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WORLD TRADE IN SERVICES: AN OVERVIEW

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Abstract:

In the past few years, service sector has become the most important and dynamic sectors in most of the countries. The basic nature of services has changed with time. Once considered untradeable, technology has made the services tradable. This paper is an attempt to get an overview of the growth of service sector and trade in services globally with special reference to India. Regional distribution of trade is also looked into. All the data point to the fact that India is positioned to grow in this sector but for that she will have to identify strategies to create, develop and strengthen India's comparative advantage in specific services in the light of current WTO provisions.

Keywords: Commercial Services, India, Trade in Services, World, WTO.

1. Introduction:

Services are the most dynamically growing sector of most of the economies. Services form the wide spectrum of activities that are offered for a commercial or non commercial value. They include the ever widening range from architecture to telecommunications, from information technology to tourism, from trading to transport, from consultancy to logistics management (supply chain management), from education to security et al.

Service sector is emerging as the largest and most dynamic component of both developed and developing country economies. Services serve to make other sectors more efficient and also serve in developing and sustaining a strong economy. They benefit consumers directly through health, entertainment, education, household maintenance and also support industry through transport, telecommunication, financial services, accountancy, consultancy, designing. Increasingly, the sector is becoming the dominant driver of growth in developing economies.

As Professor Hirschman¹ said that for the rapid growth of an economy we must go for unbalanced growth and for that the economy must initially invest in those sectors which have maximum backward and forward linkages. Services are such a sector. They have strong

¹ Albert O. Hirschman, 1958.

backward as well as forward linkages with other sectors of the economy. Rupa Chanda calls them “downstream linkages”.²

Services are important for resource creation (technologies), resource mobilisation (financial), and resource utilisation (infrastructure) (p 12 of Chanda, 2002).

The aim of the paper is to trace the recent growth of trade in services in the world in general and India in particular. Section 2 tries to define service sector. Section 3 looks into the growth of services sector and how their growth has brought structural changes in the global economy. Section 4 discusses trade in services and its growth at both global and Indian level. Section 5 covers regional distribution of services at global level. Section 6 concludes the paper.

2. Services and Their Measurement:

Earlier services were defined as something intangible, non-storable, indivisible, and something that had to be consumed at the time of production. Services were also considered to be non-tradable. But with technological advancement the nature of services has changed. Services can be stored, say in video cassettes, compact discs (CD's), and with storage possible their consumption can be deferred, they can be transferred from one place to another through internet and telecommunications systems e.g. education, medical consultation, processed data, and can be traded as well. Services that were earlier constrained to particular localities can be transferred and traded through internet facilities e.g. e-commerce, e-banking, tele-health, tele-education (education provided through satellites such as EDUSAT scheme). Thus technology development, particularly in information and communication technology sector (ICT), has removed distance related barriers to trade that had earlier constrained both the producers and consumers separated by distance and has imparted tradability to services that were earlier considered untradable.

Thus now services can be defined differently. In fact, in last few years a broader definition has come to be accepted by the current generation of economists that **services are activities that add value, either directly or indirectly, to another economic unit or to a good belonging to another economic unit.** Services may be embodied in the form of transactions relating to

² Rupa Chanda, Jan. 2002, pp 9.

consumption, production and distribution, or embodied in the form of goods, human capital and information.³

Another broad definition found in Rashmi Banga (2005) is:

‘Services form a diverse group of economic activities not directly associated with the manufacture of goods, mining or agriculture. They typically involve the provision of human value added in the form of labour, advice, managerial skill, entertainment, training, intermediation and the like’.

It is difficult to define services but it is all the more difficult to measure them. Services are closely related to the production of goods. With time and technological innovation, the way manufacturing was done has also changed. Now more and more services are used in the production of goods e.g. architectural designs are used in the construction of the buildings, engineering designs in the creation of machinery and products, financial services to finance and insure a company and so on. It is estimated that about one fourth of the services sector output serves as input in the manufacturing sector. This is the state when in-house services are not included due to lack of available data. About 50 percent of the workers in manufacturing companies in industrial countries are involved in providing services – design, distribution, financial planning. In short, value addition by the services sector in per unit production in manufacturing sector has been increasing over time.⁴ An input-output analysis of the Indian economy reveals that 70 per cent of industrial activities (particularly, machinery, food processing, textiles, cement, leather, tobacco, steel, drugs, paper and rubber) are directly services intensive.⁵

Similarly various goods are used in the production of services e.g. a doctor uses a building, furniture, stationary, medical instruments etc. to provide his services. At times it becomes difficult to separate goods from services and to measure the exact value of production of services. Services generated and used within a company are considered a part of manufacturing

³ M.R.Das and Dr. Tapas K. Chakrabarty 2004, Rupa Chanda 2002.

⁴ Bimal Ghosh 1997.

⁵ RBI Annual Report 2002-03, pp 125.

and if these very services are purchased from outside they are considered to be a part of services sector.⁶

Moreover, service sector is evolving with time. Every now and then, new kind of service activities are emerging that are delivered in all the more new ways i.e. newer methods of distribution keep on emerging. Appropriate methods to measure these new services in national accounts need to be looked into.

Despite the difficulty in defining and measuring services and despite the limited availability of sectoral data, it can be said on the basis of the data available that services have become important for the growth of the economies in the last few decades. Rather, the growth of economies depends upon the growth of certain services.

United Nations Statistical Office (UNSO) developed a detailed list of the services sector covering 600 service products. This list classifies services as service products and not activities and is called Central Product Classification (CPC) list. GATS has used this very list to prepare its own reference list of services⁷ and this list is found in Secretariat's revised Services Sectoral Classification List.

3. Growth of Services and Structural Changes in Global Economies:

Kuznets (1966) had said that economic development of a country brings structural changes in the economy. Agricultural economies become industrial and then service dominated. Structural shift from agriculture and manufacturing to services is visible in all countries. Services have replaced agriculture and manufacturing as the major contributor in the GDP. Earlier, in developing countries and least developed countries the major part of GDP came from agriculture and in developed countries the major part of GDP came from manufacturing but since the last two decades the trend is changing in the favour of services both in developing and developed countries. In India this trend started in 1980's though it became visible in 1990's. Services accounted for 70 per cent of world GDP in 2008. For low income countries about half of their

⁶ Bimal Ghosh 1997.

⁷ Bimal Ghosh 1997, World Annual Report, 1998. The list is available in MTN.GNS/W/120.

GDP comes from the services sector and as far as the high income countries are concerned, about three fourth of their income accrues from the services sector (Table 1).

Table 1: Value Added by services as percentage of GDP for the period 1990-2010

	1990	1995	2000	2005	2008	2009	2010
Afghanistan	--	--	--	35	45	45	--
Australia	64	68	70	70	68	--	--
Bangladesh	48	49	49	53	52	53	53
Belgium	67	70	72	75	76	78	--
Bhutan	40	34	36	38	35	37	--
Brazil	53	67	67	65	66	69	68
China	32	33	39	41	42	43	46
Hong Kong China	75	85	88	91	92	93	--
India	44	46	50	53	54	55	55
Japan	58	64	66	68	71	--	--
Maldives	--	75	76	72	76	78	78
Nepal	32	35	37	46	49	52	--
Pakistan	49	50	51	51	53	54	55
Philippines	44	46	52	54	54	55	55
Russian Federation	35	56	56	57	60	62	--
Sri Lanka	48	50	53	58	57	58	60
United Kingdom	64	67	72	76	77	78	--
United States of America	70	72	75	77	77	--	--
Low income	42	43	45	47	50	50	--

countries								
High income countries	65	68	70	72	73	--	--	
South Asia	45	46	50	53	54	55	55	
World	61	65	68	69	70	--	--	

Source: World Development Indicators as on 5th October, 2011.

In India the value addition by the services sector was 55 percent in the year 2010 equal to the average of South Asian nations. If we look at the above table we can see that share of services sector in the GDP has grown over the period for most of the countries and for India as well. In some of the countries the contribution of service sector in GDP in the period 1990 to 2009 has increased by 10% or more. Of the tabulated countries, maximum increase has been found in the case of Russia (27%) followed by Nepal (20%) and Hong Kong (18%). For the world as a whole, the contribution of services to global GDP increased by 9 percent. And regarding India, in 1990 services value addition was 44 percent which increased to 55 percent i.e. by 11% by 2010 and the way India has grown over last decade tells us that this trend is here to stay. Infact, last decade's growth of the Indian economy can be attributed to the growth of services sector.

Table 2: Growth Rate of the Service Sector

	Annual Growth Rate							Average
	1990	1995	2000	2005	2008	2009	2010	1990-2008
Afghanistan	--	--	--	15	--	--	--	--
Australia	5	5	4	3	4	--	--	3.7
Bangladesh	3	5	5	6	6	6	6	4.9
Belgium	3	3	3	2	2	-1	--	2.2
Bhutan	22	4	10	13	8	12	--	9.0
Brazil	-2	6	10	3	5	2	5	3.5

China	2	11	10	12	10	9	9	10.3
Hong Kong China	--	--	--	7	3	-2	7	--
India	5	10	6	11	10	10	9	8.1
Japan	4	3	3	1	-1	--	--	2.1
Maldives	19	9	6	-8	5	0	6	8.3
Nepal	3	6	6	3	9	5	--	5.1
Pakistan	4	5	4	8	6	2	5	5.1
Philippines	5	5	4	6	4	3	7	4.6
Russian Federation	--	-3	8	8	7	-5	--	2.7
Sri Lanka	5	5	7	6	6	3	12	5.7
United Kingdom	1	3	5	3	1	-3	--	3.3
United States of America	3	2	4	4	1	-2	--	3.1
Low income countries	3	4	5	6	7	6	7	4.5
High income countries	3	3	4	3	1	-2	--	2.8
South Asia	5	9	5	10	9	9	9	7.3
World	3	3	5	4	2	-1	--	3.1

Source: World Development Indicators.

Note: -- means 'not available'

Table 2 gives us the growth rates of the service sector for various countries. An interesting fact that comes out is that the growth of service sector is higher in low income countries than in high income countries. This could be because of the high base of service sector in high income countries. Amongst the tabulated countries the highest growth rates for the period 1990-2008

were achieved by China (10.3%), Bhutan (9%), Maldives (8.3%) and India (8.1%), all of them low income countries.

Not only are services emerging as the fastest growing sector but also main employment providing sector of the world economies. And as the structure of the economy has changed, so has the employment structure. Globally, services provided employment to about 38.4 percent of the working population in 1998 and within ten years i.e. in 2008 services sector was providing employment to 44 percent of the working population (Table 3).⁸ Here it is important to note that though service sector is employing a large part of workforce but it is unable to absorb those who are relieved from agriculture sector as most of these people are unskilled or semi-skilled and services require qualified and trained workers in most of the cases.⁹

Table 3: Employment Structure

	Employment in agriculture		Employment in industry		Employment in services	
	1998	2008	1998	2008	1998	2008
World	41.6	34.5	20.0	21.6	38.4	43.8
South Asia	59.4	47.7	15.5	22.2	25.2	30.1

Source: ILO Global Employment Trends Model, 2009.

* 2008 preliminary estimates.

4. Trade in Services:

Services have been traded since long but mostly as complement to merchandise trade such as international finance and maritime transport. Trade in services is quite different from trade in goods as goods can be transferred from one place to another i.e. they can be produced at one place and consumed at another. Services can be transferred as well but in most of the cases are

⁸ We do not have any readily available data for employment structure in India. Latest data on employment were provided by 61st Round of NSSO in the year 2005 but they didn't touch the employment levels for different economic activities.

⁹ Arup Mitra, 2009.

associated with the movement of people. This is because of the basic nature of services which require close proximity of the producer and the consumer. Though we have seen above that with advancement of technology this feature of services has been diluted but still some movement of persons – either of the producer or of the consumer – is required at some stage and this is true for all the four modes of trade in services. Unlike goods, trade in services involves the movement of not only services but also that of consumers (mode 2), service suppliers (mode 4) and capital (mode 3) in the form of FDI. Hence, liberalising trade in services has to deal not only with tariff and non-tariff quotas but also with policies regarding movement of skilled and non-skilled labour and capital.

Trade in services has been increasing over time not only within the territorial boundaries of the countries but also amongst countries. One fifth (19.4%) of total global exports (i.e. merchandise exports + services exports) in 2010 were that of services and since 1997 it has been growing at the compounded annual growth rate of 8.2 percent and if we avoid last two years then the CAGR of service sector for the period 1997 to 2008 comes out to be about 10 percent per annum. It is imperative to note here that the statistics we have of trade in services are underestimated because they include data pertaining to Mode 1 and Mode 2 only and not about services provided through affiliates or through movement of natural persons i.e. Mode 3 and Mode 4. Foreign direct investment has also shifted markedly towards service sector from manufacturing sector. Since 2002 60% of FDI has taken place in services sector¹⁰. Increasingly developing countries are benefiting from the growth in business outsourcing and exporting such commercial services direct to developed countries.

Over time not only contribution of services has increased in GDP but also that of trade in services for most of the countries, as is visible from the table 4. In Hong Kong, in 2008, 92% of value addition in GDP was from service sector and trade in services contributed 65% to GDP. In Maldives also, in 2008, services added value upto 76% of the GDP and trade in services contributed 85%. As far as India is concerned, 54% of GDP accrued from service sector but trade in services contributed just 16%. The reason behind this could be that most of the services are consumed in the country itself or may be our services are not competitive at international level or may be we are unable to market our services properly or may be the lack of adequate

¹⁰ Rashmi Banga, Critical Issues in India's Service-Led Growth, pp 1.

infrastructure. This fact highlights the scope of further growth of trade in services in India. It can also be noted from table 4 that trade in services has declined for many countries in the year 2009 because of the global financial crisis and has recovered in 2010.

Table 4: Trade in services (% in GDP)

	1990	1995	2000	2005	2008	2009	2010
Afghanistan	..	..	..	..	..	..	..
Australia	8	9	9	9	9	..	..
Bangladesh	4	6	5	6	7	6	7
Belgium	27	24	39	28	34	34	35
Bhutan	..	..	..	..	..	..	..
Brazil	2	3	4	5	5	5	5
China	3	6	6	7	7	6	6
Hong Kong SAR, China	..	..	39	55	65	62	70
India	3	5	8	12	16	13	14
Japan	4	4	4	5	7	6	5
Maldives	65	78	73	71	85	72	73
Nepal	10	23	13	10	13	12	10
Pakistan	9	8	5	10	9	7	8
Philippines	11	22	11	10	11	12	12
Russian Federation	..	8	10	8	8	8	8
Sri Lanka	13	15	16	15	12	10	11
United Kingdom	10	13	15	16	19	19	18
United States of	5	5	5	5	7	6	6

America							
High income	8	8	10	11	13	13	13
Low income	10	13	11	13	15	13	..
South Asia	4	6	8	12	15	12	13
World	8	8	9	11	12	12	11

Source: World Development Indicators.

Note: .. means 'not available'

It would be of interest to compare the growth rates of merchandise exports and service exports. The growth rate of global trade in commercial services was in sync with growth rate of merchandise trade since 1990 as seen in Table 5. Though there have been differences in their growth rates on annual basis but in the long run i.e. since 1990 till date their growth rates are at par.

Table 5: Annual % change in World Merchandise and Services Exports and Imports from 1990 – 2008

	Merchandise		Commercial Services	
	Exports	Imports	Exports	Imports
1990-2000	6	6	7	6
2000-05	10	10	10	10
2005-10	8	7	8	8
2006	16	15	13	12
2007	16	15	20	19
2008	15	16	13	14
2009	-23	-23	-12	-11
2010	22	21	8	9

Source: WTO Press Releases for various years.

It is imperative to note that trade in services is till date dominated by developed countries though a few developing countries are making an effort to make a mark in this sector. Prominent among them are China and India. Though their share in world trade in services is still less, and miniscule in comparison to their size and as percentage of GDP, but the growth rate of trade in services is high.

Table 6: Leading exporters and importers in world trade in commercial services, 2010.

Rank 2000	Rank 2010	Exporters	Value \$ bn	Share %	Annual % change	Rank 2000	Rank 2010	Importers	Value \$ bn	Share %	Annual % change
(1)	1	United States	515	14.1	8	(1)	1	United States	358	10.2	7
(4)	2	Germany	230	6.3	2	(2)	2	Germany	256	7.3	1
(2)	3	United Kingdom	227	6.2	0	(10)	3	China a	192	5.5	22
(12)	4	China a	170	4.6	32	(4)	4	United Kingdom	156	4.5	-1
(3)	5	France	140	3.8	-1	(3)	5	Japan	155	4.4	6
(5)	6	Japan	138	3.8	9	(5)	6	France	126	3.6	0
(7)	7	Spain	121	3.3	-1	(19)	7	India	117	3.3	--
(15)	8	Singapore	112	3.0	20	(7)	8	Netherlands	109	3.1	1
(8)	9	Netherlands	111	3.0	0	(6)	9	Italy	108	3.1	1
(22)	10	India	110	3.0	--	(14)	10	Ireland	106	3.0	2
(9)	11	Hong Kong, China	108	2.9	25	(18)	11	Singapore	96	2.7	21

(6)	12	Italy	97	2.6	3	(11)	12	Korea, Republic of	93	2.7	17
(23)	13	Ireland	95	2.6	3	(8)	13	Canada	89	2.6	15
(14)	14	Korea, Republic of	82	2.2	13	(12)	14	Spain	86	2.4	-1
(10)	15	Belgium	81	2.2	2	(9)	15	Belgium	76	2.2	4
(16)	16	Switzerland	76	2.1	6	(23)	16	Russian Federation	70	2.0	18
(10)	17	Luxembourg	68	1.9	13	(26)	17	Brazil	60	1.7	35
(11)	18	Canada	66	1.8	15	(15)	18	Hong Kong, China	51	1.5	15
(19)	19	Sweden	64	1.7	9	(22)	19	Australia	50	1.4	22
(17)	20	Denmark	58	1.6	7	(32)	20	Saudi Arabia b	49	1.4	--
(13)	21	Austria	53	1.5	-1	(21)	21	Denmark	49	1.4	-1
(21)	22	Australia	48	1.3	17	(17)	22	Sweden	48	1.4	6
(31)	23	Russian Federation	44	1.2	6	(28)	23	Thailand	45	1.3	21
(18)	24	Taipei, Chinese	41	1.1	29	(20)	24	United Arab Emirates b	42	1.2	--
(24)	25	Norway	40	1.1	5	(29)	25	Norway	41	1.2	12
(29)	26	Greece	37	1.0	-1	(27)	26	Switzerland	38	1.1	-1
(28)	27	Thailand	34	0.9	15	(9)	27	Luxembourg	38	1.1	8
(20)	28	Turkey	33	0.9	0	(16)	28	Taipei,	37	1.1	28

								Chinese			
(26)	29	Malaysia	33	0.9	13	(13)	29	Austria	36	1.0	-2
(32)	30	Poland	32	0.9	11	(30)	30	Indonesia	33	0.9	18
		Total of above	3064	83.6	..			Total of above	2810	80.2	-
		World	3665	100.0	8			World	3505	100.0	9

a Preliminary estimate.

b Secretariat estimate.

Note: Figures for a number of countries and territories have been estimated by the Secretariat. Annual percentage changes and rankings are affected by continuity breaks in the series for a large number of economies, and by limitations in cross-country comparability. See the Metadata.

Source: WTO Press releases, Press/628, 7 April 2011, **World Trade 2010, Prospects For 2011**, Trade growth to ease in 2011 but despite 2010 record surge, crisis hangover persists, WTO Annual Report 2011, Press/249, **19 October 2011**, “World trade slows sharply in 2011 amid the uncertain international situation”.

To have a glimpse of the share of countries in global exports and imports of services and their ranking, let us have a look at Table 6. We can see from the table that amongst first 10 leading exporters and importers in world trade in services there are only 2 developing countries – China and India. Both China and India have improved their ranking as both leading exporters and leading importers in services trade. As an exporter India has moved from 22nd position in 2000 to 10th in 2010. As an importer also, India has improved her position from 19th to 7th in the ten years from 2000 to 2010. It is interesting to note that since 1997 the share of top 30 exporters and importers has been more than 80% of the world trade in commercial services – in 2010 this share was 83.6% in case of exports and 80.2% in case of imports. And if we look at the share of 40 leading exporters and importers in total global trade of commercial services, it comes out to be near 90% - in 2010 this share was 89.8% in case of exports and 86.7% in case of imports. Ten years back i.e. in 2000, the share of 40 leading exporters and importers was 92% and 91.3%

respectively. Thus, we can see, that little has changed regarding the dominance of a few countries in trade in commercial services.

United States of America is the largest exporter and importer of commercial services since long. Share of USA alone is 14.1% in world's exports and 10.2% in world's imports of commercial services. USA, UK and Germany have occupied the top slots as exporter and importers since 2003. But in the year 2010 China has displaced United Kingdom as the third largest importer. The list of top 30 exporters and importers has contained the same countries over the period with only two new entries in both the lists. Only the ranking has changed over the ten years but the list has remained almost the same. India now exports 3.0% and imports 3.3% of world's commercial services. Though her share in world trade of commercial services is still less when seen in context with her size and the size of GDP, but with high growth rate of trade in services India is likely to improve her rank and share in global trade of commercial services in future as well.

Table 7 and 8 give us time series data for both exports and imports for the World and India. Column depicting 'value' for both of them shows that there has been steady growth in the trade of commercial services over time though some of this growth could be credited to rise in prices. In 2010, the total value of world exports of commercial services was US \$ 3.66 trillion. The value of both global exports and imports has almost tripled in the 14 years from 1997 to 2010. As far as India is concerned her growth rate was even higher. Her exports increased twelve fold i.e. 1122% over the corresponding period (80% per annum in the period 1997-2010) and imports ten times i.e. 875% over the said 14 years (62.5% per annum in the period 1997-2010).

Table 7: Exports of commercial services of the world and India

	World		Rank	India		
	Value bn \$	% change per annum		Value bn \$	Share	% change per annum
1997	1307	4	a	9	n.a.	24
1998	1340	0	26	11	n.a.	24
1999	1394	1.5	24	14	1	19

2000	1480	6	22	16	1.2	26
2001	1483.5	-1	20	16.8	1.4	19
2002	1595	6	21	19	1.3	12
2003	1832	15	20	23.6	1.4	21
2004	2220	20	22	38	1.3	66
2005	2483	12	10	55.5	2.8	76
2006	2810	13	10	75	2.7	35
2007	3351	19	11	91.8	2.7	22
2008	3730	11	9	106	2.8	--
2009	3310	-13	12	86	2.6	--
2010	3665	8	10	110	3.0	--

a – India wasn't among first 25 exporters.

Source: WTO Annual Reports and WTO Press Reports from 1998 till date.

Table 8: Imports of Commercial Services of the World and India

	World		Rank	India		
	Value bn \$	% change per annum		Value bn \$	Share	% change per annum
1997	1281	3	a	12	n.a.	12
1998	1312	0.5	25	14	n.a.	16
1999	1361.6	2.5	20	17	1.3	22
2000	1450	6	19	19	1.4	15
2001	1470	-1	15	19.8	1.7	16

2002	1557	5	27	20.8	1.0	-2
2003	1781	14	23	24.7	1.1	23
2004	2119	19	15	35.3	1.8	53
2005	2353	11	10	47.5	2.9	73
2006	2633	12	12	63	2.7	33
2007	3119	18	13	77.6	2.6	23
2008	3470	11	12	91	2.6	--
2009	3115	-12	12	74	2.4	--
2010	3505	9	7	117	3.3	--

a – India wasn't among first 25 importers.

Source: WTO Annual Reports and WTO Press Reports from 1998 till date.

Also, India has, over the period improved her ranking as leading exporter and importer in commercial services. India was not even in the list of top 25 exporters and importers in 1997 but by 2010 she was the 10th largest exporter and 7th largest importer of commercial services. If we read both table 7 and 8 together, we find that till 2003 India's imports of services were higher than exports but since then our exports have increased and are more than imports of services.

Countries with size smaller than India's states have much larger share in world trade of commercial services. Compared to them the share of India is miniscule but the positive thing is that their share is increasing over time. India's share was just 1% of world's exports and 1.3% of world's imports in 1999 but it increased to 3% of world's exports and 3.3% of world's imports in 2010. This became possible because India had annual growth rates much higher than that of the world.

5. Regional Distribution of Trade:

As noted above that trade in services is dominated by few developed countries. We will have a look at Table 9 to know the facts.

As is clear from the table 9, 63.4 percent of exports and 56.3 percent of imports of commercial services can be attributed to North America and Europe. Only USA has 86 percent share in North America. Of the remaining regions Asia is the only other region which has some share in trade in services. Asia exports 26.3 percent and imports 27.4 percent of commercial services. But in Asia also, most of the exports can be attributed to just six countries – China, Japan, India, Singapore, Republic of Korea and Hong Kong, China. These countries account for 74.8 percent of exports and 73.3 percent of imports of commercial services. China, Japan, and India alone account for 43.4 percent of Asian exports of commercial services. In Africa also, just three countries – Egypt, South Africa and Morocco account for 58 percent of exports of commercial services. In short, North America, Europe and Asia amongst them have 90 percent hold on exports and 84 percent hold on imports of commercial services. Other regions mean very little in the world of trade in services.

Table 9: World exports of commercial services by region and selected country, 2010, \$bn and %

	Exports					Imports				
	Value	Annual % change				Value	Annual % change			
	2010	2005-2010	2008	2009	2010	2010	2005-2010	2008	2009	2010
World	3665	8	13	-12	8	3505	8	14	-11	9
North America	599	7	9	-8	9	471	6	9	-9	9
United States	515	8	10	-7	8	358	6	9	-8	7
South and Central America	111	10	15	-8	11	135	14	21	-9	23
Brazil	30	15	27	-9	15	60	22	28	-1	35
Europe	1724	6	12	-14	2	1504	6	12	-13	1

European Union (27)	1553	6	11	-15	2	1394	5	12	-13	1
Germany	230	7	15	-12	2	256	4	11	-12	1
United Kingdom	227	2	0	-19	0	156	0	-1	-19	-1
France	140	3	12	-14	-1	126	3	9	-10	0
Netherlands	111	4	13	-9	0	109	5	14	-3	1
Spain	121	5	12	-14	-1	85	5	9	-17	-1
Commonwealth of Independent States (CIS)	78	14	27	-17	10	105	12	26	-19	14
Russian Federation	44	12	30	-19	6	70	13	30	-20	18
Ukraine	16	12	27	-23	20	11	10	43	-30	0
Africa	86	9	14	-9	11	141	14	30	-12	12
Egypt	24	10	25	-14	12	13	6	25	-22	-1
South Africa	14	5	-8	-6	21	18	9	2	-13	25
Morocco	12	10	12	-7	1	6	14	24	-6	15
Middle East	103	--	--	-3	9	185	--	--	-8	9
Israel	24	7	15	-10	11	17	5	13	-14	3
Asia	963	12	16	-11	21	961	11	16	-10	20
China b	170	18	20	-12	32	192	18	22	0	22
Japan	138	6	15	-14	9	155	5	13	-12	6
India	110	--	20	-13	--	117	--	25	-9	--
Singapore	112	15	17	-6	20	96	12	17	-9	21
Korea, Republic of	82	11	25	-19	13	93	10	14	-17	17

Hong Kong, China	108	11	9	-6	25	51	9	11	-5	15
Australia	48	9	12	-8	17	50	11	21	-15	22
Memorandum item										
EU (27) extra-trade	684	7	12	-14	5	598	7	16	-13	6

a Includes the Caribbean. For composition of groups see Chapter IV Metadata of WTO International Trade Statistics, 2010.

b Preliminary estimate.

Note: While provisional full year data were available in early March for 50 economies accounting for more than two thirds of world commercial services trade, estimates for most other countries are based on data for the first three quarters.

Source: WTO Press releases, Press/628, 7 April 2011, **World Trade 2010, Prospects For 2011**, Trade growth to ease in 2011 but despite 2010 record surge, crisis hangover persists.

6. Conclusion:

We have seen above how crucial services have become for our economies. We have producer services, knowledge based services and infrastructural services and the growth of all of them is crucial to the growth of the country. Services with their forward and backward linkages influence the growth of other sectors of the economy.

Production and trade of services has been growing by leaps and bounds throughout the world and this sector is emerging as a very strong growth propeller in developing countries like India. Till date not much progress has been made under GATS to open and liberalise the service sector. Still many countries are unilaterally liberalising their services and our engaging in making regional agreements if not multilateral or plurilateral. Why is it so? We have also seen that in the last decade and a half the stature of both China and India is rising in the international arena and one of the reasons is their rapid rate of growth in GDP and service sector. Hence, service sector is of immense importance to both the countries. Rather, because of certain factors India has a certain edge over China as far as trade in services is concerned though China has an edge in

manufacturing sector. If service sector is of such importance to India then we must look into the ways and means of increasing the growth rate of this sector and must try to reduce the domestic and international hurdles in its growth. For that we will have to find out the real barriers to the growth of the sector and then must try to find out some possible solutions to overcome those barriers.

Also, the 'Rules of the Game' for international trade in services are still in the formative stage. Developing countries can develop and strengthen their comparative advantage in this area only if they are able to properly understand the present WTO provisions on trade in services, bargain for more favourable rules and regulations and remove domestic impediments in the growth of services.

India is in a growth mode and must try to take benefit of her potential in service sector. For this she will have to identify strategies to create, develop and strengthen India's comparative advantage in specific services in the light of current WTO provisions.

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