UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

ISSUES ARISING FROM THE DISCUSSIONS OF THE NINTH SESSION OF THE MULTI-YEAR EXPERT MEETING ON TRADE, SERVICES AND DEVELOPMENT

April 2023

UNITED NATIONS
UNCTAD

UNCTAD/DITC/TSCE/INF/2023/1

Acknowledgements

This note was prepared by the UNCTAD secretariat and draws on presentations and interventions at the ninth session of the Multi-year expert meeting (MYEM) on trade, services and development, held on 4–6 July 2022 in Geneva and hybrid.

Contents

Boxes

Figures


Projected sales of main products in 2013
Distribution marketing participation in the securities market.
Revenue growth divisions.
TYU division
FRT division
Share of market activity
Distribution of the securities market key players
Passive market share
Distribution of market share among the major industry players
Distribution of market share among the major industry players
Projected sales of main products in 2013
CHANGE IN THE BASIC EARNINGS BY REGION
COMMON CEREALS AS A PERCENTAGE

Introduction

The adoption of digital technology by firms, governments and consumers has fundamentally transformed the way many services are ordered, delivered, and consumed. The digitalisation of some services has led to their remote delivery, which in turn enables these services to be traded across national borders more easily. The digitalisation of services has thus become a feature that cannot be ignored in the discussions on the role of services and services trade in achieving sustainable economic diversification.

For this reason, UNCTAD member States selected "the evolving landscape of digital trade" as the theme of its 9th Multi-year Expert Meeting on Trade, Services and Development (MYEM-Services) which took place 4–6 July 2022. The meeting explored the implications of digitalization for trade in service with a view to identifying opportunities and challenges for developing countries.

This note draws on the discussions held during the 9th MYEM-Services. It also builds on several documents prepared in connection with the meeting, including a background Note (UNCTAD, 2022c), an UNCTAD study, entitled "Digitalization of services: What does it imply for trade and development?" (UNCTAD, 2022b), and the Chair's Summary (UNCTAD, 2022d).[1]

The note demonstrates how the digitalisation of services delivery changes the ways services contribute to economic transformation; how domestic policy can impact services; and how countries can make the best use of trade agreements to enhance developing countries' effective participation in digitally delivered services.

The remainder of the note is organised as follows. Section I describes how services can contribute to economic diversification. Section II explores the way in which digital transformation has altered the way some services are delivered. Section III considers the domestic conditions that can contribute to building capacity in digitally deliverable services. Section IV reflects on the extent to which trade agreements contribute to building capacity in digitally delivered services. Section V contains policy considerations.

Box 1. About the MYEM-Services Series

The multi-year expert meeting on Trade, Services and Development (MYEM-Services) is a series established in 2009 following the twelfth United Nations Conference on Trade and Development (UNCTAD) in Accra, Ghana. Eight MYEMs took place between 2013 and 2021. Following the outcome of the fifteenth UNCTAD in 2021 in Bridgetown, Barbados, UNCTAD member States agreed to continue with the MYEM-Services for another four years starting in 2022, with a specific focus on the nexus between trade in services and economic diversification.

I.

How do services contribute to economic diversification?

Services constitute an important element of the value of products.

Access to reliable and efficient services is a key determinant of a firm's capacity to move up the value chain and diversify its exports.

Services provide soft infrastructure to economic activities

Services sectors cover a wide range of activities such as transport, retail, finance, telecommunication, utility, and professional and personal services, to name but a few. Services accounted for 68 per cent of global output in 2020.[2] Globally, services represented 62 per cent of all jobs and 73 per cent of women's jobs in 2021.[3]

Access to various services is essential to maintain or improve productivity and competitiveness. Fresh agricultural produce needs to be swiftly transported to markets, cold storage, or distribution centres. Without financial, telecommunication, transport and other logistical services, textile manufacturers cannot provide their products as inputs to fashion manufacturers. Certain services that support social development, such as education and health services, also contribute to upgrading skills that are essential for improving the productive capabilities of countries.

Services also work as the "glue" to connect the fragmented and dispersed production stages of regional and global value chains (GVCs).[4] Further, as services are found at each link of the value chain, their quality, accessibility, and affordability determine the competitiveness of the end products. Having access to stable and efficient services is essential to all firms but particularly to micro, small, and medium-sized enterprises (MSMEs). Upgrading MSMEs to higher levels of productivity in turn becomes a positive push to structural transformation in developing countries such as Africa, where MSMEs represent around 90 per cent of all businesses[5] (UNCTAD, 2022f, p.85).

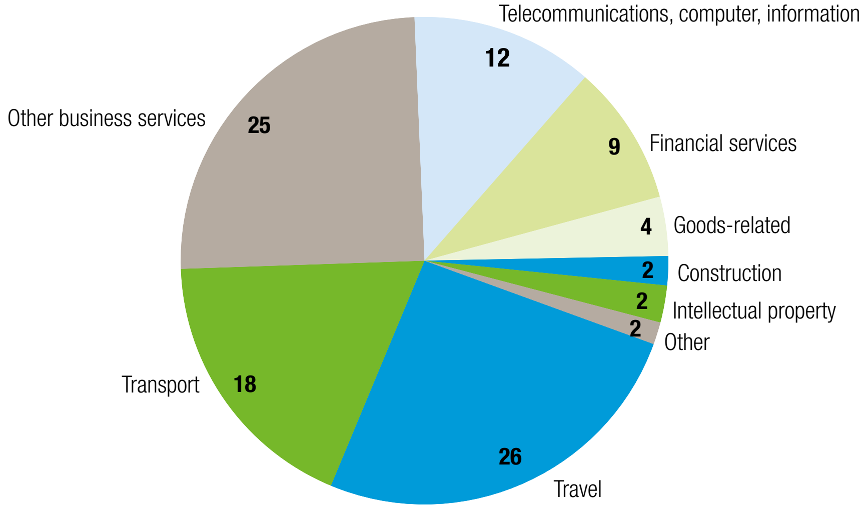
The African Union, for example, agreed to "establish a continental framework of principles and rules for trade in services to boost intra-African trade" under the African Continental Free Trade Area (AfCFTA), through the Protocol on Trade in Services, which entered into force in 2019. According to the African Union, the services sectors selected for the first round of negotiations of the AfCFTA-Protocol on Trade in Services are financial services, tourism, transport, business, and communications services. It is hoped that increased trade in services under the AfCFTA enhances the upgrading of manufacturing capacity in Africa through the development of regional value chains.

Services account for an important share of the global trade

Services can be supplied in-house or outsourced. For example, a business may have in-house teams to produce brochures or conduct computer maintenance; alternatively, it can source these inputs from specialist providers. In the public sector, schools for example can employ cleaners and cooks or can outsource such services that are essential but orthogonal to their main task of providing education. Whether a service is supplied in-house or is outsourced is a choice that depends on several factors, including cost efficiency, national regulations, the scale of operations, or even local custom.

In international trade, services account for an increasing share of world trade as well. The share of services trade in the total trade increased from 10 per cent in 1990 to 20 per cent in 2019. However, the pandemic made two large heterogenous shifts in tourism (a massive drop) and digital services (an increase). Figure 1 shows a breakdown of services, as classified in the trade in services statistics.

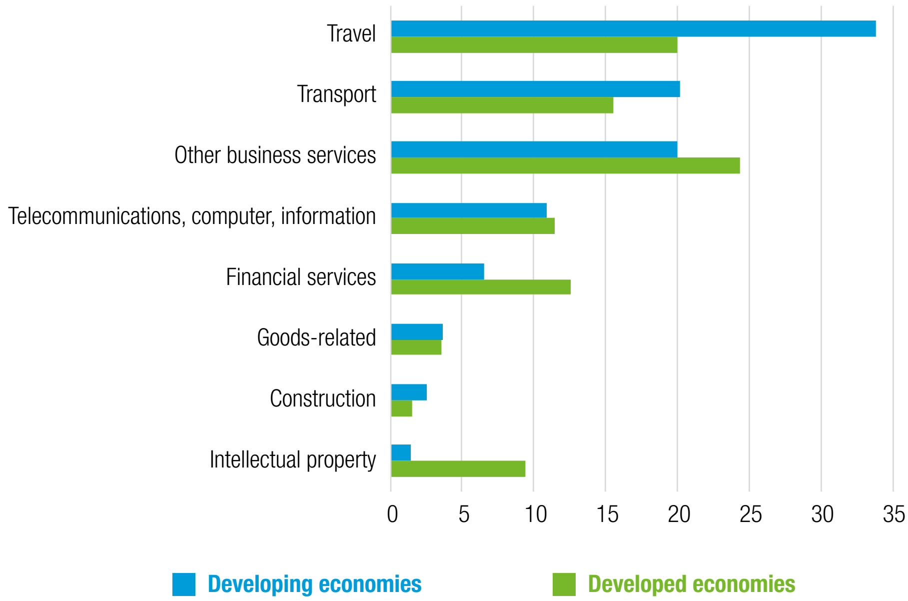
Figure 1.
Global composition of trade in services, 2019
(In percentage)



Source: UNCTADStat.

According to UNCTADstat, since 2010, developed economies have claimed more than 70 per cent of the global exports of services. The composition of services exports is also different between developed and developing countries, as illustrated in Figure 2. A large share of developing countries' services exports is comprised of travel and transport. For developed economies, other business services claim a quarter of their services exports, followed by travel, transport and financial services. "Other business services" is itself a broad category, encompassing research and development services; professional and management consulting services; and "technical, trade-related and other business services".[6]

Figure 2.
Composition of exports of commercial services, 2019
(In percentage)



Source: UNCTADStat.

Services trade can contribute to increasing productivity and competitiveness

Beyond services exports that are measurable, services also constitute important components of the value of exported goods. Services that are embodied or embedded in a product — described collectively as "services inputs"— may be imported from foreign services suppliers.[7] In 2018, services inputs accounted for 56 per cent of the value of total exports from the countries in the Organisation for Economic Co-operation and Development (OECD). Among those services inputs, 21 per cent of them were imported. For non-OECD countries, the corresponding figures were 43 per cent[8] for services inputs in the value of total exports and 22 per cent for imported services inputs. Trade helps firms to have access to high-quality competitively priced services from abroad.

More analysis is needed to understand the power of services on economic diversification

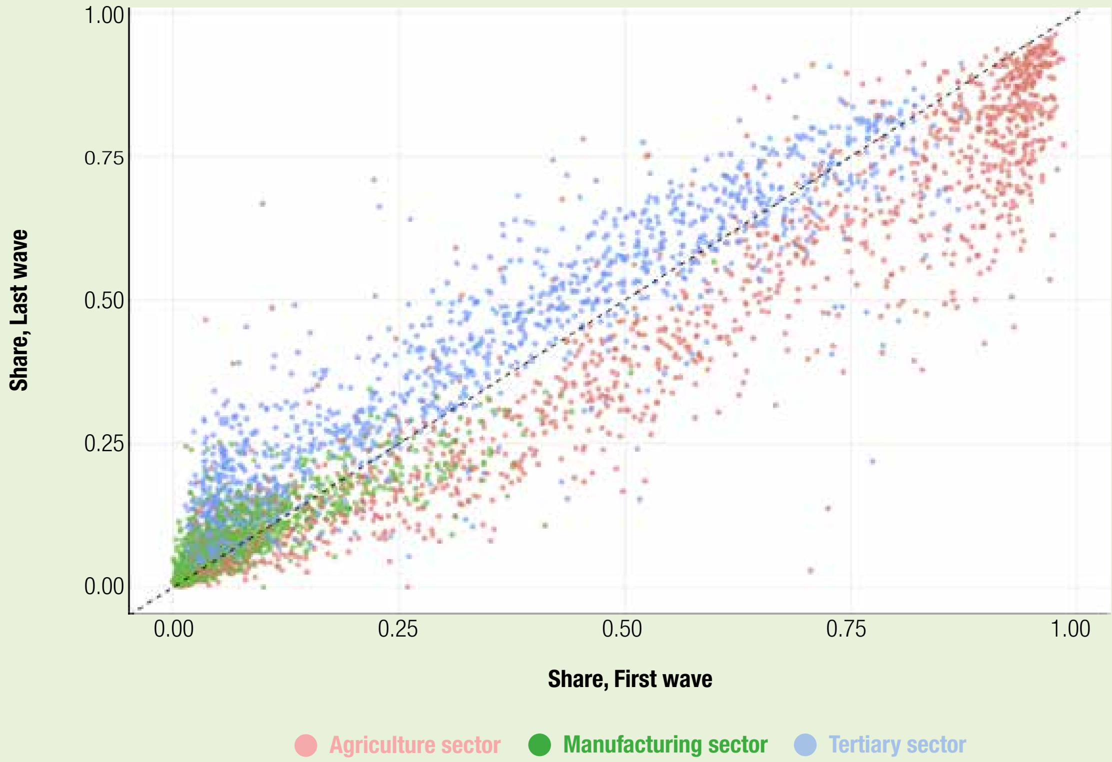
While the overall impact of services on the economy is clear, in-depth research on the processes of firms gaining competitiveness via access to high quality and reliable services is still missing mainly because of difficulties in collecting and analysing firm-based data, particularly in developing countries. When local or imported services are used as inputs for producing any good — from agricultural produce to apparel to sophisticated precision tools— the value service used within the value chain is absorbed into the price of the good. Unpicking how firms are affected by policies that impact trade in services will require the kind of research that has been done on trade in goods during the past decades or so.

In the absence of detailed data on trade in services, other datasets can be used to shed light on economic transformation towards services (Box 2).

Box 2. Structural transformation in selected African economies – Illustration using census data[9]

Census data can be used to determine employment shares for the three main economic sectors – agriculture, manufacturing, and services. Figure 3 shows the employment shares for two points in time ten years apart using data compiled from two waves of census studies.

Figure 3.
Structural transformation of selected African economies at the sub-national level



Each spot represents one sub-national administrative unit. Spots above the 45-degree line indicate an increase, whilst spots below indicate a decline. The figure shows the shift in employment away from agriculture towards services.

The census data also contains details of the type of work needed in these different service activities. Employment in services tends to be of higher skilled people and more skills intensive. Additionally, the share of female employment is higher in services than that of other sectors.

Source: Baccini *et al*. (2023).

II.

How does digitalization change the way services are delivered?

Advancements in digital technology have transformed the way many services are produced, delivered and consumed.

Digital delivery of services makes services more tradable than before and suggests new development strategies for developing countries.

Many services have become "digital"

Up until recently, governments, firms and individuals relied on locally available services, such as healthcare, education, financial services, and retail services. Account holders had to visit a bank, students had to be in the seminar room with a professor, and patients had to visit a healthcare facility to receive services directly from medical professionals.

Nowadays, the adoption of digital technologies has transformed how services are produced and delivered. From being dependent on geographical proximity, services are increasingly delivered to users at a far distance through digital channels. Digitalization of services, by enabling electronic transfer, reduces transaction costs and information asymmetries and thus brings benefits to consumers and firms. In financial services, for example, digital delivery has become the norm rather than the exception.

Digitally deliverable services (DDS) are those that are delivered to remote users through information and communications technology (ICT) networks. Many services, including insurance and financial, sales and marketing, research and development, education, and health, have become digitally deliverable[10] In education, online courses have made high-quality teaching accessible to and affordable for more people. In healthcare, digital technology now enables telemedicine, electronic health records management, diagnostic services, health information portals, records storage, data processing and sharing, e-referrals and e-prescriptions, and medical transcription.

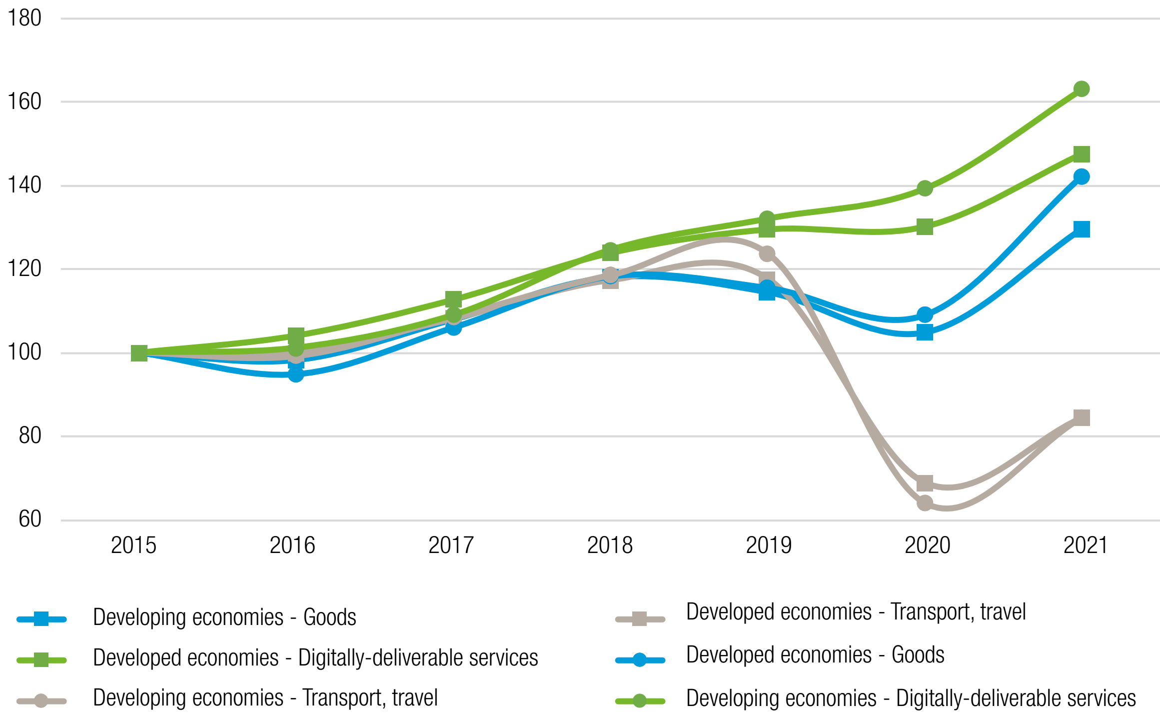
Digitalization is making services more tradable across borders…

With digital technology, services can just as easily be delivered to foreign consumers as to local users. Digital delivery of services has opened up new opportunities for businesses in developing countries to reach global markets and provides them with new digital venues for participation in GVCs.

According to UNCTADstat estimates, around half of services traded in the world are digitally deliverable.

Exports of DDS have been growing fast. Between 2014–2021, the growth of DDS exports of developing economies grew at 7 per cent annually, faster than the growth of their goods exports (Figure 4). What is notable is that DDS exports continued to grow during the period of the COVID pandemic when goods exports and travel-related services were negatively influenced by the restrictions imposed to combat the pandemic.

Figure 4.
Evolution of exports by type in goods and selected services, 2015–2021
(Index, 2015=100)



Source: UNCTAD calculations based on data from UNCTADstat, accessed in November 2022.
Note: The classification of digitally deliverable services follows UNCTAD, 2015.

… via switching the "modes" of supply of services

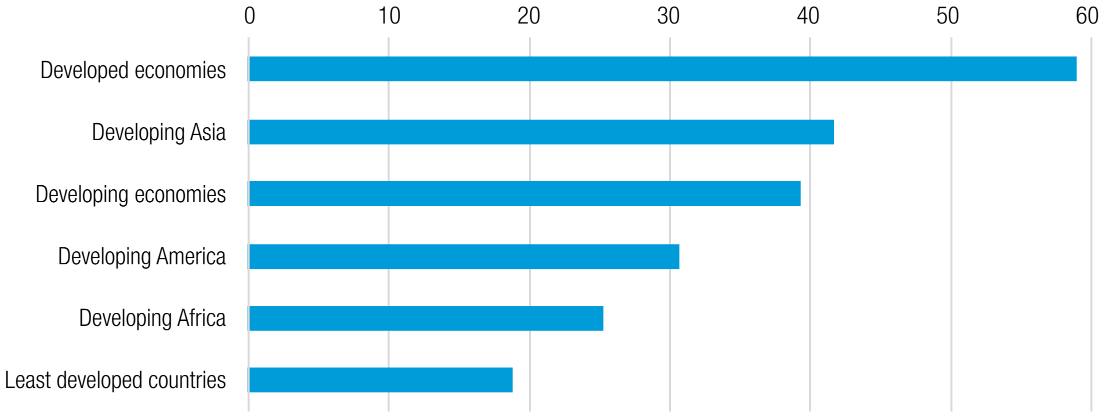
Under the World Trade Organisation (WTO), the agreement on services trade liberalization — the General Agreement on Trade in Services (GATS) — distinguishes how international services are supplied in terms of four "modes of supply": **Mode 1** through cross-border supply; **Mode 2** through consumption abroad; **Mode 3** through establishing a commercial presence in the service-consuming countries; and **Mode 4** through the presence of natural persons in the services-consuming countries.

Digitalization of service deliveries has enabled service providers to switch the mode of supply from Mode 3 and Mode 4 to Mode 1. For example, the increased availability of video-conferencing services reduces the need for experts or professionals to travel to deliver Mode 4 services directly to consumers. Video conference services are now widely used for business meetings, education, training, and other social purposes. The dramatic rise in demand for videoconferencing has led to a boom in some of the companies providing such services.

Promoting digitally deliverable services exports can be a viable diversification strategy

The share of DDS exports in total exports of goods and services is positively correlated with gross national income (GNI) per capita.[11] The proportion of services trade that is digitally deliverable is higher for developed economies than for developing economies (Figure 5).

Figure 5.
Digitally deliverable services, 2021
(As share of total service exports, in percentage)



Source: UNCTAD, 2021.

The capacity to promote DDS may be estimated using the growth in exports of telecommunications and ICT services as a proxy. According UNCTADstat, between 2014 and 2021, exports of telecommunications and ICT services from developing economies grew annually by 9.9 per cent compared to 9.4 per cent for developed economies. The growth, however, varies significantly among developing regions: 10 per cent in Asia, 7 per cent in Latin America and the Caribbean, and 1 per cent in Africa. For the least developed countries (LDCs), exports of telecom and ICT services in the same period declined by 4 per cent annually. These variations reveal the difference in digital infrastructure, regulatory and institutional frameworks, data ecosystems and skills in those regions. This disparity is also linked to first-mover advantages and network effects.[12]

Developing regions, such as the Caribbean Community (CARICOM), have identified the promotion of DDS exports as a component in their development strategies (Box 3).

Box 3. The CARICOM services strategy and digitally deliverable services

Services account for more than 50 per cent of gross domestic product (GDP) and labour in most countries that are members of the Caribbean Community (CARICOM). Travel services account for the bulk of CARICOM services exports. The COVID pandemic, which hit the tourism sector particularly hard devastated the CARICOM countries. The Caribbean has 13 of the 20 most tourism-dependent small economies in the world- As a result, the region seeks viable services strategies that will reduce its reliance on tourism.

One strategy to promote the value and range of services traded within the region. The CARICOM Single Market and Economy (CSME) recognizes the relevance of services and their role in economic development. CSME seeks provisions for the removal of trade and professional restrictions and facilitates the right to establish businesses for regional businesses. The priority services areas for the removal of trade restrictions include infrastructural knowledge-intensive services. It is hoped that an increasing shift to DDS would help promote regional services trade in quantity as well as in quality.

Source: CARICOM Single Market, CARICOM Secretariat.

III.

Which domestic conditions build capacity in digitally deliverable services?

Several policy areas shape the potential of DDS for development. Collaboration between stakeholders is essential to build capacity in DDS.

First, we need digital infrastructure

The availability of telecommunications and ICT services and network infrastructure provides the backbone underpinning DDS. Investments need to address the need to develop and maintain high-speed, universally accessible, reliable, and affordable networks, as well as affordable devices.[13] Digital connectivity also relies on narrowing the digital divides between and within countries including between genders. Further to improving the physical infrastructure for telecommunications and ICT services, the supporting energy services infrastructure also needs to be optimized. Close collaboration on infrastructure development is needed among both developed and developing economies, both in financing and technology transfer.

Policy coherence is crucial to the development potential of digitally deliverable services

Harvesting the potential of DDS trade for diversification calls for a policy mix to overcome structural challenges related to the digital divide while considering distributional impacts.[14] Closing a digital gap calls for a multidimensional — a whole-of-government and whole-of-society — policy framework that addresses improvement in ICT infrastructure, digital connectivity, human capital, and the regulatory environment. With an inclusive policy framework, the government may help build trust in DDS trade by promoting entrepreneurship, multi-stakeholder collaboration and international dialogue on trade rules (UNCTAD, 2022b).

A multi-dimensional policy framework involves different branches of government, the private sector, professional and business associations, academia, and civil society. Articulating with foreign institutions is important as regional and international cooperation contributes to building human skills, enhancing regulatory and institutional frameworks, and improving data ecosystems necessary for DDS. Furthermore, since both domestic and foreign ICT services inputs are needed to create DDS capacity, coherence is necessary between industrial policies shaping the provision of domestic services and trade policies affecting the provision of foreign services. Trade facilitation, trade promotion, market intelligence and market access strategies matter also because pull effects from foreign demand can support supply capacity building.

Digital skills are built upon a solid education system

The policy and regulatory environment should address the infrastructure, connectivity and skills needs. Regulation should pave the way for investing in specific digital skills. Enhancing human digital skills calls for education and training efforts to develop and use digital technologies. Developing digital skills would benefit from an educational system that provides the population with a good level of maths and language, in addition to training focused on building ICT skills. The latter is especially important because the technology — and therefore the specific skills needed for its use — changes rapidly.

At the same time, society needs labour and social protection regulations that help investment in specific digital skills. Competition and consumer protection regulations can be central to encouraging both efficiency and innovation.

Regulations on data are crucial for digitally deliverable services

Policies on the transmission of data across economies need to consider the promotion of trade in DDS and other legitimate public policy concerns. Several types of data-related policies have been adopted by governments around the world, including, for example, data localization or local storage requirements and conditional flow regimes. The proportion of data localization measures applied by Asian economies is larger than the rest of the world (70 per cent). In Asian countries, DDS trade can be 94 per cent more adversely affected by data localization policies compared with non-DDS trade.[15] Priority is needed to strike the right balance between promoting digital trade and data protection and data privacy.

Trade and investment policy do matter

National policy for technology development, diffusion, and promotion of innovation[16] may explore the ways a country's policy on trade and investment policy enhances technology transfer in building digital supply capacity. Regulations in investment promotion can contribute to technology transfer and skill building as in the case of Costa Rica (Box 4).

Box 4. Foreign investment in information and communications technology services in Costa Rica with a focus on digitally deliverable services trade

Costa Rica has over the last decades positioned itself as a regional hub for high-value business services. For example, in 2020 McKinsey had a team of over 300 employees in San José, providing services not just to local firms but also "serves consulting teams and clients across the Americas". This development is the result of active government policy to attract a wide range of ICT and business support firms, because of the skilled workforce and lower infrastructure costs.

Source: McKinsey Client Capabilities Network: San José.

National policymaking needs national statistical capacity

Any policy requires a solid evidence base, but reliable statistics on services and services trade are still under-measured in many countries, particularly in developing countries. Even where data exists, it is often under-utilized by policymakers. Overall, the understanding of how firms are impacted by policies that affect services trade is an area where significant gaps exist.

To redress such gaps, UNCTAD and the West African Economic and Monetary Union/*Union Economique et Monétaire Ouest Africaine* (UEMOA) developed a framework for collecting data on services trade based on a solid methodology and a readily available information technology system. The framework provides countries' statistical offices with harmonized questionnaires, support in survey design and implementation, recommendations for imputation and estimation of trade in services data, modulable services statistics information system, training and skills development, and dissemination guidance. Good practices and examples such as this may be further shared across countries using international platforms, such as the MYEM-Services of UNCTAD.

IV.

How do trade agreements support digitally deliverable services?

In the absence of multilateral trade rules on digital trade and DDS, many countries have turned to bilateral and regional agreements.

For trade agreements to support developing countries' harnessing DDS for inclusive and sustainable development, bridging the digital divides and capacity building must be priorities for parties to these agreements.

Trade in digitally deliverable services poses challenges to multilateral trade rules

The WTO framework that is most relevant to DDS is the Work Programme on Electronic Commerce (e-commerce), adopted by the WTO General Council in September 1998, to explore the relationship between existing WTO agreements and e-commerce and give recommendations for further action.

The WTO's Work Programme has not yet delivered a multilateral solution to deal with trade-related aspects of e-commerce. Instead, a subset of WTO members aim to agree on trade rules on issues related to e-commerce on a plurilateral basis. Since 2017, 86 members of the WTO have joined the discussions on e-commerce to address issues such as customs duties on electronic transmissions, cross-border data flows, data localization, source codes, cybersecurity and online consumer protection and electronic signatures and authentication.[17] In December 2021, a group of 67 WTO members agreed on a joint initiative on services domestic regulation.[18] Nevertheless, progress to date in the multilateral framework has been limited.

New regional trading initiatives start addressing digital trade

A substantial number of countries have turned to bilateral and regional agreements to address services liberalization. A new generation of regional trade agreements is oriented towards deeper and more comprehensive integration. These agreements include a strong regulatory focus, addressing behind-the-border regulatory measures affecting services, investment, and competition, relevant to digital trade and DDS. Each of the developing regions — Africa, Asia and Pacific, and Latin America and the Caribbean — is building a regional cooperation framework to address issues that are relevant to regional trade in DDS.

In Africa, the AfCFTA Council of Ministers in 2021 broadened the approach to e-commerce and appointed a digital trade committee, serving as a focal point for negotiations. Stakeholder engagement is underway taking stock of existing initiatives in the region which form important building clocks for the AfCFTA. A case in point is the SADC e-commerce strategy which has four pillars aiming at: (1) enabling e-commerce to harmonize the legislation across the region; (2) capacity building; (3) strengthening e-commerce and digital infrastructure across the region; and i(4) nstitutional development. The current AfCFTA negotiations on digital trade also take into account agreements made by countries at the sub-regional groupings with third parties such as the European Union. In addition, negotiations on intellectual property rights in the digital context, digital investment provisions, competition policy and consumer protection are on the agenda for the Phase II negotiations of AfCFTA (TRALAC, 2021).

The AfCFTA, which is a flagship project of the African Union, also contributes to the African Union's broader digital transformation strategy that is complementary to the development of a digital trade agenda. The African Union's Digital Transformation Strategy from Africa (2020–2030) aims to "harness digital technologies and innovation to transform African societies and economies to promote Africa's integration, generate inclusive economic growth, stimulate job creation, break the digital divide, and eradicate poverty for the continent's socio-economic development and ensure Africa's ownership of modern tools of digital management".

Asia-Pacific

In Asia Pacific, countries increasingly use trade agreements to address digital trade. Digital trade, including DDS trade, makes up a growing share of overall trade flows in the region.

There are four main approaches to tackling digital trade:

- The first is to embed DDS in bilateral free trade agreements (FTAs) on services. However, most bilateral FTAs in Asia continue to have limited services sector coverage and do not include provisions on elements related to DDS such as data rules, intellectual property rights in the digital sphere, and digital investment provisions.

- The second approach is to include digital services more explicitly in regional FTAs. This is increasingly popular as the region is involved in several comprehensive trade agreements that include the Association of Southeast Asian Nations (ASEAN), the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP),[19] and the Regional Comprehensive Economic Partnership (RCEP).
- The third approach is to create a "stand-alone" digital trade arrangement such as the Digital Economy Partnership Agreement (DEPA)[20] between Chile, New Zealand, and Singapore, which has a modular approach to a digital-only deal.
- The fourth approach is to create a deeper set of rules for digital trade attached to an existing FTA. There are also digital economy agreements (DEAs) between Australia and Singapore, which updated and extended an existing FTA by adding provisions on digital issues, using memorandums of understanding (MoUs) to address new issues that are not yet ready for inclusion in agreement rules. Singapore has signed DEAs with the Republic of Korea and the United Kingdom.

Latin America-Caribbean

In Latin America and the Caribbean, provisions on digital trade, such as those related to data flows, e-commerce, digital payments, data protection and consumer protection are not always included in regional trade agreements. The region also faces several challenges for it to reap the developmental benefits of digitalization and DDS. For example, despite the relatively high mobile ownership of 70 per cent, the cost of Internet access is often prohibitively high for families and small and medium sized enterprises (SMEs), which account for about 99.9 per cent of businesses in the region. The lack of digital competencies among people in the lower-income category is also a challenge.

Home to a melting pot of cultures, the Caribbean has a comparative advantage in creative industries. Creative industries such as festival, tourism, music, and fashion contribute ions to the region's GDP. Despite this natural competitive advantage, the potential of the Caribbean creative economy is still largely untapped (UNCTAD, 2020).

In the current ecosystem of creative industries, the benefits of the digital creative economy have not been shared equitably with artists and content producers from developing countries where the digital marketplace is underdeveloped[21] or where the digital distribution platforms excessively dominate the value chain of bringing creative content to consumers.[22] Against the above, some experts advocated a Fair-Trade Framework to redress such challenges (Box 5).

Box 5. A Fair-Trade framework for the creative digital economy: A Caribbean perspective

The "Fair Trade" principle may be applied to cultural and creative activities. This is because this sector embodies multiple trade flows (*e.g.*, trade in goods, services, and intellectual property) and mechanisms (*e.g.*, cultural cooperation and cultural protocols). It involves the mobility of artists and cultural professionals, the balanced flow of cultural goods and services, and international treaties and agreements.

Article 16 of the United Nations Educational, Scientific and Cultural Organization (UNESCO) 2005 Convention on Preferential Treatment for Developing Countries encourages:

> *Developed countries shall facilitate cultural exchanges with developing countries by granting, through the appropriate institutional and legal frameworks, preferential treatment to artists and other cultural professionals and practitioners, as well as cultural goods and services from developing countries.*

The Caribbean Forum (CARIFORUM) – European Union Economic Partnership Agreement contains some recommendations to developing countries to facilitate preferential trade in culture (Burri and Nurse, 2019). Several of these apply or could be extended to the digital marketing and provision of creative services:

- Support export-ready firms to participate in trade fairs, expositions and festivals, or online promotion initiatives, thereby pairing beneficiaries with buyers, distributors, and investors.

- Facilitate in-market representation or agents for post-trade fair follow-up activities and promotion with buyers, distributors, and investors, including through digital channels.
- Establish sustainable channels through which CARIFORUM professionals may access the European Union trade fairs, expositions and festivals or online promotion initiatives.
- Build market intelligence tools (*i.e.*, a database) of the European Union industry professionals and firms in key sub-sectors.
- Strengthen the process for building regional industry associations in the key sub-sectors.
- Establish a strong clustering, incubation/accelerator programme linked to market integration.
- Promote and initiate innovative financing mechanisms through the regional development banks and export-import banks that allow for the collateralization of intellectual property assets.

Fair Trade for Culture would require developing countries to implement an innovative trade governance framework and a strategic industrial upgrading programme.

The key challenge is that most developing countries' institutions targeting the creative sector operate in silos and have limited linkages with wider market penetration initiatives. There is also a critical role for a trade and financing framework that is demand-driven and entrepreneurial in focus.

This calls for programmes that encourage and support innovation in SMEs and a wide array of policy support measures such as diaspora engagement, destination branding, trade and export facilitation, investment policy and human resource development.

Source: Nurse K (2022). Presentation at the 2022 UNCTAD Multi-year Expert Meeting on Trade, Services and Development, Geneva, 6 July.

Trade agreements need to enable capacity building

Most trade agreements existing today do not address the issues that are relevant to digital trade, including trade in DDS. This is partly because huge gaps exist in the capacities to produce or consume DDS across countries. A trade agreement that would support developing countries' trade in DDS would be the one that bridges the digital divide among members, for example by bringing in investment-related provisions that can facilitate cooperation in infrastructure building and skills development.

Also, as discussed in the previous section, promoting trade in DDS needs a coherent policy framework that covers a wide range of issues such as telecoms and ICT competitiveness, sound financial architecture, investment policy, intellectual property rights, consumer protection, MSMEs, and regulations on digital-related issues including the treatment of data.

For a trade agreement to foster trade in DDS, it would require an innovative approach to seek coherence across different provisions to achieve a level playing field in digital and non-digital trade in goods and services.

V.

Policy considerations

All-of-government national policy is key to facilitating digitally deliverable services trade.

Digitalization has transformed how services are produced, delivered and consumed

Digitalization has transformed how services are produced, delivered and consumed Digitalization has fundamentally changed the provision of many services. Digitalization connects service providers with users more quickly and at a lower cost than physical delivery. Digitalization has changed the way many services are delivered, leading to some services becoming easily tradable across international borders. This new tradability offers opportunities for businesses in developing countries to reach global markets and participate in GVCs, including via digital platforms.

Whilst some countries have successfully harnessed opportunities in DDS and are benefitting from the ensuing economic diversification, most have not yet been able to do so. Many developing countries, and their MSMEs, are building their digital capabilities to benefit from international trade in digital services in the coming years.

Whilst the implications of digitally deliverable services are only just beginning to be understood for many economies, what is clear is that DDS is transforming economic development narratives. This leads to two implications for UNCTADs work in the context of the MYEM over the coming years. The digitalisation of services is now a crucial component of services trade policy and henceforth will feature prominently in any discussions on the services sector.

All-of -government national policy is key to promoting digitally deliverable services

Crucial for policymaking is a better understanding of the impact policies have on services trade and the resulting impact on firm-level performance.

When designing policies that affect service trade, the implications for economic diversification towards and through DDS need to be considered. Special attention to the potential impact of these policies on firms' performance is needed.

Promoting DDS trade requires coherence in the policy and regulatory framework, covering *inter alia*, policies on trade and industrial development, investment, technology and innovation, data governance, competition and consumer protection, and labour and social protection.

Governments then need to design an ecosystem that targets digital connectivity, ICT infrastructure, and building digital competencies. The routes to these policies can include domestic multi-stakeholder partnerships and regional and international cooperation.

Designing and implementing a coherence policy need to be evidence-based, and for this purpose improving the national capacity to collect and use data, including firm-level data collection, is essential.

Trade agreements for DDS trade should facilitate technology transfer and capacity building

Trade agreements can embrace a wider agenda that seeks to harness the potential of digital trade for inclusive and sustainable development. To do so, the discussion needs to fully encompass all aspects of digital trade, including trade in digitally deliverable services.

Many developing countries and LDCs lack the resources and capacity to implement trade agreements for their long-term developmental benefits. Technical and financial support is necessary to enable them to overcome key challenges. Bridging the digital divides and building capacity, including MSMEs, needs to be a priority for technical cooperation in the context of trade agreements. Assistance is also needed in the areas of services statistics and policy coherence.

International cooperation to build capacity in services data is welcome

A plethora of national policies affect trade in services. Yet, analysing the impact of access to services on firms' productivity and competitiveness, which form the basis of a developing country's economic transformation, is little understood mainly because of a lack of essential data. Support from the international community to developing countries building capacity to collect and use services-related data. An informal and open-ended Working Group on trade in services data, to be convened in the framework of the MYEM-Services, could contribute to this process.

Endnotes

[1] The Chair's Summary provides a synthesis of all the interventions by panellists and member States made during the MYEM. It is also a foundation document for the Working Group on Data for Services Trade and Development Policies.

[2] UNCTADstat, output folder, accessed in November 2022: https://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx

[3] ILOSTAT, employment by sex and economic activity dataset, accessed in November 2022: https://ilostat.ilo.org/

[4] Díaz-Mora *et al.*, 2018, p.789.

[5] UNCTAD, 2022f, p.85.

[6] There are two nested categories of "other business services". The sub-subcategory of "other business services" within "Technical, trade-related and other business services" includes "distribution services related to water, steam, gas and other petroleum products and the supply of air-conditioning, placement of personnel, security, photographic services, publishing, real estate, etc".

[7] The price of an exported product covers all the costs associated with services built in its value chain. Certain services are embodied within a product. A modern car, for example, has built-in computer services. Products may also come with embedded services, *e.g.*, training or maintenance services that facilitate the use of the product concerned.

[8] OECD trade in value-added (TiVA) database.

[9] Countries are included in the selection if there are at least two consecutive censuses giving information at industry-level classification for employment. The countries included are Benin, Botswana, Egypt, Ghana, Malawi, Mali, Mauritius, Morocco, Mozambique, Rwanda, South Africa, the United Republic of Tanzania, and Zambia.

[10] UNCTAD, 2022b, p.1; UNCTAD, 2022a, p.1; and UNCTAD, 2015, p.3.

[11] Asian Development Bank, 2022, pp.190–191.

[12] Big Innovation Centre, 2013, p.3.

[13] UNCTAD, 2022a, p.3.

[14] Pacheco and Pacheco, 2020, p.429.

[15] Asian Development Bank, 2022, pp.214–217.

[16] Asian Development Bank, 2022, pp.206–210.

[17] UNCTAD, 2021b, p.11.

[18] WTO, 2021, p.1.

[19] Entered into force in late 2018, between Australia, Canada, Japan, Mexico, New Zealand, Peru, Singapore and Viet Nam, with accession talks underway with the United Kingdom of Great Britain and Northern Ireland, and possibly with China, Taiwan Province of China, and Ecuador.

[20] Accession of the Republic of Korea is underway, and China asked to join.

[21] Nurse, 2021, pp.255–269.

[22] UNCTAD, 2022e, p.72.

References

Asian Development Bank (2022). *Asian Economic Integration Report 2022: Advancing Digital Services Trade in Asia and the Pacific*. Available at https://www.adb.org/sites/default/files/publication/770436/asian-economic-integration-report-2022.pdf

Baccini L, Fiorini M, Hoekman B and Sanfilippo M (2023). Services, Jobs, and Economic Development in Africa, The World Bank Research Observer. Volume 38, Issue 1, pp 147–178, https://doi.org/10.1093/wbro/lkac006

Big Innovation Centre (2013). *The New Normal: Competitive advantage in the digital economy*. Available at https://www.biginnovationcentre.com/wp-content/uploads/2019/07/BIC_THE-NEW-NORMAL_27.02.2013.pdf

Burri M and Nurse K (2019). *Culture in the CARIFORUM-European Union Economic Partnership Agreement: Rebalancing Trade Flows between the Caribbean and Europe*. Paris: UNESCO. Available at https://en.unesco.org/creativity/sites/creativity/files/policyresearch-book3-en.pdf

Díaz-Mora C, Gandoy R and González-Díaz B (2018). Looking into Global Value Chains: Influence of Foreign Services on Export Performance. *Review of World Economics*. 154, pp. 785-814. Available at https://www.jstor.org/stable/pdf/45107127.pdf?refreqid=excelsior%3A84febec0c8501a405fe6f19ad0059a1d&ab_segments=&origin=&acceptTC=1

ECLAC (2020). *The impact of the COVID-19 pandemic on the tourism sector in Latin America and the Caribbean, and options for a sustainable and resilient recovery*. Available at https://www.cepal.org/sites/default/files/publication/files/46502/S2000751_en.pdf

International Growth Centre (2021). *Services and economic development in Africa*. Available at https://www.theigc.org/wp-content/uploads/2021/09/Baccini-et-al-August-2021-Working-paper.pdf

Nayyar G and Cruz M (2019). Developing Countries and Services in the New Industrial Paradigm. In: Helble and Shepherd, eds. *Leveraging Services for Development; Prospects and Policy*. Asian Development Bank Institute. Available at https://www.adb.org/sites/default/files/publication/506216/adbi-leveraging-services-development-prospects-policies.pdf

Nurse K (2021). The Digital Creative Economy and Trade: Strategic Options for Developing Countries. In: Smeets M, ed. *Adapting to Digital Trade: Challenges and Opportunities*. WTO Chairs Programme. World Trade Organization, Geneva. Available at https://www.wto.org/english/res_e/publications_e/adtera_e.htm

Pacheco B and Pacheco M (2020). Digital business service transformation of Caribbean economies: A path to sustainability. *Small States & Territories Journal*. 3(2), pp. 413-432. Available at https://www.um.edu.mt/library/oar/bitstream/123456789/63482/1/SST-3-2-2020-Pacheco-Pacheco.pdf

TRALAC (2021). AfCFTA Phase II Negotiations – Update. tralacBLOG. Available at https://www.tralac.org/blog/article/15090-afcfta-phase-ii-and-iii-negotiations-update.html

United Nations (2021). *Assessing Regional Integration in Africa X: Africa's Services Trade Liberalization and Integration under the African Continental Free Trade Area*. Available at https://repository.uneca.org/handle/10855/46739

UNCTAD (2022f). *Economic Development in Africa Report 2022: Rethinking the Foundations of Export Diversification in Africa*. UNCTAD/ALDC/AFRICA/2022. Geneva. Available at https://unctad.org/system/files/official-document/aldcafrica2022_en.pdf

UNCTAD (2022e). *Creative Economy Outlook 2022*. UNCTAD/DITC/TSCE/2022/1. Geneva. Available at https://unctad.org/system/files/official-document/ditctsce2022d1_en.pdf

UNCTAD (2022d). Report of the Multi-year Expert Meeting on Trade, Services and Development on its ninth session. TD/B/C.I/MEM.4/27.

UNCTAD (2022c). The evolving landscape of digital trade in services: Note by the UNCTAD secretariat. TD/B/C.I/MEM.4/26.

UNCTAD (2022b). *Digitalization of Services: What does it imply to trade and development?* UNCTAD/DITC/TNCD/2021/2. Geneva. Available at https://unctad.org/system/files/information-document/tsce-myem2022-Digital-Services_en_.pdf

UNCTAD (2022a). Digital trade: Opportunities and actions for developing countries. *Policy Brief*, No. 92, UNCTAD/PRESS/PB/2021/10. Available at https://unctad.org/system/files/official-document/presspb2021d10_en.pdf

UNCTAD (2021b). *What is at Stake for Developing Countries in Trade Negotiations on Electronic Commerce? The Case of the Joint Statement Initiative*. UNCTAD/DITC/TNCD/2020/5. Geneva. Available at https://unctad.org/system/files/official-document/ditctncd2020d5_en.pdf

UNCTAD (2021a). *The Bridgetown Covenant: From inequality and vulnerability to prosperity for all*, TD/541/Add.2. Available at https://unctad.org/system/files/official-document/td541add2_en.pdf

UNCTAD (2020). *Caribbean leaders urged to diversify creative economy post-COVID.* 14 July. Available at https://unctad.org/news/caribbean-leaders-urged-diversify-creative-economy-post-covid

UNCTAD (2017). *Services and structural transformation for development*. UNCTAD/DITC/TNCD/2017/2, New York and Geneva. Available at https://unctad.org/system/files/official-document/ditctncd2017d2_en.pdf

WTO (2021). Declaration on the conclusion of negotiations on services domestic regulation, WT/L/1129. Available at https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/L/1129.pdf&Open=True

UNCTAD (2015). International trade in ICT services and ICT-enabled services: Proposed indicators from the Partnership on Measuring ICT for Development, *Technical Notes on ICT for Development*, No. 3. TN/UNCTAD/ICT4D/03. Available at https://unctad.org/system/files/official-document/tn_unctad_ict4d03_en.pdf