



Address by the Assistant Secretary-General  
in Charge of the Department of Sustainable Economic  
Development and Trade

at the Seminar

On

*"Strategy for the Development  
of the Services Sector in ACP Countries"*

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## **Introduction**

Following the Secretary-General's address, I am very pleased to welcome you, in turn, to these important deliberations on the "Strategy for the *Development of the Services Sector in ACP Countries.*"

This is a very timely seminar since it has been organised at a time when the international economic and trade environment are constantly changing.

In this context, bringing together academics, negotiators, representatives of regional economic communities and development partners to reflect on the elements of an ACP development strategy for the services sector will provide the ACP Secretariat with a compass that will allow us to better chart the way forward for this sector, with a relevant work programme, to respond to the imperatives of structural transformation and help our countries to cope with globalisation.

## **1. Context**

This Seminar is being held almost exactly one week after the Global Services Forum which was held in the framework of the United Nations Conference on Trade and Development XIII (UNCTAD) in Doha, Qatar. This Forum allowed trade-in-services analysts and practitioners to discuss the relevant topical questions being raised by the services economy of today and the changes it is currently undergoing.

Before addressing the new trends in the services economy and exploring how ACP countries and regions can adapt to them, we must first shed light on the significance and characteristic features of the services economy in ACP countries.

## **2. Main Features of the Services Economy in ACP Countries**

The common elements in the services economy in ACP countries have been outlined in a joint study conducted by the ACP and UNCTAD Secretariats on "*The Participation of ACP States in International Trade*" completed in October 2011.

Some of these statistical elements were cited in the Secretary-General's presentation. However, it is important to briefly review some of the following observations:

**(a) Decline in global services exports from ACP countries**

While global services exports jumped from \$389 billion in 1980 to \$37,000 billion in 2010, or increased 100 times in 30 years, those from ACP countries have moved from \$11.7 billion in 1980 to \$71.2 billion in 2010, that is, barely a 6-fold increase.

Proportionally, ACP countries, which in 1975 accounted for barely 3% of global services exports, saw their market share fall to 1.9% in 2010, owing to the rise of more dynamic actors from the South that at present account for 30% of exports in services across the globe.

Thus, the paradox that needs to be explained here is that while the export of services from ACP countries has steadily progressed at a rate of 6.3% annually between 1980 and 2010, their weight in terms of their global value has declined due to the appearance of higher yielding services sectors, in which our countries are lagging behind.

**(b) Concentration on a limited number of actors**

The 2<sup>nd</sup> major feature is that, of the 79 ACP countries, almost 80% of their exports in services come from 16 countries, with the 63 other ACP countries collectively accounting for only 20% of total ACP exports. Yet, here again, the technological variable and the adaptation to leading sectors have made a difference because a country like South Africa, by itself, accounts for 20% of total ACP exports. Therefore, the question that should be asked here is what should be done to enable the other ACP countries to share in this "global monopoly?"

How to develop the trade in services in ACP countries, to branch out from traditional sectors such as tourism and remittances or even transportation, towards higher value-added services, to compensate for persistent trade deficits?

Given the changes, as well as new trends in the global services economy, what reforms need to be implemented at the local and regional level to increase our share of global trade and establish the basis for rapid expansion in ACP countries?

To answer these questions we will need to take a closer look at the current trends in the global trade in services.

### **3. New structure of the Global Trade in Services**

The world has undoubtedly entered into a services economy era given that services represent 70% of global economic production and that the value of exports in services, as it relates to the total value of world exports, climbed from 14.3% to 20% between 2000 and 2010.

**(a) Steady growth in the value of services in global economic production**

Under the effects of structural adjustments and since the start of 2000, global trade in services has increased steadily at a rate of 9.3% whereas trade in goods has grown at a rate of 8.8%. As a point of information, the average for ACP countries over the same decade was 6.3%.

**(b) Rise of the emerging economies**

The second salient point is that emerging economies have experienced tremendous growth in their services exports as opposed to developed countries. For example, it can be noted that between 2000 and 2008, the growth in exports in services was:

India (25%); Russia (23%); China (22%); and Brazil (16%), whereas North America stabilised at 8% and the EU at 13%. This gives an indication of where growth is occurring and forces us to consider the deep-rooted

reasons for this dynamic movement: All of these countries have implemented development policies for their services sectors based on greater "room to manoeuvre" at the national level, also called "policy space" in the formulation of offers, their response to requests and their list of commitments, while drawing on very rigorous local regulations.

(c) The emergence of high value-added trade in services

The third salient point is that, from the year 2000 onwards, there has been an emergence of high value-added trade in services as opposed to the traditional forms of trade in services. For example, while the share of information and communication services, as well as consulting services soared, transportation or tourism services fell progressively, dropping below 50% for the first time in 2006.



**(d) Pre-eminence of the commercial presence phase**

The trade in services related to the commercial presence (Phase 3) has overtaken cross-border service provision (Phase 1). This occurrence highlighted the fact that there has been a move from production in the manufacturing industry to that of the services industry. At present, investments in industries abroad represent two thirds of the global volume.

On the basis of these 4 major developments, we can deduce that there are at least three profound changes that must be taken into account when formulating a vision and a relevant development strategy for the services sector in ACP countries:

**1) 1<sup>st</sup> major change: Developing a tertiary sector in the manufacturing industry**

It has been noted that many companies that had long concentrated on the manufacturing industry and the transformation of natural resources into commodities are now becoming service providers or intermediaries

in the global service provision chain, and this situation will become increasingly prevalent in view of the imperatives dictated by the movement towards a green economy and the urgent need to meet climate change requirements.

How will the service providers or service industries in ACP countries meet the ever-increasing new demands?

Let us look at Tourism which, in a region like the Caribbean, represents nearly 60% of the Gross National Product of the countries of the region; 62% to 65% of total exports and provides 30% to 35% of the jobs and is now faced with a rise in so-called "green" taxes. Is it not time to explore adjustment strategies to develop the resilience of this sector, or trade in services in general, in the region?

## **2<sup>nd</sup> major change: the rapid computerisation of the services industry**

Technological innovation based on information technologies and the Internet has accelerated the computerisation of the services industry, which has facilitated transactions and improved the marketing of services. Considerable progress and many electronic applications have not only led to an explosion in e-commerce and birthed new forms of trade and products flows, but have, above all, increased the value of the various industry components.

We must, therefore, not only adjust to the progress taking place in e-commerce but moreover explore the new niche markets in this fully expanding sector.

### **3<sup>rd</sup> major change: the internationalisation of the services industry**

The multilateral framework for the trade in services offers a legal framework for free trade in services, and this framework has enabled WTO members to progressively remove trade restrictions. Furthermore, efficiency in the production of services has become a prerequisite for integrating into regional and global service provision chains and many multinationals take this into account when outsourcing or setting up their branches.

The issue here is knowing how to position ourselves as ACP countries, both at the national and regional level, to attract these service-oriented multinationals or capture their investments.

So, Ladies and Gentlemen, there you have it. This is the basis upon which we must build our development strategy for the services sector to respond to the imperatives of today's changing services economy.

#### **4. Outline of a strategy for the development of the services sector in ACP countries**

Any coherent and sustainable strategy for the development of the ACP services sector designed to address the challenges that we have identified will require our countries to take action at the following three levels: national, regional and finally multilateral.

There is an urgent need for real room for manoeuvre at the domestic level to sustain the development of services which promote our domestic interests, boost our exports and are compatible with our development priorities.

i) At the multilateral level, apart from the General Agreement on Trade and Services, which needs to be improved, and which some prefer to call the General Framework on Trade in Services, there is also the ongoing Doha Round where a pluri-lateral approach to negotiations may have the potential to influence the final outcome of the liberalisation process and establish the ongoing criteria in spite of the fact that several of our members did not participate in these processes.

In this regard, we must support our negotiators to enable them to better identify the stakes, alert the capitals in real time, forge coalitions to form blocks, during negotiations around proposals that are compatible with our needs.

Consequently, any future All-ACP Technical Assistance programme should comprise, as a matter of necessity, this aspect of support for our negotiators.

Let us take the case of Internal Regulations for example. Our countries must consider as their “national prerogative” the right to formulate legislation, given the fact that several of our countries have conceded this right to the donors, resulting in the rapid liberalisation of certain vital sectors such as telecommunications, water, energy. Often, the regulatory agencies are created when foreign operators are already operating in the country, and very often, the regulatory framework in these sectors is defined by the operators.

Article IV of the General Agreement on Trade in Services (GATS) recommends that the developed

country members and other members able to define their regulatory framework facilitate the access of service providers from developing countries. Generally speaking, it is an increased participation by the developing countries in the services trade which is at stake.

How can this be achieved at the multilateral level with the help of the developed and emerging partners? It is on this subject that our assistance programme will need to reflect and make recommendations to the WTO.

As regards the dynamics of gradual liberalisation, the spirit of Article XIX of the GATS, which defines the specific framework in which developing countries can make their commitments, has not always been respected.

Yet, the general rule has always been to ensure the promotion of the interests of all on the basis of mutual advantage; ensuring for all a balance of rights and obligations while respecting the level of development of the members as a whole and in the various sectors.

Even if these principles are implemented, the financial assistance that should enable several ACP countries to fulfil their obligations still remains hypothetical and contingent on the developed partners' priorities.

2) At the regional level, rapid development has been noted in the liberalisation of the trade in services in the ACP Regional Economic Communities (REC). This is facilitated by several factors, especially the fact that these countries share cultural links, enjoy geographical proximity, and have more or less the same level of development. Within a single REC, these countries enjoy a high degree of reciprocity, and greater liberalisation potential for the free movement of services. Finally, there are some leverage effects on the attraction of foreign direct investment.

Nonetheless, we have noticed that the ACP RECs have adopted a diversified approach to the liberalisation of services, in terms of coverage, commitments, cooperation mechanisms, and it is important that the success stories in certain regions inspire the action of other ACP RECs.

The *CARICOM Single Market and Economy* (CSME) was set up on 30 January 2006 with 6 original



members, joined later by 6 others on 30 June 2006, making a group of 12 members in all.

In view of the enormity of the task, seven sectors have been identified as priority areas:

- (1) Financial services
- (2) ITCs
- (3) Professional services
- (4) Educational services
- (5) Health and Welfare services
- (6) Recreational, sport and cultural services

At the national level, services coalitions have been set up to provide institutional cover for professional associations and services providers, whether organised or not.

These coalitions are instruments in the formulation and implementation of services exports and market access strategies.

We are of the opinion that the regional institutions must be supported not only to define a regional trade in services expansion framework, but also to lay the

groundwork for developing resilience in the face of international competition.

In fact, we believe that a component of the ACP strategy would be to support the regions in formulating their integration strategies in the global trade in services. We will support the impact studies which will enable them to derive optimum benefits from this integration, but which will especially make the ACP RECs the bedrock of an “All-ACP Free Trade Area” should the ACP Heads of State decide to create it.

In the short-term, the EPA negotiations and the series of negotiation for Free Trade Agreements in which our RECs are involved, call for assistance and technical capacity building if trade in services is to become their engine of growth.

3) At the national level, considerable effort is needed to stimulate the development of trade in services in ACP countries through:

- (a) The development of human resources and building of technological capacities to ensure that quality and professional standards are concretised;

- (b) Improvement of the communication, information and telecommunications infrastructure;**
- (c) A competition regulatory framework for trade in goods and services and investment which should include incentives for enhancing the competitiveness of companies in the services sector;**
- (d) A national strategy for the export of services to raise the profile of the services industries and services exports within the country to ensure that each acknowledges its vital importance for economic development ;**
- (e) Government support for SMEs and companies that are active in the services sector to enable them to improve the quality of their services, including their access to new management techniques and technologies;**

- (f) Facilitating the creation of national services coalitions;**
- (g) Developing presence strategies in favourable markets;**
- (h) Supporting regional development strategies for trade in services.**
- (i) Ensuring access to financing for the development of activities conducted by companies involved in the services trade.**

**To conclude, I would like to point out that we have only touched on a few elements that we are willing to support by setting up a special ACP programme devoted solely to supporting the services sector.**

**We would like to intensify a tripartite collaboration of : *Government - Secretariat of Regional Organisations – ACP Secretariat*, in order to set up a suitable trade in services development framework throughout the ACP space.**

**I am convinced that by the end of this seminar on Thursday, we shall have a set of operational recommendations to support productive actions in this vital sector of our economy.□**