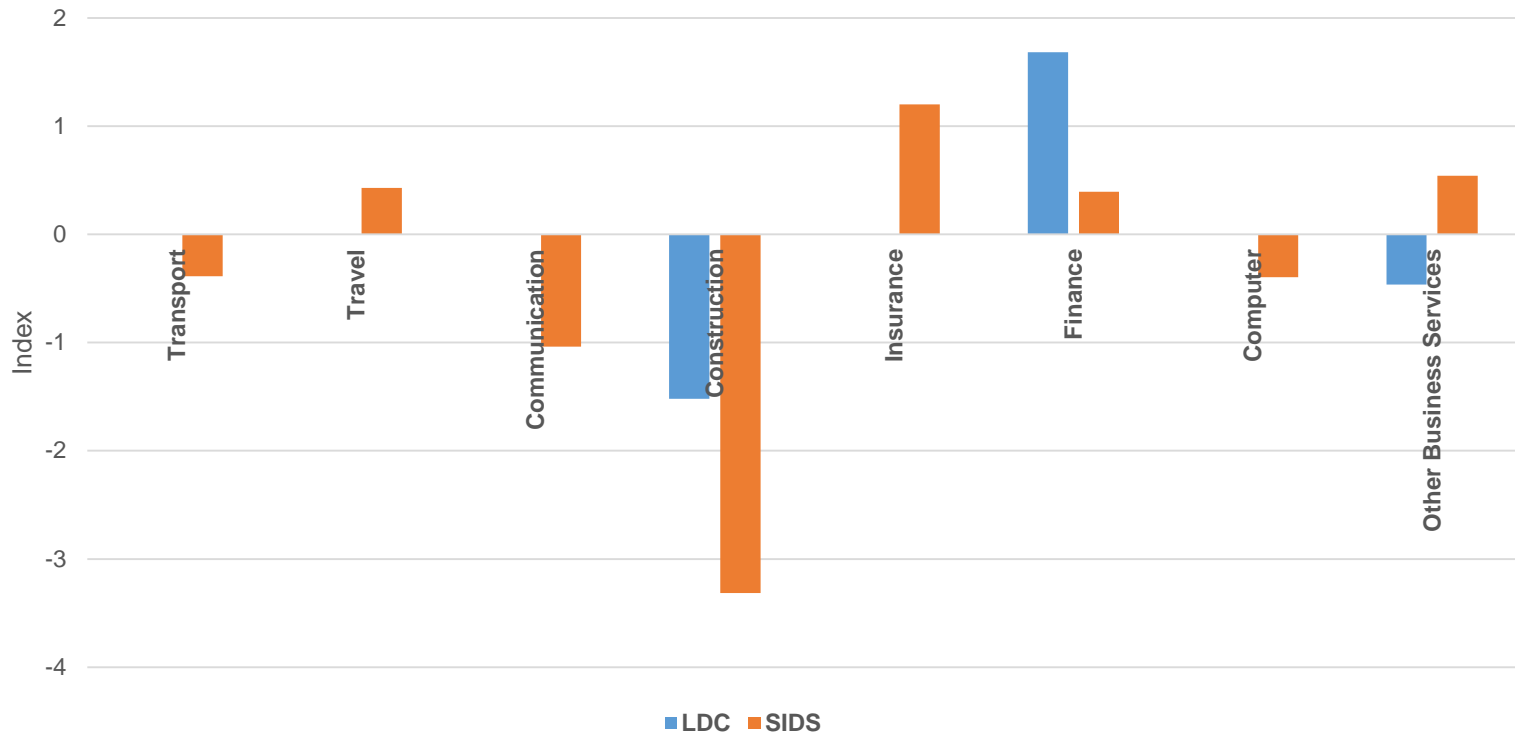
## Commonwealth LDCs' and SIDS' shares in world services exports (1995-2015)



# Changes in sectoral services export competitiveness, 2010-2014, by Commonwealth region



## Changes in sectoral services export competitiveness, 2010-2014, by Commonwealth country group



## Outsourcing: Putting Belize on the Map

### Summary

Outsourcing – transferring a portion of an organisation’s processes to external entities – has grown significantly over the last 20 years. Developing Commonwealth countries, such as India, Malaysia and Sri Lanka, are among the top 20 most attractive locations for outsourcing worldwide. Belize is a small state that shares its borders with larger countries in Central America. Like many small states, Belize’s competitiveness in manufacturing is constrained by high transaction costs and limited economies of scale. Can the country leverage its strengths to provide business services to clients abroad?



# Boosting Trade Competitiveness of Barbados

## Background

The National Strategic Plan of Barbados (2006-2025) envisioned in part a 'society driven primarily by a services economy fuelled by a steady rate of export growth'. This vision is echoed in the country's Medium-term Growth and Development Strategy 2013-2020, whose overarching aim is to sustain private sector and investment-led productivity and export-driven growth, based on an environmentally green and socially sustainable

Output 1: The Barbados NSSD, with three main pillars as below:

1. **Services sector development:** placing services at the forefront of the national agenda in Barbados and creating a services-oriented culture and economy where services are valued. Specific strategies include:
  - a. **Valorising services throughout the economy:** These strategies will show the benefit of services to the economy.



# Jamaica

Trade Competitiveness support briefing

## Boosting Trade Competitiveness of Jamaica

### Background

The Commonwealth Secretariat has provided support to key projects of the Government of Jamaica over the years to aid with the country's economic development. Secretariat support has helped Jamaica's agencies including the Jamaica Promotions Corporation (JAMPRO), the ministries responsible for trade and the Ministry of Transport to advance the development of key priority sectors and national strategies or initiatives.

### Progress of the projects

#### Project 1: Dry docking facilities

The project was launched in February 2015. One of the first outputs following consultation was a study that applied macro as well as micro approaches to analyse the potential benefits and constraints for dry docking in Jamaica and suggest a way forward. The study considered the broad parameters of world maritime trade, the shipbuilding market and key trends in the ship-



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# Grenada

Trade Competitiveness support briefing

## Boosting Trade Competitiveness of Grenada

### Background

Grenada is a Small Island Developing State (SIDs) with a population of approximately 108,500. It has an open economy, highly susceptible to both external economic shocks and natural disasters,

- support to design Grenada's second NES (2016-2021);
- support to draft and finalise the NES strategic document, its aligned action plans and the monitoring and evaluation framework.





# Boosting Trade Competitiveness of Kenya

## Background

Kenya's services sector accounts for just under 60 per cent of its gross domestic product (GDP). Between 2005 and 2013, services exports increased by 13 per cent, reaching an estimated US\$3,943 million in 2013, equivalent to 40 per cent of total exports. Transportation accounts for more than half of Kenya's exports (55 per cent), followed by travel (24 per cent). Other commercial services include a diverse category (encompassing

wealth creation. Policy documents at the macro, sectoral and institutional level (including Kenya's Vision 2030; the Private Sector Development Strategy; and the Strategic Plans of the Ministry of Trade and the EPC) all outline key actions aimed at boosting the country's non-tourism services sector. Kenya's commercial services accounted for 9.3 per cent of GDP in 2010, having increased by 14 per cent since 2005. Professional services exports accounted for about US\$600 million in 2011.



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# Mauritius

Trade Competitiveness support briefing

## Boosting Trade Competitiveness of Mauritius

### Background

Mauritius maintains an open trade policy that is focused on transforming its economy from

- iii. In 2013, Mauritius requested the Secretariat to devise a 'Look Africa' and 'Global Africa Hub' strategy for Mauritius. The goal of these strategies was to develop interventions to

## Policy Issues

- Crucial role for policies in boosting services export competitiveness.
- Developing services export capacity - building productive capacity in terms of services exports could be an important goal of AfT programmes over the medium term.
- Providing a stable and conducive business environment with appropriate support mechanisms.
- Reducing costs and promote connectivity: digital, maritime, aviation
- Leveraging the WTO Services Waiver for LDCs.
- Using the Green Climate Fund for climate-specific investments to adapt and diversify economies.
- Harnessing regional integration policies to trigger cross-border value chains.

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