



TRADE IN SERVICES FOR SDGs: CHALLENGES AND OPPORTUNITIES



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One of the persistent challenges that the Global South faces is the smaller portion developing countries claim out of international trade, in particular services trade. UN Sustainable Development Goals (SDGs) adopts a holistic approach and treats trade as a facilitator to reach all SDGs, especially inclusive growth, job creation and poverty reduction. Services trade, a vibrant segment of global trade with USD 5.3 trillion in volume¹, is expected to more than double and reach USD 12.4 trillion in 2030². In the face of accelerating digital transformation, services are further expected to become more tradable, yielding an employment and production boom. However, with developed nations perpetually claiming the lion's share, the challenges persist for the developing countries of the Global South.

In year 2017, top three exporters namely the USA, UK and Germany claimed 27% of the total services exports, slightly higher than 156 developing countries combined, excluding China and India. D-8 countries managed to claim a mere 2.8%. This discrepancy among the developed and developing countries, which is posited to diverge even further in the near future is a major bottleneck for our countries to fully capitalize on their potential, depriving them of an important tool to reach SDGs.

The major reason for this drawback is the nature of services that developing countries, and in particular D-8 members specialize in. D-8 countries have a competitive edge in the export of travel services i.e. tourism,³ yet they lag behind in the export of high-value added

services such as ICT, R&D, IPR royalties and financial services, running trade deficits in each one of them. A successful example of emancipating from the limited scope of tourism is presented by India, who effectively tapped on its highly educated workforce and became a major exporter of ICT services and business outsourcing. Another such example is China, who managed to become the 5th biggest exporter of global services under the leading hand of the government.

The policy recommendations stemming from these success stories are numerous, first one being the prioritization of trade in services in national agenda. Developing nations should attach importance to scaling-up services as much as they do with trade in goods. In doing so, they should align their education system with the requirements of the 21st century, with a view to increase manufacturing and ICT services. In addition to that, they should review their existing stock of trade agreements

and devise optimal strategies to integrate this vital component.

As D-8 Secretariat, we are working relentlessly to assist our Member States in their economic endeavours, and trade in services is no exception. KOMEPS FinTech, a Malaysia based fintech company, is working 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. We are partnering with IsDB to empower smallholder farmers as to increase value added in agriculture services. We are connecting major airports of the Member States to develop an aviation network that will boost trade in services not only in the form of tourism but also in manufacturing services. In all our efforts we aim at empowering our Member States to become key actors of the global economy, and inspire the Global South which to us is "one big continent".

Services Export by Category

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

Services Trade Balance (2017)

Service	WORLD EXPORTS (USD bn)	D-8 Aggregate (USD bn)	D-8 Share (%)	WORLD RANKING		
				Rank #1	Rank #2	Rank #3
Service 1 - Manufacturing services on physical inputs	92.9	3.0	3.2	China	France	Netherlands
Service 2 - Maintenance and repair services n.i.e.	86.0	0.9	1.0	USA	Germany	Singapore
Service 3 - Transport	924.5	34.9	3.8	USA	Germany	France
Service 4 - Travel	1302.2	64.4	4.9	USA	Spain	Thailand
Service 5 - Construction	100.5	2.9	2.9	China	Japan	Korea
Service 6 - Insurance and pension services	124.0	2.0	1.6	UK	USA	Ireland
Service 7 - Financial services	458.9	2.5	0.5	USA	UK	Luxembourg
Service 8 - Charges for the use of intellectual property n.i.e.	380.2	0.3	0.1	USA	Netherlands	Japan
Service 9 - Telecommunications, computer, and information services	525.4	6.4	1.2	Ireland	India	USA
Service 10 - Other business services	1174.6	14.3	1.2	USA	UK	Germany
Service 11 - Personal, cultural, and recreational services	45.8	2.3	5.1	UK	Malaysia	France
Service 12 - Government goods and services n.i.e.	68.6	6.2	9.1	USA	Japan	Germany

¹ ITC Trade Map, 2017 figures

² HSBC Unlocking the Growth Potential of Services Trade - Oxford Economics

³ ITC Trade Map, Secretariat calculations