International Trade in Services and Developing Countries

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EXECUTIVE SUMMARY

Overview of International Trade in Services

Services are the fastest growing sector of the global economy, and trade and foreign direct investment in services have grown faster than in goods over the past decade. Services now generate more than two-thirds of economic output, attract over two-thirds of foreign direct investment, provide most jobs globally and account for over 40 per cent of world trade.

A vast variety of services activities are now traded across borders. In fact, the WTO's list of services activities that are the subject of trade negotiations covers about 170 different subsectors. These are categorized in trade data into the following broad sectors in balance of payments statistics from which services trade data is derived: Manufacturing services on physical inputs owned by others; Maintenance and repair services; Transport; Travel; Construction; Insurance and pension services; Financial services; Charges for the use of intellectual property; Telecommunications, computer and information services; Other business services; Personal, cultural and recreational services; and Government goods and services. Trade in "commercial services" includes all of the above except government services. Trade in services statistics are not accurate and more so for developing countries. It is therefore best to focus on trends.

According to the WTO, in 2018, total global services exports amounted to US$5,770 billion and total services imports were US$5,485 billion. The United States and the European Union account for the vast majority of global trade in services. Nevertheless, a significant amount of services exports is now from developing countries (DCs); and exports of services from the latter are increasing rapidly, albeit from a small base, especially in the case of least developed countries (LDCs).

One clear trend over the past 20 years is that international trade in financial, information technology (IT), business and professional services has been growing steadily. Another is that more developing countries are increasing their services exports. Although tourism and transport services remain the biggest exports of developing countries as a group, there is a fair amount of heterogeneity in the composition of their services exports, particularly in recent years. More recently, there is an emerging trend of increases in a range of services in international trade, such as educational, health [1] and environmental services. At present, these services account for a negligible share of global trade, but this is expected to change in the near future for various reasons. Four major factors that will affect global services trade in the future are: (a) digital technologies; (b) demographic changes; (c) rising incomes; and (d) the impact of climate change.

Services Exports and Developing Countries

The services trade of DCs has grown by more than 10 percentage points since 2015 and amounted to 25% of world services exports and 34.4% of global services imports in 2017. The share of developing economy services exports in total global services exports amounted to

[1] In the case of Europe, see Herman (2009). Chanda (2017) looks at Cuba, the Maghreb region, Thailand, India and Indonesia as exporters of health care services through health tourism.

US$1,521 billion in 2015. However, a handful of countries (five) account for more than 50 percent of total services exports from the developing world: India, China, South Korea, Hong Kong and Thailand. On the other hand, the least developed countries accounted for only 0.3 % of world services exports and 0.7 % of global services imports in 2017. These are mainly African economies and their services sector is under-developed.

The largest amount of DCs and LDCs provide tourism-related services through Mode 2 (consumption abroad) as foreigners travel to their countries for holidays or business reasons. But there is great diversity in the structure of services exports by DCs. In South Asia, services exports are mainly concentrated in cross-border services, (ICT, BPO, business and professional services, among others). In East Asia, services exports are closely linked to manufacturing exports. In Latin America, exports tend to be more concentrated on services that are supplied through direct investment in other countries in the region. The geographic patterns of trade also differ. The destination markets for services exports from India are mainly developed countries. In contrast, in Latin America exports (measured by investment flows) are mostly to countries in the same region. Countries in the Middle East and North African region tend to export services to Europe, while South African services providers are increasingly targeting African countries.

Africa's total imports of commercial services grew in real terms from $140 billion in 2016 to $150 billion in 2017, indicating a substantial potential market for African suppliers if the continent can reduce barriers. The 2019 *World Trade Report* pointed out that it remains a challenge for the least developed countries (LDCs) to diversify services exports and to integrate into global services trade. This is among other things, due to infrastructural constraints, educational and skills gap, lack of financial resources, and the digital gap. Countries that wish to export services need to develop the skills base for the new types of jobs that are being outsourced by both developed and large developing countries. The new jobs are mainly in areas that need computer skills and familiarity with various software and online processes but these are lacking in many African LDCs.

Services that Offer the Best Opportunities for SMEs

Given the trends in global and regional trade in services, and developments in e-commerce and the relative ease of communicating and transacting business via digital platforms, the sectors with particular potential for MSMEs all over the world and particularly in African countries are: ICT and BPO - Modes 1 & 4; Financial services (payments systems, small loans, etc.) – Mode 1; Transport (mainly freight and passenger by road and related to tourism and business travellers) – Modes 1 & 2; Tourism/hospitality - Mode 2; Online distribution – Mode 1; Courier/delivery services – Mode 1; Cultural and entertainment services (live & downloaded music, videos, games) adapted to local markets, not blockbuster-type) - Modes 1 & 4; Advertising services – Modes 1 & 4.

EU-Africa Trade in Services

From the limited bilateral services trade data available (17 countries), it is clear that services exports from most African countries to the EU are somewhat erratic in terms of trends. They do not follow any consistent growth pattern but increase and decrease over time, including tourism services. In terms of sectors, the greatest exports to the EU from Africa are tourism/travel and transport services. Only Egypt, Morocco and Liberia show sustained services trade surpluses with the EU. Egypt is the largest services exporter to the EU, followed by Morocco.

Regional Economic Communities (RECs) should be the starting point for African SMEs to start to export their services for the first time. However, service companies that are already participating in global value chains (in IT, IT-ES, BPO, etc.) will stand a greater chance of being able to take advantage of opportunities in European services markets.

Although the EU is a massive importer of a diverse range of services, given the low level of services development in Sub-Saharan African economies, it is unlikely that they can diversity and increase their services exports to the EU in the short term. This is also due to the complex regulatory regimes and standards in EU economies. Nevertheless, opportunities remain in areas such as IT, BPO, and some related business services through cross-border trade for the services firms that successfully use digital networks and are internationally competitive. But African SMEs may find it easier to take advantage of services trade opportunities in regional economic communities as trade barriers are reduced.

Implications of the COVID-19 Pandemic

The virus pandemic has negatively affected trade in many services regionally and globally. Some industries, such as travel and tourism, suspended nearly all operations, yet other industries, such as telecommunications, e-commerce, online entertainment, etc., have experienced massive growth. While African countries will suffer most from the reduced demand for travel/tourism and transport services in the next year or two, on the other hand, the effects of the COVID-19 pandemic on insurance, financial, telecommunications, and computer-related services are likely to be more limited.

The crisis is focusing greater attention on online supply in sectors such as retail, health, education, telecommunications and audio-visual services; and there can be opportunities for African service suppliers in these areas. Most predictions are that it will lead to a profound and long-term shift towards online services. So, this requires that the fundamental deficiencies in African economies regarding infrastructural services be addressed in order to greatly enhance connectivity and develop businesses on digital networks.

Recommendations

1. In the short to medium term, the CBI should continue its current focus on IT, BPO and tourism services in its programs to help African services SMEs export services to the EU and elsewhere. These are sectors with potential to increase employment and that have great multiplier effects in local economies.

2. But CBI should also pay attention to new sunrise services activities in developing countries such as creative industries (music, dance, online entertainment, film) and explore means of supporting services suppliers in these areas. These activities are particularly attractive to youths and can add value to the tourism product in all African countries.

3. In the medium term, (assuming that the negative effects of the virus pandemic end), it may be worthwhile to promote the export of wellness tourism in African countries to European consumers. There are very significant and positive linkages with other

sectors in the economy, and the development of wellness services exports would be of benefit to women in particular who are the main practitioners in this sector.

4. All service suppliers in developing countries that can provide their services online will be stimulated or forced to do so now. The CBI could focus on those sectors and countries with such capability and provide technical assistance to help them develop their capacity to export services, whether regionally or further beyond. This effort can be informed by donors on the ground such as the EU delegations, World Bank, GIZ, UNCTAD, UNIDO, etc.

5. At this point in time, given the lack of information on specific services sectors that are competitive in terms of price and quality in African countries that may be of interest to CBI, it is advisable to select a small group of countries and sectors and research them in detail (fieldwork) to decide where to focus TRTA by the CBI in the future.

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LIST OF ABBREVIATIONS

AfDB	African Development Bank
AfCFTA	African Continental Free Trade Agreement
AU	African Union
EBOPS	Extended Balance of Payments System
BOP	Balance of payments
BPO	Business process outsourcing
BPM5	Balance of Payments Manual (5th edition)
BPM6	Balance of Payments and Investment Position Manual (6th edition)
COMESA	Community of East and Southern Africa
COVID-19	Corona virus disease of 2019
DC	Developing country
EAC	East African Community
EPA	Economic Partnership Agreement
EU	European Union
GATS	General Agreement on Trade in Services
ICT	Information and communication technologies
IT	Information technology
ITC	International Trade Centre
LDC	Least developed country
MSME	Micro, small and medium-sized enterprise
OECD	Organization for Economic Cooperation and Development
REC	Regional Economic Community
SADC	Southern African Development Community
SME	Small and medium enterprise
TISMOS	Trade in services by mode of supply
TRTA	Trade-related technical assistance
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
WTO	World Trade Organization

1.0 INTRODUCTION

The services sector consists of a highly diverse group of industries and related labour tasks. Advances in information and communication technologies (ICT), combined with rapid growth in technology and the global expansion of the Internet continue to increase the tradability of services. Services can be an input for trade in goods (and other services), but also a "final export" for direct consumption. Several services are also increasingly subject to the same unbundling as trade in goods (a single service activity in the global supply chain can now be completed across different geographic locations, e.g. animation, software design, engineering design). Increasing specialization and sophistication in the services exports of developing countries are offering new avenues for economic development.

Services now generate more than two-thirds of economic output, attract over two-thirds of foreign direct investment, provide most jobs globally and account for over 40 per cent of world trade.[2] Furthermore, services have a significant impact on growth and efficiency across a wide range of industries, and economic performance overall. Services are essential inputs in the production of virtually all other goods and services, and producers depend on services to deliver their output to end-users. Sectors such as financial services, telecommunications and transport are key determinants of the conditions in which persons, merchandise, services and capital flow. Services play a key role in infrastructure building, competitiveness and trade facilitation. [3]

In many developing countries, the services sector is now the greatest source of economic growth and new jobs and opportunities for young people. While the services exports of most developing countries consist mainly of tourism services,[4] trade in services is a dynamic component of trade and an option for export diversification in small and large economies. By its very nature, services trade can be instrumental in efforts to promote inclusiveness by providing increased opportunities to women and micro, small and medium-sized enterprises (MSMEs). Globally, the services sector employs more women than other sectors and hosts large numbers of MSMEs. A dynamic and expanding services sector, encouraged by growing trade and investment, contributes to the empowerment of women and enhances economic and social inclusion. Also, trade in services can help landlocked countries overcome geographical constraints and effectively access regional and global markets for their products.

It is therefore fitting for countries in Africa to start thinking seriously about strategies for increasing and diversifying their services exports. And donor partners or countries should support such initiatives. A workshop at the World Trade Organization (WTO) on October 29, 2019 also underlined the importance of tailoring Aid for Trade and development instruments to support the Least Developed Countries (LDCs) and services trade specifically. The European Union (EU) and its Member States remain the leading Aid for Trade donors, accounting for one third of global Aid for Trade spending, amounting to €14.5 billion in 2017. Notably, since 2014 this also included specific portfolios of commitments targeting services,

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[2] WTO, World Trade Report 2019: The Future of Services Trade, Geneva: WTO,

[3] For instance, Hoffman et al (2019) pointed out that services account for 83 % of the final price of Ethiopian roses in the Netherlands.

[4] Since a very significant proportion of services exports from developing economies consists of travel or tourism-related spending, a sort of proxy is used to arrive at export figures. Some tourism ministries use daily spend estimates for tourists and try to arrive at tourism exports by combining spending on hotel accommodation and restaurants.

and for the European Union it remains important in the future to further respond to needs in the area of services in that respect.[5]

1.1 Objectives of the Study

The overall objective of this study is to provide insights for the Dutch Centre for the Promotion of Imports from Developing Countries (CBI) technical assistance strategy by developing a good understanding of the services that are offered by developing countries with potential for export, regionally and to Europe. It is expected that the research will provide background information to inform the CBI's future programming of targeted support to developing countries in trade in services. The results of the assignment will also be the basis for CBI's decision-making regarding further project development on trade in services for mainly African countries.

In particular, the study will identify services sectors/niches that offer the most potential for boosting developing country exports; and for each of those sectors/niches and attempt to identify which developing countries are the most promising as potential exporters. There will be a particular focus on African countries but with examples from other developing countries.

This report will identify and analyse developments in trade in services, worldwide and looking more specifically at exports of services from developing countries in Africa. This first part of the report will attempt to answer the following main research questions:

a) What is the structure of global trade in services and what are the patterns in trade in services from developing countries (especially in Africa)?
b) Which services are actually traded internationally and through which modes of supply?
c) For which service sectors is trade growing? What are the characteristics of these service sectors?
d) Which service sectors offer the largest opportunities for small and medium enterprises (SMEs) in developing countries (Africa) to trade, regionally and with Europe? (looking beyond tourism and IT and business process outsourcing, BPO).
e) From a European market perspective: which services could be outsourced to developing countries (in the future)?
f) What factors play a role in these developments?
g) Which (local) services support trade in goods or trade in other services? (transport, financial, professional services, etc.)

In light of the restrictive measures taken globally to combat the spread of COVID-19, the study will also explore the implications of this pandemic for international trade in services in the short term (1-3 years) with regard to the following questions:

a) What impacts do COVID-19 mitigation measures have on global trade in services?
b) Are there any implications (negative and positive) for any particular modes of supply? (For instance, education online may be significantly boosted, online concerts are currently making up for cancelled live concerts, etc.).
c) How will the fall-out from the COVID-19 pandemic affect the performance of African economies in international trade in services?

[5] Presentation by EU official at LDCs and Trade in Services workshop at the WTO, Geneva, October 29, 2019.

1.2 Methodology

This report is based on secondary and primary research. A desk review of a broad range of reports on various services trade issues at the global and regional level was conducted. This was combined with research on the services trade data for the European Union and African countries and in multilateral trade databases (WTO, International Trade Centre, UNCTAD). There were also discussions with some key experts in various agencies and institutions. A concerted attempt was made to look at the trends and patterns of trade in services in order to answer the primary research questions.

In order to understand the different characteristics of services trade from the global to the more specific level, and African economies in particular, the analysis covers trade in services in sequence from (i) global trade in services; to (ii) developing countries (DCs) services trade; to (iii) least developed countries (LDCs) services trade; and (iv) African trade in services.

1.2.1 Some caveats regarding services trade data

It should be noted that accurate services trade data remain a challenge for all developing countries. The problem is acute in Africa and no African country has direction of trade statistics for services; so, it is not possible to analyse with which particular markets any country is trading. The only indication of export or import trends is obtained from mirror data (i.e. imports by developed countries as exports from developing countries). But often, there is little sectoral break-down of such data, particularly when the amounts are small. Some statistical agencies in OECD countries do not report trade flows of less than one million dollars or euros.

The balance of payments (BOP) data from which services trade statistics are derived are infamously inadequate for obtaining accurate services trade statistics. But these are what is available in multilateral databases such as the WTO, World Bank and UNCTAD. Furthermore, the 5th or 6th edition of the Balance of Payment Manual (BPM5 or BPM6) of BOP statistics is quite limited in terms of detail regarding services. The Extended Balance of Payments System (EBOPS) contains significantly more sub-sectoral breakout than BPM5. However, few developing countries currently use EBOPS; and even for those who do, there is no data for most of the categories. (See Annex 4 for a description of BPM6 service categories).

It is practically impossible to get close to accurate trade in services data without surveying companies but most of the entities that collect statistics in LDCs and developing countries (DCs) cannot afford to do so due to human and financial resource constraints. Furthermore, any digitally traded services from or to any developing country are very difficult to track or monitor. So, in essence, services trade data in any economy should be analysed with these issues in mind. We will therefore focus on trends rather than specifics in this report.

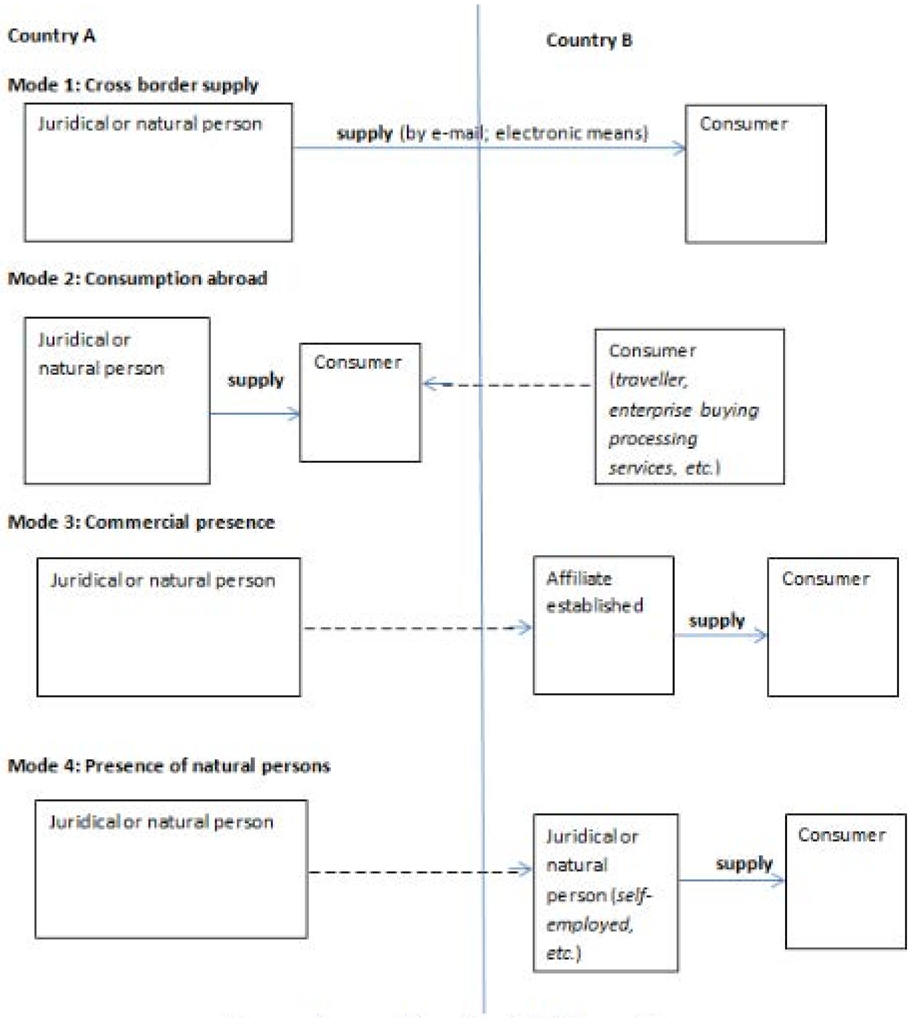
1.3 Services Modes of Supply

The WTO 2019 report presents the importance of trade in services in the global economy by using an experimental dataset, developed by the WTO, called Trade in Services by Modes of Supply (TISMOS). This dataset[6] captures services supplied through the four modes of supply categorized in the WTO General Agreement on Trade in Services (GATS); traditional services

[6] It should be noted that TISMOS is an analytical and not a statistical dataset, since it includes assumptions and estimates.

trade statistics from balance of payments data cover only three (Modes 1, 2, 4) of the GATS modes of supply.[7] The modes of supply are illustrated in Figure 1.

Figure 1: Illustration of Modes of Supply



Source: Eurostat, based on GATS provisions.

- Mode 1 - Cross-border supply, in which services are supplied from the territory of one country into the territory of any other country, both physically (such as land or maritime transport) and digitally such as through the Internet (e.g. music downloads, software development).

- Mode 2 - Consumption abroad, in which services are provided within the territory of one country to a consumer of any other country, such as tourism.

- Mode 3 - Commercial presence, in which services are delivered by a supplier of one country through commercial presence in the territory of another country, such as establishing a controlled affiliate in a foreign country to serve the local market

[7] An economy's balance of payments (BOP) data provides information on services transactions for cross-border supply (mode 1), consumption abroad (mode 2) and the presence of natural persons (mode 4), while Foreign Affiliates Trade in Services (FATS) statistics contain information on trade through commercial presence (mode 3).

(banks, supermarkets, hotels, etc.).

- Mode 4 - Presence of natural persons, in which a supplier from one country provides services through the presence of natural persons in the territory of another country, (such as consultants, entertainers, etc.)

Trade in services in different sectors involve various combinations of the various modes of supply. For instance, India is a large exporter of information technology (IT) services through Modes 1 and 4 and it imports IT services through Mode 3. Another example is legal services that may be supplied to the customer through email (Mode 1), by an established affiliate abroad (Mode 3) or by the lawyer's presence abroad (Mode 4).

2.0 WHAT IS THE STRUCTURE OF GLOBAL TRADE IN SERVICES?

2.1 Overview of Global Trade in Services

Services are the fastest growing sector of the global economy, and trade and foreign direct investment in services have grown faster than in goods over the past decade. McKinsey (2019) outlines some of the recent trends in global trade:

> In 2017, gross trade in services totaled $5.1 trillion, a figure dwarfed by the $17.3 trillion global goods trade. But trade in services has grown more than 60 percent faster than goods trade over the past decade. Some subsectors, including telecom and IT services, business services, and intellectual property charges, are growing two to three times faster.
>
> Yet the full role of services is obscured in traditional trade statistics. First, services create roughly one-third of the value that goes into traded manufactured goods. R&D, engineering, sales and marketing, finance, and human resources all enable goods to go to market. In addition, we find that imported services are substituting for domestic services in nearly all value chains. In the future, the distinction between goods and services will continue to blur as manufacturers increasingly introduce new types of leasing, subscription, and other "as a service" business models. [8]

According to the WTO, in 2018, total global services exports amounted to US$5,770 billion and total services imports were US$5,485 billion.[9] The 2019 report of the World Trade Organization (WTO) is focused primarily on trade in services. It reveals that while trade in services is dominated by developed economies, a significant amount of services exports is now from developing countries (DCs); and exports of services from the latter are increasing rapidly, albeit from a small base, especially in the case of least developed countries. Earlier World Bank reports indicated that developing countries have witnessed even faster growth rates, and their share in world services exports increased from 14 percent in 1985–89 to 18 percent in 1995–98.

The WTO's *World Trade Report 2019* pointed out that DCs services trade has grown by more than 10 percentage points since 2015 and amounted to 25% of world services exports and

[8] McKinsey Global Institute. *Globalization in Transition: The Future of Trade and Value Chains*. McKinsey & Company, January 2019.

[9] WTO, World Trade Statistical Review 2019, Table A.8.

34.4% of global services imports in 2017. WTO statistics show that the share of developing economy services exports in total global services exports amounted to US$1,521 billion in 2015. However, a handful of countries (five) account for more than 50 percent of total services exports from the developing world: India, China, South Korea, Hong Kong and Thailand.[10] On the other hand, least developed countries accounted for only 0.3 % of world services exports and 0.7 % of global services imports in 2017.

2.2 Main Exporters of Services

Table 1 shows the top services exporters in the world in 2009 and 2017. This is based on traditional services trade data from BOP statistics. It reveals the continuing pattern in which international trade in services is dominated by developed countries (mainly OECD economies). In 2009, the European Union and United States accounted for 60% of total global services exports. But trends since then indicate that developing countries are increasing their share of global exports of services, especially India and China. Nevertheless, it is remarkable that the Netherlands increased its services exports from US$92 billion in 2009 to US$216 billion in 2017. For a tiny nation it appears as a massive services exporter if one compares it with enormous China whose services exports were US$226 in 2017 but this is due to creative strategies and accounting by international firms. [11]

Table 1: Top 20 Exporters in World Trade in Commercial Services

2009				2017			
Rank	**Exporter**	**Value US$ billion**	**% Share**	**Rank**	**Exporter**	**Value US$ billion**	**% Share**
1	United States	470	14.2	1	United States	762	14.4
2	United Kingdom	240	7.2	2	United Kingdom	347	6.6
3	Germany	215	6.5	3	Germany	300	5.7
4	France	140	4.2	4	France	248	4.7
5	China	129	3.9	5	China	226	4.3
6	Japan	124	3.8	6	Netherlands	216	4.1
7	Spain	122	3.7	7	Ireland	186	3.5
8	Italy	101	3.0	8	India	183	3.5
9	Ireland	95	2.9	9	Japan	180	3.4
10	Netherlands	92	2.8	10	Singapore	164	3.1
11	Hong Kong	86	2.6	11	Spain	139	2.6
12	India	86	2.6	12	Switzerland	119	2.3
13	Belgium	75	2.3	13	Belgium	117	2.2
14	Singapore	74	2.2	14	Italy	110	2.1
15	Switzerland	68	2.1	15	Hong Kong	104	2.0
16	Sweden	60	1.8	16	Luxembourg	102	1.9
17	Luxembourg	60	1.8	17	South Korea	86	1.6
18	Canada	57	1.7	18	Canada	86	1.6
19	South Korea	56	1.7	19	Thailand	75	1.4
20	Denmark	55	1.7	20	Sweden	73	1.4

Source: World Trade Report, 2010, 2018

[10] WTO. World Trade Statistical Review, 2016, p. 56.

[11] This figure partly reflects the fact that many large global companies have their headquarters in the Netherlands for tax reasons. For example, almost all royalties are "based" in the Netherlands. Similar examples are Ireland and Luxembourg, where this effect is even more profound. See Jack Ewing, "The Netherlands, a Tax Avoidance Center, Tries to Mend Its Ways," in *The New York Times*, September 20, 2018.

2.3 Overview of the main services traded globally

2.3.1 Services Exports by Sector

It should be noted that a vast variety of services activities are now traded across borders. In fact, the WTO's list of services activities that are the subject of trade negotiations covers about 170 different subsectors. However, trade data is categorized into 12 broad sectors which are included in balance of payments statistics from which services exports and imports are derived. (See Annex 4 for details). These are as follows and they do not necessarily capture all services activities in the real world.

> Manufacturing services on physical inputs owned by others; Maintenance and repair services; Transport; Travel; Construction; Insurance and pension services; Financial services; Charges for the use of intellectual property; Telecommunications, computer and information services; Other business services; Personal, cultural and recreational services; Government goods and services.

International trade statistics that refer to "commercial services" include all of the above list except Government services.

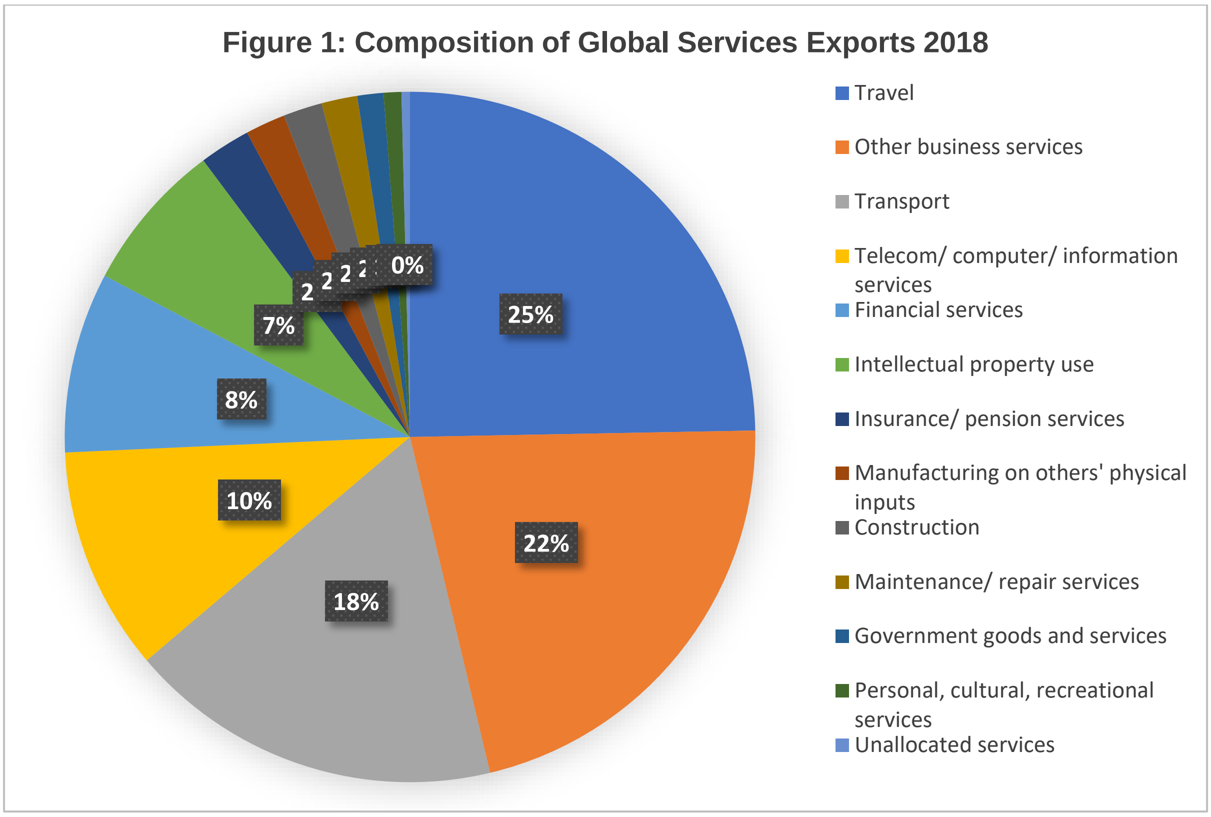
Box 1 shows the structure of global services exports for 2018 based on balance of payments data. Twelve of the following 13 categories are commercial services which in aggregate represent 98.8% of the overall $5.302 trillion. Government goods and services account for the remainder. Excluding the catchall "Unallocated services" category, the fastest-growing services since 2014 are***:*** maintenance and repair services (up 35.4%); telecommunications, computer and information services (up 28.6%); intellectual property use (up 17.1%); then travel-related services (up 12.5%).

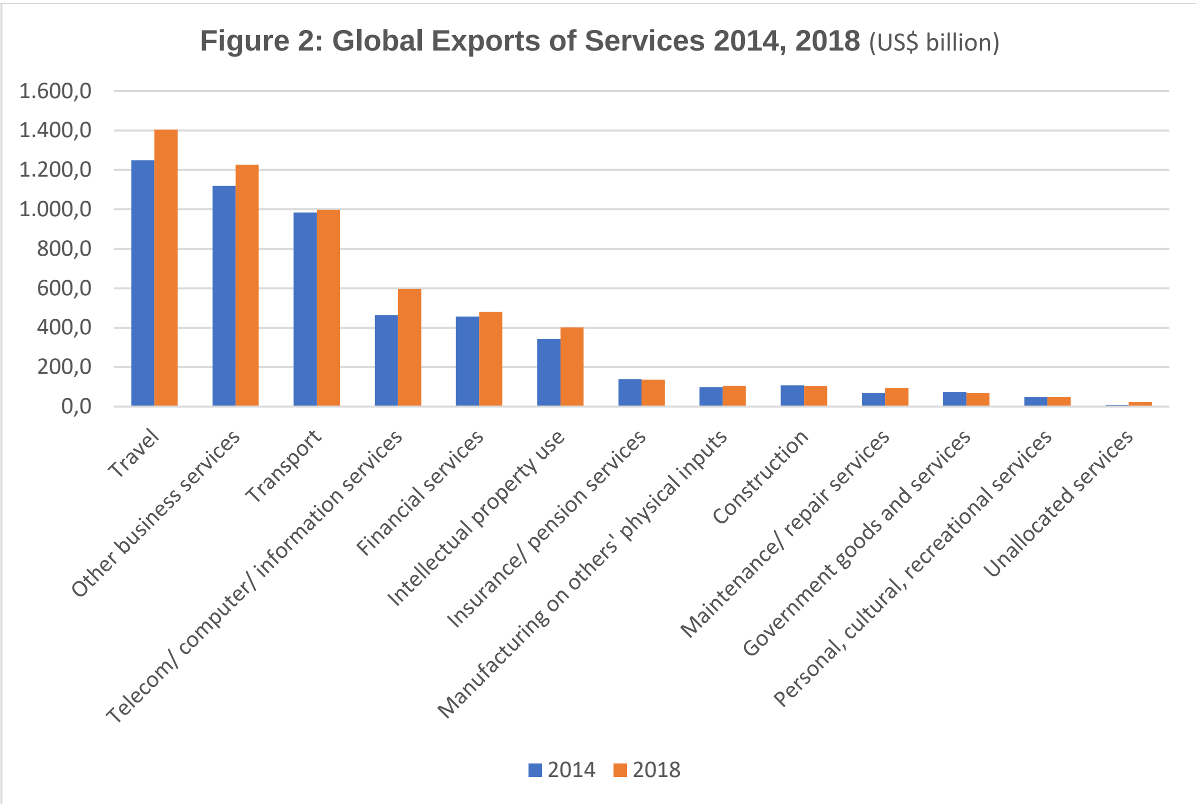
Box 1: Values of 2018 Total Services Exports by Major Categories [12]

1. Travel: US$1.405 trillion (up 12.5% from 2014)
2. Other business services: $1.227 trillion (up 9.7%)
3. Transport: $996.8 billion (up 1.2%)
4. Telecom/computer/information services: $596.4 billion (up 28.6%)
5. Financial services: $480.9 billion (up 5.3%)
6. Intellectual property use: $400.9 billion (up 17.1%)
7. Insurance/pension services: $136 billion (down -1.8%)
8. Manufacturing on others' physical inputs: $106.6 billion (up 9.7%)
9. Construction: $104.1 billion (down -3.1%)
10. Maintenance/repair services: $95.1 billion (up 35.4%)
11. Government goods and services: $69.4 billion (down -5.3%)
12. Personal, cultural, recreational services: $47.3 billion (up 0.8%)
13. Unallocated services: $22.4 billion (up 177.7%)

Source: WTO and ITC's *Trade Map*.

[12] See www.worldstopexports.com/worlds-top-export-services/. Note that this ranking is based on balance of payments data and not the new TISMOS dataset used by the WTO, so distribution services which are based on Foreign Affiliates Trade in Services (FATS) are not reflected here.





Travel (tourism) remains the biggest export sector since it is the service that most countries are able to export fairly easily. Furthermore, developed countries such as France and the US, UK, Italy etc. are major tourism destinations. The number of international tourist arrivals worldwide rose to 1,326 million in 2017, up from 809 million in 2005.[13] International tourism is the most inclusive service sector with participation in trade by economies at all levels of development. In developing economies, the tourism and travel-related industry records the highest contribution in exports by micro, small and medium-sized enterprises (MSMEs) and by women (WTO estimates based on World Bank Enterprise Surveys). The new trend towards sustainable and green tourism will offer further export opportunities to areas not yet touched by tourism development. But tourism is vulnerable to economic cycles and in some parts of the world also vulnerable to natural disasters like hurricanes and typhoons. More recently, the Corona virus pandemic has decimated tourism markets all over the world.

Transport is always significant in global services trade because it is tied to the flow of goods around the world and also related to tourism. But it is subject to cyclical slumps. When economies are booming, transport services grow rapidly and they decline just as fast during recessions. Since 2005, the global transport industry has faced challenges due to weak merchandise trade flows following the global financial crisis, stagnating economic conditions and overcapacity, with 2009, 2015 and 2016 as the worst years on record. Developed and developing economies were equally affected.

Personal, cultural and recreational services are a very tiny portion of global services trade (less than 1%) but as economies get richer more people consume these services. It is therefore expected that this element of services trade will grow significantly as incomes continue to rise in China and India and other DCs.[14]

According to trade in services by mode of supply (TISMOS) data prepared by the WTO, distribution services and financial services are the largest traded services globally, with US$ 2,634 billion and US$ 2,463 billion respectively, and they accounted for 19.9 per cent and 18.6 per cent of total services trade in 2017. This is a result of investment in companies overseas. Wholesalers and retailers have a crucial role in international trade, connecting producers and consumers worldwide, thus ensuring consumers' access to a variety of goods at competitive prices. The financial sector is a critical part of the economy, and one of its key functions is to enable international transactions, facilitating the smooth exchange of goods and services between countries, while managing the risks associated with their flows. (WTO, 2019).

Based on WTO estimates, world trade in financial services and in distribution services takes place predominantly by means of the establishment of a commercial presence in other countries (Mode 3). In 2017, around 77 per cent of financial services (US$ 1,941 billion), and over 70 per cent of distribution services (US$ 1,852 billion), were traded worldwide through foreign affiliates. However, increased digitization, e-banking, mobile banking and online sales are reshaping the business models for the finance and distribution sectors. Even African banks are now moving from bricks and mortar to online banking and mobile services. Although banks and other financial services institutions maintain companies abroad for operations, they are adapting to changes in consumers' preferences by offering an increasing number of services online, from credit card transactions to finance management. Insurance companies are making it possible to underwrite and submit claims online. These are only a fraction of the online cross-border services that digitalization is expected to stimulate in the industry in the near future.

As a result, the share of services exports through branches and subsidiaries established in other economies is declining in leading developed traders. For example, in the European Union, this trend started in the financial sector after the 2008-09 global financial crisis, alongside the

[13] See: www.e-unwto.org/doi/pdf/10.18111/9789284419876.
[14] Price Waterhouse Coopers. Perspectives from the Global Entertainment and Media Outlook 2017–2021. PWC, 2017.

structural transformation that the banking system underwent then. In 2017, the share of financial services exported by European Union-controlled affiliates was 6 percentage points lower than in 2005, matching changes in the United States. At the same time, the United States' financial services exports through cross-border transactions almost tripled compared with 2005, reaching US$ 109.6 billion. (WTO, 2019).

Summary of Key WTO Findings re Services Trade

In summary, the following are some key findings reported by the WTO in its 2018 and 2019 *World Trade Reports* regarding the structure and future of global trade in services:

1. Travel (Tourism) remains the largest services export according to traditional measurements of international trade.
2. The European Union and United States are the world's largest exporters and importers of services.
3. Trade in services expanded faster than trade in goods between 2005 and 2017, at 5.4 per cent per year on average.
4. Services value-added accounts for close to half of the value of international goods and services trade.
5. The share of services valued-added in manufacturing exports is highest in Europe and is increasing in Asia.
6. Based on estimates of trade in services by mode of supply (TISMOS), global trade (exports & imports) in commercial services was worth US$ 13.3 trillion in 2017. Using TISMOS methodology, distribution and financial services are the most traded services. Commercial presence in another country (Mode 3) is the dominant mode of supply for trading services globally, representing almost 60 per cent of trade in services in 2017.
7. Trade in ICT-enabled services has been growing steadily for several years. Projected services trade growth is highest in ICT services.
8. The contribution of developing economies to trade in services grew by more than 10 percentage points between 2005 and 2017. DCs accounted for 25% of world services exports and 34.4% of global services imports in 2017; but the bulk of exports remains largely concentrated in five economies. (China, Hong Kong, South Korea, Singapore, India). These five Asian countries accounted for 56.7 per cent of developing economies' services exports and 58.1 per cent of imports in 2017.
9. Projected services trade growth is highest in least developed countries (LDCs) but they accounted for only 0.3% of global services exports in 2017.
10. The participation of micro, small and medium enterprises (MSMEs) in services trade has been facilitated by new technologies.
11. In developing economies, services MSMEs start exporting quicker than manufacturing MSMEs; but they export less than 5% of total sales, which is three times lower than large services firms.
12. Trade in online education services will increase with more interactive digital technologies and a growing young population in developing countries.
13. Four major trends will affect services trade in the future: digital technologies; demographic changes; rising incomes; and the impact of climate change.
14. Firms owned by women are under-represented in services exports, but less so than in manufacturing. Female employment is concentrated in the least traded service sectors – education, health and social services.

2.3.2 In which Sectors is Services Trade Growing?

One clear trend over the past 20 years is that international trade in financial, information technology (IT), business and professional services has been growing steadily. Another is that more developing countries are increasing their services exports. Although tourism and transport services remain the biggest exports of developing countries as a group, there is a fair amount of heterogeneity in the composition of their services exports, particularly in recent years. (See details in sections on DCs and LDCs below).

More recently, there is an emerging trend of increases in a range of services in international trade, such as educational, health[15] and environmental services. At present, these services account for a negligible share of global trade, but this is expected to change in the near future due to various factors.

Similarly, entertainment services delivered online (music, movies, games, etc.) or delivered to mobile devices are expected to continue to increase. Furthermore, the advent of 5G networks will also impact the entire technology, media and telecommunications value chain over the next decade and increase demand and supply of many services online. 5G will impact virtually every industry, but entertainment and media companies will be among the earliest to incorporate 5G into their offerings and business models. It will also enhance the customer experience further and accelerate growth for many subsectors within the entertainment and media industry, from video games to high-definition video streaming of sporting events, among other activities.

2.3.3 Emerging Non-traditional Services Exports

In the case of ***Education services***, note for instance, the global growth in international students. The number of students in sub-Saharan Africa leaving their countries for higher education is growing quickly, from 296,395 in 2012 to 374,425 in 2017, a 26% increase.[16] Africa has the fastest-growing middle class in the world, especially in the sub-Saharan region. This, coupled with a population boom that is set to see the continent grow to 2.5 billion people by 2050, means that the region's demand for higher education could be see some dramatic rises in the years ahead. The market for international education is growing fast. For instance, in 2000, there were 122,665 valid study permits in Canada; this total reached 572,415 in 2018, an increase of 467%. Numbers compiled by Universities Canada reveal that full-time international student enrolment at universities rose by about 15 per cent across Canada between 2017 and 2018.[17]

The implications of the current virus pandemic may affect the trends regarding education services in some unpredictable ways. The COVID-19 crisis is rapidly leading to a shift in education services from Mode 2 to Mode 1 as the number of foreign students in universities declines. While it is still unclear if this is a temporary phenomenon, universities in the main receiving countries for foreign students in North America, Europe and Australia and even South Africa are moving their programs online. Even Cambridge University, one of the oldest bastions of student community and college life recently moved all of its courses online until summer 2021.[18] At the same time, changing attitudes to migration generally in Europe, Australia, the UK and particularly the US in recent years are making online tertiary education courses (Mode 1) more attractive to foreign students than travelling overseas (Mode 4) to be

[15] In the case of Europe, see Herman (2009). Chanda (2017) looks at Cuba, the Maghreb region, Thailand, India and Indonesia as exporters of health care services through health tourism.

[16] https://monitor.icef.com/2019/12/africa-ascending-the-demographic-juggernaut-driving-student-mobility-in-the-21st-century/. See also Walusimbi-Mpanga and Stephenson, "Higher Education Services: A Case Study of Uganda" in African Union, *Services Exports for Growth and Development* (2015).

[17] Andy Blatchford, Canada aims to attract more international students by expanding presence overseas. Global News, April 14, 2019.

[18] https://www.bbc.com/news/education-52732814

taught in foreign countries. But Canada is one country that still seems very enthusiastic about attracting foreign students to its shores and is actively recruiting them.

According to the WTO, trade in ***Health services***, was estimated at US$ 54 billion in 2017, with a share in world trade in services of only 0.4 per cent but recording an annual average growth of 11% since 2005. Trade in health services consists of two elements and are often related to tourism. Practitioners refer to medical/health tourism versus wellness tourism. Medical tourism occurs when consumers elect to travel across international borders with the intention of receiving some form of medical treatment. This treatment may span the full range of medical services, but most commonly includes dental care, cosmetic surgery, elective surgery, and fertility treatment. Setting the parameters of what is health and counts as medical tourism for the purposes of trade accounts is not straightforward. Within this range of treatments, not all would be included within health trade. The medical tourism industry is dynamic and volatile and a range of factors including the economic climate, domestic policy changes, political instability, travel restrictions, and innovative and pioneering forms of treatment (among other factors) may all contribute towards shifts in patterns of consumption and production of domestic and overseas health services.

With regard to trade in health services, as the OECD points out:

> there are already important bilateral exchanges between OECD members (e.g. United States to Mexico; United States to Korea; northern Europe to central and eastern Europe). Some OECD countries seek to leverage their own strengths to become providers in the medical tourism market with all the attendant implications. There are also flows of patients from OECD countries to Lower and Middle Income Countries (LMIC),in particular India, Thailand, and Malaysia.[19]

Furthermore, the Global Wellness Institute reported that the global wellness industry grew 12.8% from 2015-2017, from a $3.7 trillion to a $4.2 trillion market. Among the ten wellness markets analyzed, the revenue growth leaders from 2015-2017 (per annum) were: i) the spa sector (9.8%); ii) wellness tourism (6.5%); and iii) wellness real estate (6.4%). Wellness expenditures ($4.2 trillion) are now more than half as large as total global health expenditures ($7.3 trillion).[20] The wellness aspect of tourism is one of the main growth value-added segments in tourism world-wide and it is expected to increase as people focus more on healthy lifestyles and therapies.

The WTO reported that in 2017, global trade in ***Environmental services*** was about US$ 20 billion, including waste disposal, recycling, sanitation and cleaning of pollution. Environmental services account for just 0.2 per cent of services trade; but it has grown at 4 per cent on average annually since 2005. The reasons for increasing trade in environmental services (albeit from a small base) are many.[21] The first stems from the fact that numerous treaties and conventions require mitigation measures regarding carbon release and other toxic elements. The second is increasing concerns in all countries about environmental degradation and pollution (e.g. plastics). The third is that environmental technologies and services tend to emerge in OECD countries and are purchased by DCs. (The OECD noted that most large environmental companies are US-based). Environmental services are a sector where most trade takes place through commercial presence (Mode 3), with the accompanying presence of natural persons

[19] https://www.oecd.org/els/health-systems/48723982.pdf (page 9).

[20] See 2018 Global Wellness Economy Monitor. (https://globalwellnessinstitute.org/press-room/press-releases/wellness-now-a-4-2-trillion-global-industry/).

[21] In the WTO context, Environmental services includes sewage services, refuse disposal, sanitation and similar services, reducing vehicle emissions, noise abatement services, nature and landscape protection services and “other” environmental services.

(Mode 4). Negotiations on reducing tariffs on environmental goods in the WTO were not successful and DCs did not participate; but they are purchasers of both environmental goods and services.

It is difficult to know the true value of international trade in environmental services because of classification issues. In services trade data much of it will be lumped into Other business services or Technical testing and analysis services. Furthermore, a lot of environmental consulting services are embedded in trade in environmental goods. As the OECD (2017) and International Trade Centre (2014) pointed out, the market for both is growing globally.

2.4 Services Exports by Developing Countries

Despite numerous challenges, developing countries are increasingly exporting services. As indicated previously, DCs accounted for 25% of global services exports and nearly 35% of services imports in 2017. About ten years ago, diverse patterns seemed to emerge. Latin American countries became exporters of services through investments abroad, while South Asian countries are stronger in cross-border services exports. In contrast to the determinants of trade in goods, much less is known about the factors that determine the participation of a developing country in trade in services and the types of policies that can help support export growth.

As mentioned above, in 2017, China, Hong Kong, South Korea, Singapore and India were the main drivers of developing economies' impressive trade performance, with services exports rising by over 12% on annual average since 2005, almost three times faster than in OECD countries. According to the WTO, exports by these five economies through branches and subsidiaries abroad (Mode 3) made up, on average, 55.9%of their services exports, a rise of 22 percentage points since 2005. For these five new services powerhouses, construction, finance and distribution are the sectors that contribute most to the growth of their services exports through foreign-controlled companies. In China and South Korea in particular, up to two-thirds of services were exported through their foreign-controlled companies, more than half in Hong Kong and China, and about half in Singapore, too. But for India, cross-border trade remains the dominant mode, with only 20% of services exported through foreign-controlled affiliates in other economies. India's success is well known. Exports of soft-ware and business process services accounted for approximately 33% of India's total exports in 2010. [22]

But the situation is very different for the rest of 125 developing countries[23] around the globe. Services suppliers in these countries have relatively limited capital to establish companies abroad. According to WTO estimates, in 2017, less than one-third of their services exports took place through a commercial presence. For these 125 developing economies, cross-border trade (Mode 1) is the main means of exporting services such as professional and other business services. Developing countries have long argued in the WTO that developed countries should grant them access to their markets through Mode 4. This is the means of supply in which developing countries have a comparative advantage. But to date, this has never happened.[24]

A large number of developing countries have successfully exported services both within their own regions and to high-income countries. Brazil, Costa Rica, and Uruguay export professional and information technology–related services. Mexico exports communication and distribution

[22] See *World Trade Report 2019*, Chapter B – Services Trade in Numbers.
[23] These are countries considered developing countries in the WTO which are somewhat different from the United Nations designations.
[24] In the context of the most-favoured nation (MFN) waiver for trade in services for LDCs in the WTO, only India waived the visa fees for LDC applicants seeking Indian business and employment visas.

services; and Chile exports distribution and transportation services. Some African countries are also participating. Companies in Morocco, Tunisia, Kenya, and South Africa provide professional services to Europe; and Egypt has developed a world-class call center sector.

The largest amount of DCs and LDCs provide tourism-related services through Mode 2 (consumption abroad) as foreigners travel to their countries for holidays or business reasons. Some are very familiar sun, sand and sea destinations (the Caribbean, Asia, Pacific, Indian Ocean) with increasing wellness or health-related aspects, others are adventure and/or wildlife tourism (Africa, Latin America, South East Asia) and various regions offer sports tourism or other tourism activities. The growing phenomenon of health tourism is an opportunity for many developing countries. Exports of health services are successfully provided by the Philippines, Thailand, and India, and countries in the Middle East and North Africa and in Latin America and the Caribbean. In the Indian Ocean, Mauritius and the Seychelles are also increasing in popularity for health/wellness services as a complement to regular tourism. There is great potential for Sub-Saharan countries to also increase exports of wellness tourism but it requires investment in spa facilities and training.

Health tourism requires particular medical infrastructure and hence foreign direct investment as well as highly skilled personnel. Most LDCs are not able to participate in this market. Wellness tourism (spas) can be developed in LDCs but it also requires foreign investment because service providers in LDCs often lack the capital to do so; and the training needed at a level to meet international health and wellness standards in the global spa sector. This is why spas that are frequented by international tourists tend to be in global hotel brands. Local spas (or day spas) tend to cater to locals rather than foreign clients.

2.4.1 Regional Patterns of Modes of Supply

According to research by the World Bank, there are differences in trade in services patterns among developing regions. In South Asia, services exports are mainly concentrated in cross-border services, and within this mode, in information and communications technologies (ICTs), communication services, and ICT-enabling services (cross-border provision of business and professional services, among others). In East Asia, services exports are closely linked to manufacturing exports. In Latin America, exports tend to be more concentrated on services that are supplied through direct investment in other countries in the region. For instance, in 2010, 61% of Chile´s investment abroad was in services and energy industries mainly in neighbouring countries. Although Brazil´s outward investment is more diversified both in terms of sectors and markets, services play an important role. In financial, construction, and engineering services, Brazil has been a successful exporter via investment abroad (Mode 3) in other Latin American countries. Likewise, Mexico’s outward direct investment is diversified in terms of sectors and countries, but services play an important role in telecommunications, distribution, call centre activities, and offshoring.[25]

Although in Africa there is no clear trade pattern yet, services have also been emerging as an important trade topic. According to UNCTAD, in 2016, travel (tourism) services was the main services export of African countries ($35.3 billion), followed by transportation services ($26.4 billion). Africa’s services exports remained mostly relatively resilient to the 2016 world trade downturn (see section 3.0 below). Despite their importance in Africa’s exports, both transport and travel services account for less than 3.5% of world services trade in those categories.[26]

[25] Sebastian Saez and Arti Grover Goswami, Uncovering Developing Countries Performance in Trade in Services. *Economic Premise*, World Bank, November 2010.
[26] UNCTAD, Key Statistics and Trends in Regional Trade in Africa. Geneva: UNCTAD, 2019, p. 36.

These two are followed by other business and government goods and services. Africa's export of services has increased gradually from 2005 to 2016 in almost all sectors.

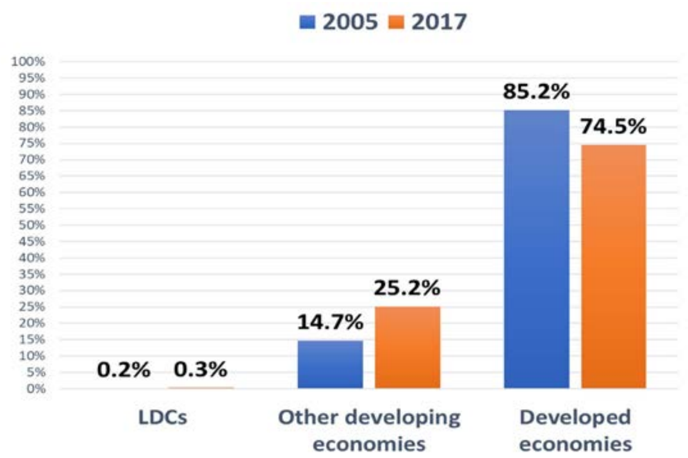
The geographic patterns of trade also differ. The destination markets for services exports from South Asia (India) are mainly developed countries. In contrast, in Latin America exports (measured by investment flows) are mostly to countries in the same region. Countries in the Middle East and North African region tend to export services to Europe, while South African services providers are increasingly targeting countries in Africa.[27]

2.5 Services Exports by Least Developed Countries

The WTO reported that in 2017, LDCs accounted for only 0.3 % of world services exports, the latest available year according to the WTO Secretariat's new comprehensive estimates which, for the first time, covered trade in all the four modes of supply. In the 12 years from 2005, the LDC group has gained only 0.1 percentage points in share of total services exports, compared with almost 10 percentage points for other developing economies. It was also evident from the data that LDCs tend to trade services regionally. (*WTO, 2019*).

The 2019 *World Trade Report* pointed out that it remains a challenge for the least developed countries (LDCs) to diversify services exports and to integrate into global services trade. This is among other things, due to infrastructural constraints, educational and skills gap, lack of financial resources, and the digital gap.

Figure 3: Share of LDC Services Exports in World Services Exports

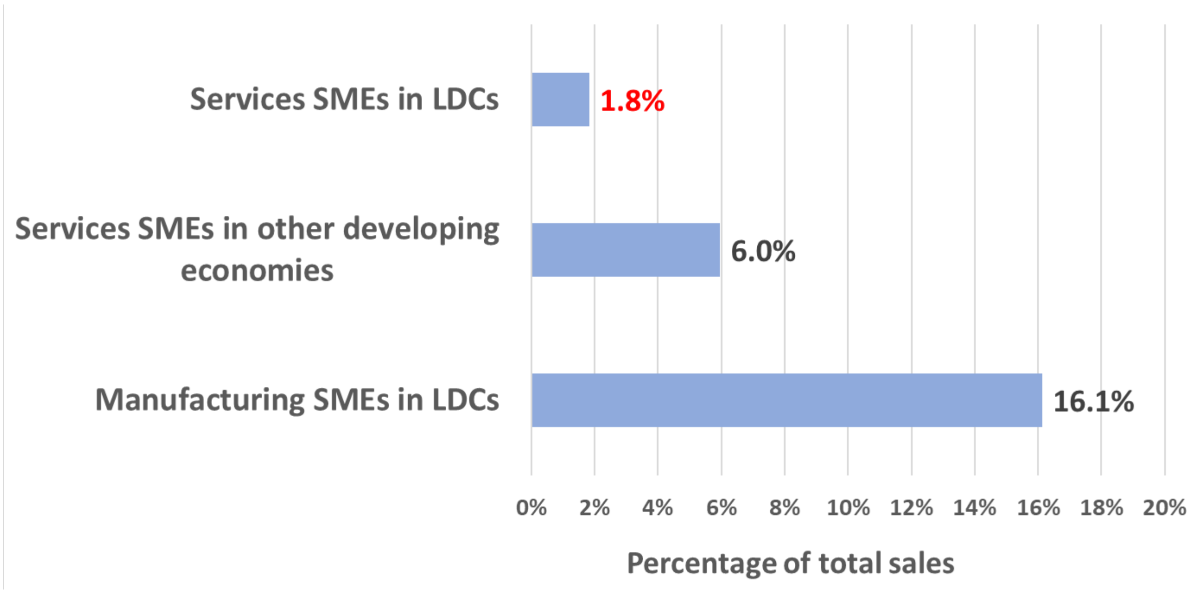


Source: WTO Secretariat

It should be noted that research by the WTO revealed that services SMEs in LDCs export a miniscule portion of their sales compared to SMEs in developing and developed countries; and compared to manufacturing SMEs in LDCs.

[27] As of 2019, the Shoprite Group, the largest African retail company employed more than 147,000 people in more than 2,934 stores across 15 African countries. https://www.shopriteholdings.co.za/group/story.html

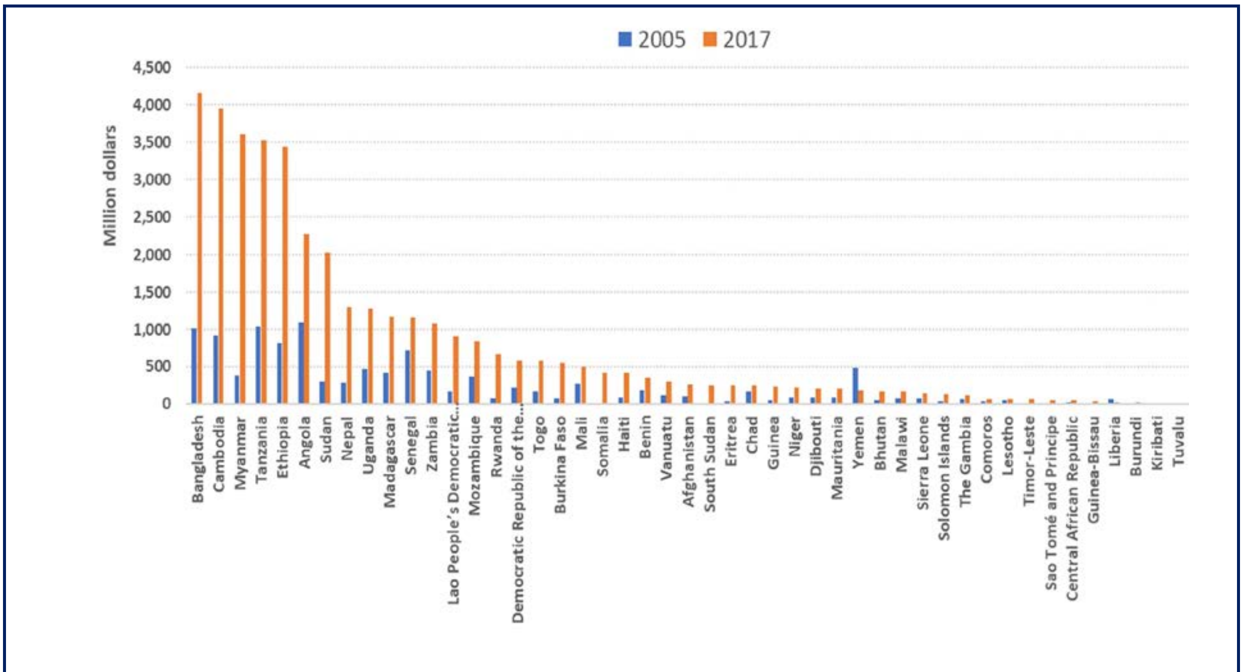
Figure 4: Exports of LDC Suppliers as Percentage of Total Sales



Source: WTO Secretariat

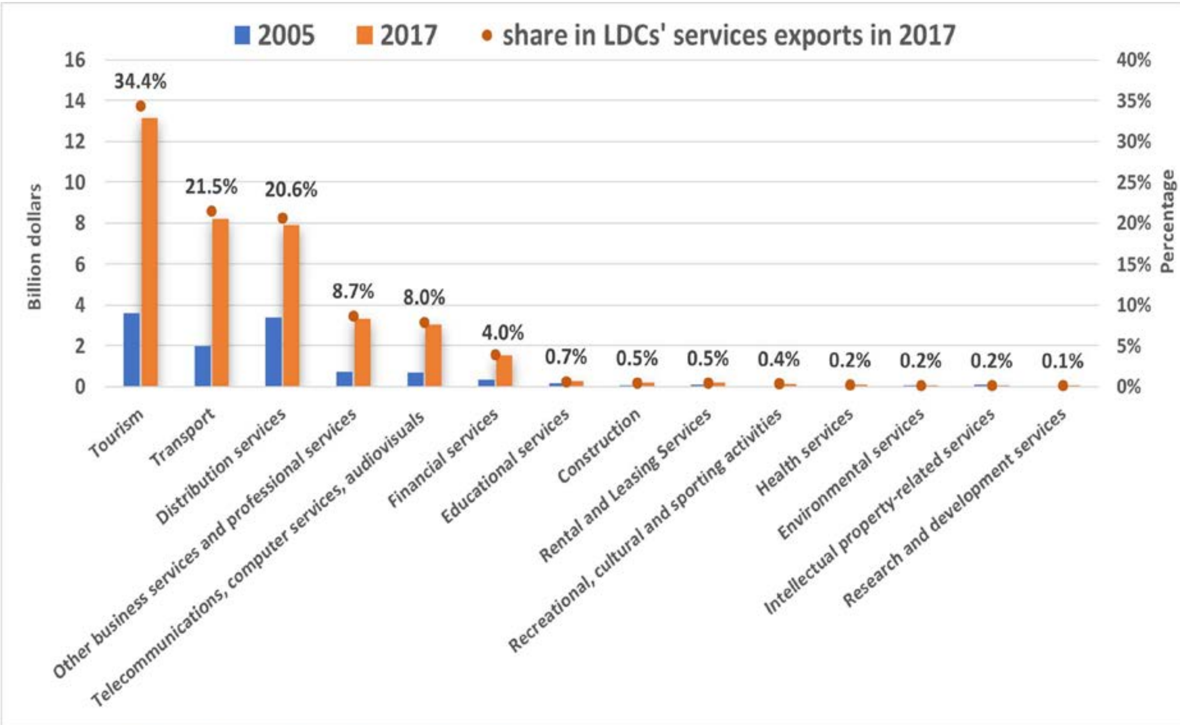
Furthermore, the bulk of services exports from LDCs are concentrated in only a few countries. Only four economies (Bangladesh, Cambodia, Myanmar, Tanzania) account for 49% of total services exports by LDCs. See Figure 5 below. Tourism, transport and distribution services are the largest services exported by LDCs. (Figure 6). Very few LDCs export business services or services that rely on technology. In fact, the services export portfolio of most LDCs is very limited and is predominantly tourism and transport.

Figure 5: Services Exports of LDCs



Source: WTO Secretariat

Figure 6: Services Exports of LDCs by Sector



Source: WTO Secretariat

2.6 Lessons from Successful Services Exporters

Research by the World Bank in several developing countries[28] that are successful exporters of services led to the following conclusions:

1. Services performance critically depends on human capital, the quality of telecoms network, and institutions for cross-border services;
2. Success in manufacturing does not seem to be a pre-condition for success in services;
3. Importance of geographic and cultural factors that are particularly relevant to services;
4. Importance of complementarities among services and among "modes" of supply.

In particular, the researchers found that for industrial and developing countries, the availability of electronic infrastructure and tertiary education enrolment significantly affect services exports. However, for developing countries only, electronic infrastructure does not seem to have been critical in promoting services exports, whereas the effect of schooling is larger. In addition, bilateral goods exports are found to positively affect services exports. The effects of distance, language and colonial history were also found to be significant as well. Distance from markets negatively affects services exports while common language and colonial history have a positive and statistically significant effect. (Goswami et al, 2012: Saez et al, 2015).

The advent of cloud computing and various regional and global platforms and networks may now be reducing the impact of distance but many developing countries seem to export their

[28] See Arti Goswami et al, Exporting Services: A Developing Country Perspective. World Bank, 2012.

services regionally first and only large firms can truly go global. This regional value chain phenomenon was clearly evident in South East Asia, particularly for LDC exporters of services, as outlined in the 2019 *World Trade Report*.

Annex 3 to this report provides a brief overview of Mauritius as a services exporter. It exemplifies some of the lessons learnt by World Bank researchers in other developing countries. Indeed, investing in skills development is a key element in attracting investors (from which services exports increase). As Ken Poonoosamy, Managing Director of the Mauritian Board of Investment indicated:

> "We are really confident that Mauritius has more of an offering for organisations and a competitive edge. We tick all of the boxes for a competitive location choice for global business. We are putting a lot of investment into skills development programmes to make sure the workforce is trained for the digital age. We don't know what will happen in industry in the next 5 or 10 years, there are a lot of new and exciting industries emerging in Fintech and Blockchain, we want to attract them to our shores. That's why we created the regulatory sandbox license, we want to be part of the digital economy." [29]

Countries that wish to export services need to develop the skills base for the new types of jobs that are being outsourced by both developed and large developing countries. The new jobs are mainly in areas that need computer skills and familiarity with various software and online processes but these are lacking in many African LDCs.

2.7 Which Service Sectors Offer the Best Opportunities for SMEs?

It should be noted that according to WTO estimates based on the World Bank Enterprise Survey,[30] the participation of MSMEs in direct services exports is marginal, only 4.7% of total sales, a share three times lower than large services firms. Indirect services exports, such as catering for hotels, courier services, or road passenger transport through intermediaries, accounted for 3.7%. Furthermore, for services MSMEs located in LDCs, exports are a negligible portion of sales, only 1.8%, a much lower share than in other developing economies (6.0%), and almost ten times lower than exports by MSMEs in manufacturing (16.1%). Services MSMEs in LDCs mainly access international markets through indirect exports (7.9% of total sales).[31] These findings reflect some of the constraints faced by services MSMEs in developing economies. (See Section 3.2 below).

Given the trends in global and regional trade in services, and developments in e-commerce and the relative ease of communicating and transacting business via digital platforms, the sectors with particular potential for MSMEs all over the world and particularly in African countries, are as follows:

a. ICT and BPO - Modes 1 & 4;
b. Financial services (payments systems, small loans, etc.) – Mode 1;
c. Transport (mainly freight and passenger by road and related to tourism and business travellers) – Modes 1 & 2;
d. Tourism/hospitality - Mode 2;

[29] Global Sourcing Association, *Sourcing Focus*, August 2017. https://www.gsa-uk.com/Publications
[30] The WB surveys cover about 19,700 services MSMEs in 83 developing economies in the period 2013-2018.
[31] See *World Trade Report 2019*. Also, Nordas (2015).

e. Online distribution (in developing countries where Amazon, Alibaba, etc. are not interested because of small market and inefficient logistics) – Mode 1;
f. Courier/delivery services – Mode 1;
g. Cultural and entertainment services (music, videos, games) adapted to local markets, not blockbuster-type) - Modes 1 & 4;
h. Advertising services – Modes 1 & 4;

With regard to (e), (g), (h) it is important to recognize that Millennials (those born between 1980 and 1996) and Generation Z (those born between 1997 and 2012) represent an increasing share of the world's population. These two groups currently constitute more than 50 per cent of major users of social media platforms and spend more than two and a half hours per day on social media, on average, compared to one hour a day for Baby Boomers (those born between 1945 and 1964). This demand is providing new opportunities, especially for certain types of services providers, such as in creative industries (live music, online music and movies, video games, animation) as well as advertising in developing and developed countries. [32]

Some Occupations in the Entertainment Sector

Performers/Artists
Dancers
Singers
Musicians
Songwriters
Actors
Poets
Fashion designers
Radio/TV hosts
Disc Jockeys (DJs)

Representation and Management Support
Show promoters
Show producers
Stage managers
Set designers
Choreographers
Make-up artists
Personal and Business Managers
Tour Managers
Agents & Publicists
Public events managers
Intellectual Property Lawyers
Publishers
Distributors/Retailers

Producers of Media/Audiovisual Content
Music studios/labels
Film studios/producers
Directors
Graphic artists/designers
Web designers
Animators
Writers
Editors (text, audio, video)
Recording/sound engineers
Sound reinforcement providers
Camera operators
Lighting technicians
Location managers
Set designers
Props management

Technical Support/Infrastructure
IT engineers
Network managers
Catering

In the case of Africa, there is tremendous potential for growth of trade in the eight service sectors mentioned above at the regional level since the current base is quite small and the population is young in all African markets. However, it should be noted that for SMEs in developing economies to become services exporters many policy and infrastructural conditions have to be met. As many authors have pointed out, connectivity and the digital gap have to be addressed. In its e-readiness assessment of numerous African countries, UNCTAD provided an inventory (litany) of issues for urgent attention by governments.[33]

[32] See also - www.pwc.com/gx/en/entertainment-media/pdf/outlook-2017-curtain-up.pdf and https://www.bizcommunity.africa/Article/410/19/197874.html
[33] UNCTAD. Rapid eTrade Readiness Assessments of African Least Developed Countries: Key Statistics, Findings and Recommendations. December 2018.

From the perspective of donors (or technical assistance providers like CBI), while opening doors to new sources of finance and building knowledge and skills are critical steps, creating a strong cohort of MSME service companies also depends on a country having an entrenched services culture from which different service sectors and individual providers can feed. One major challenge is the fact that services suppliers in African countries are not organized (besides the traditional regulated professions) so this is a huge constraint to consulting with them or providing TRTA to them. There are Coalitions of Service Industries (CSIs) in many developing countries but none in Africa. CSIs perform many of the functions that address knowledge gaps among service providers in poor countries. [34]

2.8 Expected Future Trends

The WTO and World Bank predict that international trade in services will continue to grow faster than trade in goods. Four major trends will affect global services trade in the future:

1. Digital technologies
2. Demographic changes
3. Rising incomes
4. Impact of climate change

The implications of <u>digital technologies</u> are obvious. Instant and low-cost digital communication has had one clear effect – lowering transaction costs and enabling more trade flows. This resulted in the advent of digital business platforms, social media and the general uptake of online commerce globally (business-to-business (B2B) and business-to-consumer (B2C)). Some technological innovations like digital platforms, blockchain and the Internet of Things will continue to reduce transaction and logistics costs. Others might reduce trade flows in some circumstances, either by changing the economics and location of production or by changing the demand for particular goods and services. As McKinsey (2019) suggests, the net impact may be uncertain but in some scenarios, the next wave of technology could reduce global merchandise trade while continuing to increase trade in services.

Digitization is also even transforming professional services, a very conservative industry. The number of virtual law firms and freelance management consultants on digital platforms is growing. With no physical offices to run, they have lower operating costs and clients can benefit from reduced fees.[35] There are now possibilities for all kinds of services SMEs as a result. Some of the world's largest and fastest growing e-commerce companies (including B2B and B2C platforms like Amazon, Alibaba, eBay, Etsy) are facilitating SME's cross-border trade growth. They reduce the costs associated with physical distance between sellers and consumers, fostering information sharing and trust, and facilitating payments and logistics and even customer support. They eliminate the need for services SMEs and firms of all sizes to invest in their own e-commerce hardware and software.

The current Corona virus pandemic has further accentuated the digitization and online elements of services and merchandise trade, regionally and internationally. The general belief among most commentators and analysts is that Mode 1 delivery of many services through electronic means will increase significantly in the future once it is technologically feasible.

[34] See: ITC, *Creating Coalitions of Services Industries* (2014); and *Sustaining Coalitions of Service Industries* (2015).

[35] Also, as digital technologies transit into artificial intelligence (AI) machine-learning can be used in accounting and bookkeeping.

The demographic changes are driven by the fact that the populations in most developing countries are young; and migration from the countryside to cities means service industries can only grow. This leads to a shift from agricultural or mining activities to jobs in service industries. This phenomenon is evident in African and East Asian countries in which urbanization is accelerating and most people work in services activities. And in countries with older populations (like Europe) there will be greater consumption of services like health, social services, travel, etc. There is already increasing demand in many European countries for more people to care for the elderly as well as doctors and nurses and paramedical personnel. But these are services that require temporary entry under work contracts (Mode 4) or migration, for delivery. Complex immigration and work permit requirements make export of such services by DCs or LDCs to Europe unlikely in the current anti-immigration mood across the EU; but perhaps in the medium term it may become necessary for European countries to import health and social service providers. In 2012, the EC projected a shortage of 600,000 workers in nursing alone by 2020 and a shortage of 230,000 physicians in the EU.[36]

The implications of rising incomes in the developing world, particularly Asia and South East Asia and in some African countries are that consumption of services will grow rapidly, especially telecommunications, travel, transport, personal, cultural and recreational services. These all bode well for increases in services trade, both regionally and internationally.

Finally, climate change concerns globally are causing a gradual shift from heavy, polluting industries to less carbon-intensive activities. Most of these will be services – tourism, recreation and entertainment, renewable energy, environmental services, etc. The market for environmental consulting services globally is also increasing steadily and demand in DCs will increase as well. The global concerns stirred by the young climate activist Greta Thunberg has resonated very strongly in young people all over the world and they will be the market segment that decide consumption patterns globally. It is already evident in many countries that due to pressure from consumers, services industries are also adapting to become more environmentally friendly; for example, there is growing demand for ecotourism, especially from the Millennial generation.

The four trends above augur well for the growth of services production and trade in the medium to long term, both domestically and in international trade.

3.0 TRADE IN SERVICES IN AFRICA [37]

3.1 Overview of African Services Trade

UNCTAD reported that in 2017, over 53% of Africa's GDP came from services, and in most African countries, services accounted for at least 49%. Some 16% of Africa's GDP came from wholesale, retail trade, restaurants and hotels, while 9% came from transport, communications and storage services (UNCTAD, 2019).

[36] https://healthcare-in-europe.com/en/news/by-2020-europe-may-be-short-of-two-million-healthcare-workers.html

[37] See Annex 1 and Annex 2 for detailed statistics on African services trade with the world and with the EU respectively.

Services are also important for African economies because of their declining merchandise exports. In 2017, the United Nations Economic Commission for Africa (UNECA) reported that:

> Exports of African goods decreased from $640 billion in 2012 to $346 billion in 2016. It is to be noted that, although global merchandise exports have contracted since 2014, African exports have been more severely affected, compared with other regions of the world. Exports declined by 29.6 percent and 11.5 percent in 2015 and 2016, respectively, compared with 10.9 percent and 3.7 percent in the Americas, 12.0 percent and 4.5 percent in Asia and 14.0 and 1.3 percent in Europe. Africa's share in global exports continued to drop, from 3.5 percent in 2012 to 2.9 percent in 2014 and only 2.2 percent in 2016.[38]

The main reason for the rapid decline in African merchandise trade values is the fall in commodity or natural resource prices. But this signals that it is time that African countries pay more attention to diversifying their economies by developing service industries, particularly for export purposes. A few Sub-Saharan countries have done this successfully such as Mauritius and Kenya, and to some extent Senegal.

Services also offer increasing opportunities for exports and diversification. While Africa still only accounts for a small share of total world services trade, the region's exports grew by 10 per cent in 2018. Services exports of least-developed countries, the majority of which are African countries, increased by 15 per cent in 2018, though their share of world services trade remains tiny. In the case of Kenya, several services sectors, such as tourism, aviation, finance and ICT, have flourished and boosted the country's exports and economic growth. Other industries including the cut flowers industry have performed well as a result of efficient logistics services.[39]

UNCTAD dedicated its 2015 *Economic Development in Africa Report* to services.[40] It conducted a review of the services sector in 53 African countries. Its findings are not surprising. Some of the key ones relevant to CBI are as follows:

a) The services sector is a critical source of income and employment in Africa. As the most dominant sector in many African economies, it has become a dynamic driver of growth in the continent in recent years. The services sector accounted for 32.4 % of total employment during the period 2009-2012.

b) During this period, 21 African countries had a share of services in real output greater than 50 percent. However, of these only 8, mostly small countries dependent on tourism/travel services, were dependent on the export of services.

c) In most African countries where the share of services in GDP was greater than 50%, the services sector was mostly domestic demand-driven rather than export-led.

d) Africa is a marginal player in global services exports and imports. Only 11 African countries have consistently been net services exporters since 2005. These are: Cabo

[38] UNECA, International Trade and African Trade. August 24, 2017. https://repository.uneca.org/bitstream/handle/10855/23934/b1186915x.pdf?sequence=1&isAllowed=y

[39] Amina Mohamed, Why Trade in Services Matters for Development and Inclusiveness in Africa. February 17, 2020. www.ipsnews.net/2020/02/trade-services-matters-development-inclusiveness-africa/

[40] UNCTAD. *Economic Development in Africa Report 2015: Unlocking the Potential of Africa's Services Trade for Growth and Development.* Geneva: UNCTAD, August 24, 2015.

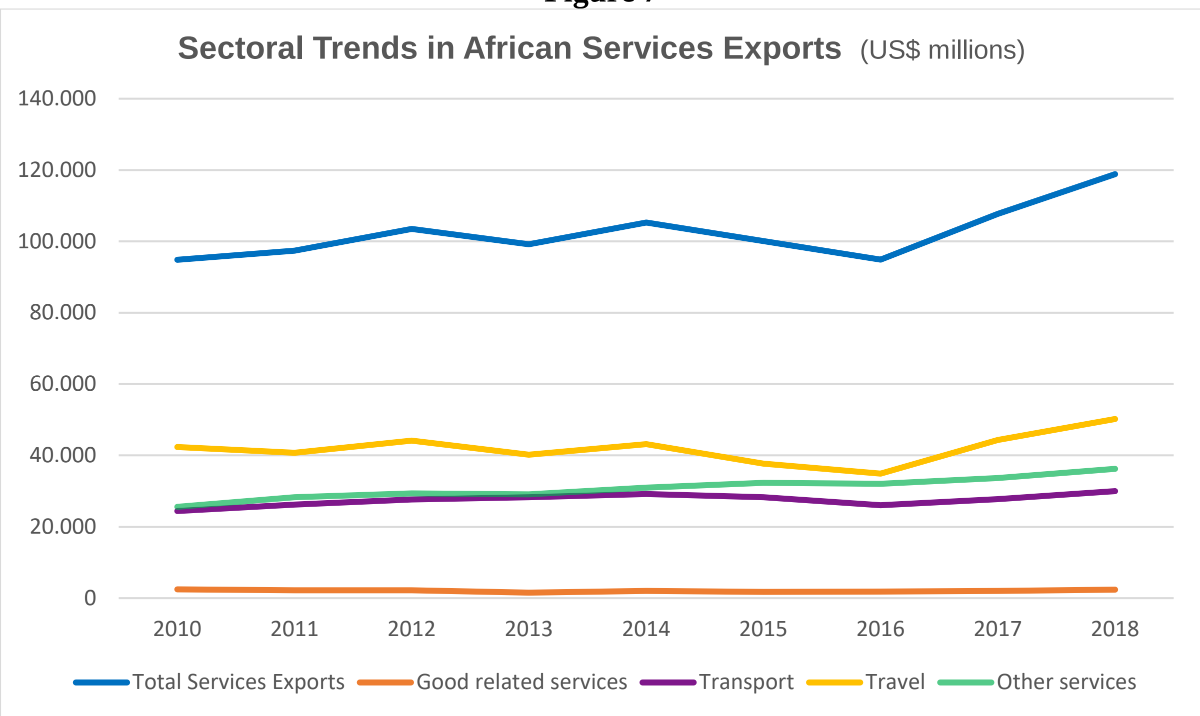
Verde, Djibouti, Egypt, Eritrea, Kenya, Mauritius, Morocco,[41] Namibia, Seychelles, Tanzania and Tunisia.

e) Egypt and South Africa are Africa's two main global exporters, accounting for 0.49 % and 0.34 % of world services exports in 2012.

f) Africa's services provision remains suboptimal and is delivered at a high cost. Various regulatory and policy shortcomings prevail, which explain these inefficiencies and impede Africa's capacity to fully capitalize on the potential of its services sector.

A review of the services trade data of the 31 African countries in UNCTAD's trade in services database revealed that most run a deficit in services trade (see Annex 1). This is not surprising since most African countries have under-developed service sectors. Furthermore, regulation of and policies for infrastructure services need to better target existing market failures and address structural impediments to improve performance in the sector and unleash the potential of Africa's services economy.

Figure 7

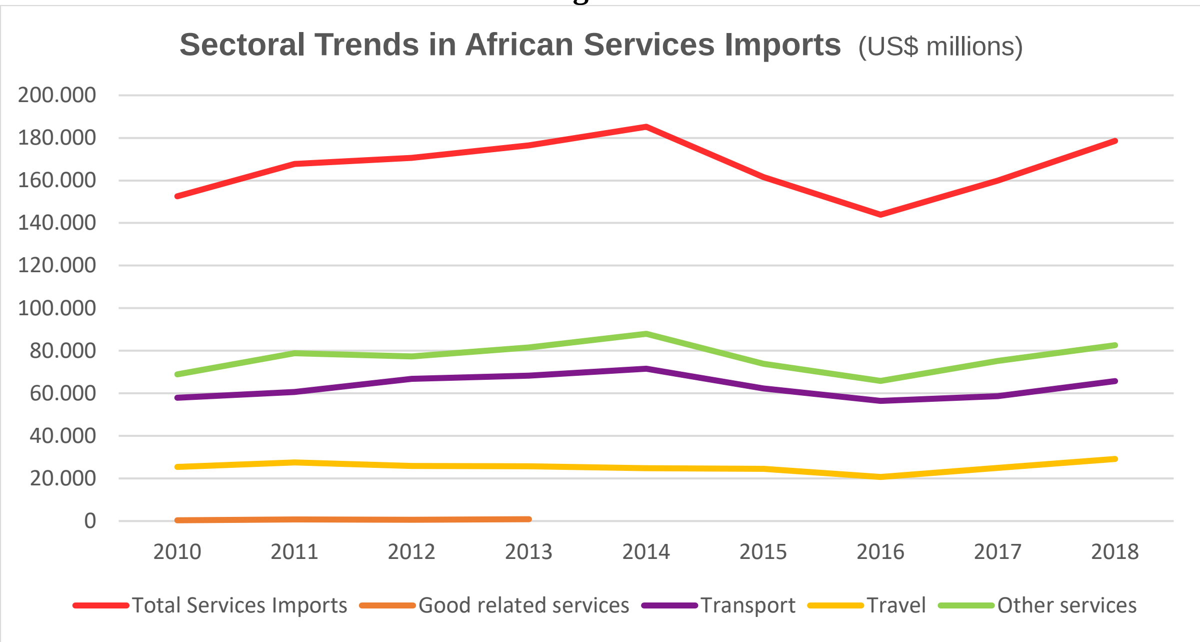


Source: UNCTAD dataset

Figures 7 and 8 show the composition of exports and imports of services for 31 African countries. It reveals a common pattern among LDCs. Travel is the largest services export followed by transport. The broad group "Other services" is a combination of a wide range of business, construction, professional and miscellaneous services.

[41] Note that in 2017, Morocco was listed as the ninth largest exporter of "manufacturing services on physical inputs owned by others", valued at US$1,367 billion (counting the EU as one). WTO, *World Trade Statistical Review 2018*, Table A28.

Figure 8



Source: UNCTAD dataset

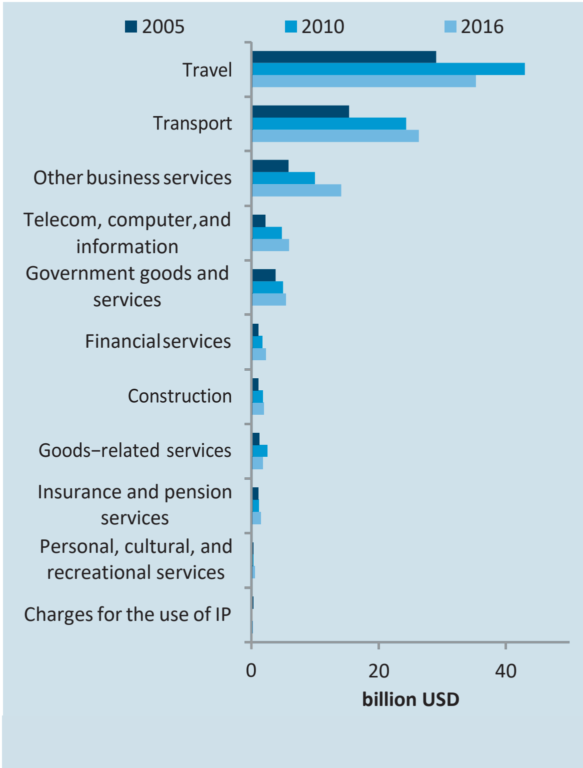
Africa's total imports of commercial services grew in real terms from $140 billion in 2016 to $150 billion in 2017, indicating a substantial potential market for African suppliers if the continent can reduce barriers. In individual sectors, Africa imported $1 billion in goods-related services in 2017 (up 6% from 2016), $59 billion in transport services (4% increase), $24 billion in travel services (15% increase) and $76 billion in "other services" (up 9 %). [42]

In addition, the level of services that Africa is importing from outside the continent can be estimated to show that additional business could potentially be captured by integrating intra-African trade in services. Africa imported an estimated $48 billion in commercial services from the rest of the world in 2017, with large deficits in transport and other services.

As reported by UNCTAD, Figure 9A shows that Travel and Transport are the largest categories in total (continental) African services exports. These two are followed by Other business services and Government goods and services. Africa's exports of services have increased gradually from 2005 to 2016 in almost all sectors and the sector has in general shown resilience to the global decline in world trade caused by the financial crisis. Figure 9B shows the share of Africa's total services exports in world trade from 2005 to 2016 by category. The continent accounts for about 2 per cent of world total and this share has been declining during the past decade. Africa has the biggest world share in government goods and services (supplied or received by diplomatic missions, military bases, etc.) but these are not considered commercial services.

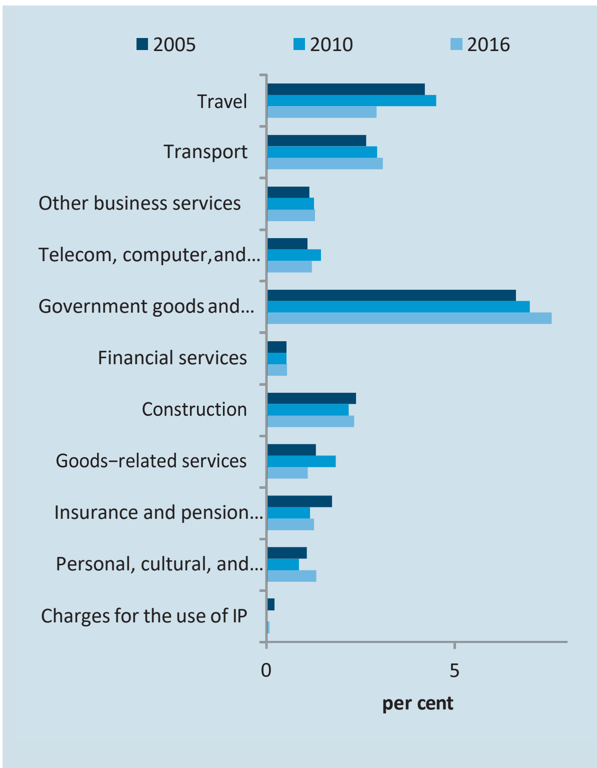
[42] Authors' analysis of UNCTAD 2019. See http://unctadstat.unctad.org/EN/

Figure 9A: Africa's services exports by category (2005, 2010 and 2016) (billion US$)



Source: UNCTAD, (2019)

Figure 9B: Market share of Africa's services exports in world total by category (2005, 2010 and 2016) per cent



Source: UNCTAD, (2019)

UNCTAD's research also revealed that in 2018, within Africa, the extent and composition of services exports also varied by region. North Africa leads the continent in value of services exports, at over $50 billion, while Central (Middle) Africa's services exports total less than $5 billion. Travel accounts for the highest share of services exports in every region except West Africa, where other services — mostly composed of financial, insurance, and business services — play a more prominent role.

Some countries like Kenya, Mauritius and Senegal are successful in exporting ICT or BPO services. The successes of South African hotels and banks are well known. But while Nigeria is not usually associated with services exports, the banking services sector has become an area where Nigeria enjoys some notable comparative advantage. Nigeria is one of the successful exporters of banking services and the prime example is United Bank for Africa (UBA), which is a large Nigerian financial service provider with subsidiaries in 20 Sub-Saharan countries, with representative offices in France, the United Kingdom and the United States. Similarly, Ecobank which is headquartered in Togo, operates in 35 countries across Africa. Kenyan banks also operate in various East African countries and are growing in strength.[43]

3.2 Constraints to African Services Exports

The WTO, World Bank and UNCTAD have all recognized that it remains a major challenge for LDCs to diversify services exports and to integrate into global services trade. This is due, among other things, to infrastructural constraints, educational and skills gap, lack of financial resources, and the digital gap. It is therefore not surprising that the LDCs that do export tend to trade their services regionally. Also, it has long been established that the infrastructural series such as telecommunications, finance, transport, financial services are the key ones in facilitating the production of both goods and services. But in many developing countries, these services are far from efficient or competitive. In many African LDCs, telecommunications are still government monopolies and are inefficient.

At the level of firms, the constraints to services exports from African countries are manifold. The main ones are summarized below. They apply to all African LDC service suppliers even more so.

1. **Small size of firms** – The services sector tends to be comprised of micro and small businesses that do not have a wide range of resources available to them and may often not have the general business skills needed to export successfully (as aside from the technical knowledge related to the sector itself);
2. **Competitiveness** – Service providers typically need to both enhance the standard of their offerings and develop new skills in order to be able to export successfully. These skills need to be developed in-house to reduce the costs of outsourcing. Training in the general skills required to export as well as advanced sector specific training is not readily available nationally;
3. **Market Intelligence** – The services sector is very fluid and can change quickly. This makes timely market intelligence difficult to obtain, without which firms are pressed to have the requisite information to make sound business decisions;
4. **Establishing Credibility** – Due to the intangible nature of services, service providers, particularly from developing countries face serious challenges in establishing credibility in the international marketplace;

[43] Chaitoo and Bankole (2015), p. 90.

5. **Financing** – Accessing financing for services enterprises is a challenge due again to the intangibility of services and therefore, the lack of traditional collateral that might underpin a business loan (e.g. the banks in Africa insist on physical collateral or equivalent cash for debt financing and refuse to value intangible assets of intellectual property). This is perhaps the greatest single impediment to unlocking the potential of services to promote development – notably amongst MSMEs;
6. **Traditional focus of incentives** – Apart from the tourism sector, African governments tend to focus their support on the traditional manufacturing or agricultural sectors. This is due to a variety of reasons, including a widespread lack of understanding of the role that efficient services play in competitiveness and economic development (perhaps due to lack of data).[44]

These firm-level constraints are compounded by the larger structural issues in most African economies such as the sub-optimal telecommunications infrastructure, the educational and skills gap, and the low connectivity (digital gap)[45] compared to the rest of the world.

3.2.1 Other Considerations

According to a World Bank report, domestic regulatory hurdles and trade barriers fragment services markets on the continent, making the cost of trading in services high. For instance, health and education services in East Africa are hindered by restrictions on using telemedicine or e-learning, while medical tourism is restricted by the non-portability of insurance policies. Legal restrictions on hospitals entering the market in countries such as Tanzania and Uganda and limits on repatriating earnings in Kenya and Uganda constrain the establishment of foreign hospitals. Finally, the high cost of visa and work permits in many countries stringently restrict the movement of health and education professionals to provide services abroad (World Bank, 2016). Similar anecdotal examples exist all over the continent. In the case of Kenya, Dihel et al (2012) also pointed out that a widespread lack of knowledge about exporting opportunities, markets and processes and a lack of awareness about how to acquire such knowledge prevents most service suppliers from exporting.[46] Most African services SMEs lack international networks and since the managers of firms are multi-taskers they seldom find the time to do market research or export planning.

It may be useful for donors and/or providers of TRTA to assist African services SMEs in the development of export plans and focusing on foreign markets. The International Trade Centre (ITC) provides some assistance through multilateral channels but this is usually to only the SMEs that are connected to government agencies or are “in the loop”. Often these are privileged, connected firms and mainly in the traditional services sector. Few of these multilateral initiatives address “sunrise” service industries like entertainment or music or animation, the kinds of activities that appeal to young people.

There are a few private entities that have developed tailor-made TRTA for services SMEs. One example of a private sector developed programme is GATEWAY to Trade (www.gatewaytotrade.com) that supports the growth of trade in services by building the export capacity of service sector stakeholders, including SME service providers, intermediary organizations and industry associations. It assists service providers by exposing them to the

[44] This list is based on the author’s research and interviews with service suppliers in East and Southern Africa and detailed consultations with various stakeholders in the government and private sector in Botswana, Namibia, Eswatini, Lesotho, Mozambique, Burundi, Rwanda, Kenya, Uganda and Tanzania in recent years.
[45] See UNCTAD, Rapid eTrade Readiness Assessments of Least Developed Countries, (2019).
[46] Nora Dihel et al. Becoming a Global Exporter of Business Services? The Case of Kenya, in Goswami et al (2012).

considerations around exporting, improving export readiness and achieving export success. It will be useful for most African services SMEs to participate in programmes like GATEWAY.

The milestone African Union (AU) Protocol on Free Movement of Persons, Right of Residence and Right of Establishment was adopted by the African Union Assembly in Ethiopia, on 29 January 2018. Yet it has struggled to gather country ratifications. The initiative promotes the free movement of persons across Africa through rights of entry, visa-free entry for short visits, rights of residence and rights of establishment, as well as the ability to establish a business. Visa openness varies widely in Africa from country to country and from region to region. The African Development Bank (AfDB) and AU Visa Openness Index Report 2018 showed progress in liberalizing visa regimes for other Africans. The average African can now travel to 25 per cent of other African countries without a visa (up from 22 per cent in 2017, and from 20 per cent in 2016), while a steady 24 per cent of African countries offer a visa on arrival to the average African.[47]

Since LDCs services exporters tend to export in their region perhaps there is potential for the African Continental Free Trade Agreement (AfCFTA) to provide opportunities for African services SMEs to grow and become exporters. However, it is unlikely that the AfCFTA will really liberalize services markets in the short term. The experience with regional economic communities (like EAC, SADC, COMESA, etc.) and services market integration is not flattering. Even the EAC which only has 5 members has not yet really liberalized services markets. In fact, EAC Partner States made market access commitments on services since 2010 but these have not yet been implemented. After much deliberations and effort, attempts were made to address this issue and a draft set of EAC Regulations on the Movement of Service Suppliers were crafted in 2017 but it is unclear what is its current status. One major outstanding issue recently was the insistence by Tanzania that it continue to charge a fee (US$100) to any service supplier that enters its territory to provide services .

3.3 African Services Trade and RECs

Regional Economic Communities (RECs) should be the starting point for African SMEs to start to export their services. And technical assistance to services firms and professionals regarding export training should begin at this level. There are various reasons for this conclusion.

First, although implementation is an issue, African RECS have negotiated liberalization commitments in a range of service sectors. And at the regional level (SADC, COMESA, EAC) there is significant functional cooperation in areas such as road and rail transport, energy production and distribution, logistics services, among others. Furthermore, as Dihel and Goswami (2016) observed, while it is not captured in balance of payments statistics and hence does not show up in services trade data, African SMEs are exporting services to neighbouring countries. They pointed out that in World Bank surveys of professional services firms in COMESA and Southern Africa, more than 16% of firms in accounting, architecture, engineering and legal services were exporting in their region. Similarly, some hospitals are treating foreign patients and using tele-medicine but this is not evident in official data. [48]

Second, with regard to Modes 1, 3, and 4 there is a much greater possibility of African services SMEs meeting standards in neighbouring African markets than in European countries. In Sub-

[47] African Development Bank and African Union. Africa Visa Openness Report 2018. Abidjan, Côte d'Ivoire: AfDB, 2018.
[48] Nora Dihel and Arti Goswami, "Africa's unexplored potential of trade in services," in Hoekman and te Velde, (2017), p. 27.

Saharan Africa, it is only companies in South Africa that might meet standards and regulatory requirements in EU markets, (except for a few sectors like ICT that has global standards and requirements). The same applies to professional services and all the regulated services activities).[49] Take for instance, M-Pesa, the very successful mobile payments system developed in Kenya based on mobile telephones; this is a competitive service that has been exported to other African countries but it will not be able to meet regulatory requirements in the EU market.[50] Although the process is very slow, common standards are slowly emerging in RECs such as the East African Community (EAC) in professional services in which mutual recognition agreements have been completed for accounting, architecture, engineering, among others.

Third, there are similar cultural and other social aspects (tastes, trends, fashions, etc.) at the regional level with which African service suppliers will be able to identify. This is important in order to anticipate and meet market demands. Fourth, proximity is an important consideration in terms of cost if one considers Mode 4 suppliers of services, although significant regulatory and administrative work still needs to be done to effectively provide for movement of service suppliers in RECs in Africa.[51] On the other hand, visa and work permit requirements and procedures in European markets are onerous, complicated, difficult to meet and costly for Africans.

Fifth, since services trade is based on trust, it is important to establish credibility in the marketplace. This often requires travel to interact with one's client base and develop the necessary trust and credibility. But since most services firms in Africa are SMEs and visa restrictions in OECD markets make it difficult for their personnel to travel there, it will be easier for them to market their services in neighbouring African countries as trade barriers are dismantled in RECs and the African Continental Free Trade Agreement (AfCFTA).

Sixth, e-commerce is growing throughout Africa, but is mainly nationally focused at present. The AfCFTA will change that dynamic, and encourage greater emphasis on cross-border online sales of both goods and services throughout Africa. The AfCFTA, once implemented, should provide an enormous market with attractive economies of scale which will stimulate industrial growth and the digital economy within the Continent.

The services negotiations in the AfCFTA are posited on the assumption that there are significant opportunities for services suppliers on the continent itself. It may take a long while, but eventually rules and market access negotiations on trade in services will be completed (and hopefully implemented). The challenge is for more services SMEs to focus on cross-border trade and for multinational African services firms to develop in small countries and not just the large economies like South Africa, Kenya and Nigeria.

[49] Similarly, while Caribbean countries have significant market access for services under their EPA with the EU since 2008, SMEs from the region cannot even supply their services in the French or Dutch territories because of a plethora of (European standards) there that they cannot meet, But of course if consumers from those islands go to the non-EU islands (Mode 2) then there is no problem. So, this limits Caribbean service suppliers to exports of transport and tourism services.

[50] M-Pesa is now active in the Democratic Republic of Congo, Egypt, Ghana, Kenya, Lesotho, Mozambique and Tanzania. (https://www.vodafone.com/what-we-do/services/m-pesa). Vodafone introduced M-Pesa in Romania but then had to withdraw from the market.

[51] Some RECs have provisions or regimes on movement of persons (Mode 4) but implementation is far from optimal. n

4.0 AFRICAN SERVICES TRADE AND THE EU

4.1 Overview of EU-Africa services trade.

The EU is a major services exporting region. In 2018 total EU-28 services exports to the rest of the world amounted to almost 961 billion euros, a very significant increase from about 566 billion euros in 2010. Total services imports by the EU in 2018 was almost 775 billion euros, up from 463 billion euros in 2010. The EU has enjoyed a trade in services surplus since 2010 with the rest of the world and with African countries in particular. Given the size of the EU and the diversity of the market, in principle, it can provide opportunities for service suppliers from all over the world. But currently, the EU's biggest partner is the United States and the EU imports mainly services with high value and skills content and intellectual property.[52]

Table 2: EU Trade in Services by Sector (euro millions)

	2016		2018	
	Exports	**Imports**	**Exports**	**Imports**
Total Services	875.836,6	747.307,4	960.990,8	774.729,4
Manufacturing services on physical inputs owned by others	20.179,8	10.490,1	20.912,1	13.161,0
Maintenance and repair services n.i.e.	13.431,3	11.290,2	16.374,7	12.765,1
Transport	142.999,0	119.668,2	163.290,1	135.477,8
Travel	127.498,9	104.141,0	141.057,3	113.574,4
Construction	10.513,0	4.504,2	10.025,2	4.812,0
Insurance and pension services	30.010,4	13.468,1	27.813,6	13.356,0
Financial services	89.480,3	45.767,9	87.349,1	49.187,1
Charges for the use of intellectual property n.i.e.	65.712,8	114.325,1	76.771,1	123.633,4
Telecommunications, computer, and information services	112.826,3	47.140,8	136.177,8	54.455,2
Other business services	244.943,0	257.935,2	259.848,3	235.454,9
Research and development services	40.902,2	89.197,4	44.309,5	55.670,4
Professional and management consulting services	68.721,0	58.427,4	87.129,8	68.228,9
Technical, trade-related, and other business services	135.318,5	110.310,2	128.407,4	111.556,8
Personal, cultural, and recreational services	9.813,8	12.451,7	12.016,9	12.672,5
Government goods and services n.i.e.	7.643,1	5.946,9	8.856,6	6.036,3
Services not allocated	785,1	178,0	498,0	143,7

Source: Eurostat

African countries do not have direction of trade data for services, only global data from balance of payments (BOP) statistics so they cannot ascertain what they are exporting to European countries. Some governments can provide bilateral tourism and transport data on services trade with a few of their major markets. So, to get a sense of what Africa is exporting to Europe an attempt was made to use mirror data to examine African services exports to the EU (EU imports as African exports).

Annex 2 provides details on African services exports to and imports from the EU. It is based on a time series from Eurostat of services trade data between 17 countries and the EU-28 for 2010-2018. It also provides trade data for 14 sectoral categories based on the BPM6 nomenclature for Egypt, Morocco and Nigeria regarding their services trade with the EU. [53] Unfortunately, Eurostat only has bilateral services trade data with 17 African countries. (Chad,

[52] https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=bop_its6_det&lang=en
[53] See - https://appsso.eurostat.ec.europa.eu/

Ethiopia, Kenya, Mozambique, Rwanda, Algeria, Egypt, Morocco, Benin, Burkina Faso, Guinea, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal).[54].

Based on this data set, the following observations are noteworthy:

a) Services exports from all 17 countries to the EU are somewhat erratic in terms of trends. They do not follow any consistent growth pattern but increase and decrease over the period, including tourism services. For Egypt and Morocco, the largest service export to the EU was travel (tourism), followed by transport.

b) All of the countries except Egypt, Morocco and Liberia consistently had services trade deficits with the EU in this period.

c) In the period 2010-2018, of the group of 17 countries, Egypt was the largest services exporter to the EU, followed by Morocco and then Liberia. In 2018, Egypt exported 6.577 billion euros and imported 4.364 billion euros and had a services surplus with the EU of 2.13 billion euros. Of its total exports to the EU in 2018, Travel/tourism accounted for 2.67 billion euros; Transport amounted to 2.10 billion euros; and Other business services added 1.28 billion euros.[55] (BPO exports would be included in Other business services).

d) In 2018, Morocco exported 6.236 billion euros and imported 4.417 billion euros with a services trade surplus of 1.819 billion euros with the EU. Travel amounted to 2.80 billion and transport 1.12 billion euros. Liberia's surplus was 2.818 billion euros but there is no sectoral breakdown.[56]

e) In comparison, South Africa, the largest and most sophisticated sub-Saharan economy in terms of its services sector, exported 4.1 billion euros in services to the EU and imported 6.8 billion euros in 2018 with a deficit of 2.7 billion euros.[57]

f) Since 2011, Morocco has enjoyed a surplus with the EU in Telecommunciations, computer and information services; but it runs a deficit in Information services.

g) For Egypt, Morocco and Nigeria, the category of Other business services was significant in terms of both exports and imports with the EU. But this is a very wide group of different services so it is difficult to ascertain if there are particular trends in some specific business services that can be expanded with technical support from donors. In 2018, Nigeria's exports of Other business services totalled 581 million but it had a deficit with the EU of about 383 million euros.

h) Exports of financial services by the 3 countries were quite minimal and averaged less than US$30 million per year. Although Nigeria is a large economy with a vibrant

[54] Perhaps some countries like France, Germany, UK, Netherlands might have more bilateral services trade data at the sectoral level.

[55] Egypt's GDP growth in 2018 was 5.3%, continuing to be one of the growth successes in North Africa. Due to ongoing reforms and an improving business climate, Egypt is expected to maintain this growth at an increasing rate, with GDP annual growth projected at 6% in 2023. (IMF, World Economic Outlook Database, October 2018).

[56] It was not possible to find out what is responsible for such significant EU services imports from Liberia. It seems to be an anomaly given the small size and under-developed nature of the Liberian economy. But since Greece was the main importer of services from Liberia (almost 2.37 bill euros), it is fair to assume that this figure relates to maritime services of some kind since Liberia operates a ship registry.

[57] https://ec.europa.eu/trade/policy/countries-and-regions/countries/south-africa/

banking sector that expanded to several African countries, its annual exports of financial services to the EU was less than US$23 million per year on average.

In light of the limited data for the rest of the African countries, it is not feasible to speculate about which sectors might provide opportunities for African services SMEs in the EU market.

4.2 African Interest in Trade in Services with the EU

It should be noted that only four African countries agreed to include trade in services in the Economic Partnership Agreements (EPAs) with the EU. These are Botswana, Lesotho, Mozambique and Swaziland. This is partly due to perceived lack of awareness of the importance of services in the overall economy and lack of interest by policymakers in trade in services in general. But private sector stakeholders in most African countries also believe that they cannot take advantage of services opportunities in EU markets because of the complex nature of regulations there.

This might be confirmed by the Caribbean countries who completed a full EPA, including trade in services since 2008 but have seen negligible increase in services exports to the EU. This is in spite of the fact that that several EU Member States granted significant market access to the Caribbean for Contractual Service Suppliers (29 sectors) and Independent professionals (11 sectors). Numerous services professionals in Caribbean states have pointed out that real market entry to supply services in the EU is a major problem because of unclear immigration and work permit issues and complex regulatory regimes in several Member States.[58]

Even in the case of tourism which is supplied within developing countries, European regulations often limit the possibilities for service suppliers. For instance, the 2018 European Package Travel Directive requirements regarding insurance liability has indirectly eliminated most small hotels in Africa, the Caribbean and Pacific (and elsewhere) from tour operator business because of the high cost of liability insurance coverage required. Furthermore, some European tour operators impose European standards for tourism facilities that are onerous and often irrelevant in tropical countries.[59] Even the CBI also notes that "Many European tour operators choose to do business with a destination management company (DMC), which is responsible for ensuring that local operator suppliers comply with their (European) requirements."

Nevertheless, tourism will remain a significant sector for developing country exports and this depends on Mode 2. There are very few direct restrictions on Mode 2 supply of services by Africans to Europeans and governments cannot control what their citizens consume abroad. Also, there may be possibilities for growth of wellness or health-related services that are allied to tourism activity. But in the case of health services, it will require portability of European health insurance in African or Asian countries which is not permitted now.

Very little services are exported through Mode 4 by African countries or developing countries in general (except for India and IT-related services). And this is not expected to increase due to the current negative attitude towards the movement of persons in general across Europe and

[58] This was also flagged in a study that surveyed 50 service companies across the Caribbean that was commissioned by the Caribbean Policy Development Centre (CPDC) in preparation for the EPA Consultative Committee meeting on December 3-4, 2018 in Saint Lucia. (See Nex Consulting, 2018).

[59] These even include prescriptions on the size of the spaces between balusters on staircases and balconies. In fact, despite the relatively generous market access provisions and regulatory provisions on tourism services in the EPA, European tourists as a percentage of total tourists in the Caribbean has declined over the past 10 years.

strict immigration and visa and work permit regulations in the EU and the rest of the OECD. So, it is unlikely that African service suppliers can build their business models on the presence of natural persons (Mode 4) in developed country markets. Furthermore, the Corona virus pandemic has led and will continue to cause even more stringent restrictions on the presence of natural persons all over the world in the short term.

This suggests that perhaps there should be a concerted effort by the countries with capability in relevant services sectors to promote outsourced work for their companies from European firms through cross border trade (Mode 1). Most likely, this will be based on digital networks and platforms. So, investment in such infrastructure will have to be made.

4.3 European Outsourcing and African Economies

Offshoring or outsourcing is historically associated with the manufacturing sector and there is a plethora of publications on the offshoring of manufacturing jobs from the US, UK and some EU economies. Services activities were less likely to be offshored but were outsourced to other companies nationally or regionally. In the case of the ICT sector, while offshoring started simply with overseas call centres, it now extends to computer programming, troubleshooting, systems maintenance, and an assortment of other business functions. North American companies sent thousands of IT jobs to countries with emerging economies such as India, China, Ireland, and to Eastern Europe, and the media is quick to report these large job losses to overseas locations. So, since the global financial crisis and recession there is a significant amount of antipathy and opposition to outsourcing by companies in OECD countries.

Types of Services that are usually outsourced

Business Processes	Information Technology Services
Call centre &customer support	Application development
Design & engineering	Application management
Facilities management	Desktop and workplace management
Finance & accounting	Infrastructure & data centre service
Human resources services	IT helpdesk & support
Knowledge processes	Testing
Legal services	Cybersecurity
Logistics	Other ITO services
Marketing	
Payroll administration services	
Procurement	
Production & development	
Sales	

In the case of the European Union, CBI market surveys indicate that financial services are the sector where most outsourcing takes place, followed by manufacturing, energy and travel, transport and leisure. The greatest growth in outsourcing can be found in business services, financial services, healthcare, and pharma and retail.[60] Some researchers have looked at outsourcing from the EU-13 to the newer EU Member States where labour costs are cheaper. The services that were traditionally outsourced are back office activities (accounting, credit-card reconciliations, payroll administration, customer service support such as for airlines, hotels, booking agencies, coding for software). But the immediate future looks grim since most countries and companies are now interested in shortening their supply chains. This is due to the fear of other external shocks and the problems faced by companies with “long” supply chains that were complex and spread far from their home base as a result of the closure of

[60] www.cbi.eu/market-information/outsourcing-itobpo/bpo-senegal-uganda/

borders and general lockdown in many countries. Even before the COVID-19 crisis, several big companies in the US and elsewhere had started to move back from offshoring to near-shoring.[61] The situation is quite pronounced in the United States where the Trump Administration is very critical of firms that "export American jobs". But many groups in European civil society or non-governmental organizations (NGOs) have also created antipathy towards outsourcing or offshoring for reasons relating to alleged environmental, human rights, workers' rights and other social issues in overseas locations.

4.3.1 Offshoring in the IT sector

Overall, once a person's labour is simple enough to be described on a specifications sheet, it does not matter where the contract is filled (Paris or Dakar); the only relevant issues are cost and efficiency. Low skilled tasks are obvious candidates for offshoring, but as technology advances some specialist and advanced software workers may find that their jobs, too, can become routine and easily defined by a contract. But it remains to be seen if the negative fall-out from the COVID-19 pandemic makes companies reduce their outsourcing and particularly, offshored work. It is likely that by next year if the conditions that led to outsourcing in the first place (cost, efficiency, etc.) are still relevant, companies will continue to outsource work, especially in activities or processes that operate on digital networks.[62]

Furthermore, in the past, large technology projects were developed in the course of several months, sometimes even years, following a structured methodology where each step followed a specific time frame. But now, companies are increasingly using cloud-based technologies to work on their projects. Products are quickly put to work, and they are improved and updated as customers make use of them. Closer time zones allow teams located in different countries to work at the same time and the ability to make an instant travel decision to head a workshop or check how things are going at the outsource partners constitute further advantages of nearshoring.

CBI reports that the opportunities for outsourcing work from European companies currently exist and will emerge in various new areas:

> There are many promising trends in the European outsourcing market. Big Data, 5G and Artificial Intelligence have served as triggers and enablers for several other trends and innovations. Currently, the main opportunities lie in big data, mobile and cloud application development, the (Industrial) Internet of Things, virtual and augmented reality, blockchain, machine learning and in the mastering of technologies related to these trends. The skills shortage in Europe and increased demand for added value / specialised service providers also offer opportunities.[63]

Indeed, a study (CIO survey 2018), revealed that in 84 different countries, including the European Union (EU), big data and analytics expertise is the main skill in short supply.[64] But most African countries have no capacity in the new skill areas.

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[61] See Eurofound ERM Annual Report 2016: Globalisation slowdown? Recent evidence of offshoring and reshoring in Europe, Publications Office of the European Union, Luxembourg, 2016.
[62] https://www.cbi.eu/news/outsourcing-greatly-affected-more-relevant-after-covid-19/
[63] https://www.cbi.eu/market-information/outsourcing/trends/
[64] https://assets.kpmg/content/dam/kpmg/xx/pdf/2018/06/harvey-nash-kpmg-cio-survey-2018.pdf

4.3.2 Outsourcing Trends in the EU

EU firms outsource much less IT work to third (non-EU) countries than American or Asian companies. This is partly due to the fact that salaries for technical IT staff vary widely across the EU and western European countries tend to outsource work to companies in Eastern Europe. Also, in technical areas, Eastern European countries have higher skills than developing countries and greater cultural affinity around business practices. And there is also the advantage of similar time zones. [65]

In the case of manufacturing services, proximity and reliability of supply chains are also major factors; and working with suppliers positioned closer to large consumer markets in Europe allows brands to be more responsive to changes in demand, boosting overall productivity. For instance, for garment manufacturers producing items in Eastern Europe provides brands from European fashion capitals with flexibility to produce "very late in the process and to process additional volumes if necessary,"[66]

In order to assess which services could be outsourced by European companies to African countries one needs to examine what is typically outsourced by the former. An Ernst and Young study in 2013[67] indicated that a survey of various companies in eight countries (Denmark, Finland, Germany, Netherlands, Norway, Spain, Sweden, UK) revealed that IT services was the most common. This still seems to be the case. While anecdotal reports indicate that French companies outsource work to Mauritius and Senegal, there is not much detail on this.[68] Many European companies outsource their customer contact services but it is not clear to what extent African countries are used. It is typically Asian companies that undertake such work. For instance, the KLM contact centre is based in Manila in the Philippines.

A large talent pool of developers, high quality IT education and strategic location are among factors that encourage outsourcing of IT services in Europe, especially Eastern Europe. Developers there are among the world's experienced and qualified IT experts in software development plus their services are usually at affordable rates. In turn, most Eastern European countries have the IT industry as one of the top sectors in their economies. Countries such as Ukraine, Poland, and Belarus have experienced major returns from the outsourcing of software development from the last five years. Ukraine, for instance, was valued to have an IT industry volume of US$3.6 billion in 2013 which accounted for 3% of the country's GDP. [69]

While there is a large amount of data management services that are now outsourced globally, it should be noted that the EU's General Data Privacy Regulation (GDPR) requires that data cannot be sent to foreign locations unless it is protected by law there. This has implications for outsourcing by European firms to African countries.[70]

Also, in the IT outsourcing industry there are listing platforms such as such as Clutch, Extract and GoodFirms, etc. from which a company can compare and choose. It would be useful for African IT services firms to be listed on these platforms. Competition for outsourced IT, IT-ES or BPO work is very intense globally and it is important to be known and seen.

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[65] https://www.raconteur.net/business-innovation/the-most-attractive-european-countries-for-outsourcing.
[66] www.businessoffashion.com/articles/global-currents/is-nearshoring-the-new-offshoring.
[67] https://www.ey.com/Publication/vwLUAssets/Outsourcing_in_Europe_2013/$FILE/EY-outsourcing-survey.pdf
[68] See Doumbouya et al (2015) for a case study of the BPO and IT services sector in Senegal.
[69] Outsourcing Companies in Europe and Where to Find One, March 14, 2018. https://existek.com/blog/outsourcing-companies-europe/
[70] Interestingly, Mauritius introduced a data protection law and regulations in 2016 in order to continue to do IT business with European clients.

5.0 IMPLICATIONS OF THE COVID-19 CRISIS

5.1 The Current Context

The COVID-19 pandemic and the resulting global "lock down" has put a huge strain on service delivery around the world. The major difference with the 2008/2009 financial crisis might be the negative effect of the current pandemic on services trade – for which quantification is more difficult to do. During the last global (economic) crisis, services trade proved resilient. The worldwide outbreak of the virus has brought the world to a standstill, and tourism has been the worst affected of all major economic sectors. As mentioned previously, tourism is historically the greatest services export sector for developing countries. Not surprisingly, the WTO indicated that ,"Unlike goods, there are no inventories of services to be drawn down today and restocked at a later stage. As a result, declines in services trade during the pandemic may be lost forever. Services are also interconnected, with air transport enabling an ecosystem of other cultural, sporting and recreational activities," [71]

Disruptions to global value chains which involve a combination of goods and services was the first impact even when COVID-19 was still only in China. As Roberto Battistoni, (consumer products solutions lead at IBM Global Markets) pointed out, "More than 90 per cent of Fortune 1000 companies have second-tier suppliers in Wuhan, the central Chinese city where the virus was first detected. Many had little or no interaction with them. This risk to the global supply chain is phenomenal." [72] Even call centres in India, the UK's biggest delivery destination, almost closed overnight, with limited contingency planning for a wholesale, global shut-down.

Some industries, such as travel and tourism, suspended nearly all operations, yet other industries, such as e-commerce have experienced a massive upturn. As a result, some services have effectively been closed whilst others asked to ramp up activity significantly overnight.

The WTO reported that the pandemic has also increased demand for telemedicine.

> The COVID-19 crisis has stimulated a surge in the use of telemedicine services, as the spread of the virus has spurred calls for more extensive use of telemedicine. In China, for example, the growth of online medical platforms has substantially accelerated. Between December 2019 and January 2020, some platforms showed three-digit growth, with one even showing growth of 900 per cent. Some providers are expanding their activities to enable patients to benefit from services sourced abroad, and some jurisdictions are reviewing laws and regulations to facilitate telemedicine services, mainly on a provisional basis.[73]

It is well-known, for instance, that the US-based company, Zoom, that provides video-conference services has gained significant ground in many European countries and globally. The app is now used for all sorts of business meetings, apart from family chats and online classes. Recently, its share valuation has increased significantly.[74.]

Other businesses using digital applications and technologies – from e-commerce to cloud computing and online banking – are all vivid examples of firms that have seen an increase of activity since the outbreak of COVID-19. And digital content providers such as YouTube,

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[71] https://www.wto.org/english/news_e/pres20_e/pr855_e.htm

[72] Nick Easen, Why COVID-19 presents a supply chain opportunity, April 29, 2020. (https://www.raconteur.net/business-innovation/ resilience-supply-chains).

[73] WTO, E-commerce, Trade and the COVID-19 Pandemic: Information Note. May 4, 2020.

[74] https://ecipe.org/blog/globalization-after-covid19#_ftn1

Amazon and Netflix adjusted their streaming quality to help the telecommunication network in handling the surge in demand for films, series and other online content.

Forbes reported that the relative decline of US companies in communication services and the information technology sector is lower than other sectors during the virus pandemic. They suffered a great deal too, but much less so than the analogue part of the US economy. Stock market prices are no structural indicators such as trade and productivity, but if anything, these patterns are surely indicative of investors views on the profitability of various industries. A similar pattern emerged in the United Kingdom. [75]

According to Forbes, preliminary indications in the United States of the impact of COVID-19 crisis is that the non-digital sector suffered more than the digital part of the economy. While companies producing non-essential goods and services such as durable goods, leisure and cars – materials, and industry have been negatively affected the most, digital companies have seen a much lower decrease of their stock market prices. The relative decline of companies in communication services and the information technology sector is lower.

What does this mean on a wider scale? And what does it mean for companies not belonging to the digital economy? It's likely that firms in non-digital sectors will continue to digitalize their operations, but perhaps now even at a faster pace. This is because they are incentivized to absorb more big data, artificial intelligence (AI) and other digital technologies, which will affect the way we produce and trade. A striking example is education. As a response to the confinement and stay at home orders in many countries, many universities and schools that previously saw digitalization with ambivalence are now teaching online. Even in developing countries, university students are now being taught online as countries remain under "lockdown," with "social distancing" conceivable for the near future.[76]

5.2 Impact on Developing Countries' Services Exports

Some services sectors will certainly be more severely affected and are also likely to take longer to recover. These include education, travel, tourism and associated hotels, and restaurant services (which accounted for over 70% of total Mode 2 services exports in 2017) as well as air passenger transport services; transport and distribution services which are related to merchandise trade (and accounted for about a fifth of global services exports in 2017 although two-thirds of these were delivered via Mode 1); and construction and other business services that require the movement of skilled and unskilled professionals across borders (and accounted for over a quarter of Mode 2, 3 and 4 services exports in 2017). Personal, cultural, sporting and entertainment services will also be negatively affected for some time. (The postponement of the Olympic Games is a case in point; and all major professional sporting events have been affected).[77]

On the other hand, the effects of the COVID-19 pandemic on insurance, financial, telecommunications, and computer-related services are likely to be more limited. This is because most, if not all of these services, can still be delivered online in work-from-home scenarios and are therefore more resilient to any voluntary and selectively imposed social distancing once lockdowns get lifted. Globalisation seems to be moving towards a "low touch economy" in the short term and perhaps medium term.

[75] See Rachel Griffith et al, The Impact of COVID-19 on Share Prices in the UK. Institute for Fiscal Studies, March 27, 2020. https://www.ifs.org.uk/publications/14773
[76] https://www.theguardian.com/world/2020/mar/12/uk-universities-switching-to-online-lectures-and-exams
[77] Anirudh Shingal, Services Trade and COVID-19, April 25, 2020. (https://voxeu.org/article/services-trade-and-covid-19).

As the WTO pointed out:

> The crisis is focusing greater attention on online supply in sectors such as retail, health, education, telecommunications and audiovisual services, accelerating companies' efforts to expand online operations, and creating new consumer behaviours that are likely to contribute to a profound and long-term shift towards online services. In the future, the increased supply of services through digital networks can be expected to strongly impact trade, leading to increased supply through mode 1 (services supplied from one country to another).[78]

This may have both positive and negative implications for services exports from developing countries. On the one hand, companies may become averse to outsourcing operations or activities overseas because of the fear of response times and reliability during times of crisis. On the other hand, since movement of persons (presence of natural persons or Mode 4) will be very limited for an indeterminate period of time, digital networks and digitalization of various elements of work will increase. As one industry analyst noted:

> Blockchain is rearing its head as one answer, as are other digital transformation technologies. For many businesses, the pandemic has forced their hand. When everything is back to normal, supply chain managers must remember that in their hour of need, they turned to digital processes to keep going. To revert back to inefficient practices would be incredibly damaging. There lies the future.[79]

The crisis is further underscoring the importance of services that enable online supply, such as telecommunications and computer services, as well as the broader infrastructural role of financial, transport, distribution and logistics services in facilitating merchandise trade and economic growth. Services sectors, and the creation of conditions conducive to trade in services, will be key to the recovery from the economic slowdown. Many DCs and all LDCs are deficient in the infrastructural services listed above. So, it is safe to assume that they will face even greater problems in terms of services exports in the short term.

6.0 CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

The discussion and findings above may be distilled into the following conclusions and suggestions for the CBI:

1. In order to export services (or goods) regionally or globally, there is need for efficient local services provision in the domestic economy. These include the following: financial, telecommunications, education, transport, professional services.

2. Due to new ICT and related new technologies such as AI and resulting business models, it is becoming much easier to export services through cross border (Mode 1) supply than previously believed. Many services should no longer be considered “non-tradeables”.

[78] WTO. Trade in Services in the Context of COVID-19: Information Note. WTO Secretariat, May 28, 2020.
[79] Nick Easen, 2020. Op cit.

3. Due to local idiosyncrasies, especially in LDCs, (small size of firms, capital constraints, sub-optimal digital infrastructure, etc.) consumption abroad (Mode 2) and the presence of natural persons (Mode 4) are the most competitive modes for service suppliers from developing countries to export services. But immigration and other regulatory restrictions in developed and developing countries significantly constrain Mode 4 supply.

4. With the advent of the crisis caused by the global COVID-19 pandemic Mode 4 access will be further reduced. And on the other end, for a few years at least, less European tourists will travel to developing countries. So, developing economies will suffer double damage to their supply of services through Modes 2 and 4. Therefore, developing countries will have to base their services export strategies on Mode 1 supply through digital networks since their service companies lack the capital base to invest overseas (Mode 3).

5. While investment abroad (Mode 3) remains the most common means of exporting services globally, technological changes and the impact of the COVID-19 pandemic will lead to an increase in cross-border supply (Mode 1) of services in the short and long term.

6. There is no simple formula or pattern to follow in order for countries to become exporters of services but telecommunications, electronic infrastructure, Internet access, and education and technical skills upgrading are key pre-requisites for exporting services via electronic networks.

7. The development of service industries and the supply side capacity of services SMEs are critical pre-conditions for export of services. Market access through trade agreements is not enough.

8. In order to export services, African countries have to invest in upgrading the skills of their workforce and significantly improve infrastructural services such as telecommunications, IT and financial services.

9. Mauritius is a very good example of an economy that has positioned itself to export a range of services by fitting into regional and global services value chains (in tertiary education, IT, financial services, maritime transport). Most other African countries will have to make similar investments in telecommunications and IT infrastructure and skills upgrading in order to become exporters of services.

10. In the case of African countries, particularly LDCs, it is perhaps more practical for CBI to focus on helping service companies export their services regionally rather than expect to export to the European Union.

11. Openness and facilitation of foreign investment in service industries is necessary in order to develop export capacity in services in developing countries. Mauritius is a clear example of this in Africa.

12. Globally, business models have been changing for quite some time now to reduce bricks and mortar investment and increase investment in online infrastructure. The business models of services companies in African countries have also been changing as a result, albeit rather slowly.

It is not possible to clearly ascertain which services can be outsourced by European firms to African countries or LDCs due to inadequate information on the services supply capacity of the latter. But very few African LDCs have the skills set to provide outsourced work for international companies, except perhaps basic call-centre-type activities. However, Egypt and Morocco provide manufacturing services for European firms and are expected to continue to do so for some years unless their competitiveness declines relative to other economies.

6.2 Recommendations

1. In the short to medium term, the CBI should continue its current focus on IT, BPO and tourism services in its programs to help African services SMEs export services to the EU and elsewhere. These are sectors with potential to increase employment and that have great multiplier effects in local economies.

2. But CBI should also pay attention to new sunrise services activities in developing countries such as creative industries (music, dance, online entertainment, film) and explore means of supporting services suppliers in these areas. These activities are particularly attractive to youths and can add value to the tourism product in all African countries.

3. In the medium term, (assuming that the negative effects of the virus pandemic end), it may be worthwhile to promote the export of wellness tourism in African countries to European consumers. There are very significant and positive linkages with other sectors in the economy, and the development of wellness services exports would be of benefit to women in particular who are the main practitioners in this sector.

4. All service suppliers in developing countries that can provide their services online will be stimulated or forced to do so now. The CBI could focus on those sectors and countries with such capability and provide technical assistance to help them develop their capacity to export services, whether regionally or further beyond. This effort can be informed by donors on the ground such as the EU delegations, World Bank, GIZ, UNCTAD, UNIDO, etc.

5. At this point in time, given the lack of information on specific services sectors in African countries that may be of interest to CBI, it is advisable to select a small group of countries and sectors and research them in detail (fieldwork) to decide where to focus TRTA by the CBI in the future.

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ANNEX 1: EXPORTS AND IMPORTS OF SERVICES BY SELECTED AFRICAN DEVELOPING ECONOMIES [80]

(US$ millions in current prices)

EXPORTS	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Services Exports [81]	94.850	97.420	103.470	99.180	105.280	100.100	94.890	107.740	118.850
Goods-related services[82]	2.470	2.230	2.220	1.550	2.050	1.800	1.890	2.010	2.380
Transport	24.430	26.220	27.680	28.260	29.150	28.260	26.080	27.720	30.000
Travel	42.350	40.720	44.190	40.230	43.140	37.680	34.910	44.340	50.220
Other services	25.600	28.250	29.380	29.140	30.940	32.360	32.020	33.670	36.250
IMPORTS	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Total Services Imports [83]	152.500	167.770	170.580	176.490	185.230	161.590	143.900	159.970	178.630
Goods-related services[84]	360	690	650	870	-	-	-	-	-
Transport	57.880	60.690	66.770	68.310	71.560	62.360	56.450	58.690	65.740
Travel	25.370	27.480	25.900	25.730	24.810	24.590	20.710	24.930	29.170
Other services	68.890	78.910	77.270	81.590	87.960	73.810	65.830	75.210	82.570

[80] Source: https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx . The list of 31 African countries in UNCTAD's trade in services database includes: Algeria, Angola, Botswana, Cape Verde, Cameroon, Egypt, Eswatini, Ethiopia, Gambia, Ghana, Guinea, Kenya, Lesotho, Liberia, Madagascar, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Nigeria, Rwanda, Sao Tome and Principe. Seychelles, South Africa, Sudan, Tanzania, Tunisia, Uganda, Zambia, Zimbabwe. Fifteen of these are CBI target countries.

[81] Covers the following 12 main categories: Manufacturing services on physical inputs owned by others, maintenance and repair services n.i.e., transport, travel, construction, insurance and pension, financial services, charges for the use of intellectual property n.i.e, telecommunications, computer and information services, other business services, personal, cultural and recreational services, government goods and services n.i.e.

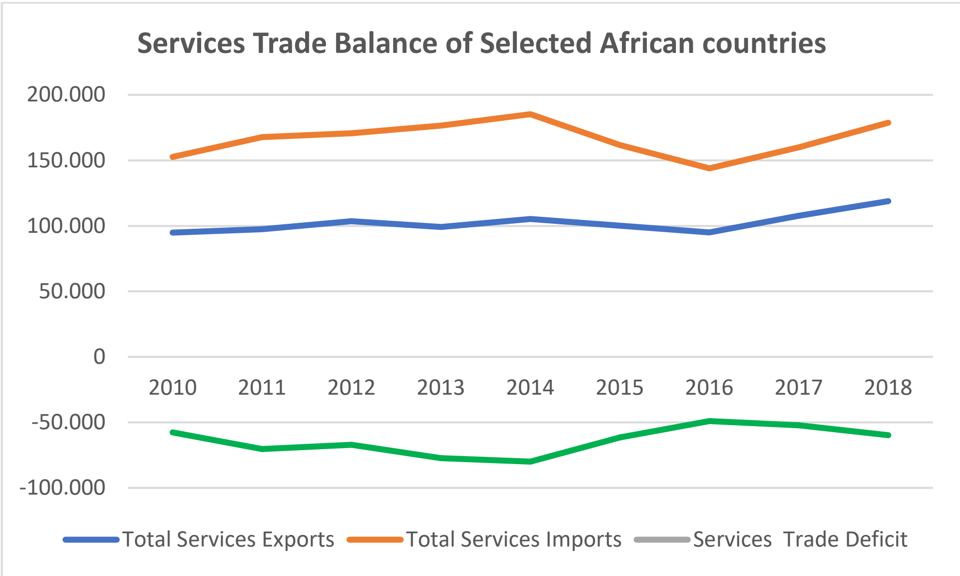
[82] Manufacturing services on physical inputs owned by others and Maintenance and repair services n.i.e.

[83] Covers the 12 main service categories.

[84] Manufacturing services on physical inputs owned by others and Maintenance and repair services n.i.e.

Services Trade Balance of Selected African Developing Economies
(US$ millions in current prices)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Services Exports	94.850	97.420	103.470	99.180	105.280	100.100	94.890	107.740	118.850
Total Services Imports	152.500	167.770	170.580	176.490	185.230	161.590	143.900	159.970	178.630
Services Trade Deficit	-57.650	-70.350	-67.110	-77.310	-79.950	-61.490	-49.010	-52.230	-59.780



ANNEX 2: EU-28 TOTAL SERVICES EXPORTS & IMPORTS FROM SELECTED AFRICAN COUNTRIES (euro, millions)

		2010	2011	2012	2013	2014	2015	2016	2017	2018
Chad	Exports	204,1	223,4	238,8	251,6	287,2	160,9	93,7	85,1	82,7
	Imports	57,5	54,3	62,5	57,1	76,5	91,1	69,0	54,9	74,0
Ethiopia	Exports	303,0	431,6	364,4	431,1	445,9	625,8	607,5	627,4	663,4
	Imports	264,3	366,0	411,9	484,5	409,3	427,5	387,2	400,5	538,1
Kenya	Exports	1.040,7	1.018,2	1.210,6	1.407,3	1.346,9	1.132,1	1.309,0	1.170,4	1.322,9
	Imports	929,8	990,3	1.112,0	1.079,1	987,9	942,4	1.113,6	1.091,7	1.152,9
Mozambique	Exports	750,3	513,3	522,8	604,3	771,0	1.129,7	670,6	523,9	544,3
	Imports	191,6	183,1	184,7	226,9	267,3	332,0	187,7	296,4	252,8
Rwanda	Exports	77,0	93,6	115,0	102,8	111,9	144,3	125,8	107,6	124,0
	Imports	29,7	24,8	51,4	39,5	36,9	70,2	41,6	58,1	110,7
Algeria	Exports	3.153,3	3.062,0	2.690,5	2.773,3	3.202,9	3.501,2	3.739,1	3.148,2	2.819,8
	Imports	1.411,7	1.634,5	1.636,2	1.454,2	1.592,9	1.730,5	1.575,8	1.473,4	1.399,0
Egypt	Exports	3.640,8	3.114,4	3.651,4	3.212,9	3.383,7	5.206,5	4.479,0	4.187,7	4.364,5
	Imports	6.556,3	5.438,9	5.688,6	4.982,0	4.668,1	5.223,1	4.523,6	5.637,0	6.577,6
Morocco	Exports	2.987,9	3.183,1	3.231,7	3.014,6	3.281,6	4.000,6	4.130,2	4.432,3	4.417,5
	Imports	4.485,2	4.359,6	4.538,8	4.493,4	5.472,0	5.281,3	5.799,0	6.199,4	6.236,1
Benin	Exports	178,2	187,2	191,5	238,1	295,1	255,7	200,6	209,7	308,6
	Imports	120,0	129,8	149,9	178,6	184,0	151,7	126,0	139,4	170,0
Burkina Faso	Exports	206,7	155,5	174,5	245,8	219,0	170,8	175,0	211,5	227,3
	Imports	120,9	107,0	138,0	109,6	146,7	113,1	109,2	103,0	113,4
		2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**

Guinea	Exports	194,8	237,7	397,1	214,4	221,8	308,2	265,4	323,7	281,8
	Imports	116,7	123,3	231,7	121,3	118,4	177,2	148,4	143,1	125,7
Liberia	Exports	343,4	386,3	380,3	357,5	393,5	551,7	496,4	509,0	497,3
	Imports	806,6	720,9	702,7	810,1	786,0	3.069,1	2.481,5	2.849,4	3.315,7
Mali	Exports	203,1	209,3	246,5	226,6	249,5	203,7	324,1	387,4	318,6
	Imports	139,4	146,4	192,4	268,3	297,5	295,3	299,7	338,5	346,6
Mauritania	Exports	175,0	240,6	255,9	317,1	278,4	185,3	162,9	192,1	216,5
	Imports	172,1	173,4	173,2	146,7	92,9	137,9	210,4	175,6	162,5
Niger	Exports	210,1	194,6	233,9	183,0	152,3	137,3	135,9	193,5	203,2
	Imports	99,0	112,9	112,9	124,6	87,8	96,2	99,0	149,9	126,0
Nigeria	Exports	4.823,7	5.355,6	4.919,6	4.627,1	4.207,0	5.012,8	3.411,7	3.120,3	3.153,3
	Imports	1.693,7	1.838,7	2.172,6	1.575,6	1.416,2	1.540,6	1.372,5	1.537,2	1.571,2
Senegal	Exports	628,9	731,6	585,7	565,6	532,6	592,3	783,1	735,4	796,0
	Imports	585,3	614,0	591,7	630,4	617,7	591,9	773,8	671,6	676,4

Source: Eurostat

SECTORAL BREAKDOWN OF EU-28 SERVICES EXPORTS & IMPORTS FROM SELECTED AFRICAN COUNTRIES

Other Business Services		**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Egypt	Exports	1.125,7	730,3	946,9	665,4	824,0	1.114,1	1.131,3	1.245,2	1.360,8
	Imports	940,8	664,2	691,7	495,9	551,3	691,9	945,5	1.385,4	1.279,9
Morocco	Exports	585,1	854,6	674,1	570,1	649,5	656,3	757,6	819,1	813,9
	Imports	809,8	350,0	777,6	441,7	529,6	535,9	683,5	788,8	809,0
Nigeria	Exports	1.359,4	2.234,8	2.234,8	1.843,4	1.658,0	2.101,5	1.109,5	1.025,0	963,8

	Imports	482,8	451,2	767,2	330,6	353,3	352,7	399,1	516,2	581,1

		2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Manufacturing Services on Physical Inputs owned by Others										
Egypt	Exports	230,3	197,2	147,0	37,0	38,6	31,8	53,7	29,6	21,4
	Imports	14,5	2,4	11,7	1,7	1,7	6,3	120,7	104,6	107,0
Morocco	Exports	55,8	29,5	152,1	6,0	11,7	17,9	15,0	74,0	34,1
	Imports	99,9	104,7	246,4	166,4	316,3	249,5	486,5	495,1	496,3
Nigeria	Exports	396,2	345,1	118,8	13,1	3,4	6,1	13,7	5,2	39,9
	Imports	5,3	0,0	0,7	0,0	4,0	0,0	3,0	2,0	0,0

		2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Maintenance and Repair Services										
Egypt	Exports	35,6	39,0	48,0	77,3	88,3	158,8	140,5	162,9	140,8
	Imports	21,4	9,1	3,9	19,2	21,5	21,2	22,9	20,3	20,8
Morocco	Exports	32,7	78,8	111,3	54,5	28,1	81,7	103,7	110,8	160,1
	Imports	30,1	6,4	7,5	13,1	13,1	58,9	54,2	63,4	64,4
Nigeria	Exports	26,3	17,7	29,4	39,0	52,1	63,3	86,1	49,5	39,0
	Imports	11,0	7,9	4,6	2,7	1,1	3,8	4,0	9,2	8,3

		2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Transport Services										
Egypt	Exports	653,2	711,7	762,7	643,6	669,8	1.084,5	1.010,7	974,0	1.183,8

	Imports	1.769,1	1.809,6	1.877,0	1.790,9	1.833,7	1.854,5	1.592,1	1.835,4	2.109,8
Morocco	Exports	829,9	796,8	719,6	681,2	891,5	1.089,5	1.086,5	1.091,3	1.138,0
	Imports	989,3	1.076,2	997,8	949,2	1.154,8	1.258,0	1.231,9	1.134,6	1.115,2
Nigeria	Exports	799,6	924,4	904,0	728,6	734,7	1.012,4	981,5	1.139,4	:
	Imports	562,9	819,4	826,8	641,4	595,0	565,9	435,4	475,2	:

Travel Services

		2010	2011	2012	2013	2014	2015	2016	2017	2018
Egypt	Exports	314,7	300,5	351,1	412,4	559,4	586,4	502,3	397,8	353,2
	Imports	3.275,1	2.625,8	2.738,2	2.129,8	1.928,2	2.087,0	1.415,1	1.927,6	2.673,6
Morocco	Exports	480,2	533,5	656,3	679,2	830,5	1.178,9	1.269,9	1.326,5	1.335,0
	Imports	1.659,4	1.855,2	1.637,7	1.990,7	2.279,6	2.206,7	2.254,1	2.719,9	2.797,8
Nigeria	Exports	721,0	481,0	499,5	503,6	567,6	676,1	420,3	440,2	:
	Imports	322,1	195,5	254,0	325,9	261,0	366,3	331,9	286,3	:

Construction Services

		2010	2011	2012	2013	2014	2015	2016	2017	2018
Egypt	Exports	122,3	110,5	131,4	64,1	66,6	748,3	188,5	166,1	112,6
	Imports	42,6	18,1	58,7	23,0	16,0	236,1	77,1	25,2	57,3
Morocco	Exports	74,7	48,0	56,8	133,6	104,1	138,2	46,4	47,9	35,1
	Imports	53,8	5,7	8,8	80,6	3,5	3,2	47,7	62,0	63,7
		2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**

Nigeria	Exports	107,4	342,4	154,4	314,3	88,2	61,5	66,1	19,6	38,1
	Imports	30,4	153,2	78,7	72,3	13,3	27,9	30,2	5,1	2,9

Insurance and Pension Services

		2010	2011	2012	2013	2014	2015	2016	2017	2018
Egypt	Exports	52,2	50,1	151,4	197,8	102,1	236,1	156,1	63,8	50,1
	Imports	48,0	18,1	19,5	217,0	19,8	20,2	35,7	22,2	22,6
Morocco	Exports	39,0	6,0	2,0	18,2	30,7	25,3	47,3	79,4	80,4
	Imports	73,0	17,5	16,5	6,2	13,9	11,3	34,1	26,9	24,6
Nigeria	Exports	58,6	38,6	50,9	58,4	21,2	52,6	40,0	41,3	40,0
	Imports	31,2	28,6	16,7	11,1	11,0	15,0	1,7	4,5	5,7

Financial Services

		2010	2011	2012	2013	2014	2015	2016	2017	2018
Egypt	Exports	242,7	218,9	318,1	273,5	340,7	414,6	433,7	366,7	304,8
	Imports	32,2	13,0	14,9	21,7	27,0	42,8	37,6	31,6	36,1
Morocco	Exports	88,3	62,0	112,8	143,9	138,0	133,8	105,4	95,8	84,0
	Imports	47,1	12,7	24,6	26,9	21,3	24,0	18,0	15,6	18,8
Nigeria	Exports	554,4	376,8	244,0	267,5	243,9	284,5	244,6	246,0	263,7
	Imports	29,9	14,0	25,0	21,9	23,6	27,1	21,3	19,6	19,9

2010	2011	2012	2013	2014	2015	2016	2017	2018

Charges for the use of intellectual property n.i.e

Egypt	Exports	82,4	73,0	70,7	170,4	93,5	123,6	133,2	111,8	101,9
	Imports	50,9	8,3	0,9	3,2	1,2	9,2	14,8	1,8	12,9
Morocco	Exports	106,3	44,9	36,7	58,1	45,4	59,2	73,1	93,0	72,5
	Imports	143,3	92,5	69,3	9,1	41,0	37,8	37,7	43,3	9,2
Nigeria	Exports	125,2	43,3	45,9	107,6	178,3	155,5	110,0	76,2	157,6
	Imports	14,9	4,3	0,4	14,7	0,3	9,7	0,1	0,1	2,7

Telecommunications, computer, and information services

		2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Egypt	Exports	659,9	563,6	561,5	499,5	472,6	544,6	547,1	536,1	591,8
	Imports	235,3	154,4	176,9	177,2	180,6	159,6	133,8	119,7	107,1
Morocco	Exports	534,5	598,1	579,3	558,7	487,9	552,0	562,2	614,9	578,5
	Imports	487,3	746,6	688,8	778,0	1.064,2	873,3	886,5	810,9	794,7
Nigeria	Exports	489,8	472,2	561,3	659,9	574,3	475,7	467,7	396,9	327,6
	Imports	130,2	111,1	127,6	101,9	102,6	148,2	111,6	128,7	81,5

Computer Services

		2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Egypt	Exports	489,6	370,6	348,5	319,4	307,3	336,0	316,6	368,4	415,7
	Imports	70,9	31,3	54,9	53,8	32,1	24,7	20,4	21,4	21,9
Morocco	Exports	198,5	194,3	179,8	200,3	316,5	355,3	360,7	401,6	428,7

	Imports	101,0	190,9	162,6	200,0	256,5	245,1	242,7	256,2	274,7
Nigeria	Exports	212,4	224,9	313,6	403,4	389,5	284,0	305,8	227,9	215,0
	Imports	22,1	2,4	4,8	2,6	8,3	1,8	0,4	5,7	0,4

Architectural, engineering, scientific, and other technical services

		2010	2011	2012	2013	2014	2015	2016	2017	2018
Egypt	Exports	655,8	274,7	384,9	204,5	312,2	583,6	600,3	494,1	581,2
	Imports	59,7	35,8	63,0	37,6	57,0	100,4	76,7	168,0	98,6
Morocco	Exports	139,2	487,7	310,3	203,4	325,6	357,0	372,6	365,2	286,6
	Imports	85,7	102,8	64,4	30,7	69,1	111,9	124,0	104,4	97,7
Nigeria	Exports	464,4	632,9	1.071,8	628,4	500,9	492,3	285,6	349,7	248,2
	Imports	72,0	19,3	116,1	60,1	22,2	33,2	54,5	35,6	26,6

Personal, cultural, and recreational services

		2010	2011	2012	2013	2014	2015	2016	2017	2018
Egypt	Exports	12,0	13,0	17,2	13,6	11,7	15,9	61,5	43,3	32,7
	Imports	57,4	53,7	23,0	42,3	32,1	40,8	80,0	103,0	87,6
Morocco	Exports	26,1	24,6	7,4	6,3	9,5	7,9	5,5	19,7	20,8
	Imports	34,4	49,4	19,2	10,4	8,6	3,3	30,0	11,6	10,5
Nigeria	Exports	137,5	33,7	15,0	22,8	23,1	21,2	12,2	26,8	29,5
	Imports	6,9	2,4	5,3	8,5	8,2	9,2	9,1	8,0	8,0
		2010	2011	2012	2013	2014	2015	2016	2017	2018

Services not allocated

Egypt	Exports	0,0	5,1	25,3	38,9	29,1	36,7	25,1	7,7	22,0
	Imports	-0,8	0,4	-1,9	4,2	2,0	10,8	3,1	8,2	9,1
Morocco	Exports	0,8	1,3	2,2	4,1	-1,4	3,4	1,6	4,9	6,6
	Imports	5,3	-1,1	1,0	1,8	3,2	4,5	3,2	3,3	6,3
Nigeria	Exports	4,4	1,2	20,7	2,5	-3,0	1.790,8	1.261,9	1.233,9	1.254,2
	Imports	2,6	1,9	0,2	3,6	10,0	947,0	792,3	843,8	861,0

ANNEX 3: MAURITIUS AS A SERVICES EXPORTER

Mauritius is perhaps the most relevant example for African economies since it started from an agricultural base – over-reliance on sugar exports. Mauritius' great strides in the past thirty years have been remarkable. Its services export strategy in recent years might be summarized as follows:

- Relaxing the pressure on endowment – intensive services (tourism) and moving towards knowledge-intensive services.
- Compensating for the insignificant commercial presence of Mauritian firms abroad, by diversifying products of Mode 2 (health-tourism, educational hub), intensifying Mode 1 delivery (call centres, business process outsourcing, and back office operations) and upgrading Mode 4 exports (circular migration of professionals and skilled persons).[85]

Mauritius successfully transitioned from mainly sugar exports to textiles and clothing, then tourism, ICT and financial services; and now it is seeking to become a hub for tertiary education and medical/health tourism. In fact, although it is in a very remote location in the Indian Ocean, Mauritius received more than 10,000 medical tourists in 2013. It is considered one of the few success stories of economic diversification among small island developing states in the world.

The country shifted from a single-crop sugar-dominated economy in the 1960's to a regional services hub, with an estimated 74% of GDP generated in the services sector in 2015. It is now attempting to become a gateway into Africa by providing advanced infrastructure (financial, telecommunications) while also maintaining the most friendly business environment in the region. Not surprisingly, KPMG reported in 2016:

> Mauritius has developed into a regional financial and investment hub, boasting one of the continent's most sophisticated financial sectors. Information and communication technology (ICT), tourism, property development, and more recently, healthcare, renewable energy, as well as education & training have emerged as significant contributors to the economy, attracting both local and foreign investors. [86]

But this did not happen by chance. It requires long-term vision and concerted action by various governments rather than politically motivated, elections-focused, and often very short-term or whimsical objectives, symptomatic of so many developing countries.

The response of the Mauritian government (GOM) in the 1990s to changes in the international economy was to push for a strategy of consolidation, modernization (of textile and agriculture sectors), and diversification (into financial services with the setting up of a free port and offshore business activities). Mauritius has managed the transition from mono-crop agriculture to textile and garments and to financial services, business process outsourcing, ICT and tourism quite well.

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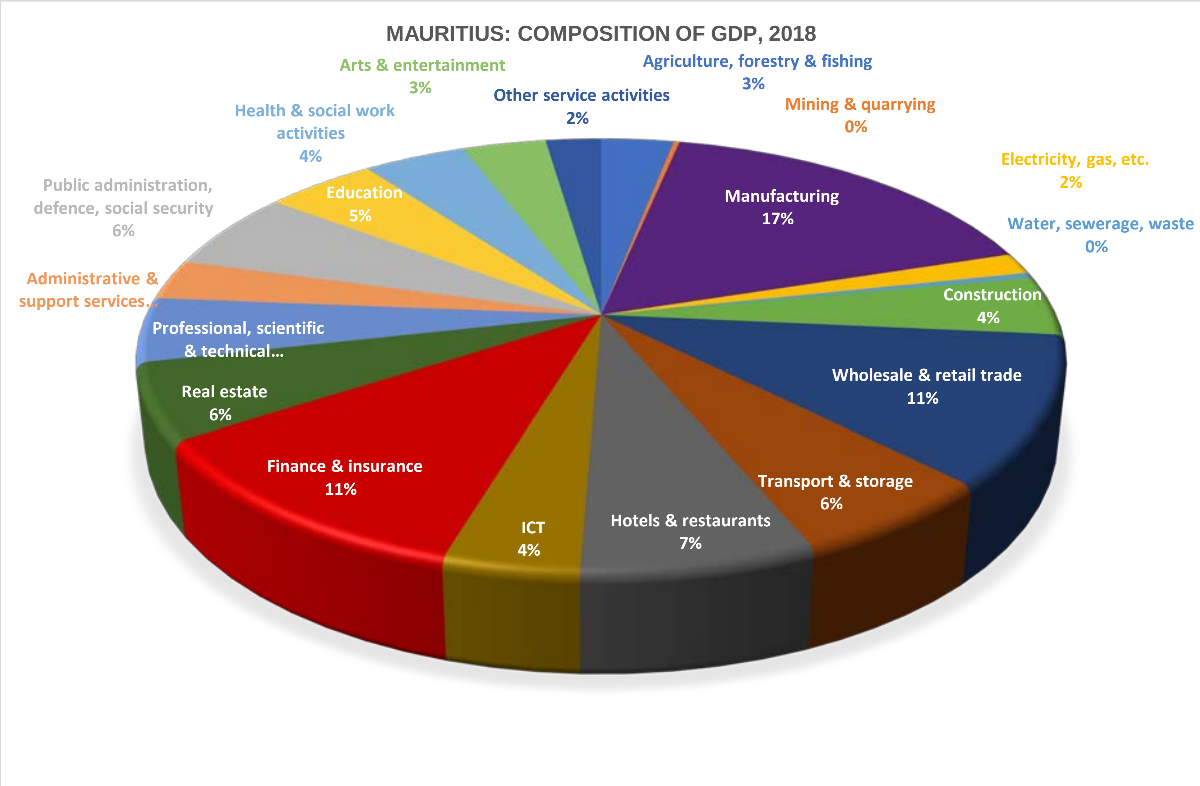
[85] Presentation by Mr. Assad Bhuglah, Director of Trade, Ministry of Foreign Affairs, Regional Integration and International Trade, Mauritius to Regional Meeting on Promoting Services Sector Development and Trade-led Growth in Africa, Addis Ababa, 12-13 September 2013.
[86] https://home.kpmg.com/content/dam/kpmg/za/pdf/2016/10/KPMG-Mauritius-2016-Snapshot.pdf.

Figure 1 shows the sectoral composition of GDP for Mauritius in 2018. It reveals the extent to which the economy has diversified from basic agriculture and manufacturing and the clear importance of services in national output. Services now account for about 74 percent of GDP. Of particular note is the size of the financial services (10%) and ICT sectors (5%) both of which are on a growth path.

Figure 1: Contribution of Services to GDP in Mauritius, 2018



Source: Bank of Mauritius

Table 2 below also shows the relatively diverse spread of services exports by sector in 2010 and 2018. While tourism/travel accounted for 59% of services exports in 2018, other business services were 17%, finance & insurance amounted to 5%, and ICT was 4%.

Table 1: Composition of Mauritius Services Exports and Imports, 2010 and 2018
(Rupee millions)

	2010 EXPORTS	2010 IMPORTS	2018 EXPORTS	2018 IMPORTS
TOTAL SERVICES	**82.767**	**60.817**	**108.007**	**74.120**
Maintenance and repair services n.i.e.	**53**	**1.364**	**71**	**2.934**
Transport	**11.508**	**15.670**	**14.109**	**21.080**
Passenger	9.199	776	9.175	2.505

	2010 EXPORTS	2010 IMPORTS	2018 EXPORTS	2018 IMPORTS
Freight	748	8.585	939	10.731
Other	1.525	6.147	3.843	7.558
Postal and courier services	36	162	152	286
Travel	**39.457**	**12.235**	**64.039**	**22.026**
Business	13.879	1.035	20.557	1.567
Personal	25.578	11.200	43.482	20.459
Construction	**1.063**	**1.418**	**504**	**219**
Construction abroad	1.063	-	504	-
Construction in the reporting economy	-	1.418	-	219
Insurance and pension services	**891**	**1.974**	**445**	**1.870**
Direct insurance	-	-	381	1.668
Reinsurance	-	-	46	101
Auxiliary insurance services	891	1.974	1	78
Pension and standardized guarantee services	-	-	17	23
Financial services	**1.698**	**2.540**	**4.771**	**1.485**
Intellectual property n.i.e.	**17**	**369**	**38**	**481**
Telecommunications, computer &information	**3.128**	**1.929**	**4.412**	**4.507**
Telecommunications services	2.224	1.572	2.533	1.726
Computer services	904	357	1.830	2.054
Information services	-	-	49	727
Other business services	**23.310**	**20.527**	**18.756**	**17.140**
Research and development services	-	-	41	3
Professional and management consulting	-	-	4.043	4.938
Technical, trade-related, and other business	23.310	20.527	14.672	12.199
Personal, cultural, and recreational services	**441**	**1.933**	**676**	**2.303**
Audiovisual and related services	43	260	99	1.057
Other personal, cultural, and recreational services	398	1.673	577	1.246
Government goods and services	**1.201**	**858**	**186**	**75**

Source: Bank of Mauritius

Successive Mauritian governments have put particular emphasis on education and ICT connectivity in recent years. Prior to that, they started in the 1990s to develop an international financial services industry. And Mauritius has clearly promoted investment incentives and special economic zones. Another lesson from the Indian Ocean island is its welcoming approach to inward investment and a simple tax and fiscal regime. The Board of Investment (BOI) has been a very active and enthusiastic seller of Mauritius as an investment location. The BOI lists 15 sectors with investment opportunities; these include education, healthcare, financial services, ICT-BPO, among more traditional things like aquaculture, manufacturing, among others.

Public-private sector collaboration

One of the key reasons for the success of Mauritius compared to other developing countries has been close collaboration between the government and the private sector. This has been a consistent theme since independence except for the erosion of this relationship during the previous scandal-plagued government that was emphatically voted out of office in November 2014.

Another is the vision and intent of successive Mauritian governments and the business community to continue to adapt to changes in the international economy and to diversify their economy over the years and continue to increase value-added. Successive administrations supported by strong institutions have demonstrated strong commitment to reform, positioning Mauritius as a regional leader in a number of areas including governance, business environment, and economic freedom. In 2018, Mauritius was ranked 25 out of 190 countries in the World Bank's Ease of Doing Business Index. Mauritius also ranks in the top third of countries on the World Economic Forum's 2017-188 Global Competitiveness Index (45th of 137).

Sectoral strategy for Education

In 2005, the GOM released its plan for a Knowledge Hub focused on tertiary education. A number of foreign institutions have since established in Mauritius, such as Amity University, Middlesex University, Rushmore Business School, and the University of Geneva. The government is expanding the country's university infrastructure by building several new campuses on the island. The aim is to constantly upgrade skills in the economy to remain competitive and also attract foreign students to Mauritius. Indeed, enrolment in tertiary education in Mauritius increased from 16,735 students in 2000 to 48,970 in 2015.[87]

Sectoral Strategy for ICT

In 2000, Mauritius launched the concept of a Cyber Island with the belief that its future would be tightly entwined with the evolution of digital technologies. They crossed significant milestones in their development when they built the first Cyber Tower (with a loan from India) and connected the country to the Internet with the SAFE fibre optic cable. From 2002-2013, the number of ICT firms working in Mauritius rose from 70 to 575. Today, it hosts some of the leading global ICT companies and is a significant outsourcing supplier to IT firms. By 2013, the ICT sector accounted for 14,094 jobs; and Mauritius had 29 fixed-telephone and 123 mobile cellular subscriptions per 100 inhabitants. Almost 50% of households had a computer and 45% had Internet access at home. The 2016 Budget announced various further initiatives such as 2 new planned fibre-optic undersea cables by investors and roll-out of fibre-to-the-home (FTH) across the island by the end of 2017.

The ICT/BPO industry represents one of the drivers of the Mauritian economy with a GDP contribution of 5.7% for 2018 and employing around 24,000 people. With some 800 ICT-BPO based enterprises, the country has one of the sophisticated technology ecosystems in Africa. The industry ranges from start-ups to multinationals across various segments such as e-commerce, digital services, support desk, applications development among others. Global

[87] www.tec.mu/pdf_downloads/pubrep/Participation%20in%20Tertiary%20Education%202016.pdf

companies such as Accenture, Ceridian, Convergys, Huawei, Orange Business Services and Allianz, among others, have successfully established operations in Mauritius due to their ability to serve global clients.[88] And Mauritius-based companies do outsourced IT work for British and European (mainly French) companies. This success was built on a focused vision several years earlier to develop the Mauritian ICT and BPO sector and integrate into regional and global value chains.

Table 2: Tertiary Level ICT Skills in Mauritius

	2011	2012	2013	2014	2015	2016
Total enrolment	45,969	49,625	50,579	50,608	48,970	48,970
Total enrolment as a % of tota1 Population	3.6%	3.8%	4.0%	4.0%	3.9%	3.9%
Enrolment in ICT field	3,878	3,520	3,836	4,051	3,920	3,886
Enrolment in ICT field (as a % of total enrolment)	8.4%	7.1%	7.6%	8.0%	8.0%	7.9%
ICT admissions for the year	1,506	1,475	1,716	1,640	1,511	1,474
Supply of ICT Professionals from Tertiary institutions (*degree and diploma graduates*)	1,200	950	1300	1200	1100	900

Source: Computer Board of Mauritius

Finally, the Mauritians are continuing to pursue external markets and are now rolling out a strategy to position themselves as a gateway to the African continent for investors. Their banks are making inroads in African economies and not surprisingly, the Board of Investment developed an African strategy and runs an Africa Centre to provide information and match-ups for companies interested in business on the continent.

The example of Mauritius reveals that governments can play a positive role in service sector development by sensible investments in social and physical infrastructure and sending the right signals to investors. Furthermore, long-term vision and skills development are critical in the overall plan to diversify one's economy; but this is seriously lacking in most other African countries.

[88] https://www.edbmauritius.org/opportunities/ict/

ANNEX 4: DESCRIPTION OF SERVICE COMPONENTS IN THE UN MANUAL ON STATISTICS OF INTERNATIONAL TRADE IN SERVICES

The scope of international trade in services in the conventional balance of payments sense of transactions between residents and non- residents is determined by the scope of the major service components of BPM6 which are as follows (MSITS Compilers Guide, 2014):

- Manufacturing services on physical inputs owned by others.
- Maintenance and repair services n.i.e.
- Transport.
- Travel.
- Construction.
- Insurance and pension services.
- Financial services.
- Charges for the use of intellectual property n.i.e.
- Telecommunications, computer and information services.
- Other business services.
- Personal, cultural and recreational services.

Manufacturing services on physical inputs owned by others, the following activities are included: processing, assembly, labelling and packing that are undertaken by enterprises that do not own the goods. Examples include oil refining, liquefaction of natural gas and assembly of clothing and electronics. Excluded are the assembly of prefabricated construction (included in construction) and labelling, and packing incidental to transport (included in transport services).

Maintenance and repair services include: maintenance and repair work by residents on goods that are owned by non-residents (and vice versa). The repairs may be performed at the site of the repairer or elsewhere. Maintenance and repairs on ships, aircraft and other transport equipment are included in this item. The compilers should note, however, that the following items are excluded: (i) cleaning of transport equipment (included in transport services), (ii) construction repairs and maintenance (included under construction), (iii) maintenance and repairs of computers (included under computer services).

Transport covers the process of carriage of people and objects from one location to another location as well as related supporting and auxiliary services and rentals (charters) of carriers with crew. Transport also includes postal and courier services. Transport can be classified according to the mode of transport and what is carried – passengers or freight, as well as by other auxiliary services. Passenger services cover the transport of people. It includes all services provided in the international transport of non-residents by resident carriers (export of services) and that of residents by non-resident carriers (import of services). Freight services cover the transport of goods. EBOPS transport item covers also (i) other supporting and auxiliary transport services and (ii) postal and courier services.

Travel, unlike most services in EBOPS, travel is not a specific product; rather, it encompasses a range of goods and services consumed by non-residents in the economy that they visit. Travel is defined as covering goods and services for own use or to be given away, acquired from an economy, by non-residents during visits to that economy. It covers stays of any length, provided that there is no change in residence.

Construction covers the creation, management, renovation, repair or extension of fixed assets in the form of buildings, land improvements of an engineering nature and other constructions such as roads, bridges and dams. It also includes related installation and assembly work, site preparations and general construction as well as specialized services such as painting, plumbing and demolition. Constructions lasting one year or less are included here.

Insurance and pension services cover the provision to non-residents of various types of insurance by resident insurance corporations, and vice versa.

Financial services cover financial intermediation and auxiliary services, except those of insurance corporations and pension funds. These services include those usually provided by banks and other financial intermediaries and auxiliaries. Financial services include services provided in connection with transactions in financial instruments, as well as other services related to financial activity. Financial services may be charged by: explicit charges; margins on buying and selling transactions etc. For many financial services, explicit fees are charged, thus estimation does not require any special calculation.

Telecommunications, computer and information services: Telecommunications services cover the broadcast or transmission of sound, images, data, or other information by telephone, telex, telegram, radio and television cable transmission, radio and television satellite, electronic mail, facsimile, etc., and includes business network services, teleconferencing and support services. Computer services consist of hardware- and software-related services and data processing services. Information services consist of news agency services and other information services.

Other business services includes three sub-components: research and development services, professional and management consulting services and technical, trade-related and other business services. Research and development services cover those services that are associated with basic research, applied research and experimental development of new products and processes. Professional and management consulting services include legal, accounting, management consulting, and public relations services, advertising, market research and public opinion polling services. Technical, trade-related and other business services cover architectural, engineering, scientific and other technical services; waste treatment and de-pollution, agricultural and mining services; operating leasing services; trade-related services; and other business services.

Personal, cultural, and recreational services comprises two sub-components: (i) audio-visual and related services and (ii) other personal, cultural, and recreational services. Audio-visual and related services covers services associated with audio-visual activities (movies, music, radio and television) as well as services relating to the performing arts. Other personal, cultural, and recreational services cover health services, education services, heritage and recreational services and other personal services.

ANNEX 5: LIST OF PERSONS CONTACTED/CONSULTED

Inye Nathan Briggs	African Development Bank
Nicholas Charalambides	Head, Imani Ltd., South Africa
Chawe Mpande-Chuulu	Trade Consultant & former Trade in Services Advisor, COMESA Secretariat
Pamela Coke Hamilton	Director, Trade and Development Division, UNCTAD
Sekou Falil Doumbouya	Trade Policy Consultant & Member of West African Technical Group on Services (ECOWAS)
Barbara D'Andrea Adrian	WTO, Trade in Services Division
Markus Jelitto	WTO Trade in Services Division
Antonia Carnaziga	WTO Trade in Services Division
Bernard Hoekman	European University Institute
Trudi Hartzenberg	Trade Law Centre (Tralac), Cape Town, South Africa
Gerhard Erasmus	Trade Law Centre (Tralac), Cape Town, South Africa
Pascal Kerneis	Managing Director, European Services Forum
Sherry Stephenson	Member of PECC Services Task Force & Senior Fellow at ICTSD, Geneva
Pierre Sauve	Senior Trade Specialist, World Bank, Geneva
Carolyne Tumuhimbise	Former Trade Adviser (Trade in Services) at African Union Commission
Marie Angelique Umulisa	Principal Trade Officer, East African Community Secretariat
Remco Vahl	Senior Expert, DG Trade, European Commission
Erjon Vreto	Eurostat
Quan Zhao	Trade Policy Adviser, International Trade Centre (ITC)