



**National Training
On preparing to negotiate a potential CAREC-wide FTA**

Session 1:

Introduction to Trade in Services

**Almaty, Kazakhstan
May 2023**



Outline

01

**Definition,
Significance,
and Historical
Development**

02

**What and
How are
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03

**Barriers to
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**Trade in
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**Emerging Trends
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**Policy Implications
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01 Defining Trade in Services

01

“The exchange of intangible products between countries.”

02

What do we mean by exchange?

03

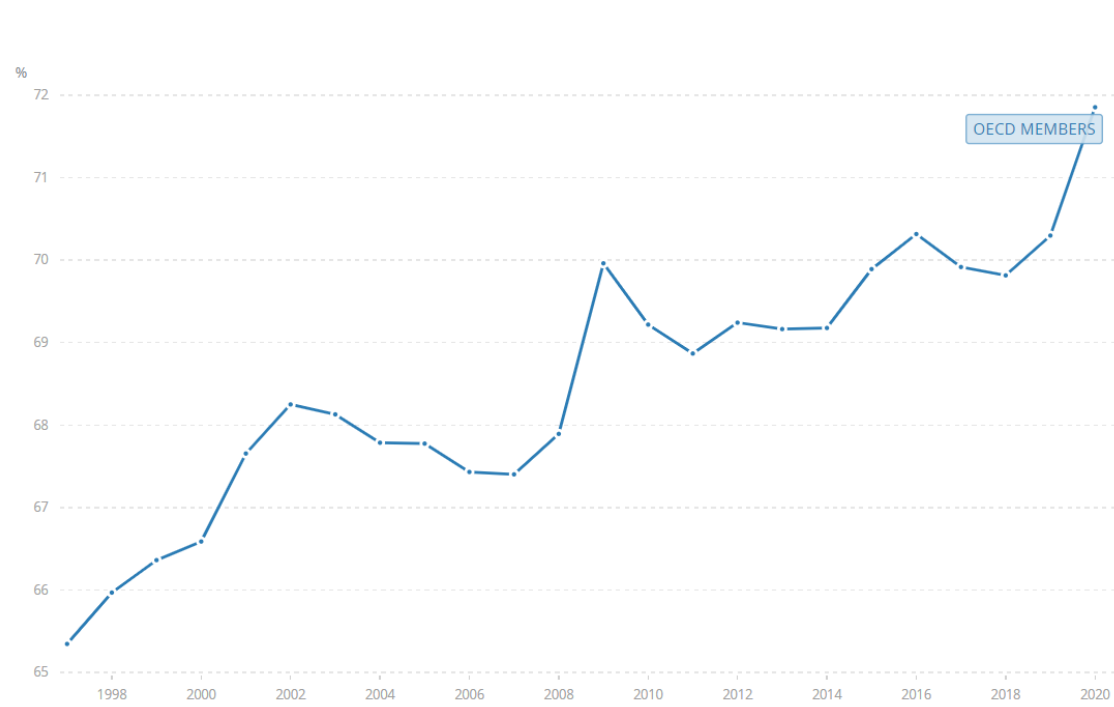
What do we mean by intangibles?

04

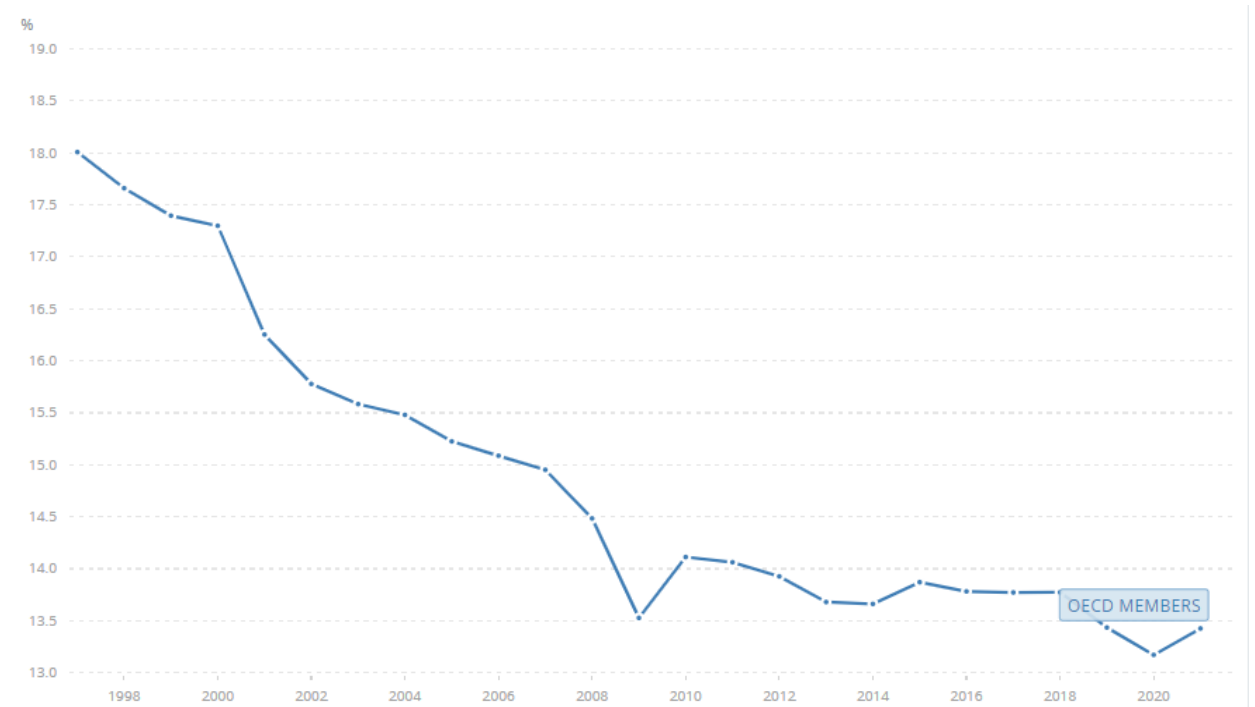
What do we mean by countries?

Significance of Trade in Services

Services, value added (% of GDP) - OECD members



Manufacturing, value added (% of GDP) - OECD members



Source: World Bank

01 Significance of Trade in Services

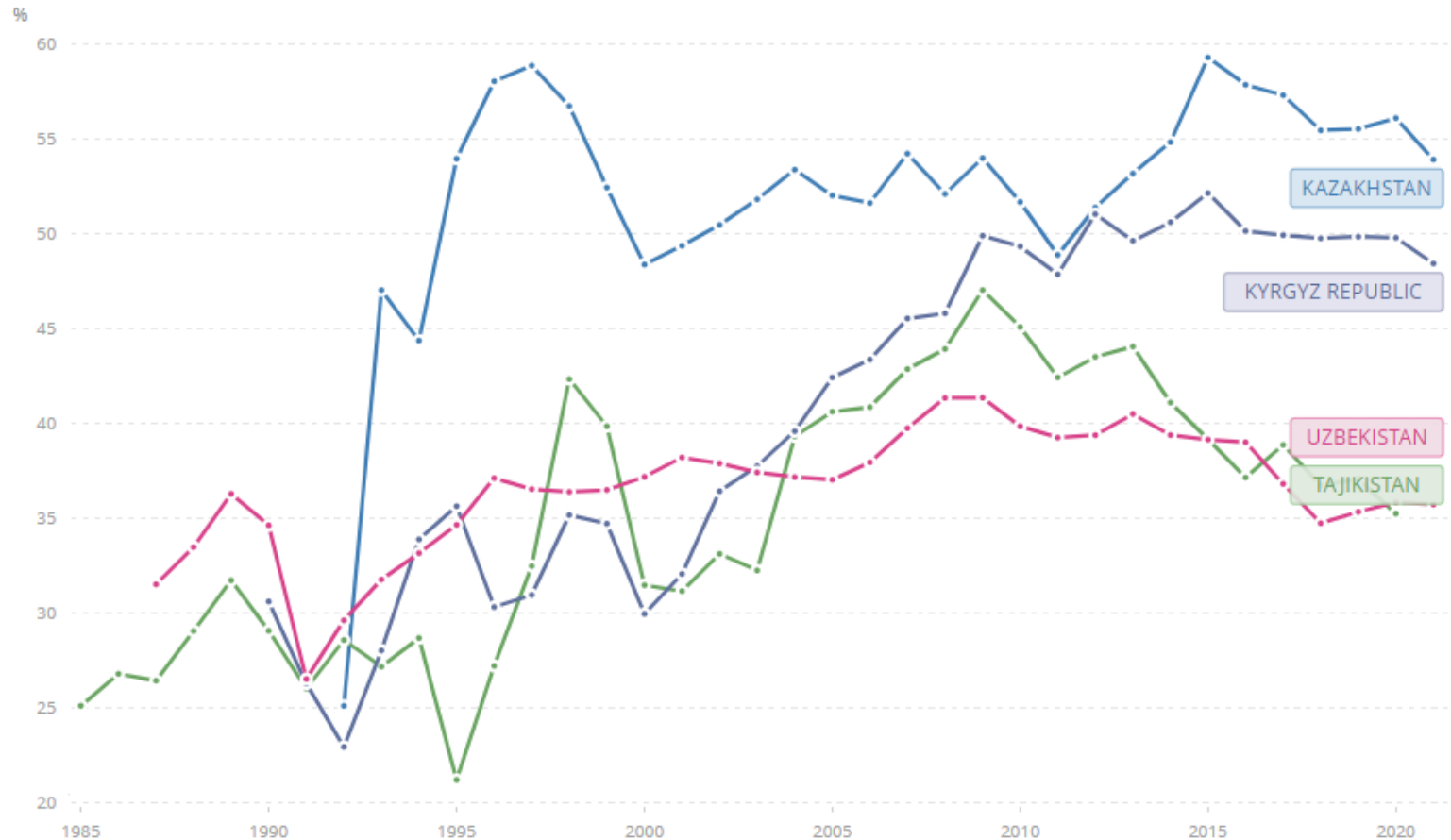
Services, value added (% of GDP) - China



Source: World Bank

Significance of Trade in Services

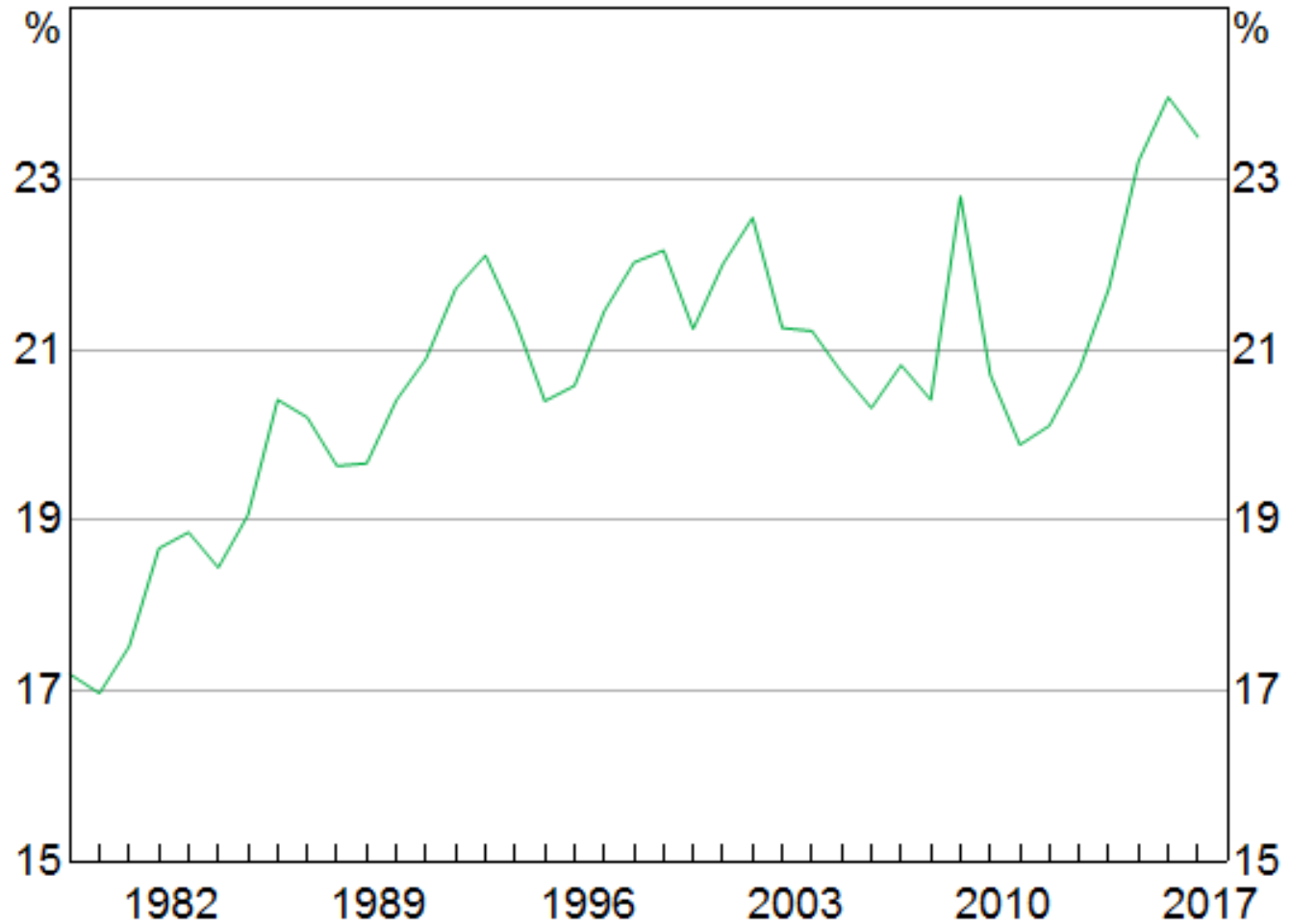
Services, value added (% of GDP) - Kazakhstan, Tajikistan, Kyrgyz Republic, Uzbekistan



Source: World Bank

01 Significance of Trade in Services

Services Share of Global Trade

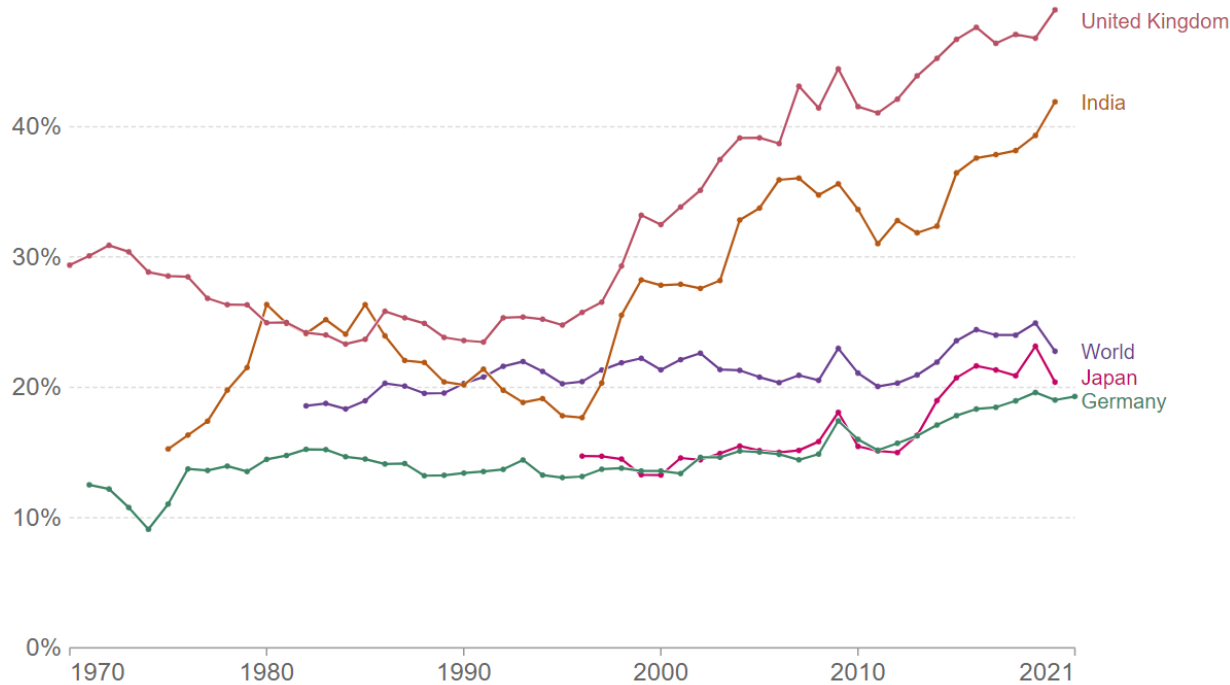


Source: World Bank and Reserve Bank of Australia

Significance of Trade in Services

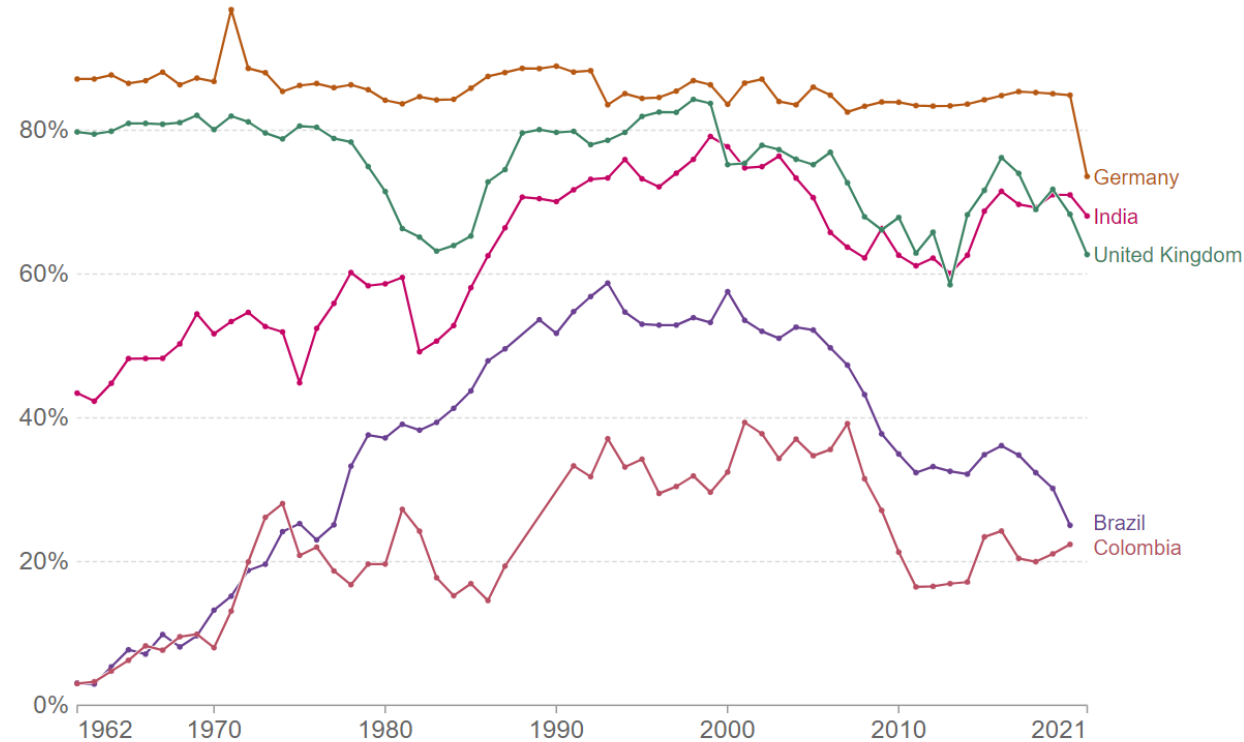
Share of services in total exports, 1970 to 2021

Services refer to economic output of intangible commodities that may be produced, transferred, and consumed at the same time. The share of services in total exports comes from comparing trade in goods and services at current US dollars.



Share of manufactures in total merchandise exports, 1962 to 2021

Manufacture exports (% of merchandise exports), as per Standard International Trade Classification of products



Source: World Bank and Our World in Data

01

Historical Development

01



Services were long considered untradable.

02



The desire for change came from a number of big U.S. services companies that already had established positions in overseas markets and were facing trade barriers.

03



The U.S. trade Act of 1974 was the first to put trade in services on the negotiating agenda for U.S. trade negotiators, but this was too late to incorporate into the then ongoing Tokyo Round

04



Despite opposition from some developing countries such as India and Brazil, the United States succeeded in getting services included in the Punta del Este declaration that launched the Uruguay Round and set the round's negotiating agenda.

05



The Uruguay Round saw limited progress on financial services with the deadline for achieving an outcome postponed first until 1995 and then again until 1997.

06



It was the Asian Financial Crisis in 1997 and efforts by affected governments to restore confidence, as well as IMF conditionalities that ultimately tipped the scales on this issue.

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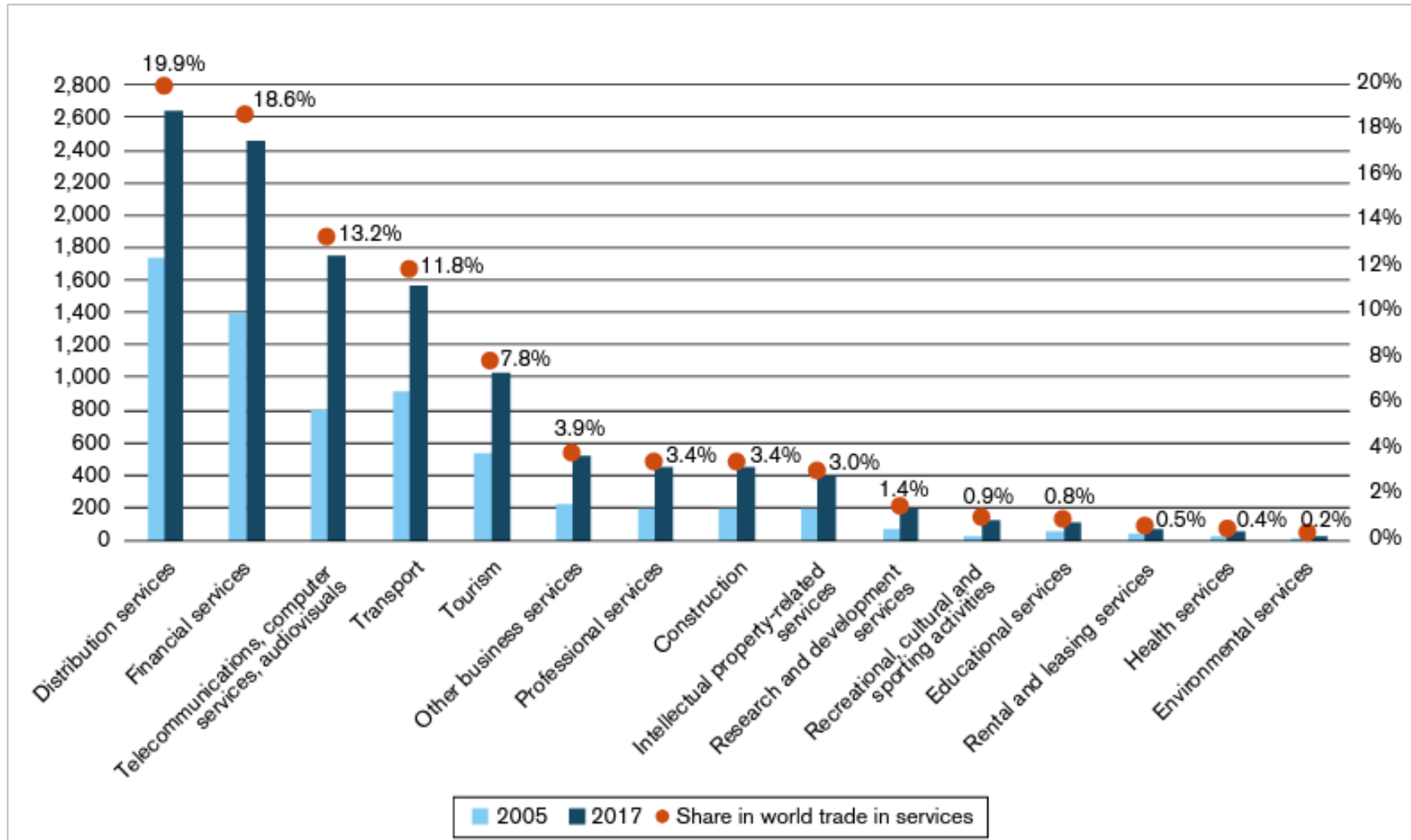
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What Services are Traded?



Source: WTO, World Trade Report 2019, p. 25

How are Services Traded?

01

Cross-border Trade

From the territory of one country to the territory of another.

02

Consumption Abroad

In the territory of one country to the service consumer of any other country

03

Commercial Presence

By a service supplier of one country, through commercial presence in the territory of any other country

04

Movement of Natural Persons

By a service supplier of one country, through presence of natural persons of a country in the territory of any other country.

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Embedded Services

Services content embedded in goods exports

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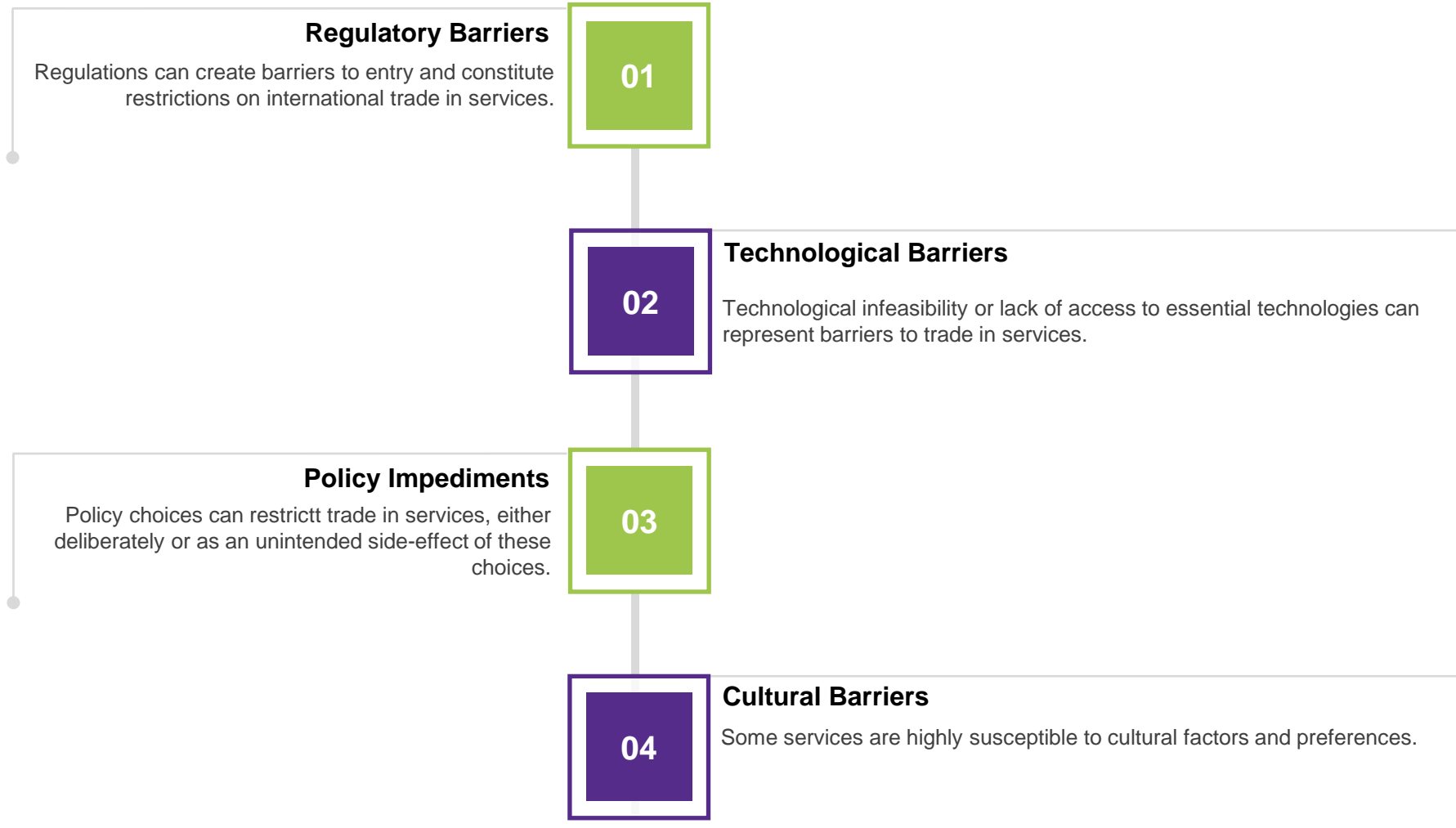
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Barriers to Trade in Services



Barriers to Trade in Services

- 01 Limitations on the number of service suppliers

- 02 Limitations on the total value of service transactions or assets.

- 03 Limitations on the total number of service operations or on the total quantity of service output

- 04 Limitations on the total number of natural persons that may be employed in a particular service sector or that a service supplier may employ

- 05 Measures which restrict or require specific types of legal entity or joint venture through which a service supplier may supply a service.

- 06 Limitations on the participation of foreign capital in terms of maximum percentage limit on foreign shareholding or the total value of individual or aggregate foreign investment

Barriers to Trade in Services

03



Services Trade Restrictiveness Index Regulatory Database

Access the Data

COUNTRY all **SECTOR** all **STRI MEASURE** all **VARIABLE** 1 / 11

[CLEAR ALL FILTERS](#) ✕ [CREATE TABLE](#) >

About this database

The Services Trade Restrictiveness Index database contains information on trade restrictions and behind the border regulation in the following sectors:

- Computer services
- Construction
- Professional services (legal, accounting, engineering and architecture)
- Telecommunications

Interactive Tools

- » [Compare your country](#)
- » [Policy simulator](#)

Analysis and Methodology

- » [Sector notes](#)
- » [Country notes](#)

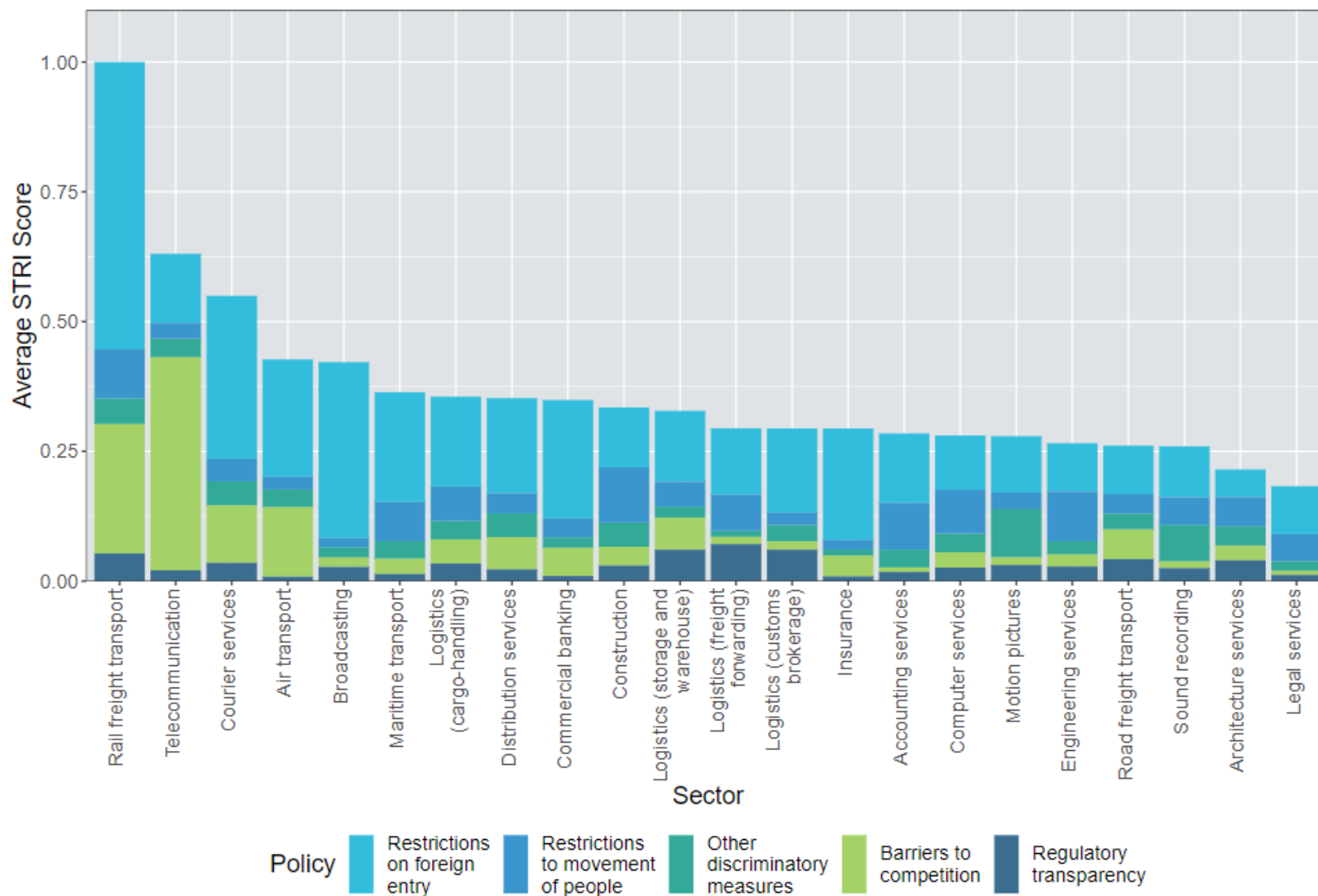
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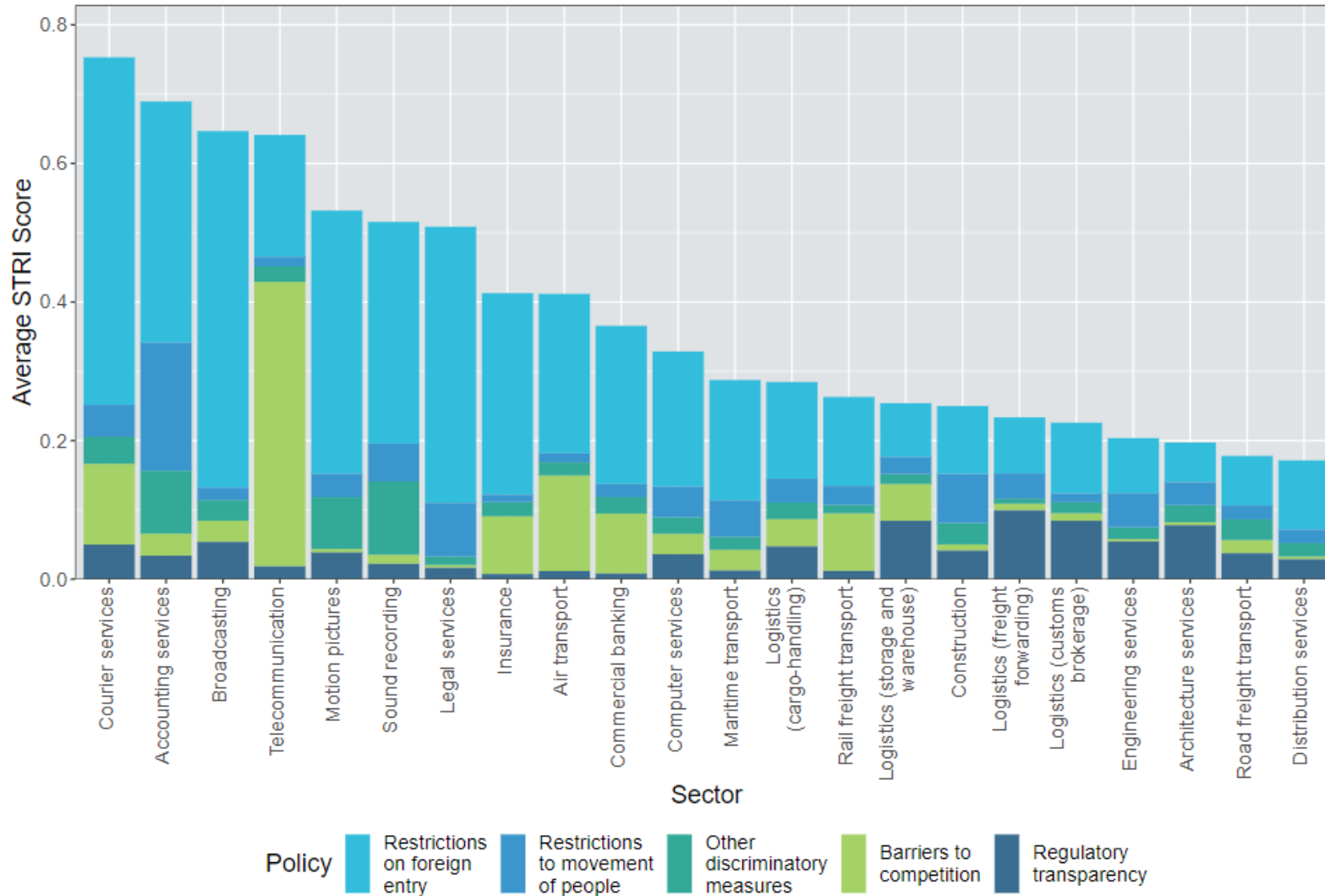
Barriers to Trade in Services

Services Trade Restrictiveness in Kazakhstan

Average STRI Score by Sector and Policy



Barriers to Trade in Services



Services Trade Restrictiveness in China
Average STRI Score by Sector and Policy

Barriers to Trade in Services

Mode (s) of Supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons			
Sector or sub-sector	Limitations on market access	Limitations on national treatment	Additional commitments
C. Telecommunication Services			
Commitments taken by Kazakhstan scheduled in accordance with "Notes for Scheduling Basic Telecom Services Commitments"(S/GBT/W/2/REV.1) and Market Access Limitations on Spectrum Availability" (S/GBT/W/3).			
Telecommunication services for purposes of this Schedule do not include broadcasting of television and/or radio programmers ¹² .			
(a) Voice telephone services (CPC 7521) (b) Packet switched data transmission services (CPC 7523**) (c) Circuit switched data transmission services (CPC 7523**) (d) Telex services (CPC 7523**) (e) Telegraph services (CPC 7522)	(1), (2) None, except for the following: - unbound for local services, - unbound with respect to radio communication services including satellite communication other than services provided by foreign satellite operators to juridical persons of the Republic of Kazakhstan holding a licence for telecommunication services.	(1), (2) None, except as indicated in the column "Limitations on market access".	Republic of Kazakhstan undertakes the additional commitments contained in the attached Reference Paper for all of the subsectors scheduled herein.
(f) Facsimile services (CPC 7521**+7529**) (g) Private leased circuit services (CPC 7522**+7523**) (h) Electronic mail (CPC 7523**) (i) Voice mail (CPC 7523**) (j) On-line information and data base retrieval (CPC 7523**) (k) Electronic data exchange (CPC 7523**) (l) Enhanced/value-added facsimile services, including store and forward, store and retrieve (CPC 7523**) (m) Code and protocol conversion (n) On-line information and/or data processing (including transaction processing) (CPC 843**) (o) Other telecommunications services (CPC 7529).	(3) None, except for the following: - Commercial presence is allowed only in the form of a juridical person of Kazakhstan. - For a period of 2.5 years starting from Kazakhstan's accession to the WTO, the total foreign equity will be limited to 49% in the charter capital of juridical persons supplying services in the field of telecommunications as the operator of long distance and (or) international communication and owning the terrestrial (cable, including optical fibre, radio relay) communication lines. None afterwards, except for JSC "Kazakhtelecom" and its possible successors where the 49% total foreign equity limitation in the charter capital (stocks or shares) will be maintained. (4) Unbound, except as indicated in Part I "Horizontal Commitments".	(3) None, except as indicated in the column "Limitations on market access". (4) Unbound, except as indicated in Part I "Horizontal Commitments".	

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Trade in Services and Economic Growth

01

Conventional wisdom question the role services have and can play in economic development

02

The tradition view of services dismiss its value-creating potential

03

Recent trends, however, seem to belie the limited role that services can and should play.

04

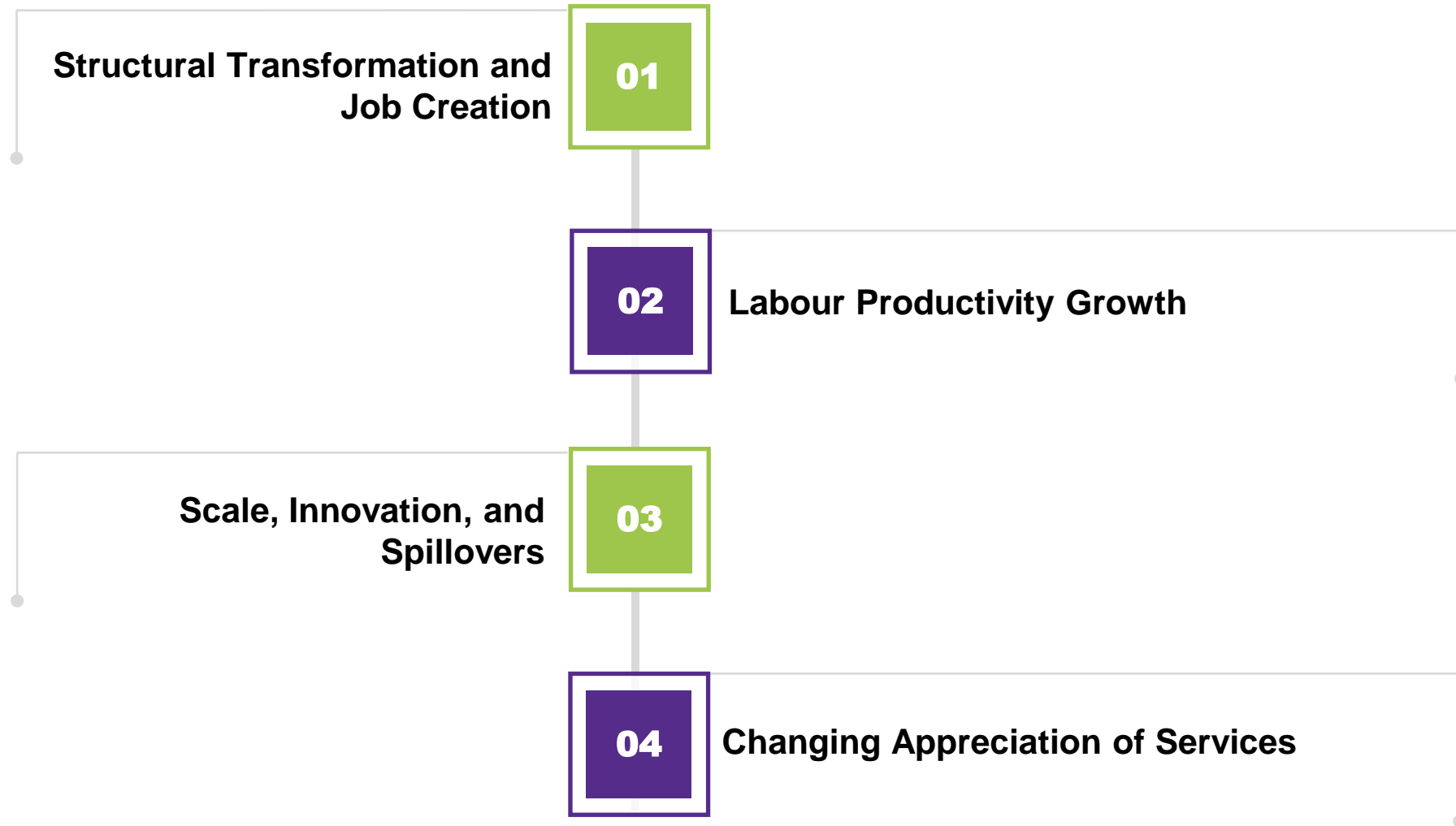
Can services contribute to poverty alleviation by creating jobs on the same scale as manufacturing once did?

05

Can services help developing countries catch up with the productivity and wealth of high-income countries?

Trade in Services and Economic Growth

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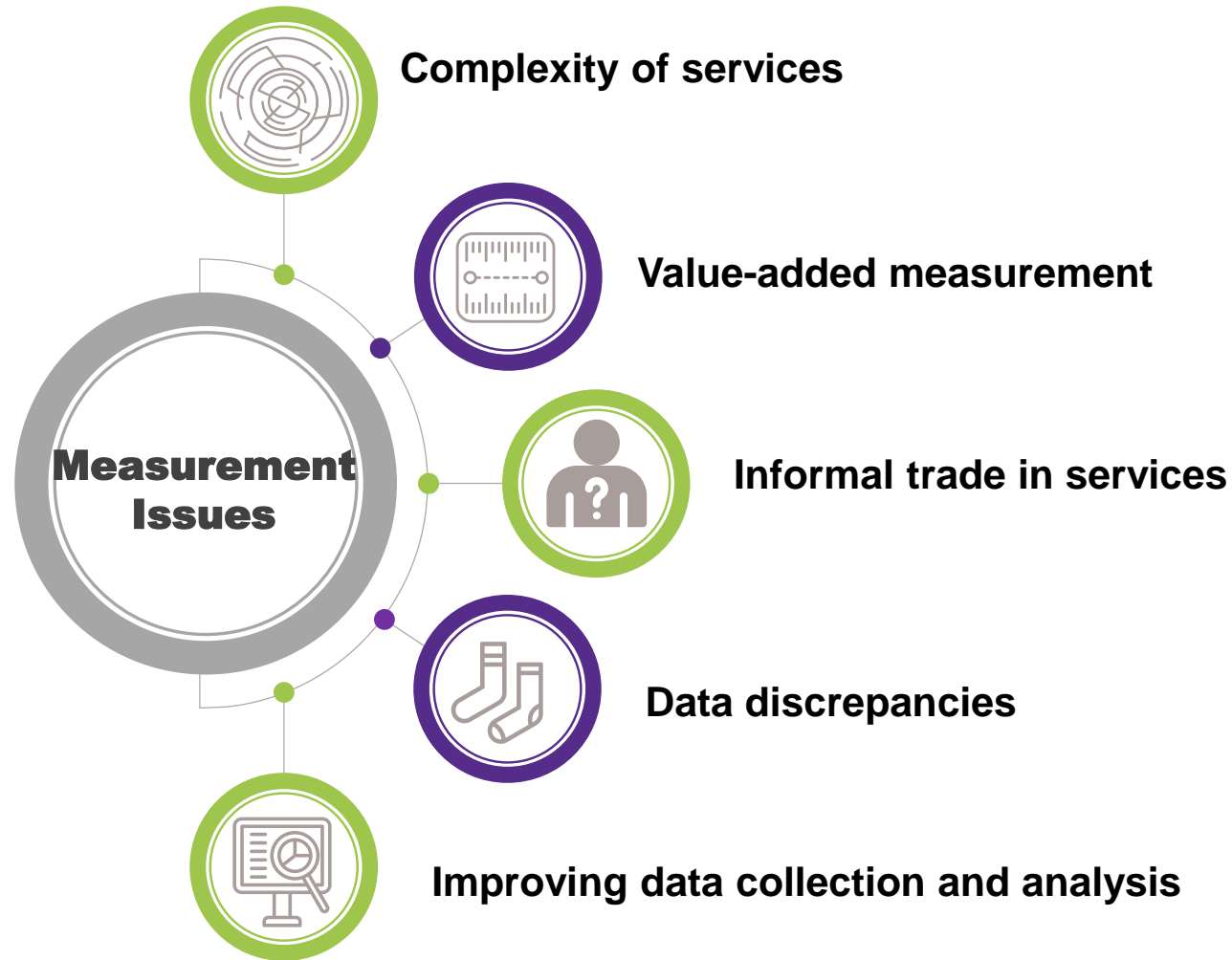
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Measurement Issues and Data Sources



Overview of databases on statistics of international trade in service



Balance of payments - International transactions This database includes statistics on international trade in services of the EU with the main partners for the main services items and internationally tradable services.



Balance of Payments Statistics The database contains annual aggregate and detailed time series for balance of payments and international investment position for countries. It provides world and regional tables of balance of payments components and aggregates



OECD Statistics on International Trade in Services are presented in two formats. **The trade by service category (TIS)** presents data according to the Extended Balance of Payments Services (EBOPS) Classification. **The trade by Partner Country (TISP)** provides statistics on international trade in services by partner country for 28 OECD countries plus EU, Euro Area, EU Institutions, Hong Kong (SAR China) and the Russian Federation.



UN ServiceTrade is a world-wide database on statistics of international trade in services containing statistics by trade by service category (EBOPS classification) and partner country. The database covers up to 194 countries or areas.



The WTO Statistics Database provides access to the most up-to-date WTO trade statistics on commercial services, including **time-series data** and **Services Profiles** that provide standard information on key "Infrastructure services" (transportation, telecommunications, finance and insurance). Around 100 indicators relating to investment, market performance, production, employment, trade, as well as performance rankings are available for over 90 economies.

UNCTADStat is a database containing trade statistics on total services, including quarterly data since 2006 for approximately 130 countries.

Source:

<https://unstats.un.org/unsd/tradeserv/TFSITS/databases.htm>

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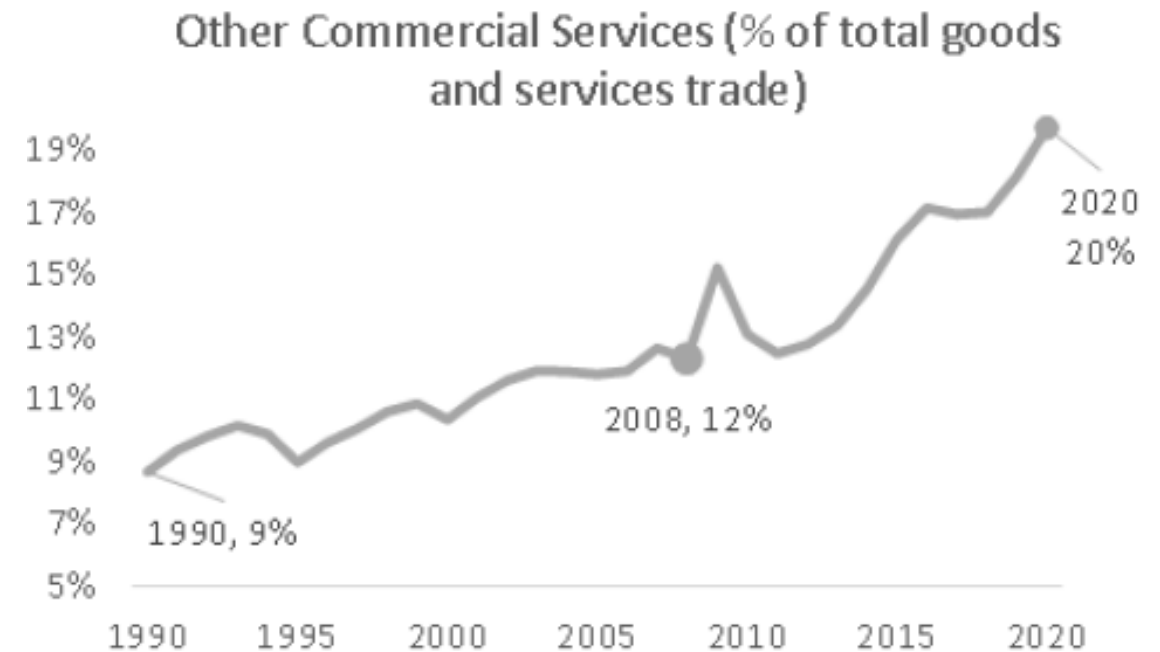
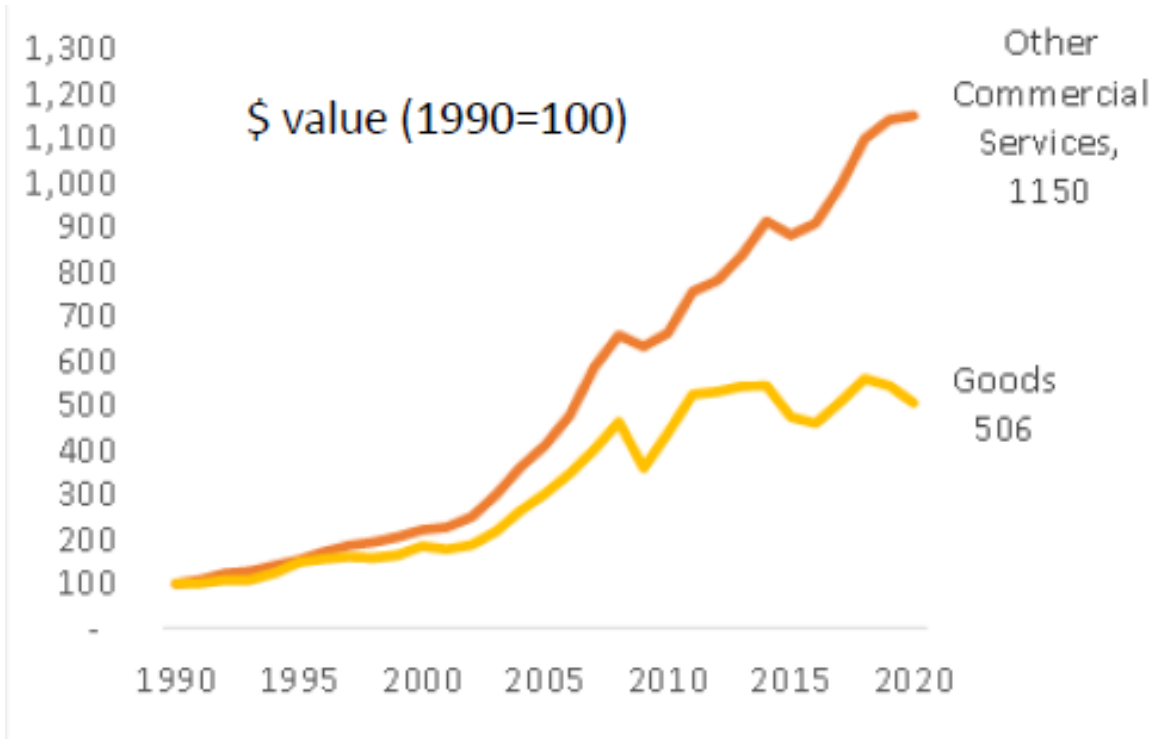
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Emerging Trends and Future Prospects

The astounding growth of internationally traded services



Emerging Trends and Future Prospects



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Policy Implications and Recommendations

Trade



Lower barriers to trade in services.

Technology



Expand access to digital technologies

Training



Improve training and skills development

Targeting



Target the growth of enabling services subsectors

Summing-Up and Take-Aways

01



Services are a big deal and their importance to national economies and international trade is growing.

02



Services are not the laggard they were once thought to be in terms of forming the basis for skills-led and productivity enhancing economic growth.

03



Governments need to recognize the importance of services now and start adopting new approaches to promoting, measuring and exporting them.

Strengthening Knowledge and Capacities for the Design and Implementations of FTAs Involving CAREC Countries



Thank you!

