



PACIFIC SERVICES INITIATIVE

Regional approaches for Trade
in Services, 11 May 2023

CONTENTS

1. The Pacific Aid for Trade Strategy 2020-2025
2. Why services
3. Methodology for Pacific TiS assessments and strategies
4. Way forward

THE PACIFIC AID FOR TRADE STRATEGY 2020-2025

	Assessment	Strategy	Implementation	Governance M&E
Connectivity – Labour mobility	✓	✓		
Services				
E-commerce	✓	✓	✓	✓
Deepening Markets:				
• Trade Policies and Agreements	✓	✓	✓	✓
• Trade Facilitation	✓	✓		
• Quality Infrastructure	✓	✓	✓	✓

THE PACIFIC AID FOR TRADE STRATEGY 2020-2025 (II)

FORMS OF REGIONAL ACTION

Administrative, Legal, Institutional Integration

Common rules, standards, institutions

Economic Integration

Legally binding arrangements to enable free movement of goods and services

Harmonisation

Commitments to common policies, regulations, standards and or processes

Collaboration

Voluntary agreements to modes of regional cooperation (pooled services)

Cooperation

Coordinated regional or sub-regional policies and strategies

Coordination

Processes that facilitate regional dialogue and access to information

WHY SERVICES

Traditional views

- Provides income (GDP) and jobs (54% in PICs in 2019)
- Even more important for women (62% of jobs in PICs in 2019)
- Greatest number of MSMEs – less capital intensive
- Key to facilitate that trade in goods - transport / logistics

WHY SERVICES (II)

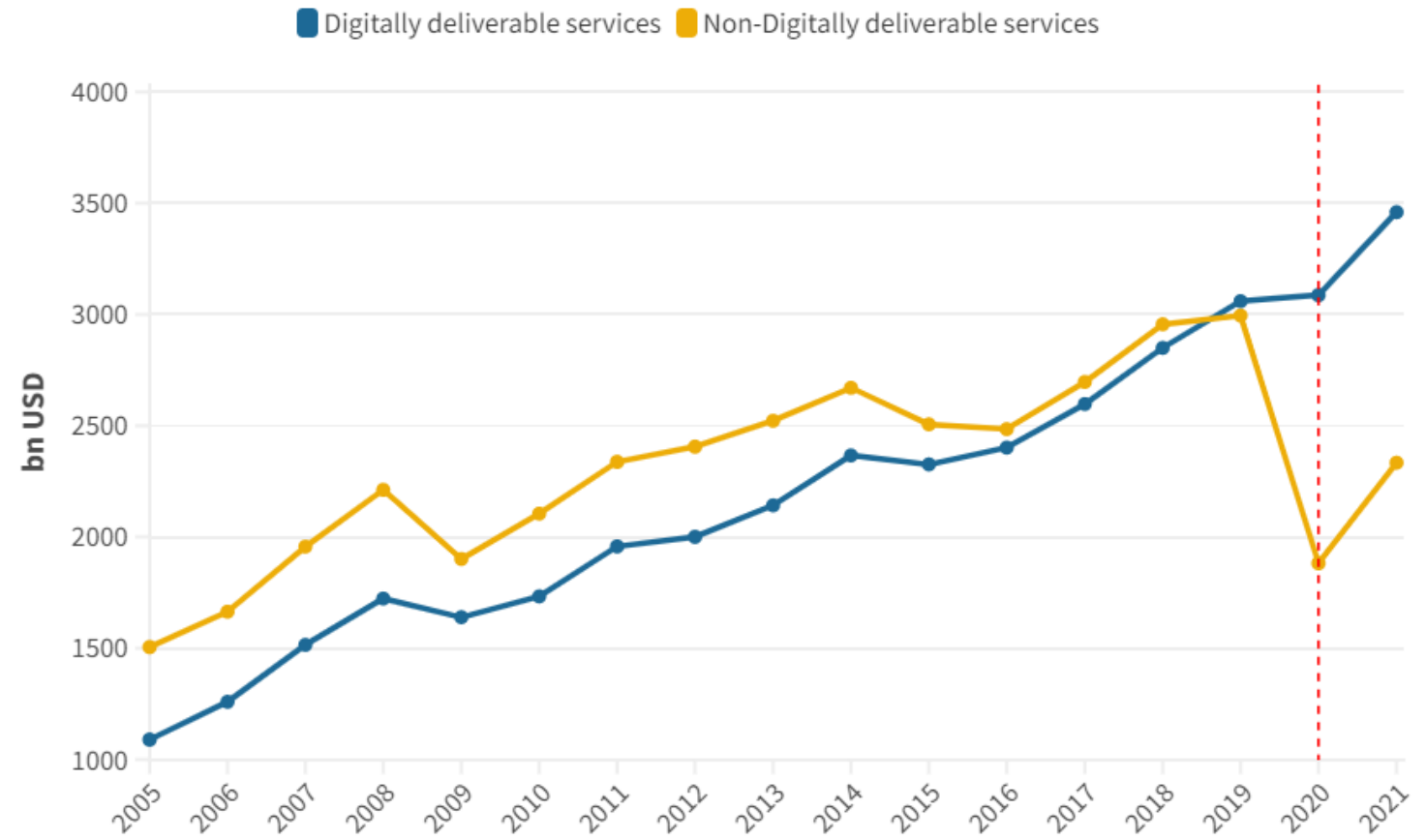
Recent views

- Mix in the path to structural transformation
- It's now a high productivity sector > increased share of GDP
- Adds increasing value to goods, as inputs & output (servicification) - 50% trade in VA terms vs 30% in BOP
- Link global value chains
- Operates the infrastructure that enables digital trade
- Predominant destination of FDIs (Mode 3). Sales by foreign affiliates more than 50% of total TiS

WHY SERVICES (III)

ICT developments

- Services become more tradeable and contestable (more productive)
- Share of ICT & ICT-enabled services up
- Share of travel & transport down
- Developing countries also benefit

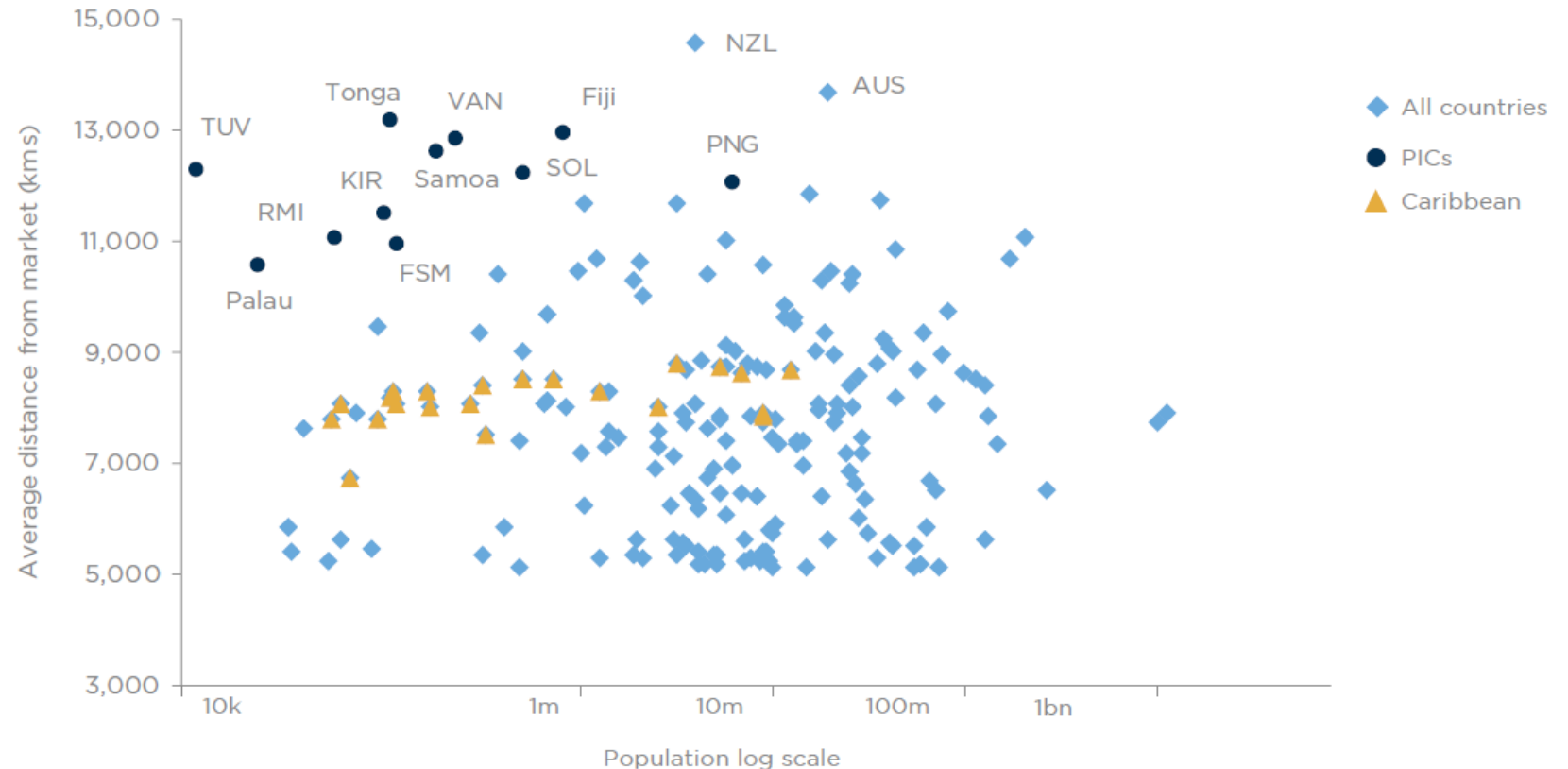


Source: OECD (2023). Balanced Trade in Services dataset (BaTIS) • Notes: Non-digitally deliverable services refer to the aggregation of the following service categories (as expressed in EBOPS 2010 classification): Manufacturing services on physical inputs owned by others, Maintenance and repair services n.i.e., Transport services, Travel services, Construction services, Government goods and services n.i.e.

WHY SERVICES (IV)

Traditional and recent views all fit well with the Pacific structure

- No industry > structural transformation possible
- The smallest > services and MSMEs
- The most isolated > ICT and ICT-enabled ease tyranny of distance



Source World Bank staff calculations using World Development Indicators and CEPII, GeoDist.

Note (i) x axis in log scale; (ii) average distance from market is the average of distance to other economies weighted by their GDP.

LITERATURE REVIEW

Literature/ information review

Policy papers & briefs

- G20, G24

Reports & Assessments

- WTO Trade Policy Reviews; WTO TiS Barometer; UNCTAD Services Policy Reviews

Toolkits for Assessments

- WB Valuing Services in Trade; WB Regulatory Assessment on Services Trade and Investment (RASTI)

TiS databases

- Flows: Balance of Payments, Trade in Value Added, Foreign Affiliates Trade Statistics, Foreign Direct Investment
- TiS commitments: WTO/WB Integrated Trade Intelligence Portal for Services
- Applied restrictions: Services Trade Restrictiveness, Index (OECD, WB, APEC)

LITERATURE REVIEW (II)

Findings	Learnings
A converging approach to assess services	Assessments and Strategies under the PSI should be aligned to this approach
Work on services relies on significant amount of indicators. Some are unavailable in FICs, especially non-WTO members	Information collection process aligned with international best-practice may be required to fill gaps – especially on the regulatory side
Majority of literature focus on import restrictions	Focus on export opportunities will also be necessary to engage FICs
Services assessments often lengthy and overly technical	To elevate services, a more rapid and user-friendly approach is required. Efforts on governance are also necessary – multi-stakeholder body to address intrinsic policy fragmentation

OUR PROPOSED METHODOLOGY

STEP 1. RAPID PACIFIC TIS ASSESSMENTS

STEP 2. REGIONAL TIS ASSESSMENTS

STEP 3. REGIONAL STRATEGY

STEP 4. NATIONAL STRATEGIES

METHODOLOGY (I)

STEP 1. RAPID PACIFIC TIS ASSESSMENTS

1. The role of services role in the economy [a case for elevating services]

- Services contribution to GDP
- Services composition and trends of services sub-sectors
- Services contribution to GDP growth
- Trends in employment, investment, and technological developments related to services
- Services and female employment
- Services and MSMEs

2. Trade in Services [services contribution to export-led growth]

- Balance of payments
- Trade in Value Added
- Foreign Affiliate Trade Statistics

METHODOLOGY (II)

3. Opening up the service economy [services import as development strategy]

- Tariff equivalents (trade costs) – gravity models
- Services Trade Restrictive Index – simplified version of existing indexes?
- Ad-hoc survey to support a narrative approach
- Trade agreements – multilateral and regional commitments – measuring ‘water’
- Recommendations

4. Boosting services exports [prioritize your export strategy]

- Revealed comparative advantages (direct and indirect exports)
- Service tradability via gravity models (factor endowments)
- Other methodologies and indexes
- Recommendations

METHODOLOGY (III)

5. In-depth analysis - five sectors [rapid but rigorous sector analysis informing policy options]

- Export performance
- World market trends (prospects, competitors)
- Domestic supply (quantity, quality, labour, capital, technology, supporting industries)
- Domestic policy and regulatory enforcement
- SWOT
- Recommendations

STEP 2. REGIONAL TIS ASSESSMENT

- Common features from cross-sectoral chapters
- Common sectors from national assessments

METHODOLOGY (IV)

STEP 3. REGIONAL STRATEGY

- Serving as a template of national strategies (same as e-commerce)
 - Vision
 - Impact
 - Outcomes
 - Outputs and Measures – recommendations and rationale
 - Imports – regional measures to reduce trade restrictiveness (categorized based on the chosen index)
 - Imports – regional measures on trade agreements
 - Exports – regional measures to support common priority sectors (categorized by sector)
 - Governance
 - Roadmap for implementation – baseline, target, implementing agency and budget

STEP 4. NATIONAL STRATEGIES

WAY FORWARD

- FTOM/FTMM 2023 - submission of PSI concept note, including methodology
- From second half 2023 – drafting national assessments, based on demand and resources
- 2024 - national assessments
- 2025 – regional assessment and strategy



PACIFIC SERVICES INITIATIVE

Regional approach for Trade in
Services, 11 May 2023