

COMMUNICATION FROM ARGENTINA

Assessment of Trade in Services:
the Participation of Developing Countries

The attached statement has been received from the delegation of Argentina with the request that it be circulated to Members of the Council for Trade in Services.

1. The purpose of this note is to contribute to the assessment of trade in services, in an overall and sectoral basis, as mandated by Article XIX of the GATS. In order to avoid duplication of work, reference will be made whenever appropriate to previous publications, such as the WTO Annual Report or ad-hoc studies prepared by the WTO and UNCTAD Secretariats.

2. It goes without saying that trade in services -in particular as it is understood within the framework of the GATS- is much less documented than merchandise trade¹, so all the usual caveats apply in that regard. Even though the paper's findings are mainly based on Balance of Payments statistics, which only serve as an imperfect proxy for trade under modes 1 (cross-border), 2 (consumption abroad), and 4 (movement of natural persons) a closer look at available statistics may still reveal factors and trends of relevance for the current services negotiations.

3. The paper focus is on developing countries taken as a group and, therefore, it does not necessarily reflect Argentina's position in these negotiations.

A. OVERVIEW OF TRENDS IN SERVICES TRADE

4. As noted in a recent WTO document,² "the share of commercial services, measured on a balance of payments basis, in total world exports and imports of goods and services has remained virtually unchanged since the mid-1990s". In 1999, the services share in total world imports of goods and services amounted to 19.6 per cent.

5. Cross-border supply has been estimated to be the major component of world trade in services, accounting for 41 per cent of the total, closely followed by commercial presence with 38 per cent.

¹ See the WTO Secretariat document S/C/W/27 and Add.1, *A Review of Statistics on Trade Flows in Services*, for further details on the statistical limitations.

² See S/C/W/27/Add.1, section II.

Both modes of supply account for some 80 per cent of total trade in services. The share of consumption abroad represents some 20 per cent of the total³ (See Table 1).

6. More than half of world trade in commercial services is made up of travel and transportation services (see Table 2). However, in the last decade, the share of Travel and Transport in total commercial services declined from 33.8 per cent in 1990 to 32.8 per cent in 1999 in the case of Travel,⁴ and from 28.5 per cent in 1990 to 23 per cent in 1999 in the case of Transport; while the share of the “other commercial services” rose sharply from 37.7 per cent in 1990 to 44.2 per cent in 1999.⁵

7. It is interesting to note that the BOP category “other commercial services” includes the so-called producer services, such as financial services, communication services, insurance, computer-related and other business services. Human capital intensive producer services seem in fact to have benefitted the most from technological innovations introduced primarily in developed countries (see Table 3).

8. Developing countries' services exports seem to be particularly concentrated in travel and transportation services, and dependence on these two sectors may pose a structural problem for producing countries since supplies in these two sectors are closely related to the physical movement of persons and goods -and, thus, to merchandise trade- rather than to movement of knowledge and information.⁶

9. Trade in commercial services is highly concentrated. The top 15 traders accounted for 71 per cent of world exports and 68 per cent of world imports. In addition, the share of the top 15 traders of commercial services has not changed significantly since the mid-1990s and the group of leading exporters of services largely overlaps with the group of leading importers (See Table 4).

10. The prevalence of developed countries in world services trade is also noteworthy. Developed countries account for most of trade in commercial services. In 1999, developed countries' exports represented 72% of world services exports.⁷ Additionally, out of the 20 leading traders (both importers and exporters), 15 are developed countries (See Table 5).

11. Since the conclusion of the Uruguay Round of trade negotiations, the contribution of developing countries to world trade in services has remained fairly constant. While in 1994 the 16 leading developing countries accounted for 16.45 per cent of world services' exports, this share amounted to 16.29 per cent in 1999 (See table 6).

12. The share of services in total trade is more important for developed countries than for most developing countries. In other words, developed countries are relatively more important as services exporters while most developing countries appear to be relatively more important as merchandise exporters. In fact, most developed countries record above-average shares of services in their total exports, while most developing countries record below-average shares (See tables 9 and 10).

³ Guy Karsenty, *Assessing Trade in Services by mode of supply*, in “GATS 2000: New Directions in Services Trade Liberalization”, Pierre Sauvé and Robert M. Stern, Editors, Brookings Institution Press, Washington D.C., 2000.

⁴ It must be borne in mind that Travel is a blanket category that covers all expenditure by travellers abroad, including spending for other services like accommodation and telecommunications as well as for goods.

⁵ Based on own calculations

⁶ Rolf J. Langhammer, *Developing Countries as Exporters of Services: Looking Beyond Success Episodes*, Kiel Working Paper 992, July 2000.

⁷ Own calculations based on data contained in *WTO - International Trade Statistics 2000*.

13. From a global trading perspective, the situation appears just as unbalanced. As highlighted by UNCTAD, except for a few exceptions, most developing countries have deficits in trade in services.⁸ In fact, in 1999, out of the 16 leading developing countries, only five recorded export surpluses in trade in commercial services, namely Hong Kong, China; Singapore; Turkey; Thailand; and Egypt (see Table 5).

B. THE PARTICIPATION OF DIFFERENT REGIONS:

14. According to the WTO Secretariat,⁹ North America and Western Europe continued to record above-average shares of services in their total exports, while Latin America and Asia remained below the global average. Africa changed position and in 1999 the services share in its total exports of goods and services exceeded, by a narrow margin, the world average, although this may be attributed to weak world markets for major merchandise exports, including oil (See Table 7).

15. Over the past 15 years, North America, in particular the United States, and Asia appear to have gained ground on world services markets. Both regions' exports rose above the world average. By contrast, services exports from Western Europe, Africa and Latin America grew below the world average.¹⁰

16. Regional trade balances also show some interesting variations. According to 1999 Balance-of-Payments data, North America and Western Europe recorded export surpluses of 67 and 31 billion dollars, respectively. The United States recorded an export surplus of about 73 billion dollars in 1999, while the European Union's surplus amounted to 13 billion dollars. In contrast, trade deficits in Latin America, Africa and Asia amounted to 9 billion, 6 billion, and 72 billion dollars, respectively (See table 8).

⁸ See *Assessment of Trade in Services of Developing Countries: possible contribution by UNCTAD* (Job 4235, dated 16 July 1999), paragraph 7.

⁹ See WTO Secretariat document S/C/W/27/Add.1

¹⁰ See WTO Secretariat document S/C/W/27/Add.1 for more details, in particular Table A2 in the document.

Table 1: Trade in Services by Mode of Supply, 1997

Mode	Proxy used	Value (billion dollars)	Total share in all (percentage)
Mode 1: Cross border	Balance-of-payments (commercial services minus Travel)	890	41.0
Mode 2: Consumption abroad	Balance of Payments (Travel)	430	19.8
Mode 3: Commercial Presence	FATS gross output in services	820	37.8
Mode 4: Presence of natural persons	Balance of Payments (compensation of employees)	30	1.4
Total		2,170	100.0

Source: Guy Karsenty, *Assessing trade in services by mode of supply*, in "GATS 2000: New Directions in Services Trade Liberalization", Pierre Sauvé and Robert M. Stern, Editors, Brookings Institution Press, Washington D.C., 2000.

Table 2: World trade in commercial services by category, 1990-1999
(billion dollars and percentage)

	Value	Share		Annual Percentage Change		
	1999	1990	1999	1996	1997	1998
Exports						
All commercial services	1,350	100.0	100.0	7	4	1
Transportation	310	28.5	23.0	2	2	-1
Travel	440	33.8	32.8	7	0	0
Other commercial services	600	37.7	44.2	9	8	2
Imports						
All commercial services	1,345	100.0	100.0	6	3	2
Transportation	373	32.1	27.7	2	2	-1
Travel	412	32.0	30.6	6	1	1
Other commercial services	561	35.9	41.7	8	5	5

Source: WTO Secretariat document S/C/W/27/Add.1

Table 3: World Trade in "other commercial services" by category, 1996-1998
(In percentage)

	Share		
	1996	1997	1998
Other commercial services	100	100	100
Communications	5	5	5
Construction	7	7	7
Insurance	5	5	5
Financial	9	9	10
Computer and information	3	3	5
Royalties and licence fees	11	11	12
Other businesses	59	59	55
Personal, cultural and recreational	2	2	3

Source: WTO Secretariat document S/C/W/27/Add.1

Table 4: Leading Exporters and importers in world trade in commercial services, 1999.
(Billion dollars and share of world trade)

Rank	Exporters	Value	Share	Rank	Importers	Value	Share
1	United States	253,4	18.8	1	United States	180,4	13.4
2	UK	101,5	7.5	2	Germany	132,8	9.9
3	France	82,6	6.1	3	Japan	114,2	8.5
4	Germany	79,3	5.9	4	UK	81,4	6
5	Italy	61,2	4.5	5	France	63,1	4.7
6	Japan	60,3	4.5	6	Italy	58,4	4.3
7	Netherlands	54,2	4	7	Netherlands	47,5	3.5
8	Spain	53	3.9	8	Canada	38,5	2.9
9	Belgium-Luxembourg	39	2.9	9	Belgium-Luxembourg	36,6	2.7
10	Hong Kong, China	34,9	2.6	10	China	30,7	2.3
11	Canada	34,2	2.5	11	Spain	30	2.2
12	Austria	30,5	2.3	12	Austria	28,3	2.1
13	Switzerland	26,3	1.9	13	Korea, Rep of	26,1	1.9
14	Korea, Rep. Of	24,8	1.8	14	Ireland	26,1	1.9
15	China	23,7	1.8	15	Hong Kong, China	24,5	1.8
16	Singapore	23,6	1.7	16	Chinese Taipei	23,5	1.7
17	Sweden	18,4	1.4	17	Sweden	23	1.7
18	Australia	17,2	1.3	18	Singapore	18,8	1.4
19	Turkey	16	1.2	19	Australia	17,9	1.3
20	Denmark	15,8	1.2	20	Norway	17,9	1.3

Source: WTO International Trade Statistics 2000.

Table 5: Leading Developing Economies in world trade in commercial services, 1999
(Billion dollars and share of world trade)

Rank	Exporters	Value	Share	Rank	Importers	Value	Share
1	Hong Kong, China	34,8	2.58	1	China	30,6	2.28
2	Korea, Rep. Of	24,8	1.84	2	Korea, Rep. Of	26,1	1.94
3	China	23,7	1.76	3	Hong Kong, China	24,4	1.82
4	Singapore	23,6	1.75	4	Singapore	18,7	1.40
5	Turkey	16	1.19	5	India	17,1	1.28
6	Thailand	14,1	1.05	6	Malaysia	14,3	1.06
7	India	13,9	1.03	7	Thailand	13,9	1.04
8	Malaysia	11,9	0.89	8	Mexico	13,8	1.03
9	Mexico	11,8	0.88	9	Brazil	11,9	0.89
10	Israel	10,3	0.76	10	Indonesia	11,3	0.84
11	Egypt	9,3	0.70	11	Israel	10,8	0.80
12	Brazil	6,8	0.50	12	Turkey	8,3	0.62
13	Philippines	4,8	0.35	13	Argentina	8,2	0.61
14	South Africa	4,8	0.35	14	Philippines	7,5	0.56
15	Indonesia	4,6	0.34	15	Egypt	5,9	0.44
16	Argentina	4,3	0.32	16	South Africa	5,2	0.39
Total			16.29	Total			17.00

Source: WTO International Trade Statistics 2000.

Table 6: Share of Developing Country Exporters in World trade in commercial services¹¹

1994		1999	
Value (billion dollars)	Share of world exports (percentage)	Value (billion dollars)	Share of world exports (percentage)
183.7	17.75	234.0	17.37

Source: Own calculations based on WTO data

Table 7: Share of goods and commercial services in total trade of selected regions and economies, 1999.

(billion dollars and percentage, based on balance of payments data)

	Exports			Imports		
	Value	Percentage share		Value	Percentage share	
	Total	Goods	Commercial services	Total	Goods	Commercial services
World	6890	80.4	19.6	6870	80.4	19.6
North America ¹²	1216	76.3	23.7	1469	85.1	14.9
Latin America	358	85.1	14.9	386	83.8	16.2
Western Europe	2934	78.2	21.8	2822	78.4	21.6
Africa	147	80.1	19.9	158	77.7	22.3
Asia Pacific	1788	85.3	14.7	1616	79.2	20.8

Source: WTO Secretariat document S/C/W/27/Add.1

¹¹ 17 leading developing countries

¹² Only US and Canada. Mexico is considered as part of Latin America.

Table 8: World trade of commercial services by selected region, 1999
(In billion dollars)

	Exports	Imports	Trade Balance
World	1,350	1,345	
North America	288	219	69
United States	253	180	73
Latin America	53	62	- 9
Mexico	12	14	- 2
Brazil	7	12	- 5
Argentina	4	8	- 4
Western Europe	640	609	31
EU	574	561	13
Africa	29	35	- 6
Asia	264	336	- 72
Japan	60	114	- 54

Source: Own calculations based on WTO Secretariat document S/C/W/27/Add.1.

Table 9: Share of goods and commercial services in total exports of developed countries, 1999
(billion dollars and percentage, based on balance of payments data).

	EXPORTS		
	Value	Percentage Share	
	Total	Goods	Commercial Services
World	6890	80.4	19.6
USA	939	73.0	27.0
Canada	277	87.7	12.3
Austria	94	67.6	32.4
Belgium-Luxembourg	192	79.6	20.4
Denmark	65	75.8	24.2
Finland	48	86.4	13.6
France	381	78.3	21.7
Germany	619	87.2	17.3
Greece	15	34.5	65.5
Ireland	81	82.7	17.3
Italy	292	79.0	21.0
Netherlands	222	75.6	24.4
Norway	61	74.8	25.2
Portugal	34	75.6	24.4
Spain	164	67.7	32.3
Sweden	104	82.2	17.8
Switzerland	122	78.4	21.6
UK	369	72.5	27.5
Australia	73	76.5	23.5
Japan	464	87	13
New Zealand	17	74.8	25.2

Source: WTO International Trade Statistics 2000

Table 10: Share of goods and commercial services in total exports of selected developing countries, 1999
(Billion dollars and percentage, based on balance of payments data)

	EXPORTS		
	Value	Percentage share	
	Total	Goods	Commercial Services
World	6890	80.4	19.6
Argentina	28	84.5	15.5
Brazil	55	87.7	12.3
Chile	19	80.8	19.2
Colombia	14	86.7	13.3
Mexico	149	92.0	8.0
Venezuela	20	93.4	6.6
Turkey	45	64.7	35.3
Egypt	15	36.1	63.9
Morocco	10	72.4	27.6
Nigeria	14	92.9	7.1
South Africa	33	85.6	14.4
Tunisia	9	68.0	32.0
China	218	89.2	10.8
Hong Kong, China	210	83.4	16.6
India	51	72.9	27.1
Indonesia	53	91.3	8.7
Korea, Rep. of	170	85.4	14.6
Malaysia	96	87.5	12.5
Philippines	39	87.7	12.3
Singapore	139	83.0	17.0
Thailand	71	80.0	20.0

Source: WTO International Trade Statistics 2000

Methodological Annex

For the purposes of this paper, the following countries are considered as “developed countries”:¹³

EU Member states (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, UK).

United States
Canada
Japan
Iceland
Australia
Norway
Switzerland
New Zealand

¹³ The same countries are grouped as “industrial countries” in the IMF statistics.