WHY
NATIONAL SEMINAR

➢ National seminar is part of *UNCTAD-UNECA project on Services Trade in Africa*

    Objective: Measure and analyze **services value chains**, and design **services policies** aimed at enabling higher integration into global and regional value chains

➢ Partnership with The Gambia: Focus on **tourism services** and on **Nigerian source market** in particular

WHY
NATIONAL SEMINAR

Highlighting the **importance services** and their **contribution to value chains**, international trade and better regional and global integration, and **how target value chains can be measured**

OBJECTIVES OF SEMINAR

Capacity building on measurement tools

Awareness raising of project and clarifying (complementary) roles of key stakeholders to enable measurement

IMPORTANCE
SERVICES

Services are the "lubricant" that makes an economy work, and are also critical for moving up global value chains (GVC)

Services in GVCs are classified as: standalone, embodied, and embedded.

- **Standalone services** are those that are offered independently, or which constitute the main core of a productive structure. An example is a restaurant, which offers diners hospitality services.

- **Embodied services**, refers to services inputs that are consumed as intermediates in the production of final goods or services. The most common example is transport services: a manufacturer uses domestic and international transport links to ship their goods to consumers, so the value of the transport services is "embodied" in the final product when it reaches the consumer.

- **Embedded services** refer to, for example, apps that can be purchased and used on a mobile phone. These services are not standalone, in that they can only be used in conjunction with a manufactured good, and they are not embodied in that their value is not typically included in the value of the personal electronic device.

IMPORTANCE
SERVICES

Service exports are an important emerging trend in global trade.

Breadth of service exports is enormous. Many services are "exported" but never cross any physical boundaries. For example, a foreign visitor booking hotels, tours, and a rental car while visiting The Gambia.

Rise of the digital economy reinforces these tendencies, as firms use the internet to interact with customers and suppliers

Development strategies mainly focus on manufacturing and commercial services

- Around one-third of the value of manufactured goods exports is in fact embodied services value added. *Manufacturing and services are increasingly intertwined*
- Figure does not include services provided within the firm (i.e., no market transaction)

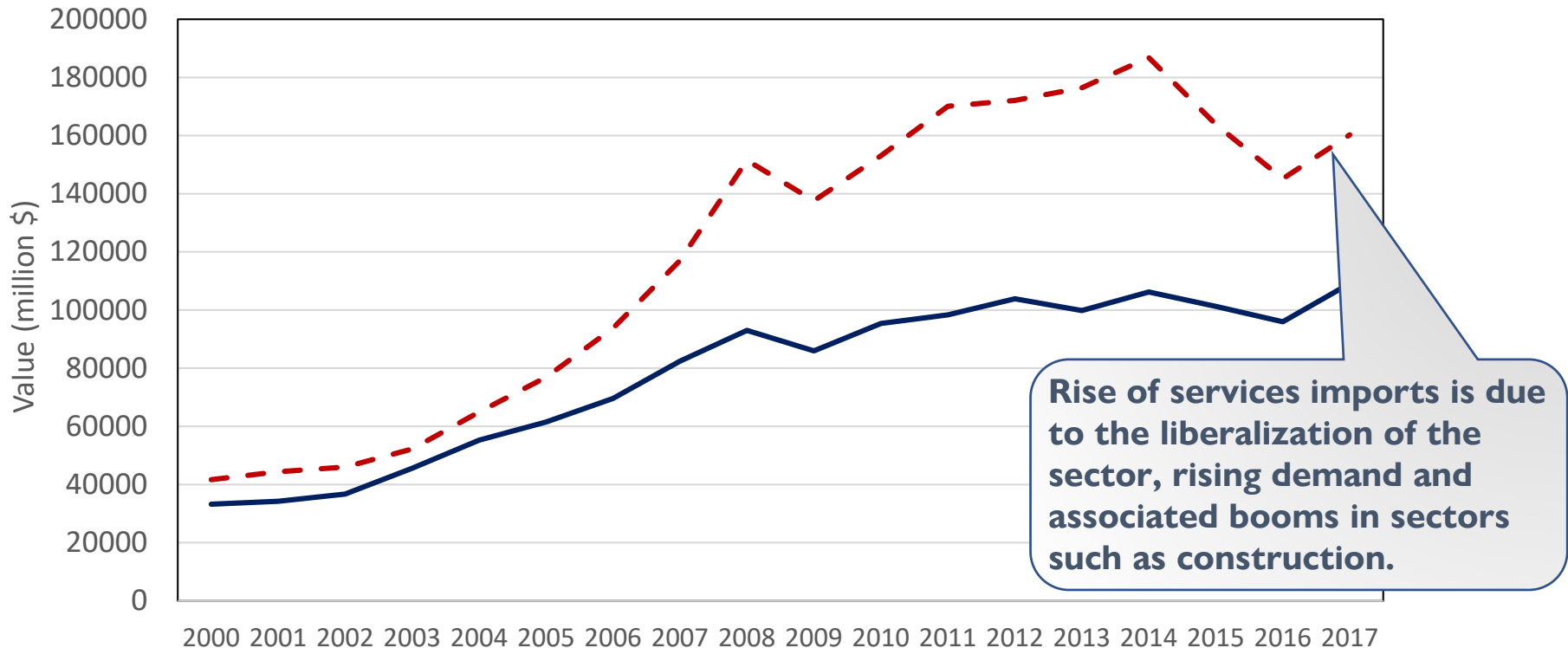# IMPORTANCE SERVICES
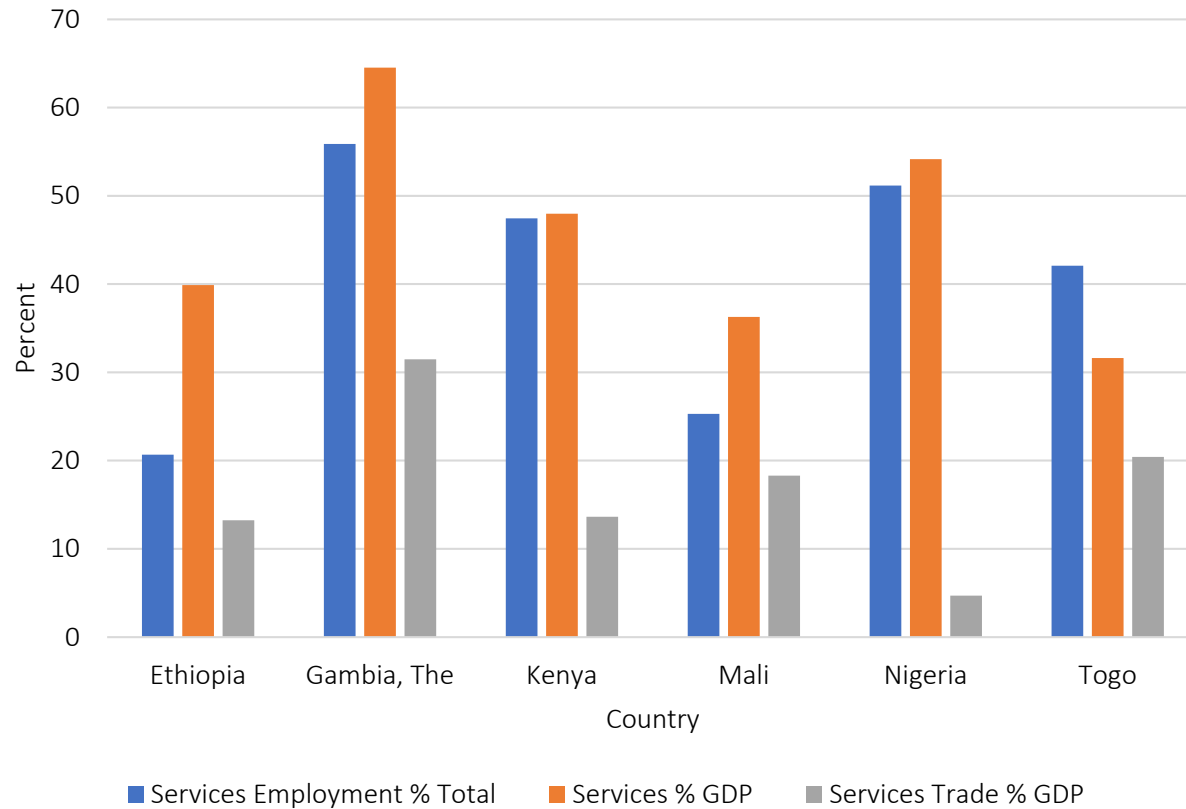
Source: World Development Indicators, 2015

IMPORTANCE SERVICES TRADE

Africa: Exports and imports of services, 2000-2017

> **Rise of services imports is due to the liberalization of the sector, rising demand and associated booms in sectors such as construction.**

UNCTADSTAT: Services (BPM6): Exports and imports by service-category and by trade-partner, 2000-2017

IMPORTANCE
SERVICES

The services economy is **not incompatible** with the structural change required for sustained income growth

The "premature deindustrialization" literature (Dani Rodrik) asserts that developing countries are moving into services "too early"
- Only manufacturing can support rapid productivity growth.
- Only manufacturing can supply large numbers of "good" low-skilled jobs.

Reality appears to be more complex:
- Services much more productive than agriculture
- Very heterogeneous, so prospects for productivity growth vary markedly
- "Factory Asia" often saw rates of productivity growth in goods and services that were comparable

IMPORTANCE
SERVICES

- **A word of warning:** Despite the rise of the increasing importance of the services sector in African economies, it should not be considered a panacea. ***There is no "One size fits all".*** Countries should make strategic choices based on their capabilities and target markets and identify where their competitive advantage lies before opting for a specialization into one particular sub-sector of services.

- Ideally, services should be an element of a carefully planned development strategy. China, for example, moved from a focus on low to medium tech, cheap labour manufacturing to high tech manufacturing as highlighted in the State driven "*Made in China 2025*" Plan. This latter stage is accompanied by a high growth services sector.

- The recent establishment of the African Continental Free Trade Area (AfCFTA) should offer opportunities for countries to identify specialization opportunities within RVCs and GVCs.

IMPORTANCE
VALUE CHAINS

Why study regional and global value chains (RVCs and GVCs) in Africa? And why look at services in particular?

- Many developing countries in Asia and in Latin America have historically relied on export-led growth to help reduce poverty.

- Basic model was support for national industries based on development of local supply chains, then orientation of output towards exports markets. Example: automotive sector development in South Korea

- As of the 1990s, the emphasis has been on participation in GVCs as an effective way for developing country suppliers to access global markets and improve their prospects of earning profits. **GVCs are characterized by production sharing across multiple locations, niche specialization, and trading in tasks**.

IMPORTANCE
VALUE CHAINS

Rise of Asian Tigers and of GVCs led to a body of research on GVCs, including Richard Baldwin's work on "Second Unbundling":

- First unbundling (1820s – 1980s): Falling transport costs made it possible to geographically separate production and consumption.

- Second unbundling (1990s -): Technological change, specifically the rise of ICTs, makes is possible to geographically separate production activities.

EXAMPLE
VALUE CHAIN

The Apple Supply Chain

Design and Development	Sourcing	Manufacturing	Warehousing	Distribution
USA	USA	China	USA	USA
	China			Global
	Asia			
	Europe			

APPLE AROUND THE WORLD
Location and number of Apple suppliers per country

349	China	11	Vietnam	2	Brazil
139	Japan	7	Mexico	2	Costa rica
60	USA	6	Indonesia	2	Austria
42	Taiwan	6	Israel	2	Netherlands
32	South Korea	5	France	1	Canada
21	Malaysia	5	Czech Republic	1	Portugal
24	Philippines	3	Belgium	1	Spain
21	Thailand	3	Italy	1	Morocco
17	Singapore	3	Ireland	1	Puerto Rico
13	Germany	3	UK	1	Malta
				1	Hungary

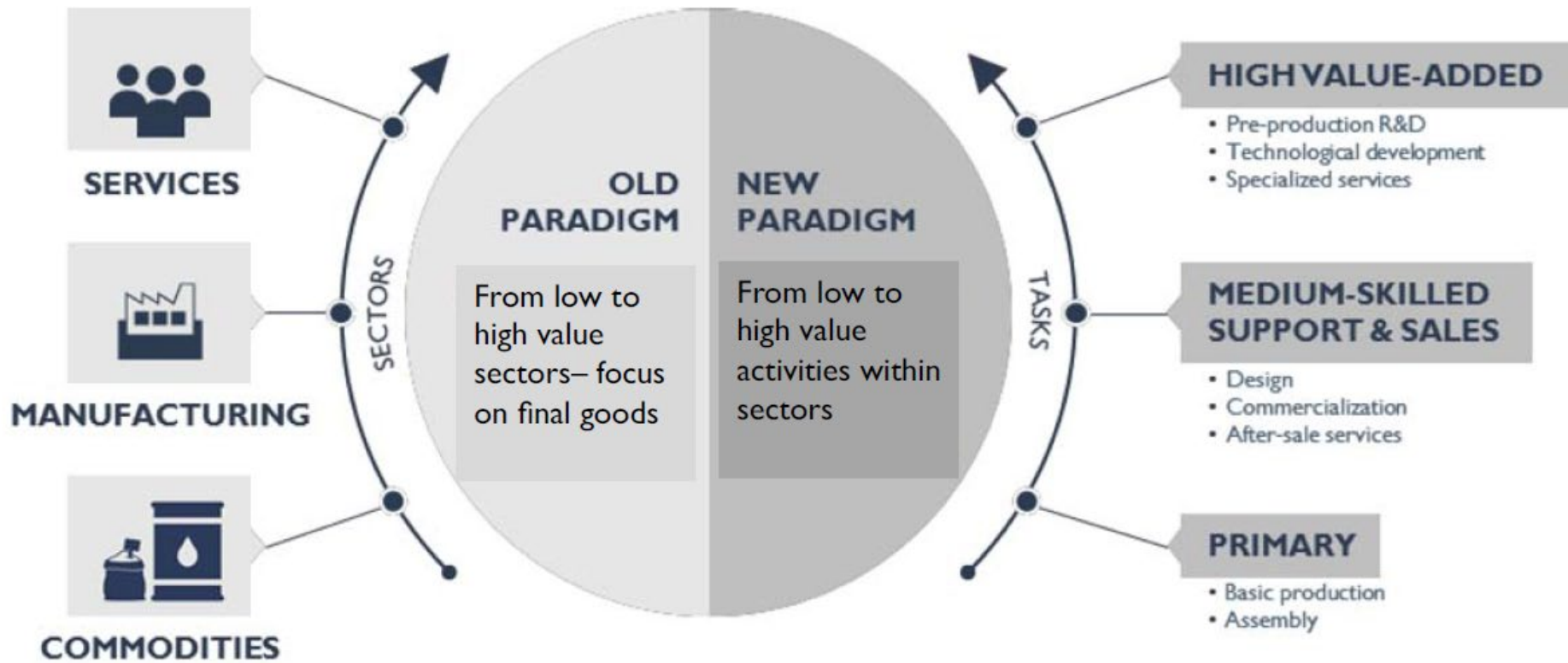Source: https://betanews.com/2014/09/23/the-global-supply-chain-behind-the-iphone-6/

How are the two types of development different?

- Narrower patterns of specialization and trade: comparative advantage is defined in terms of "tasks" rather than entire sectors
- Intensive trade in intermediate goods, which move across borders numerous times during production
- Countries with low trade costs have an advantage in terms of attracting investment in final processing
- Deepening of the international division of labor in terms of occupations, not just types (skilled versus unskilled)
- Aim is not development of the full chain, but "moving up" to higher value added activities within the chain
- **Services play a larger role, beyond transport**
  - Services imports necessary to coordinate the value chain
  - Logistics services can help reduce trade costs and move goods
  - Technology is making it possible for services sectors to see both unbundlings at the same time

SERVICES

MANUFACTURING

COMMODITIES

SECTORS

OLD PARADIGM

From low to high value sectors– focus on final goods

NEW PARADIGM

From low to high value activities within sectors

TASKS

HIGH VALUE-ADDED
- Pre-production R&D
- Technological development
- Specialized services

MEDIUM-SKILLED SUPPORT & SALES
- Design
- Commercialization
- After-sale services

PRIMARY
- Basic production
- Assembly

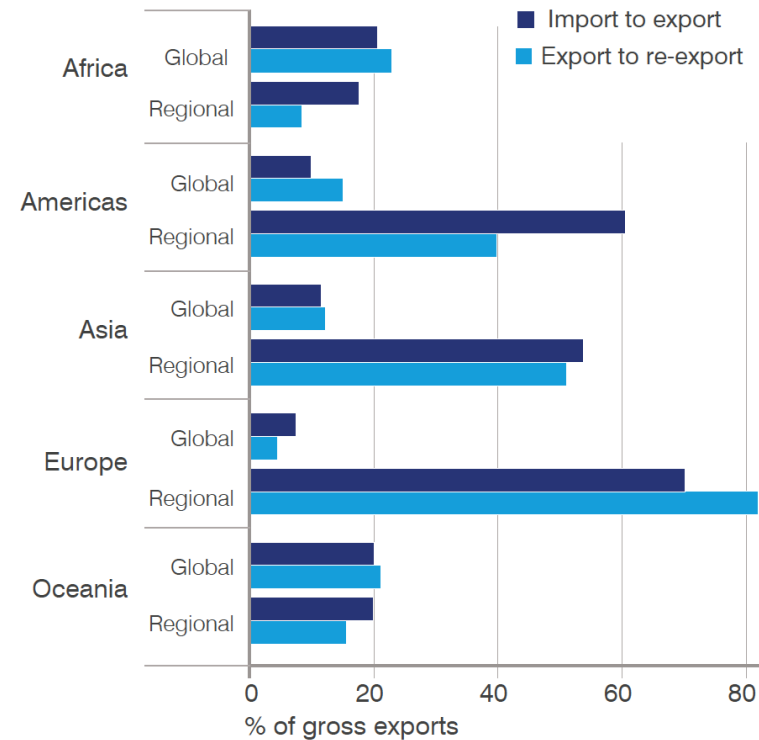Source: Taglioni and Winkler (2016, p. 23)

IMPORTANCE
VALUE CHAINS

Magnitude of value chains
- 70-80% of global trade happens through value chains

GVCs versus RVCs
- RVCs > GVCs except in Africa and Oceania

Source: ITC (2017)

IMPORTANCE
VALUE CHAINS

Origin of value added is thus a crucial piece of information:

Domestic value added supplied by producers located within a country (regardless of ownership)

Foreign value added supplied by producers located outside a country (regardless of ownership)

General trend: Decline in the domestic value-added component of all exports
-> *Markets are becoming more interdependent*

CHALLENGE
MEASUREMENT RVC

Traditional measures of trade record gross flows of goods and services between countries, not how much value a country adds in producing goods and services for export. According to the OECD and the WTO, the foreign content of electronics exports ranges from 11% (USA) to 61% (Mexico).

With the rise of trade through RVCs/GVCs, gross value trade data provide a less and less complete picture of the economic nature of the transactions that create trade.

This has created a rationale for **trade in value added data**, which tracks the origin of value added in exports by origin country and sector.

CHALLENGE
MEASUREMENT RVC

Data on **services exports only capture standalone services trade**. But there is also:
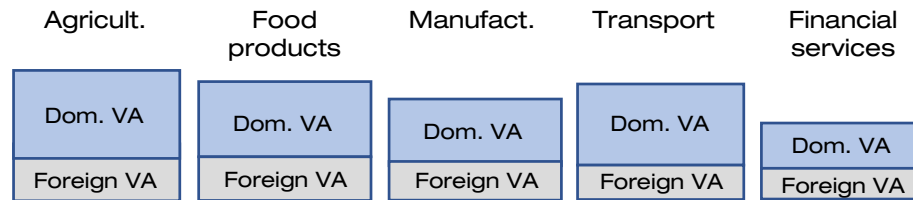
- Embodied services trade: services used as inputs into the production of other goods and services.

   e.g.: transport, finance, legal services used by a firm producing processed food exports.

- Embedded services trade: services added to a good and complementary to it.

   e.g.: Apps added to a cell phone.

Trade in value added data help track some embodied services trade, but embedded services trade is very difficult to capture.

CONTRIBUTION
PROJECT

Measuring domestic and foreign value added to The Gambia's hotels and restaurants sector, by source industry

Agricult.	Food products	Manufact.	Transport	Financial services
Dom. VA	Dom. VA	Dom. VA	Dom. VA	Dom. VA
Foreign VA	Foreign VA	Foreign VA	Foreign VA	Foreign VA

Ex: - Domestic versus foreign car/transport rental services provided

- Domestic versus foreign booking services provided

How strong are the linkages, how much is the leakage

How much employment is created trough domestic and foreign value added

What are the respective shares in other countries at a similar development stage; what can be learned

STRUCTURE
SEMINAR – DAY 1

- **11h – 11h15:** Coffee break
- **11h15 – 12h30**: Measuring value chains: Overview of quantitative tool (Mr. Ali Yedan, Statistician, UNECA) and introduction of qualitative tool (Mr. Masanneh Ceesay, Statistician & National Consultant)
- **12h30 – 13h30:** Enterprise questionnaire for target value chain and conditions for success (Ms. Ya Awa Nyassi, Senior Planner and National Focal Point; Mr. Masanneh Ceesay, Statistician & National Consultant)
- **13h30 – 14h:** Measuring linkages between tourism and creative industries (Ms. Ngoneh Panneh, Tourism Adviser, International Trade Centre)
- **14h – 14-30:** (Prayer) break
- **14h30 – 15h:** Next steps and overview of knowledge sharing platform (Ms. Ya Awa Nyassi, National Focal Point; Ms. Claudia Roethlisberger, UNCTAD)
- **15h - 15h15:** Closing remarks
- **15h15:** DSA payment and packed lunches

STRUCTURE
SEMINAR – DAY 2

- **9h – 9h15**: Recap of Day 1 (Ms. Claudia Roethlisberger, Project Coordinator, UNCTAD)
- **9h15 – 10h45**: Presentation and discussion of quantitative tool – estimating domestic and foreign value added through input-output tables (Mr. Ali Yedan, Statistician, UNECA)
- **10h45 – 11h:** Coffee break
- **11h – 11h30:** Estimating the contribution of tourism to The Gambia's GDP (Mr. Mr. Abdou Touray, United Nations Development Programme)
- **11h30 – 11h45:** Overview of training resources (Ms. Claudia Roethlisberger, Project Coordinator, UNCTAD)
- **11h45 – 12h**: Closing remarks (Ms. Ya Awa Nyassi, Senior Planner and National Focal Point)
- **12h:** DSA payment and packed lunches

THANK
YOU