



Second Meeting of the Regional Trade Group

Services: A Key Driver of Growth, Development and Diversification

Implementing the CAREC Integrated Trade Agenda 2030

A Scoping Study
June, 2019



The role of services in growth, trade and diversification

- Historical neglect of services: old view of value, identification, statistics, challenges inherent in intangibility

BUT:

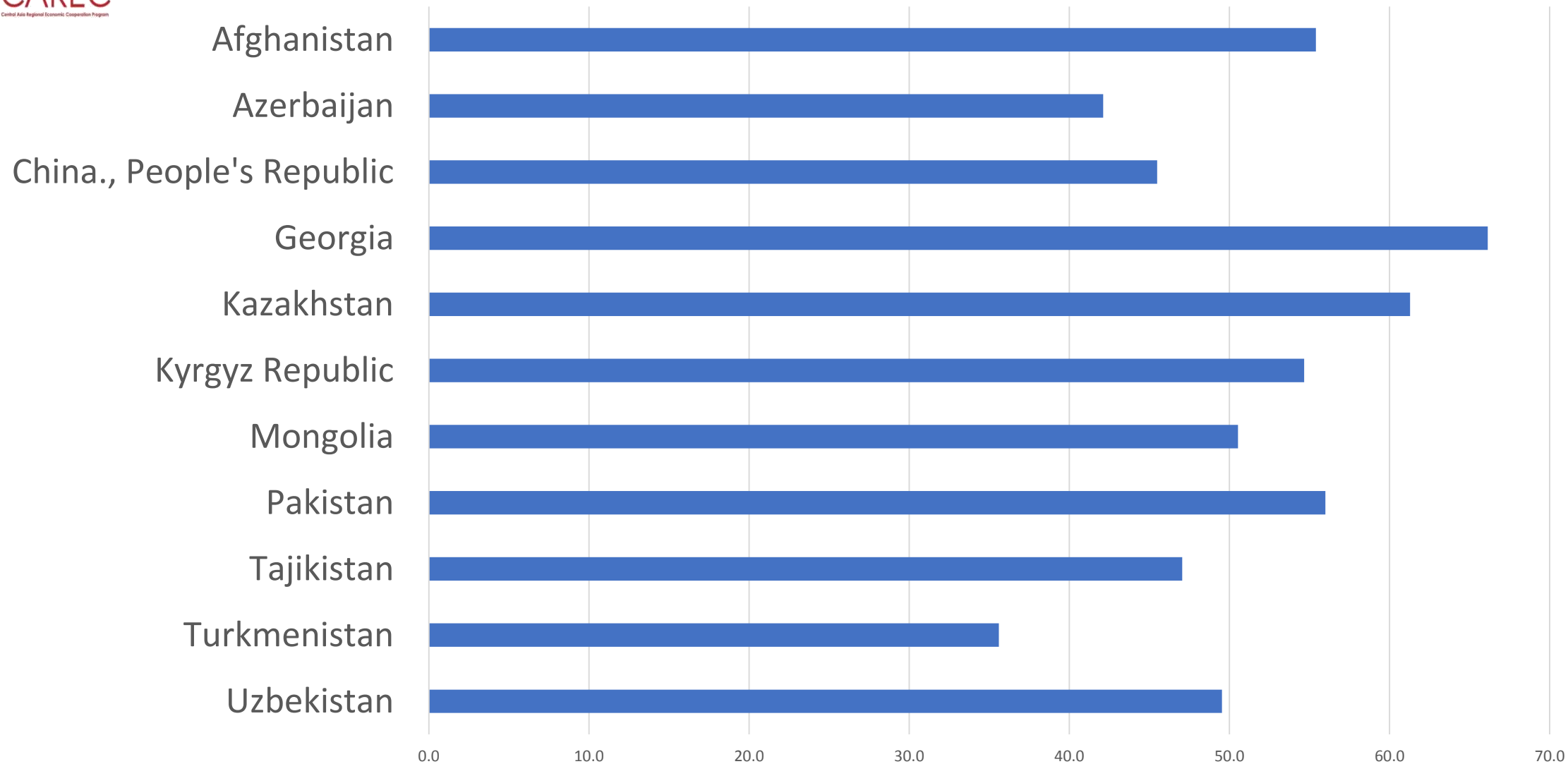
- Dominant source of value and trade globally and in multiple economies
- Services dependency increases with growth, development and diversification (production and consumption effects)
- Services are essential to virtually every economic activity, especially ‘producer’ services (ICT, finance, transport, logistics, business services, distribution)
- Particular value-added identification challenge: the ‘bundling’ phenomenon



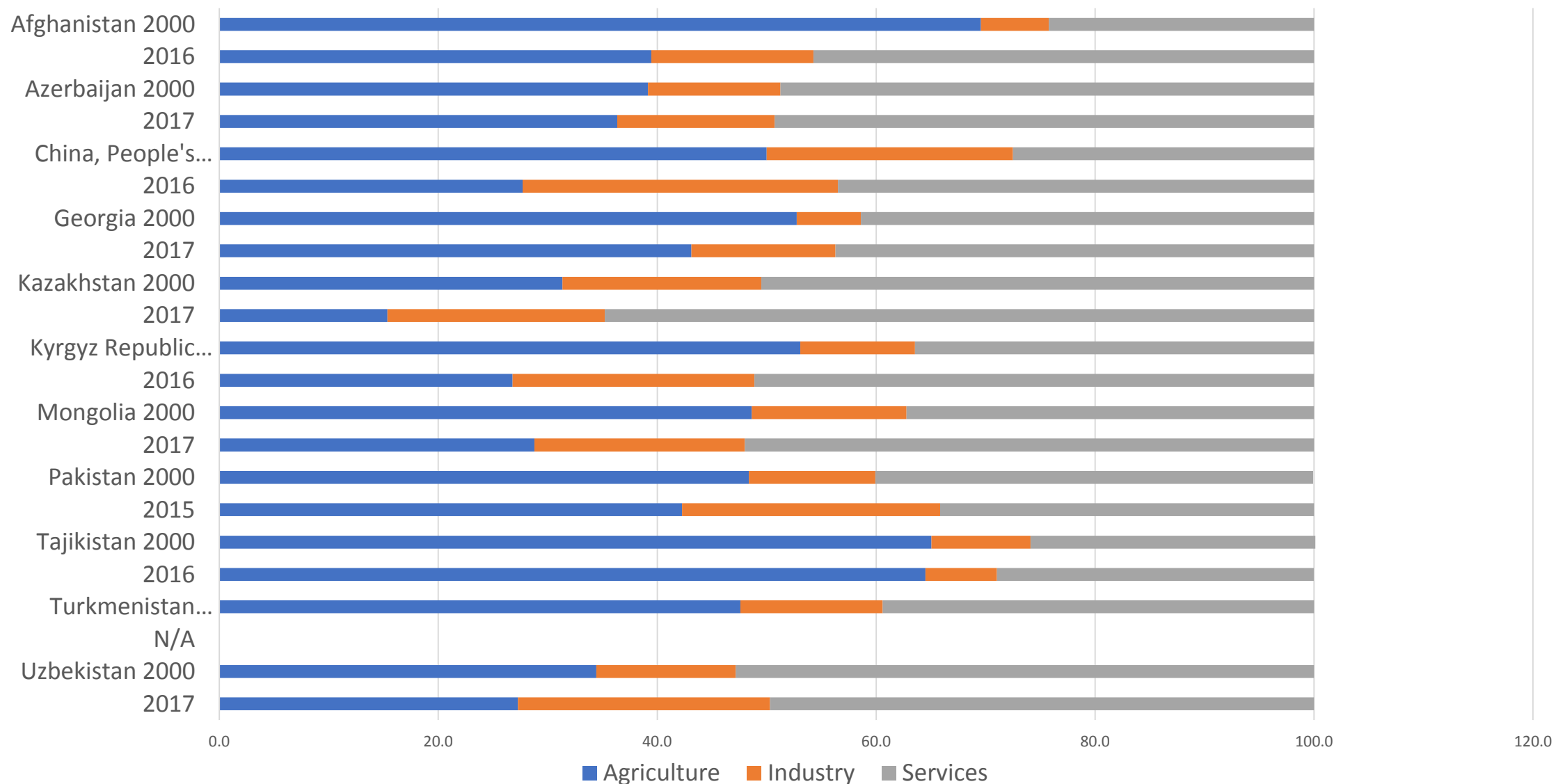
Trade and services in CAREC Economies

- Services account for growing shares of GDP and jobs in CAREC economies
- Services trade has also been expanding; in commercial services, transport, travel and business services prominent in many economies, but a data challenge here because of bundling and mis-classification
- Direction of trade:
 - Intra-CAREC trade remains fairly modest, except with China (one direction)
 - Asia becoming more important as a trading partner (imports and exports)
 - Higher export shares accounted for by low- and middle-income countries outside the region; high-income country shares fairly stable over time, and accounts for one-third of the total

Sector share of services in GDP, 2016 (%)



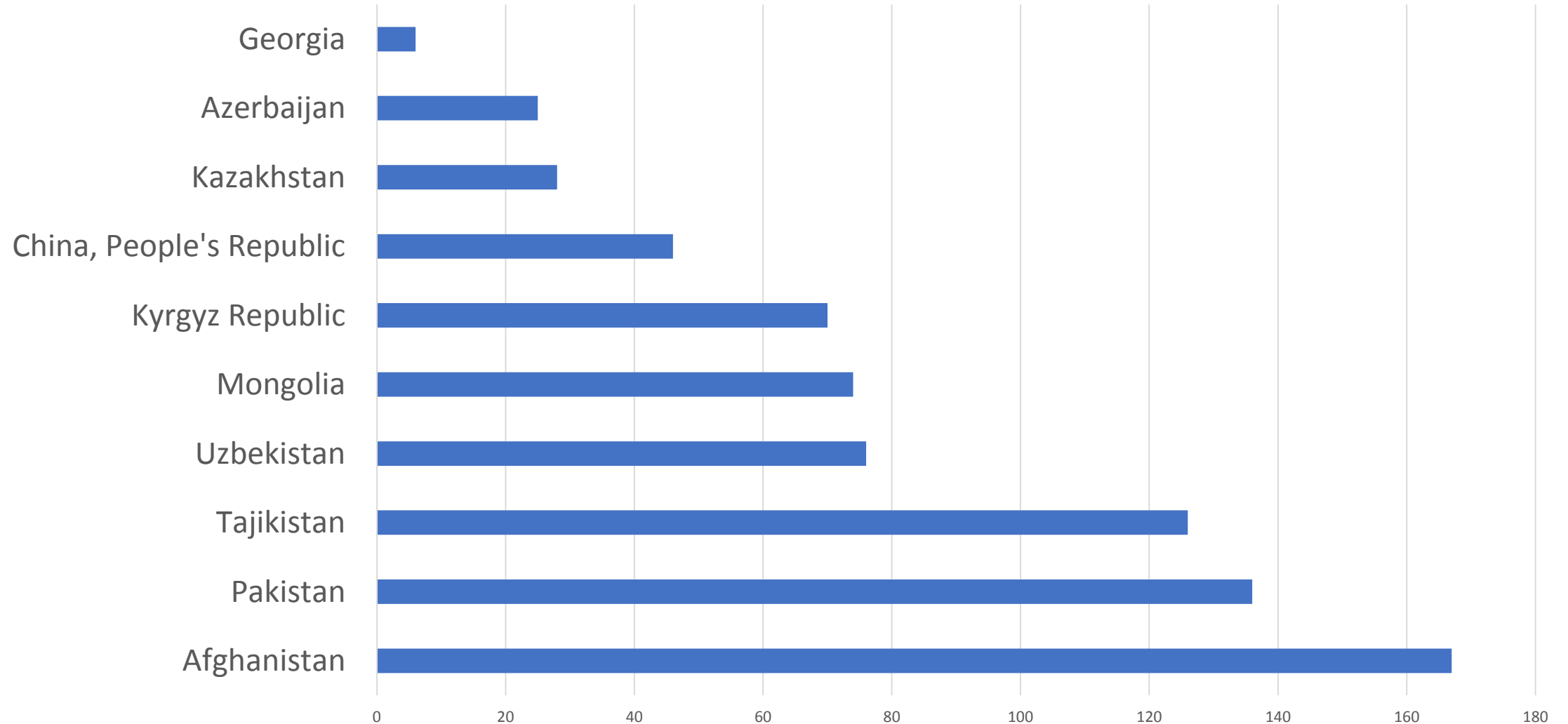
Employment by sector (% shares) 2000 and 2015/16/17



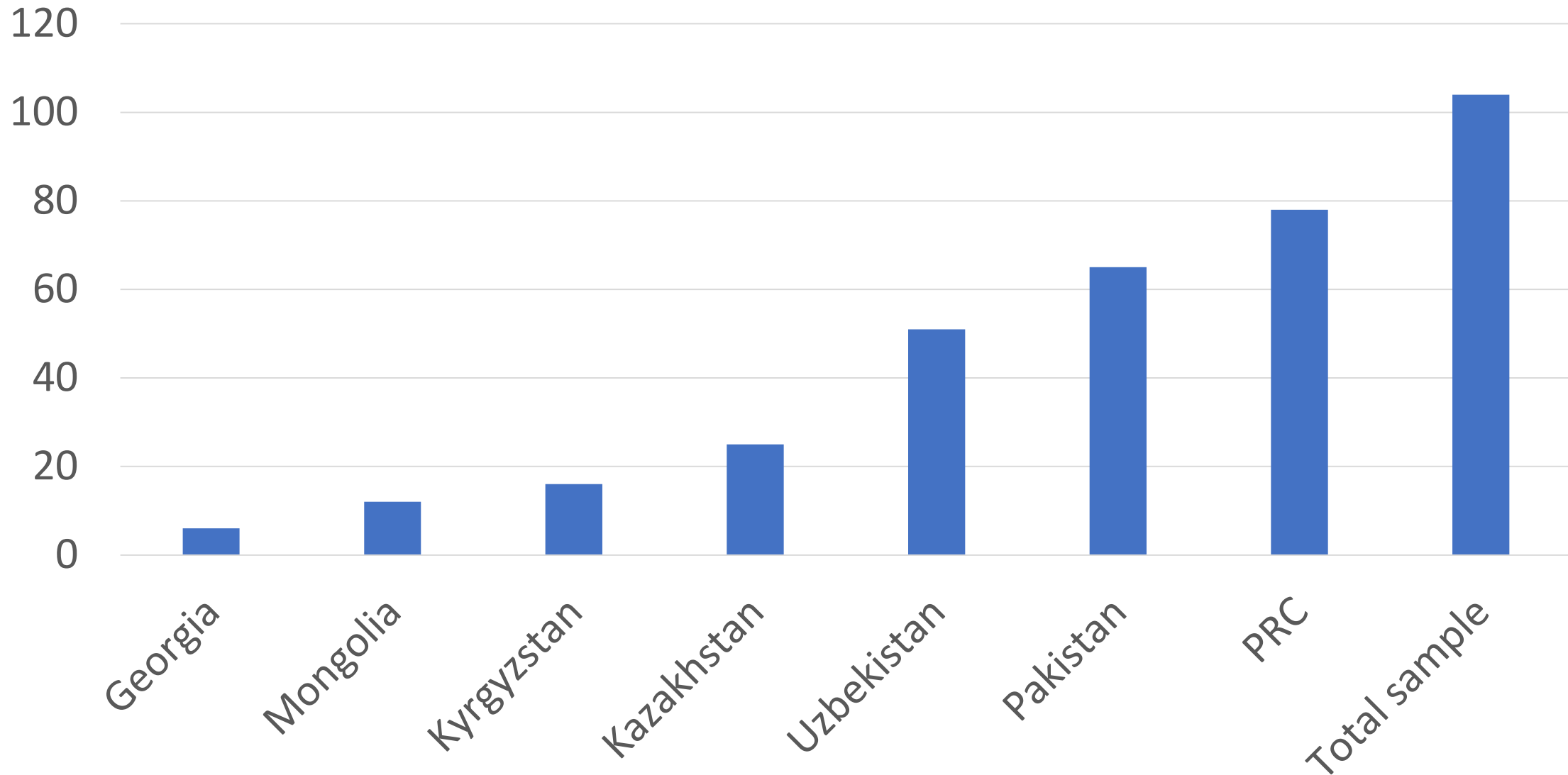
Policies affecting services

- Governments play an important role in shaping competitiveness and market conditions (Doing Business/STRI)
 - They can help to shape competitiveness through supporting:
 - Physical and virtual infrastructure
 - Access to finance
 - Coordination and networks for information, knowledge, learning, R&D
 - Reduce costs to firms of the policy interface
 - Streamlining policies in terms of design and application
 - Emphasizing consistency and predictability
 - Trade facilitation and the reduction of trade costs
 - Enhance export competitiveness by shaping market access commitments
 - WTO commitments – GATS schedules
 - Negotiate third party improvements in market access
 - Other conditions of market access – regulations etc.

World Bank Doing Business Ranking (0-190), 2019



Comparative rankings on the STRI Index



Possible future work on services in CAREC economies relevant to policy choices

- Deeper analysis of priority services sectors from a policy perspective:
 - Output and trade shares and prospects for growth
 - ‘Essential’ services for economy-wide competitiveness
 - Services with strong inter-sectoral linkages
 - Participation in global value chains
- The relationship between trade and FDI as a driver of growth and trade
- Role of services in strengthening inter-regional linkages



Thank you