



INTERNATIONAL MEETING ON SERVICES VALUE-ADDED IN EXPORTS

**Services and trade policies
for diversification and upgrading**
Brasilia, Brazil, 22-23 October 2019

Opening Remarks

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Services and trade policies for diversification and upgrading**

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**Draft inputs to the opening statement by Ms. Pamela Coke-Hamilton
Director of the Division on International Trade and Commodities,
UNCTAD**

22 October 2019, Tuesday, 09:00 – 09:45

Excellencies,
Distinguished panellists,
Ladies and gentlemen,

It is with great pleasure that I welcome you to the “International meeting on services value-added in exports: Services and trade policies for diversification and upgrading”.

I wish to start by sincerely thanking the Ministry of Economy of Brazil and the European Commission for their very positive collaboration in organizing the meeting. I also thank the Ministry of Foreign Affairs including its Permanent Mission in Geneva, the UN Resident Coordinator’s Office, and the International Chamber of Commerce in Brazil for their important support.

Today and tomorrow, we will focus on how services contribute to the performance of all economic sectors, including agriculture and manufacturing. These contributions are also known as the *services value-added in exports*.

Why are services so important? Part of the answer rests in their direct effects on the economy. They are responsible for 56 per cent of total output in developing countries and 49 per cent of global employment. They represent the main source of job creation and women’s employment, and the main destination for foreign direct investment - about half the world total. Even though services trade accounts for a smaller share than goods trade in total direct exports, services exports have grown faster and in a more resilient manner than goods exports, especially in developing countries.

The direct effects of services activities on the economy is only part of the story. There is another part of crucial importance, which is the intersection of services with all economic activities. Services increase supply capacity by providing inputs to all economic sectors. For instance, when producing construction machinery, more than 70 services activities are involved in all production stages. This is also the case where services are bundled with goods, for example when manufacturing firms provide distribution services.

Furthermore, telecommunications and ICT services, through digitization, integrate production processes more than ever before.

These indirect effects imply that there is services value-added in output and exports of all economic sectors. While direct exports of services were 14 per cent of total exports in developing countries, services accounted for 32 per cent of total value-added in their exports. Services represented 55 per cent of the total value-added in Brazilian exports. When considering services activities within non-services firms, the contribution of services to overall exports can go up to close to two-thirds.

‘Servicification’ trends occur in international trade and place services as the prevalent contributor to trade, just as for output, jobs, and investment. Furthermore, while directly exported services have been increasing, close to two thirds of the growth of services value-added in exports is due to an increase in services embodied in exports of other sectors.

Services can be a game changer in how industrial and trade policies should be defined. Such important indirect effects have a relevant bearing on inducing efficiency and effectiveness, reducing productive and trade barriers, and contributing to more productivity, diversification and upgrading. Services are at the centre of the economy and responsible for two-thirds of total productivity growth in developing countries.

Services are not an alternative to agriculture or industrial development, but instead should be considered a key element of strengthening agriculture and of industrialization strategies. We will analyse some cases of these services inputs in this meeting and listen to first-hand experiences from services companies and coalitions.

Ladies and gentlemen,

Developing countries have achieved significant growth in telecommunications and ICT, financial services, and other business services. These are sectors that require highly skilled labour and have more direct and indirect upgrading effects. Developing countries have thereby started to challenge, although still timidly, their important reliance on traditional services. However, their path to development did not yet become easier. Inequality between developed and developing countries persists when it comes to the capacity to benefit from services.

While exports of developed economies included 18 per cent of ICT value-added, it was only 7 per cent in developing economies. These countries are thus not benefitting in the same way from services towards digital transformation. In addition, several services have network effects that benefit first movers and may promote a “winner takes all” model, leading to higher asymmetries. In the digital services economy, main platform owners can also have quasi-monopoly advantages, increasing market risks, most notably in many developing economies.

This calls for a coherent and best-fit design and implementation of policy, regulatory and institutional frameworks to strengthen services capabilities and harvest their benefits. To address this, UNCTAD is working with Brazil, in partnership with the Brazilian Ministry of Economy and the European Commission, with funding of the European Union, on measuring services value-added and analysing trade and services policies to enhance this value-added as a tool for diversification and upgrading. Preliminary results of this work will be presented at this meeting. We hope that the lessons from the work with Brazil can be useful for other countries.

This builds on consistent efforts of Brazil in measuring trade in services and the longstanding and comprehensive work of UNCTAD on services, including technical assistance through services policy reviews, economic analyses, and consensus building. This work pointed to several lessons to strengthen services, such as the need for policy coherence and coordination; effective institutions and governance; an enabling productive, technology and business environment; labour skills development; and evidence-based policymaking. In recognition of the latter, we will today launch the guidebook we have developed on the methodology for measuring services value-added in exports as a tool for developing economies.

Ladies and gentlemen,

In July this year, member States of the United Nations reviewed their progress towards achieving the SDGs. Some of the examined Goals are closely related to the role of services in enhancing diversification and upgrading, including Goal 8 on economic growth and employment, Goal 10 on reducing inequality within and among countries, and Goal 17 on strengthening means of implementation. The present meeting follows up on the SDG review, and also paves the way to UNCTAD’s Global Services Forum in October 2020, which will be held in the context of our fifteenth Quadrennial Conference in Barbados.

We will now be hearing from distinguished speakers and participants on approaches and policies to help countries benefit from services value-added and on meeting the relevant SDGs. We look forward to the sharing of experiences and knowledge that contribute to prosperity for all. I encourage you to come up with concrete policy options on these topics and pledge the full support of UNCTAD in these important endeavours.

Thank you!