UNCTAD MULTI-YEAR EXPERT MEETING ON TRADE, SERVICES AND DEVELOPMENT

(1-2 May, 2019, Geneva)

D-8 Secretary General

Ambassador Dato' Ku Jaafar Ku Shaari

Developing Eight (D-8): Who are we?

- D-8 is an international economic cooperation organization of eight countries: **Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey**.

- It was established on 15th June, 1997 by the Heads of State/ Government of eight Member States in Istanbul, Turkey.

- It aims at bolstering cooperation in six priority areas namely Agriculture and Food Security, Trade, Industry, Tourism, Transportation and Energy.

- It also encourages initiatives in Banking and Finance, Health, Education, SME Finance, Research and Development.

D-8 and TRADE IN SERVICES

- D-8 is a very promising economic group of developing countries. With a combined GDP of USD 4 trillion, total trade amounting to USD 1.5 trillion and 1.1 billion population, D-8 already is a major economic bloc. D-8 Member States will be in the list of the world's top 24 economies in 2050 and the combined GDP of USD 38 trillion will make us the third biggest economy *(Price Waterhouse Coopers)*

- When it comes to trade in services on the other hand, the picture gets a little tarnished. Services make 23% of world trade with a total of USD 5.3 trillion. D-8 countries produce 4% of the total world output, 4.4% of the world merchandise exports but make only 2.8% of the global services exports, with **USD 150 billion.**

- In addition to their low contribution to the global service supply, they also are "net importers" of trade in services. In 2017 alone they ran a **services deficit of USD 20 billion.**

Services Trade Balance (2017)

Country	Balance in value in 2017	Exported value in 2017	Imported value in 2017	Ranking
United States of America	242.8	780.9	538.1	1
United Kingdom	135.7	350.7	214.9	2
Spain	62.8	139.1	76.3	3
China	33.7	38.3	4.6	4
India	30.0	184.0	154.0	5
Thailand	29.8	75.7	45.8	6
Hong Kong	26.5	103.7	77.2	7
Luxembourg	26.0	102.3	76.3	8
Poland	21.0	59.2	38.2	9
Turkey	19.9	44.0	24.1	10
Egypt	2.6	20.0	17.4	38
Pakistan	-4.1	5.7	9.9	120
Malaysia	-5.4	36.8	42.1	123
Bangladesh	-5.4	3.9	9.3	124
Iran, Islamic Republic of	-6.6	10.1	16.7	127
Indonesia	-7.9	24.7	32.5	128
Nigeria	-13.2	5.0	18.2	135

Source: ITC Trade Map

The Table ranks the countries according to their net export of services.

•The biggest "net exporter" of services is USA with USD 242.8 billion trade balance.

•This is followed by UK, Spain, China and India.

•Turkey and Egypt are the only D-8 countries to run a trade surplus in services.

•Rest of the Member States are net importers of trade in services.

•Data reveals that while most of the developed countries are net exporters of services, developing countries remain net importers. That holds true for the D-8 Member States as well.

- On the regional level we see success stories. Our countries are major travel destinations, some of them offering all-year round tourism services. Istanbul, Kuala Lumpur and Cairo airports rank among the busiest airports of their region. Malaysia is a financial hub especially for the Islamic finance products. In the past 30 years, Turkish contractors have undertaken 9000 projects in 115 countries, with a total value of 350 billion USD. Pakistan and Bangladesh are becoming regional powers in the export of software and IT services, with leaps amounting to 60-70% annually.

- However, these regional and sector-specific success stories remain rather meager when compared to the giants of the developed world and China.

- **First 5 major traders of services make up a whopping 35% of the global trade in services.** These are US, UK, Germany, France and China. And what we see at the end of the day is an ever-opening gap among these giants and the rest of the world, especially the Global South.

HOW TO DESIGN THE POLICY?

- Should our policy advise be to promote the establishment of more call centers in our countries under the name of trade in services? To establish more two-star hotels, that will shut down at the instance of the first economic downturn? To sacrifice the industrial development for the sake of non-value adding services and being trapped in a "premature deindustrialization"?

  Absolutely not.

- The policy advise should be to prioritize, specialize and expertise in **building higher value addition** that will <u>nurture other sectors, namely agriculture and industry</u> through productive and efficient linkages.

- It should be to favor **QUALITY OVER QUANTITIY!**

IMPORTANCE OF DATA and ANALYSIS

- The first step of setting priorities is to look at data. One major problem intrinsic to trade in services is that it is intangible hence very hard to quantify. I must commend the work of national institutions and all international organizations especially UNCTAD working so hard to extract and compile “trade in value added data”, <u>for that it tells a rather different and somehow shocking story of trade relations.</u>

- Malaysia for instance is known to have a competitive edge in the exports of good and services in the manufacturing industry. Indeed, in year 2015, it exported a total of USD 142 billion in this sector. However, trade in value added data reveals that only USD 79 billion of this export originated from Malaysia itself. USD 63 billion of this export came from other countries.

- Value-added data reveals that electrical equipment which is one of the major export item of Turkey has 33% foreign value-added component. It is as high as 27 % for motor vehicles sector. Given the pressing issue of current account deficit, how to address this problem is a priority.

ANALYSIS and SETTING NATIONAL PRIORITIES

We should read data carefully and find ways on how best to benefit from the global value chains. We should address three questions specifically,

1) Does the foreign value added to my exports, in other words the backward linkages, boost technology transfer? If not how may I ensure that through policy?

2) How much of this value addition can I substitute with domestic industry?

3) How should I increase my presence in the value chains and provide value addition to other markets? In other words how do I strengthen the forward linkages?

Every developing nation should work carefully on these questions and seek ways to increase their presence in the global value chains, especially in the services sector.

REGIONAL TRADE AGREEMENTS and TRADE

- A national policy is successful only if it transforms into international policy making agenda. This brings us to the regional trade agreements and services provisions.

- Out of 42 Regional Trade Agreements (RTAs) signed by the D-8 Member States (with various partners), only 12 of them have provisions related to services trade. Egypt, Nigeria, Bangladesh, Iran have none. Malaysia is the most progressive among all with 10 agreements. Turkey's only RTA with service provisions is the one with Singapore, signed as recent as in 1 October, 2017.

- D-8 is currently working in close cooperation with UNCTAD on a workshop that will educate our countries on the International Investment Agreements Reform. It will aim at capacitating them with the knowledge and expertise of making better investment deals, especially with the developed countries.

- In similar fashion, we should start capacitating our Member States on RTA's with service provisions. D-8 stands ready to partner with EU and international organizations with the relevant expertise to develop such programs. **We also stand ready to assist any member of the Global South, who is interested in this policy agenda.**

TRADE FACILITATION IN SERVICES and A COMMON VOICE

- Having spoken about the national agendas and the regional agreements, I now want to pass to the highest level of policy coordination among the countries of the Global South.

- The TFS aims at reducing or eliminating border and behind-the-border barriers to services trade. But the feelings among developing countries can at best be defined as “mixed”. Some countries are for and some are against on various grounds. I believe the Global South is as strong as the common voice it has. Whatever our position is, we should start establishing a dialogue among ourselves and discuss the agreement.

- Trade Facilitation Agreement has become a success with 2/3 of WTO members having competed the domestic ratification process. Estimates show that the full implementation of the TFA could reduce trade costs by an average of 14.3% and boost global trade by up to $1 trillion per year, with the biggest gains in the poorest countries. We should work on the TFS in a similar fashion and see how best we can customize it to our needs.

D-8 INITIATIVES and TRADE in SERVICES

UNCTAD-FAO-D8 Partnership

- D-8 is working on a tripartite partnership between IsDB-FAO-D8 to launch the Agriculture Ministerial Meeting under the theme of "Strengthening Agro Business Value Chains".

- Developing countries incorporate less value added of services than developed countries in many sectors and are lagging behind in particular when it comes to exploiting the potential of services, especially in agriculture.

- The meeting will aim at strengthening value added services that will nurture agriculture value chains, with a focus on small-holder farmers.

- As an end result, we are aiming at establishing a **«FAO Excellence Center»** in one of Member States to provide continous assistance and supervision to countries on ways to move up the Global Value Chain ladder.

D-8 INITIATIVES and TRADE in SERVICES

KOMEPS FinTech and D8P Card

- KOMEPS FinTech, a Malaysia based fintech company, is partnering with us to initiate a card specific to the D-8 countries that will reduce financial intermediation from third parties and **increase the financial services trade among D-8 Member States.**

- It will allow Member States to transact in their own local currencies and help them improve their financial base, without the intermediation of leading currencies.

D-8 INITIATIVES and TRADE in SERVICES

D-8 Aviation Network

- Istanbul Sabiha Gokcen airport volunteered to become the first designated airport of the D-8 Aviation Network.

- The designated airport will provide lounge and fast track services to the citizens of the D-8 Member States.

- We have received inquires from the airports of other Member States to join the initiative.

- The project will **enhance travel and transport services among the Member States.**

D-8 INITIATIVES and TRADE in SERVICES

D-8 Industrial Zone

- Services sector cannot flourish in vacuum, it should be supporting and supported by the hardcore industry namely the manufacturing sector.

- With this in mind, Malaysia and Turkey have partnered under the roof of D-8 to establish an Industrial Zone.

- The Industrial Zone will aim at capitalizing on the expertise of both countries in industrial production, with a priority to foster transfer of knowledge in airplane parts**. The zone will nurture the value chain create new linkages for the trade in services.**

Thank You

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