

# Trade in Services in Africa



## *Framework Report*

tralac Special Report  
No. S15SR01/2015 | November 2015



This publication has been financed by The Swedish Embassy Nairobi. The Swedish Embassy Nairobi does not necessarily share the views expressed in this material. Responsibility for its contents rests entirely with the author.

Copyright © tralac, 2015

[www.tralac.org](http://www.tralac.org) | [info@tralac.org](mailto:info@tralac.org) | Twitter @tradelawcentre



# Trade in Services: *Framework Report*

---

*By John Stuart*

## Introduction

The services sector has surpassed the primary and secondary sectors in industrialised countries, as a share of GDP. The same trend has been observed in trade among industrialised countries, with trade in services observed as a rising share of world trade. For Africa, considerable opportunities exist, since the pattern of trade in Africa has been shifting too away from primary and secondary production to services. Development of service sectors, besides the input into the domestic economy, also enable a country to begin to participate in global value chains (GVCs). These GVCs are an example of an efficiency-raising economic activity due to production process fragmentation and specialisation (see Conde *et al* (pp 71-85), in World Economic Forum, 2015).

Whilst this holds benefits, there are at several issues related to this that are not immediately obvious and need to be understood:

- The ultimate indicator of the extent of tradability of a service sector is not shown so much by the directly-observed value of trade, but rather by its contribution to the *value added* to all traded sectors. Another way to express this is to say that the true extent of a traded service is the extent to which value created by it is ‘embodied’ in physical goods traded. As will be seen, this value-add contribution by services usually exceeds the direct value of the service that is traded.
- By implication then, the true extent of trade barriers to services trade needs to be assessed by reference to the extent of trade barriers against the goods in which the service’s output is embodied.
- Furthermore, the true extent of trade barriers to services trade also needs to reference the domestic regulatory environment of the service itself and any strongly linked sectors. For example, IT services are usually strongly backward linked to communication services. This means that IT services, such as messaging and email, require communications services to enable them. If communications services are strongly regulated, this will entail a trade barrier to trade in IT services. Understanding the linkages between sectors is therefore very important in understanding the true nature of trade barriers when it comes to services trade.

This paper is intended to contribute to the understanding of the true nature of services trade in Africa through presenting as much as possible of the available data in graphic and tabular format. The emphasis is on making the data accessible and the patterns understandable to non-data specialists. Data will be presented for the whole of Africa, as well as the following seven service sectors:

- Financial services
- Construction
- Transport
- Information and Communication Technology (ICT) services
- Energy
- Trade/Distribution
- Business Services\*

The data draws on various datasets, some of which are classified according to the balance of payments standard BPM6, and some of which are classified according to the international standard industrial classification (ISIC). These classifications are unfortunately not completely consistent, and therefore the sources and classifications of the data will be made explicit in the text.

\* Furthermore, in the case of the Business Services sector, data is drawn from sources for which the classification of the service is not entirely consistent. This is indicated in the caption to each diagram, where the source and classification basis is provided.

The report will analyse trade for each sector in terms of the following dimensions:

- Definition
- Overview: main African exporters and importers for mode 1 and 2 trade; value chain characteristics (i.e. forward vs backward emphasis); services trade restrictions indices where available
- An indicator of mode 3 trade for available sectors using Foreign Affiliates Statistics (FATS) on employment by sector and country. Data on employment is more widely available than any other indicator, for the country set, and it serves as a proxy for economic activity
- Bilateral trade: graphic presentation of main trade flows within Africa for each sector
- Value chain mapping: graphic representation of the main forward and backward linkages to each sector's contribution to exports.

This paper presents aggregated Africa data on these sectors, but various data-only sectoral reports have also been prepared, which look at the same data and relationships in more detail. These data reports compare between and within African regional economic communities (RECs), allowing individual country and REC relationships to be analysed (Stuart, 2015).

Whilst every effort has been made to present accurate and up to date data, it has to be noted that services trade, FATS and restrictions data for Africa is unfortunately incomplete. Therefore in some cases, a small or zero value for any variable could indicate lack of availability as much as the true value of the variable. By using the best available datasets, however, we believe that the report still provides a valuable insight into the patterns of services trade within Africa, and look forward to improved and widened data collection for these sectors in future.

### How to use this report

This is a graphic-intensive report containing 62 figures describing a range of data on services trade in Africa. The purpose of this report is to provide an easy reference to the non-quantitative specialist to services trade in Africa. Due to the repetition of graph types, definitions and explanations for a graph, figure or representation will not be repeated after being initially defined. After having been defined, the figures are self-explanatory and the narrative will be restricted to pointing out salient detail.

Much use is made of 'proportional bubbles' where the size of a bubble on a map indicates the magnitude of a particular variable. This type of bubble diagram is not able to be fully proportional, so that it is best suited to showing the leading players rather than the very small operators. For detailed data on relative magnitudes, please refer to the individual sectoral Trade in Services (TIS) reports (Stuart, 2015).

## Overview

Figure 1 provides an overview of *total* services trade in Africa. As can be seen, intra-African trade is only a fraction of trade between African and the rest of the world. Within Africa the main hubs – those countries responsible for most of the importing and exporting activity – are South Africa, Nigeria and Egypt.

The export value added (EVA) score measures how forwardly-focussed a sector is. The service sectors usually are forward-focussed, i.e., a greater proportion of their output is input into other sector's exports rather than being exported directly. An EVA of 2 means that the value of the sector that is an input into the exports of another sector is twice the value of the sector that is directly exported.

The trade restrictions score indicates the extent of barriers to trade in the particular sector for the particular country. The overall score is an index of all the sectoral scores. Trade restrictions amount to regulatory mechanisms requiring compliance costs and involving barriers to entry.

Figure 1: Africa Total Services Trade - Summary Infographic

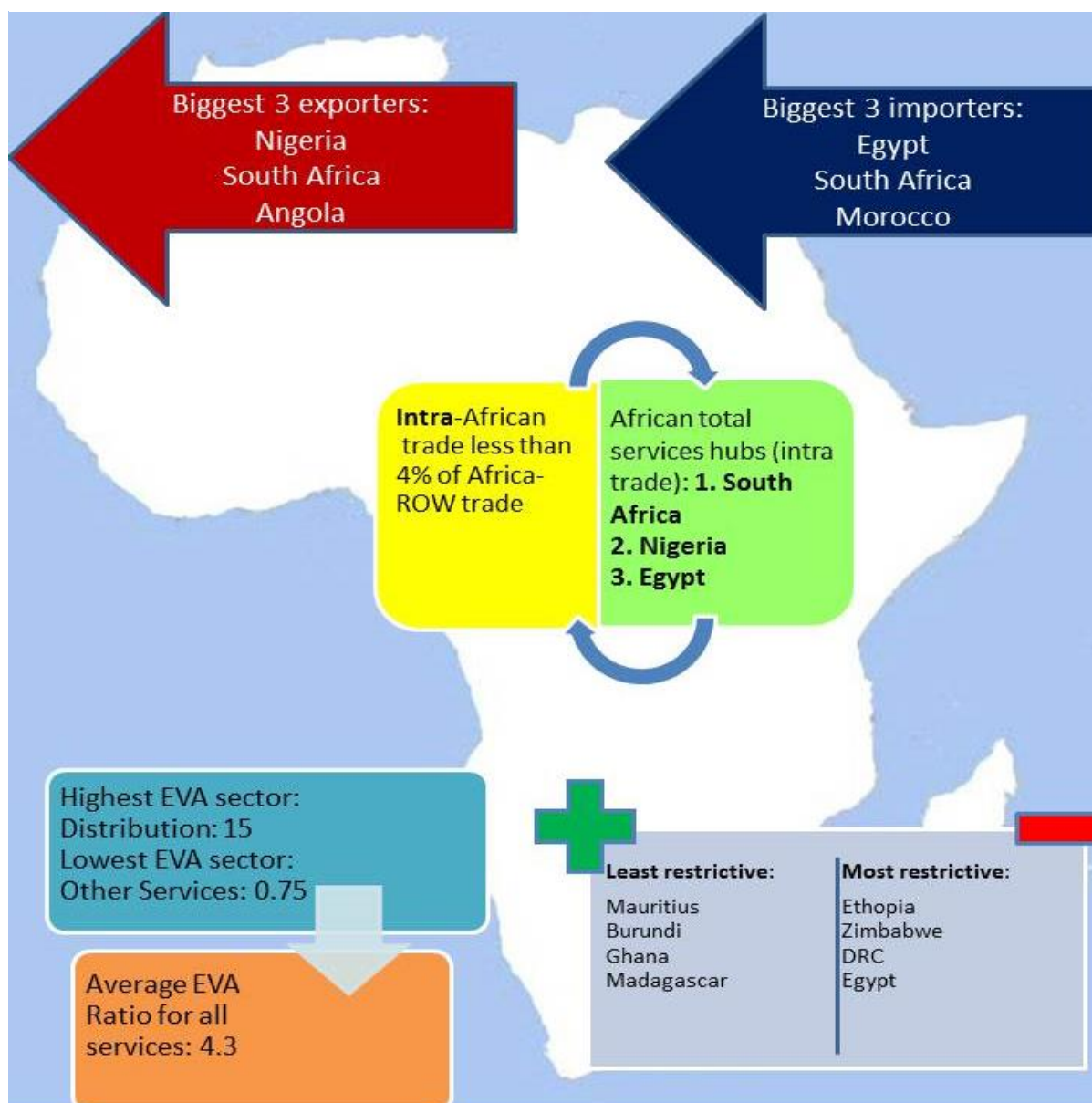
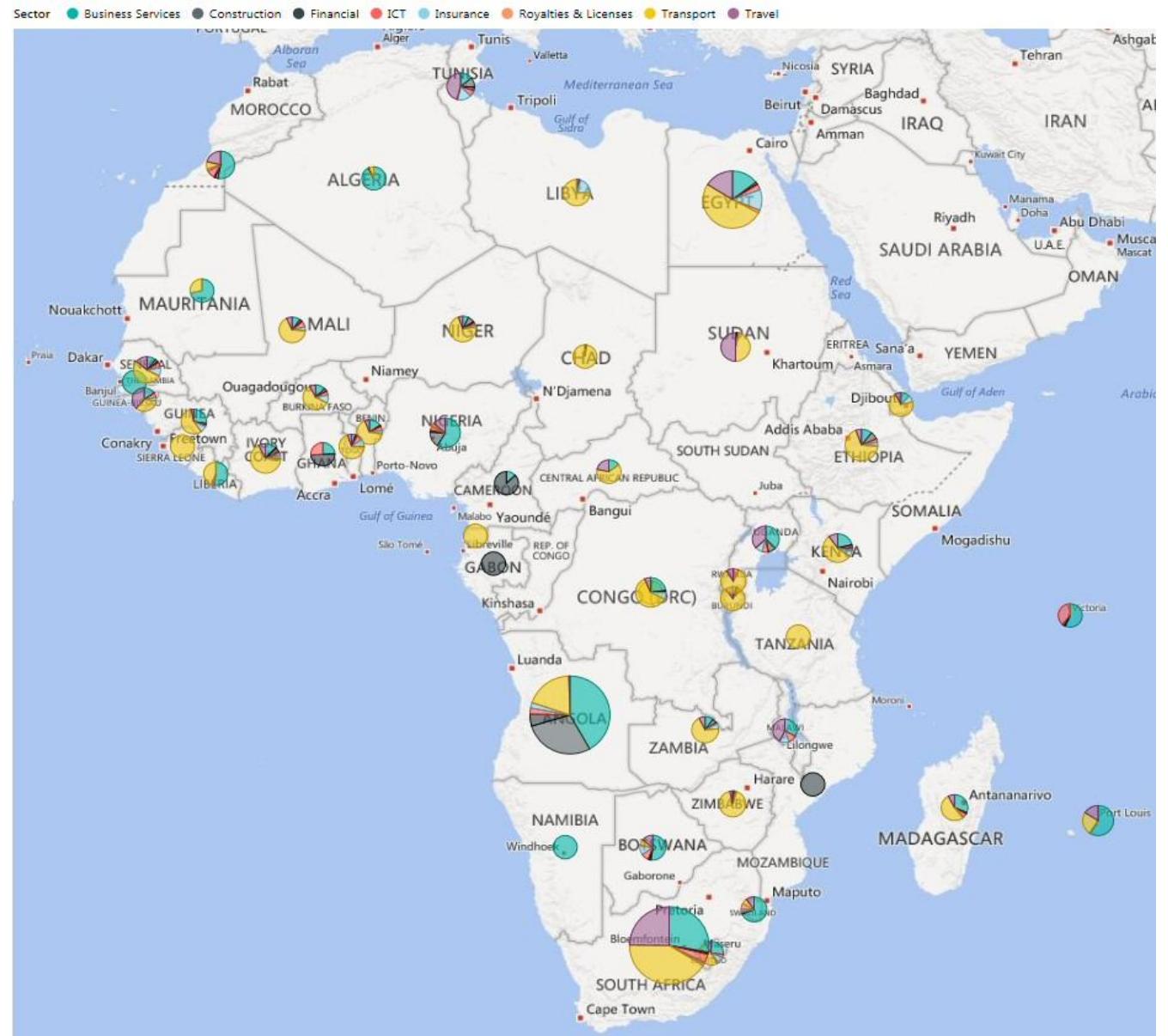




Figure 2: All Africa Services Exports by Sector Proportional Pie Chart (Data Source: World Bank, Basis: BPM6, Year: 2011)



## Multilateral Trade

The following two figures show (multilateral) exports and imports of services for all of Africa, split into pie charts for every country.

As is evident, the main exporters of services are South Africa, Angola and Egypt. The most import service export sector is construction services.

These figures include trade between Africa and the rest of the world.

**Figure 3: All Africa Services Imports by Sector Proportional Pie Chart (Data Source: World Bank, Basis: BPM6, Year: 2011)**

In the case of imports, the main importing nations are Egypt and South Africa. The main imports are travel services but transport and business services are also important.

### Trade levels comparisons

Figure 4 overleaf compares total services trade for Africa and two other developed trading zones. Africa's services trade is small compared with these other zones, as would be expected of a developing country.

### Trade restrictions and EVA

Figure 5 shows aggregate services trade restrictions for a set of African countries and Figure 6 shows the EVA scores for set of sectors, both service sectors as well as primary and secondary sectors. As can be seen, the top eight sectors are all service sectors.

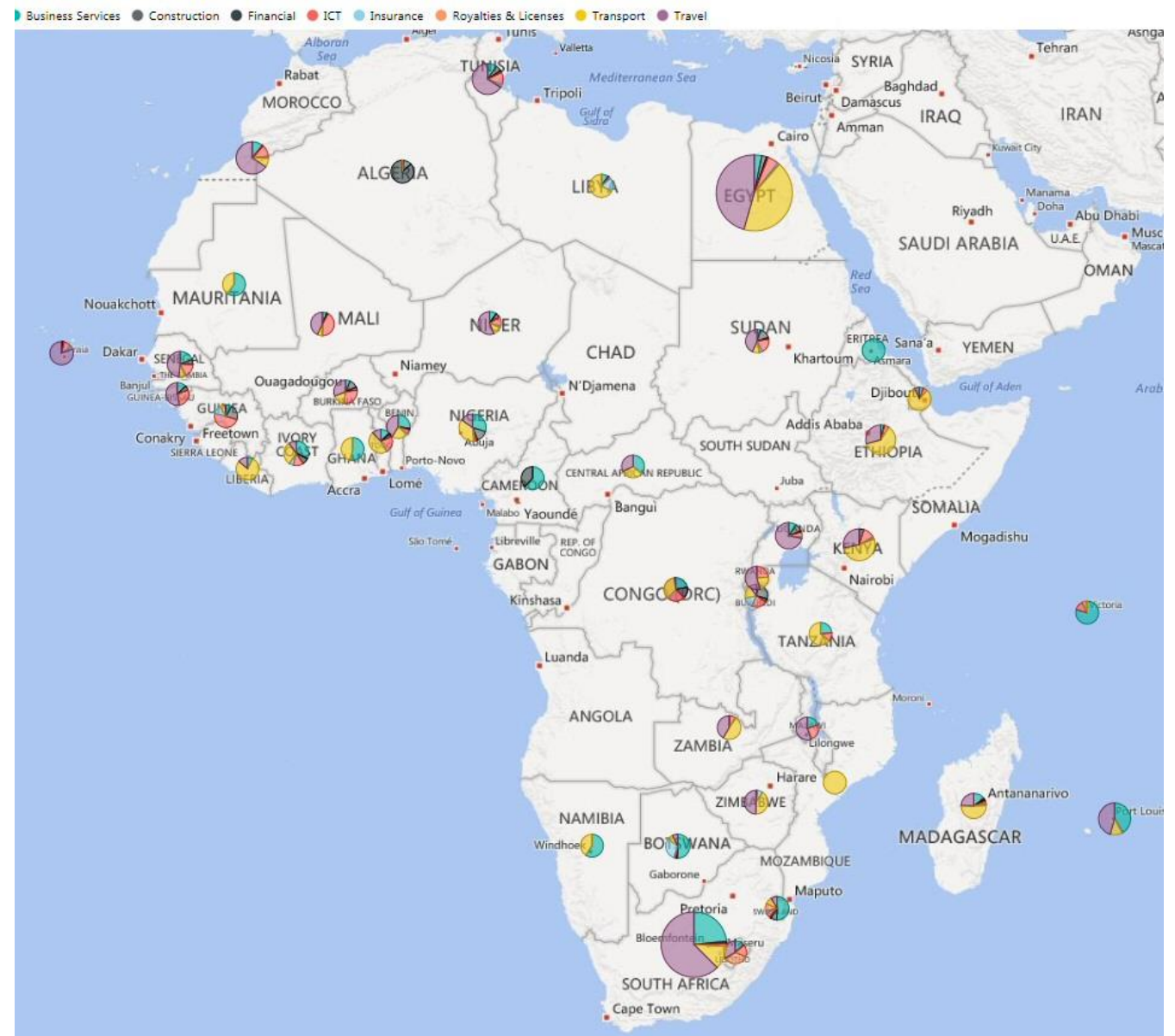


Figure 4: All Africa Services Trade vs East Asia and Europe (Data Source: GTAP, Basis: ISIC rev3, Year: 2007)

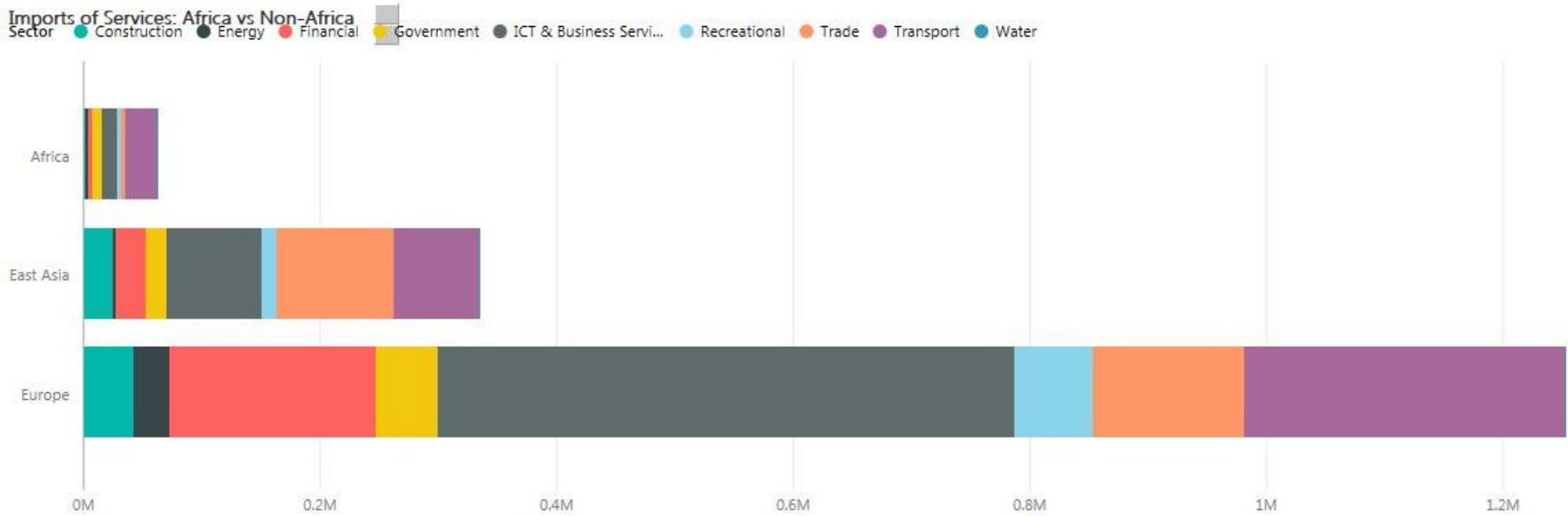




Figure 5: Aggregate Services Trade Restrictions for Africa Indices (Data Source: World Bank, Year: 2010)

# Services Trade Restrictions Indices

Score by Country

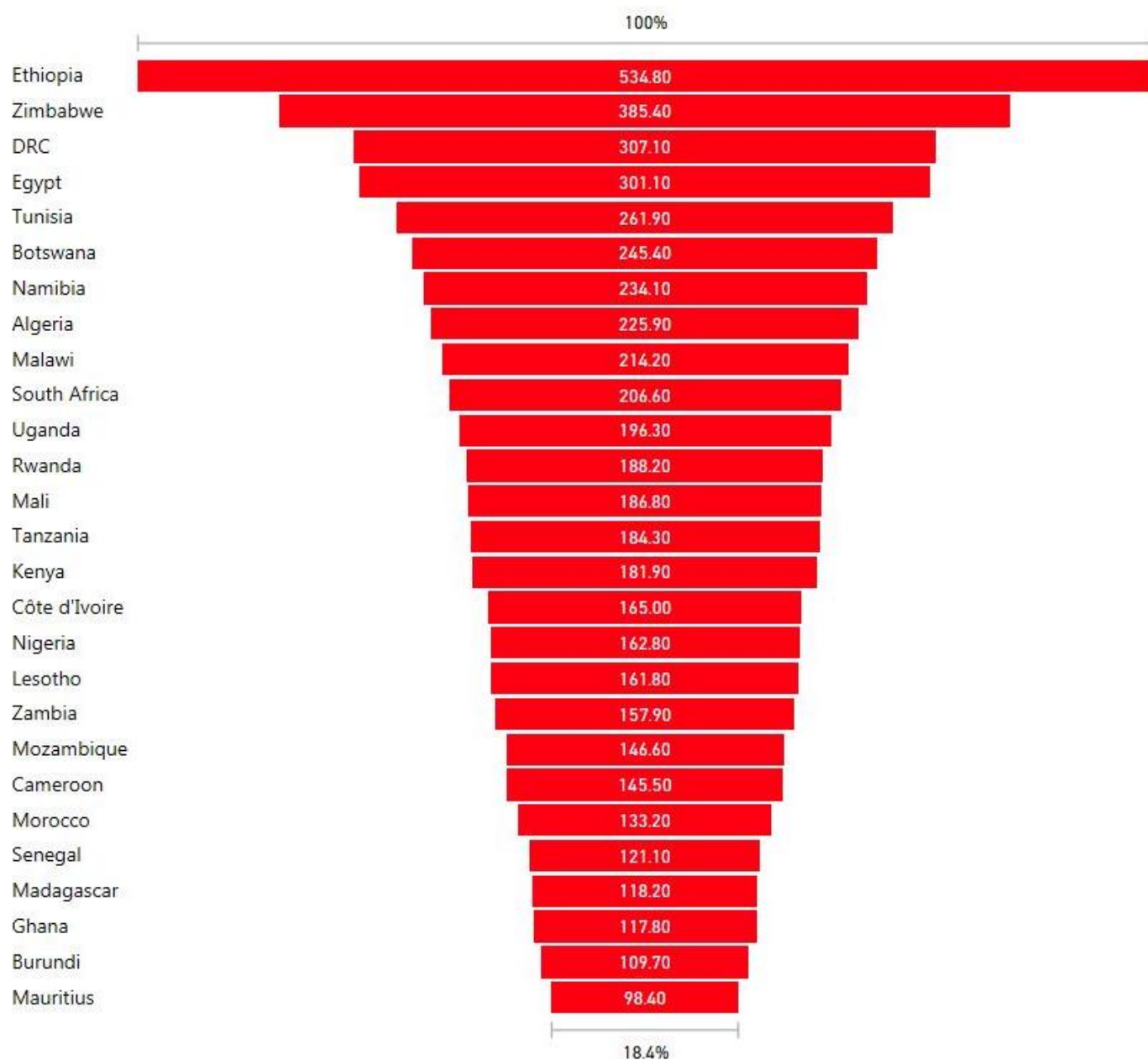
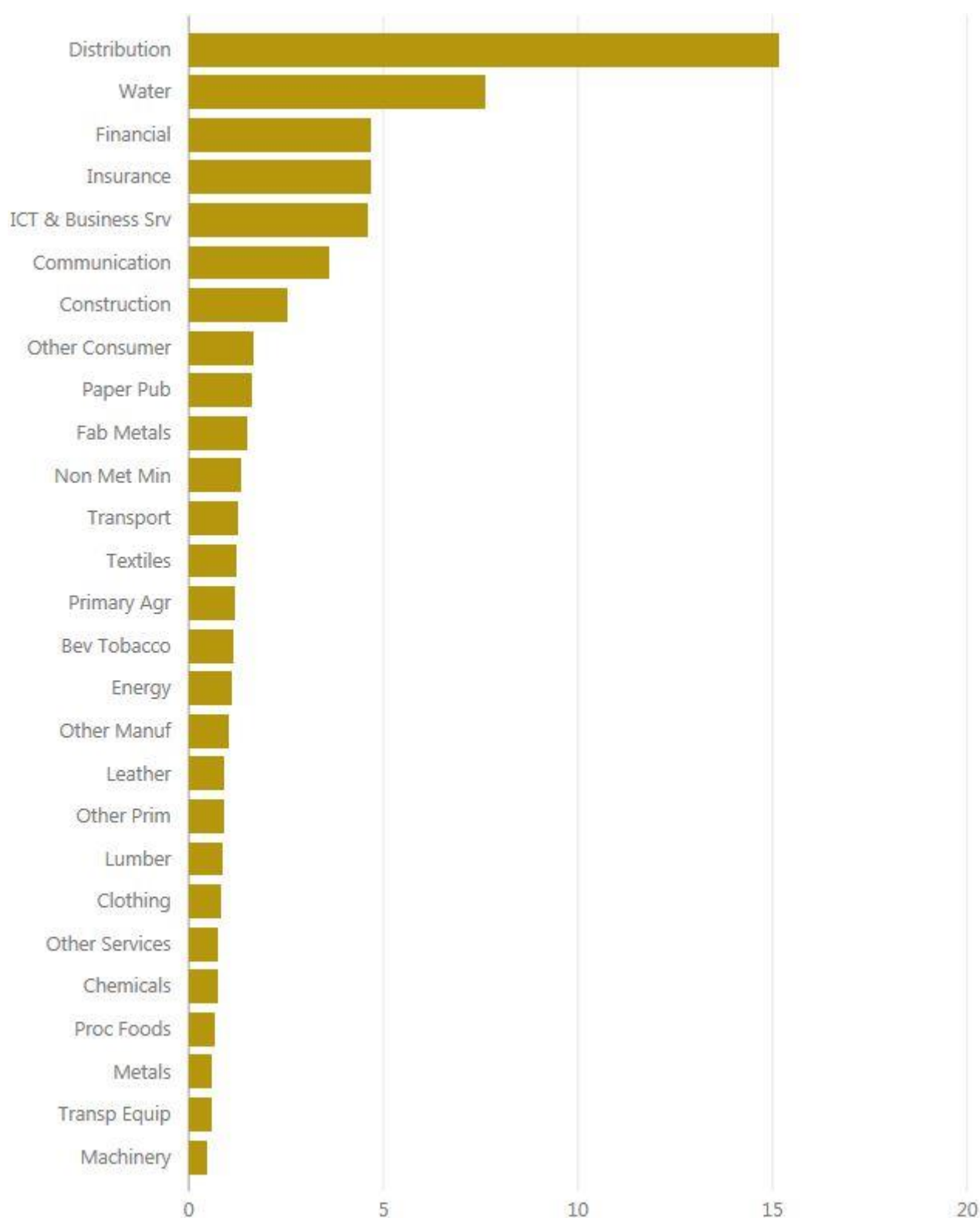


Figure 6: Ratio of Forward to Backward Value Added for Africa, for Indicated Sector (Source: Derived from World Bank EVA Database, Basis: ISIC Rev3, Year: 2011)



## FATS

‘Foreign Affiliates Statistics’ (FATS) here are *inward* statistics on the economic activity of the African subsidiaries of firms in OECD and other developed nations. This information is reported back to the head offices of these enterprises and is classified according to a sectoral breakdown that is not necessarily fully consistent with the industry classification.

FATS data is important because it is the main available indicator of *mode 3* services trade between nations. This is defined as trade between nations where a foreign affiliate conducts trade within a nation, rather than the holding company selling the services directly to the foreign country, leading to a Balance of Payments (BOP) event.

Given the paucity of FATS data for all Africa, whereas it would be preferable to use the value for turnover or value-added as an indicator of FATS economic activity, we are limited to using *employment* numbers as a proxy for economic activity. However this biases the measurement toward labour-intensive industries such as trade/distribution and away from capital intensive industries such as construction.

Figure 7 shows proportional pie charts for a set of African countries showing the split between sectors and also the magnitude of the sector’s activity.

Figure 7: All Africa FATS by Sector – Proportional Pie Chart (Data Source: Investment Map, Basis: ISIC Rev3, Year: 2011)

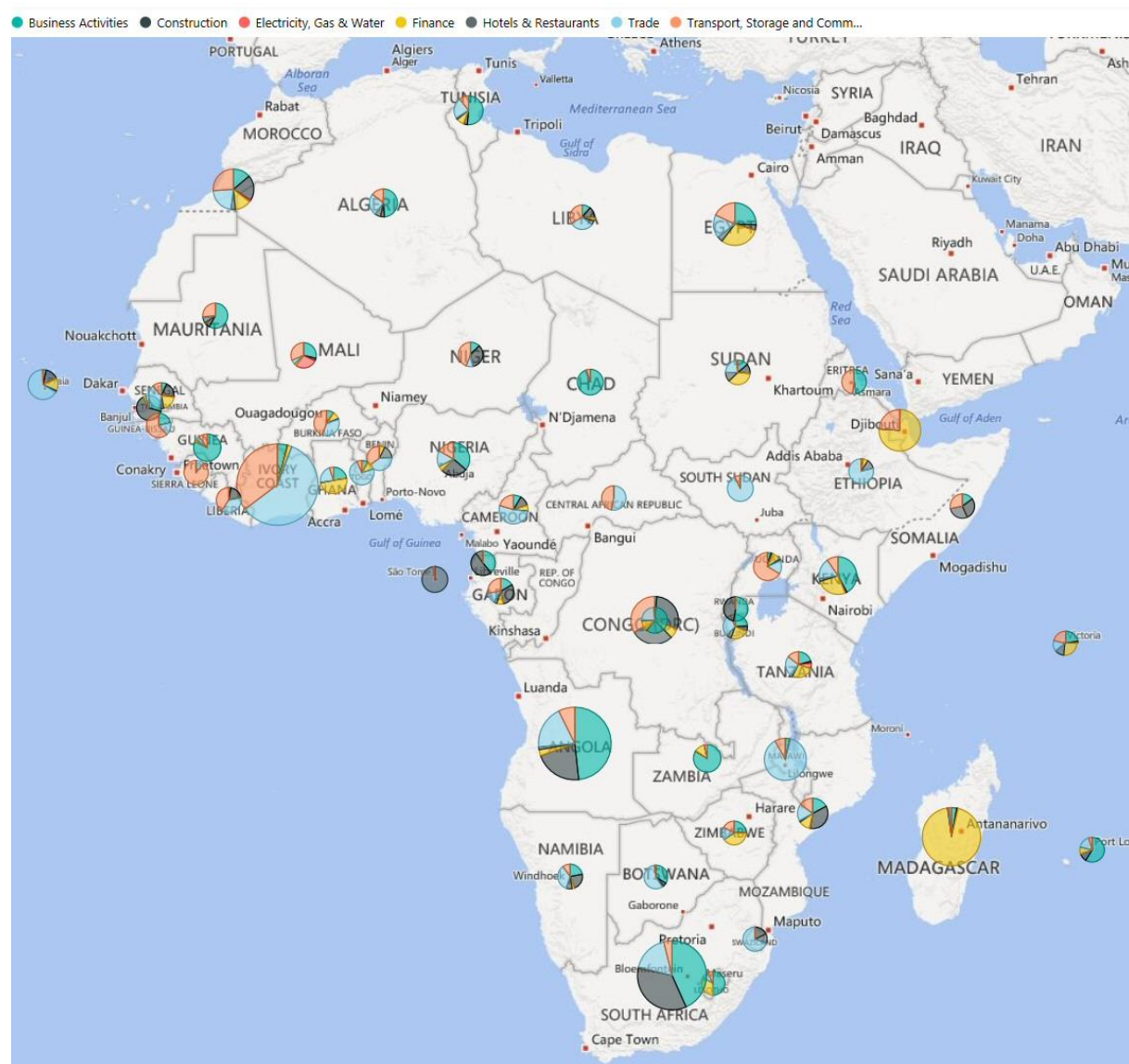
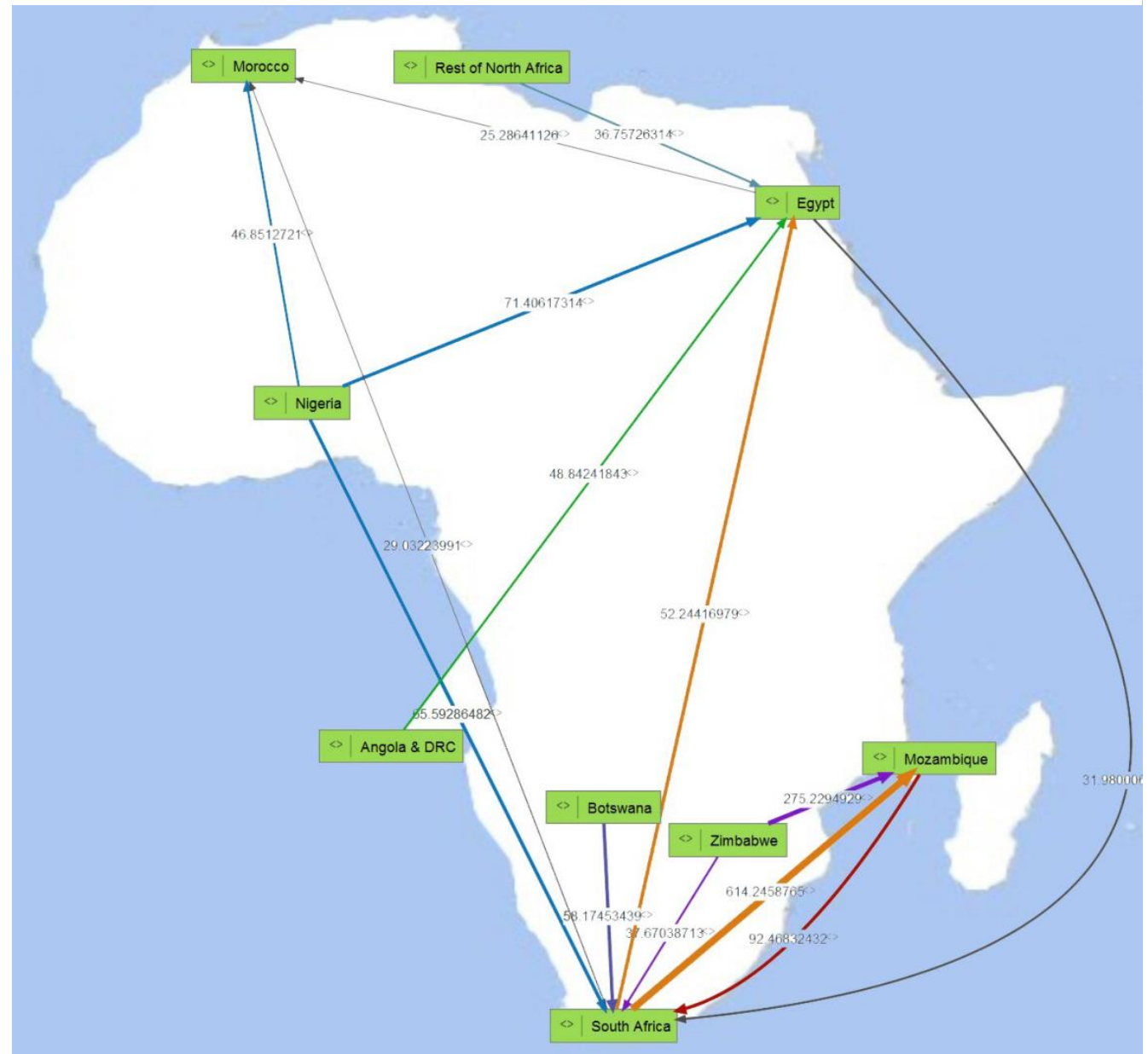


Figure 8: Africa - Total Bilateral Service Trade - Main Players (Data Source: GTAP, Basis: ISIC rev3, Year: 2007)

## Bilateral trade

Figure 8 shows bilateral trade flows for services in total (aggregated) for Africa. Figures such as this are helpful in determining the direction of trade and for identifying the service trade hubs. It should be noted, though, that this intra-African trade is only a fraction of the total trade in services undertaken by African countries.



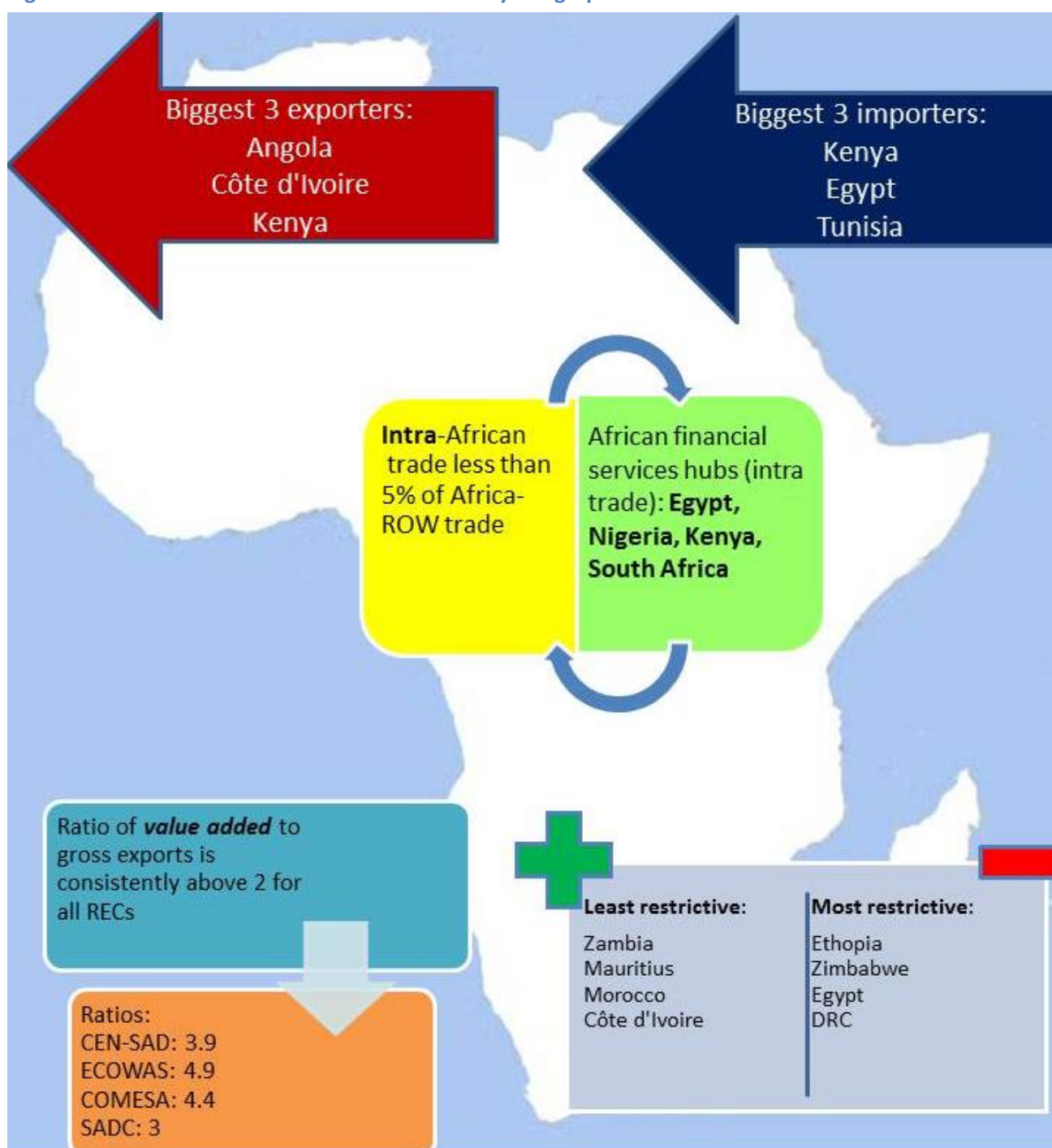


## Financial services

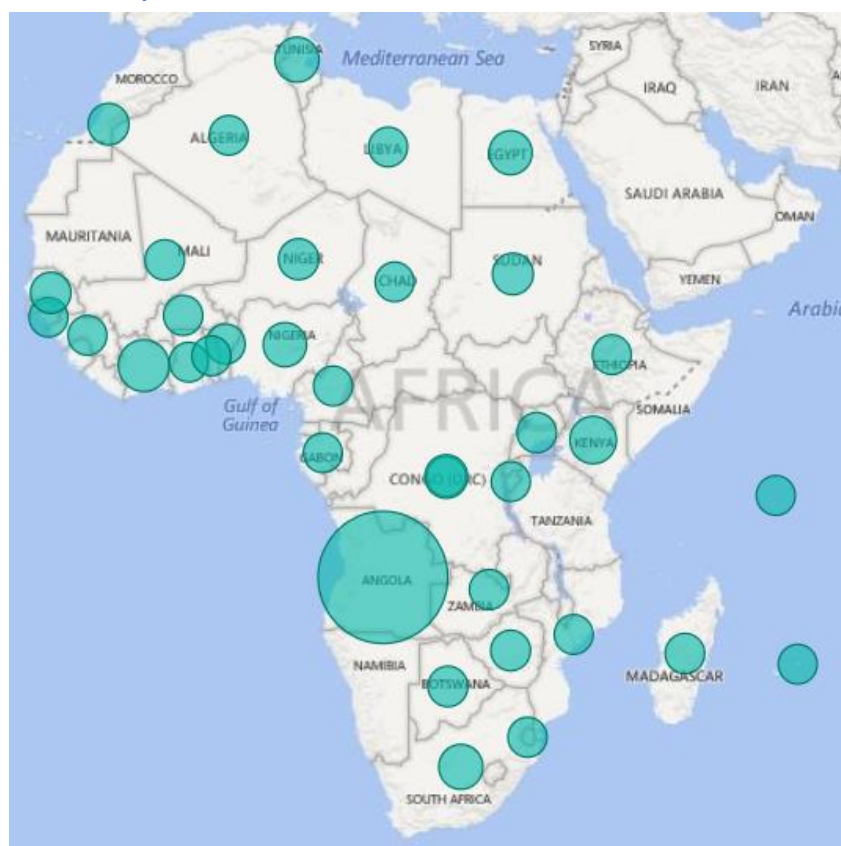
### Definition

Financial services are broadly defined as the activities of all financial institutions, including banking and insurance activities. Although insurance is split from other financial activities in both the BPM and ISIC classifications, for this report they are combined in the FATS data and we have aggregated them together as ‘financial services’ for the GTAP data derivatives (bilateral trade). For BPM data (multilateral trade), FATS and for the export value added calculations the sector is based solely on narrowly-defined financial services.

Figure 9: Africa Financial Services Trade - Summary Infographic



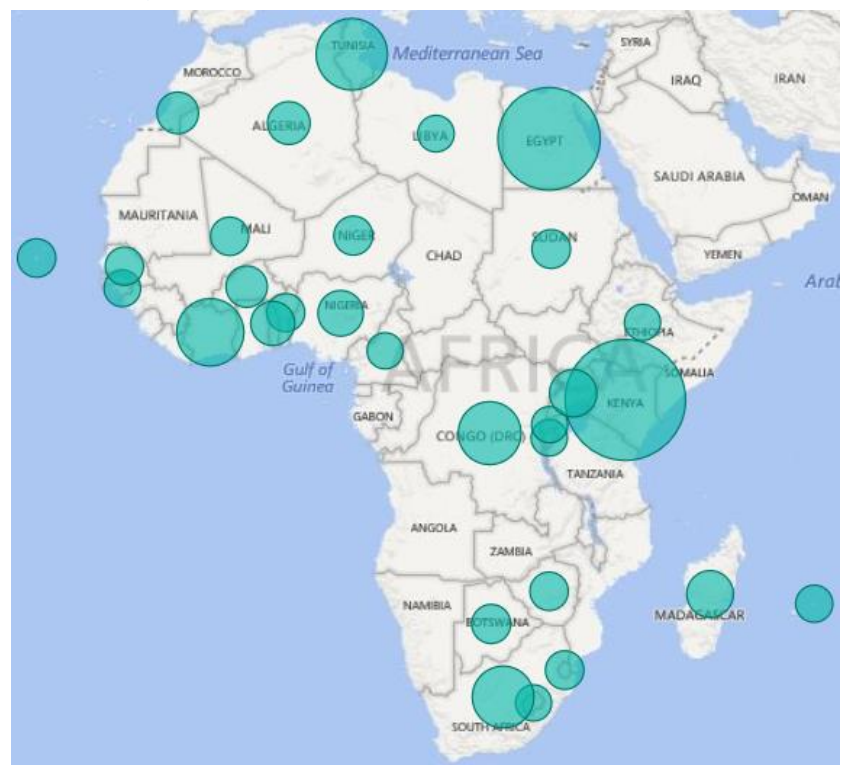
**Figure 10: Africa Financial Services Exports - Proportional Bubble (Data Source: World Bank, Basis: BPM6, Year: 2011)**



## Multilateral Trade

Figure 10 indicates that Angola is the leading exporter of financial services (narrowly defined) for Africa. Côte d'Ivoire and Kenya are also significant as exporters.

**Figure 11: Africa Financial Services Imports - Proportional Bubble (Data Source: World Bank, Basis: BPM6, Year: 2011)**



For financial services imports, Kenya, Egypt and Tunisia are the leading importers, in that order.

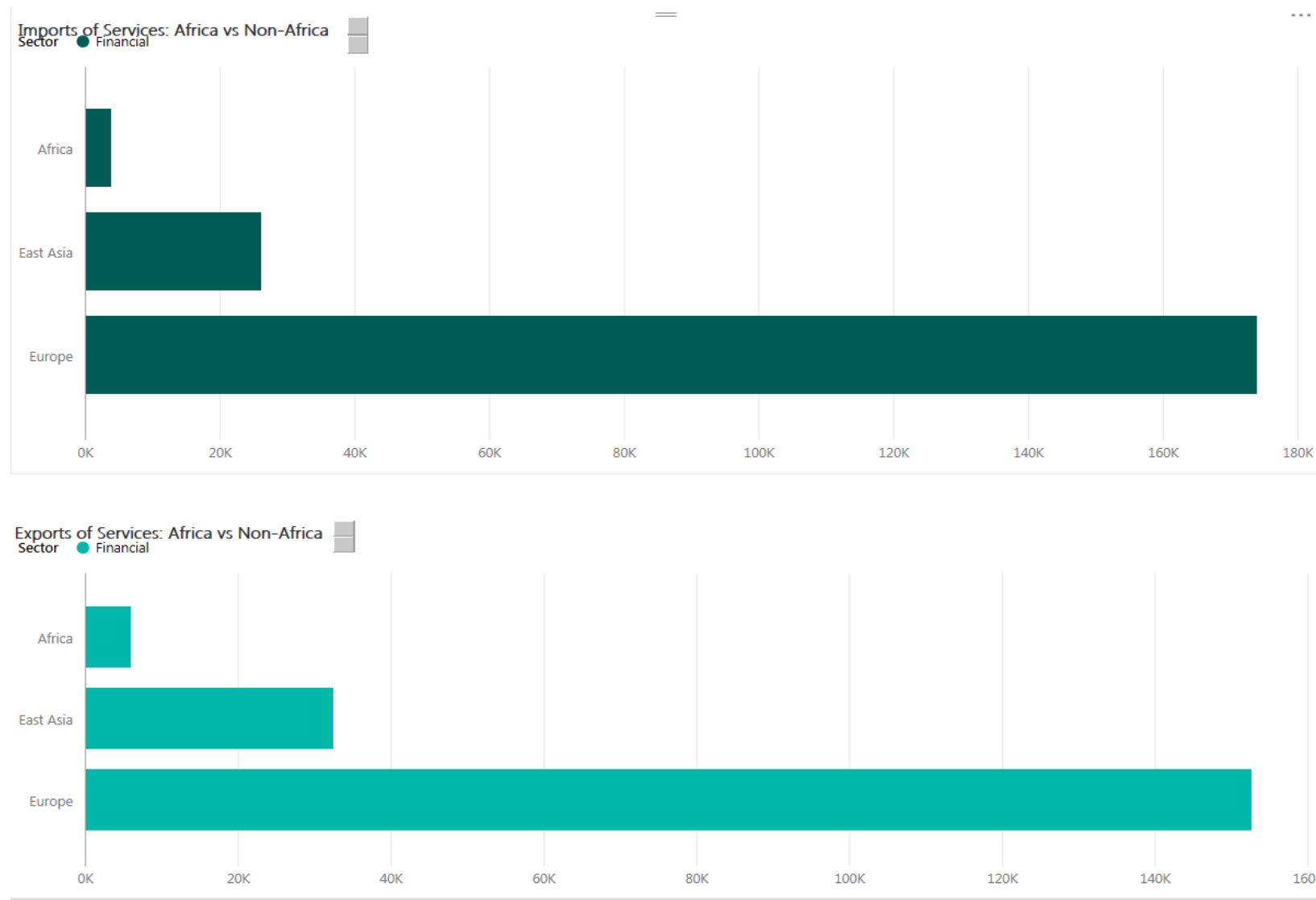
## Trade levels comparisons

Figure 12 compares African trade in financial services (broadly defined) with two other trade blocs. For Africa, exports exceed imports.

## Trade restrictions and EVA

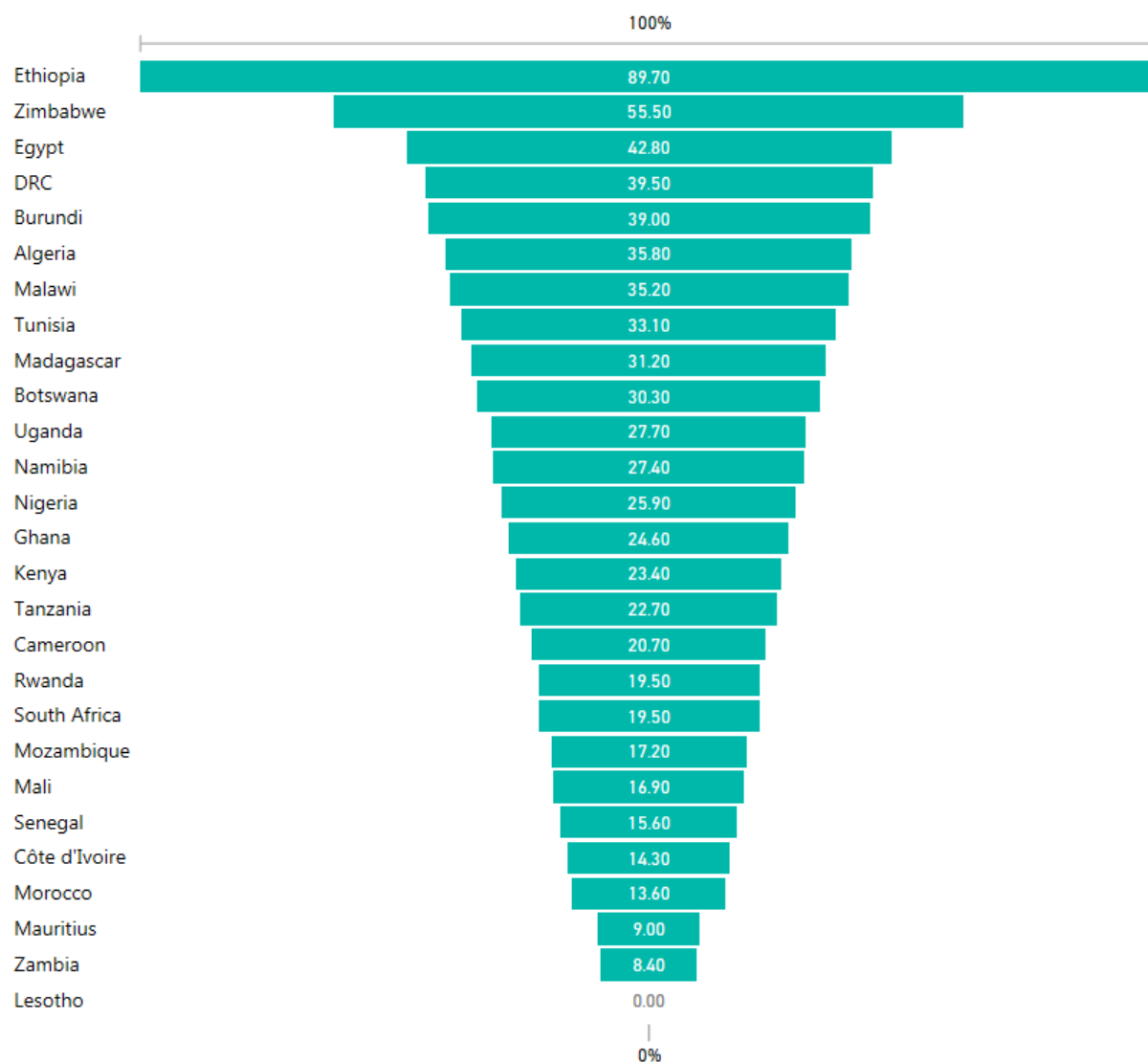
Figure 13 overleaf shows services trade restrictions on the left and a comparison of export value added forward/backward ratios. Financial services are relatively forward-linked, which is to be expected.

Figure 12: Africa Financial Services Trade vs East Asia and Europe (Data Source: GTAP, Basis: ISIC rev3, Year: 2007)

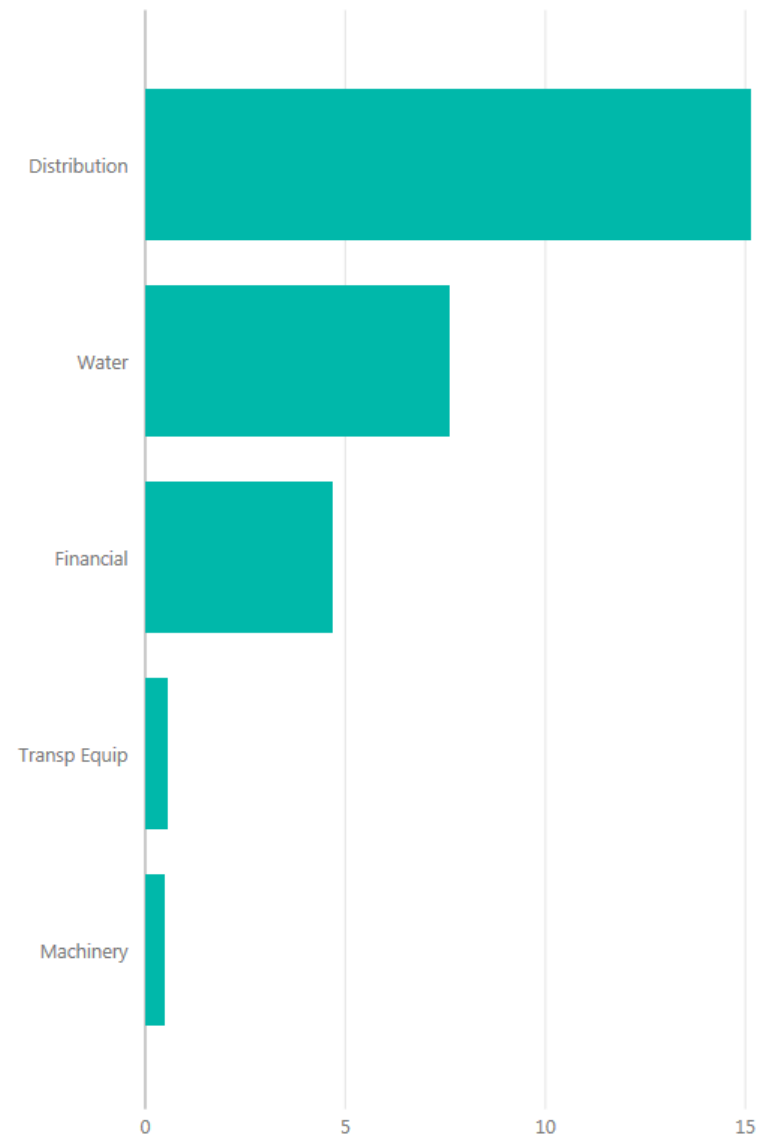


**Figure 13: Left: Financial Services Trade Restrictions - Africa (Data Source: World Bank, 2010). Right: Ratio of Forward to Backward Value Added for Africa – Financial Services (Source: Derived from World Bank EVA Database, Basis: ISIC Rev3, Year: 2011)**

Services Trade Restrictions Indices  
Score by Country



Ratio of Forward To Backward Linkages - Comparison





## FATS

FATS for this sector indicate mode 3 hubs in Madagascar, Djibouti and Egypt, with above average activity also seen in Kenya, Angola, Congo, Morocco and Cape Verde.

Figure 14: Africa FATS: Financial Services – Proportional Bubble (Data Source: Investment Map, Basis: ISIC Rev3, Year: 2011)

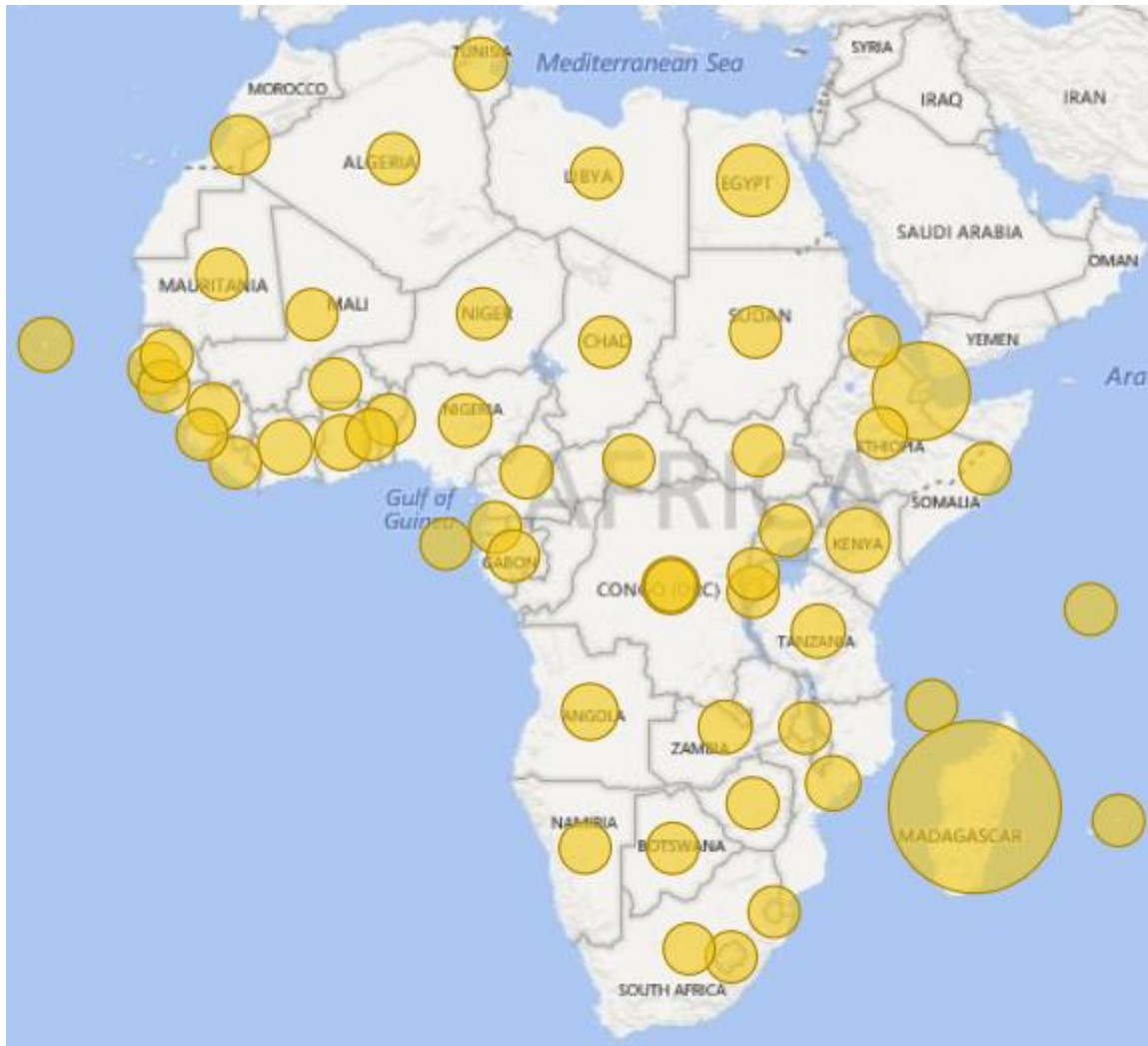
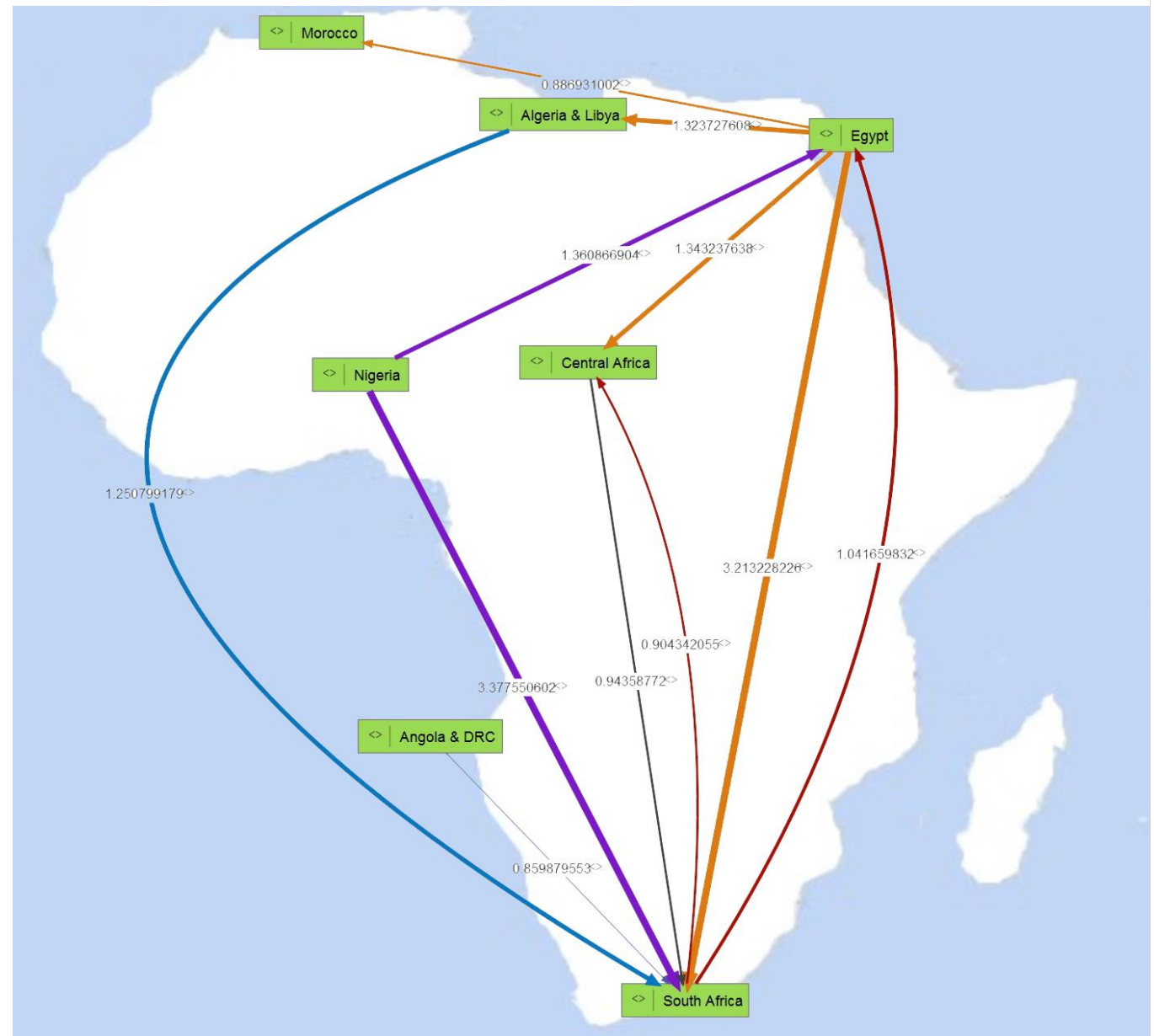


Figure 15: Bilateral Financial Services Trade - Main Players (Data Source: GTAP, Basis: ISIC rev3, Year: 2007)

## Bilateral trade

When comparing the bilateral trade figures with the multilateral bubble maps, note that the latter include African trade with Africa as well as the rest of the world, whereas the former only take intra-African trade into account. Therefore, seeming inconsistency between these figures only reflects the difference between intra trade and total trade.

Figure 15 shows the importance of South Africa and Egypt in this trade, although Nigeria and Algeria are also present. Note that 'Central Africa' in the GTAP database is an aggregate of the Central African Republic, Congo, Gabon, Equatorial Guinea, Sao Tome and Principe and Chad.



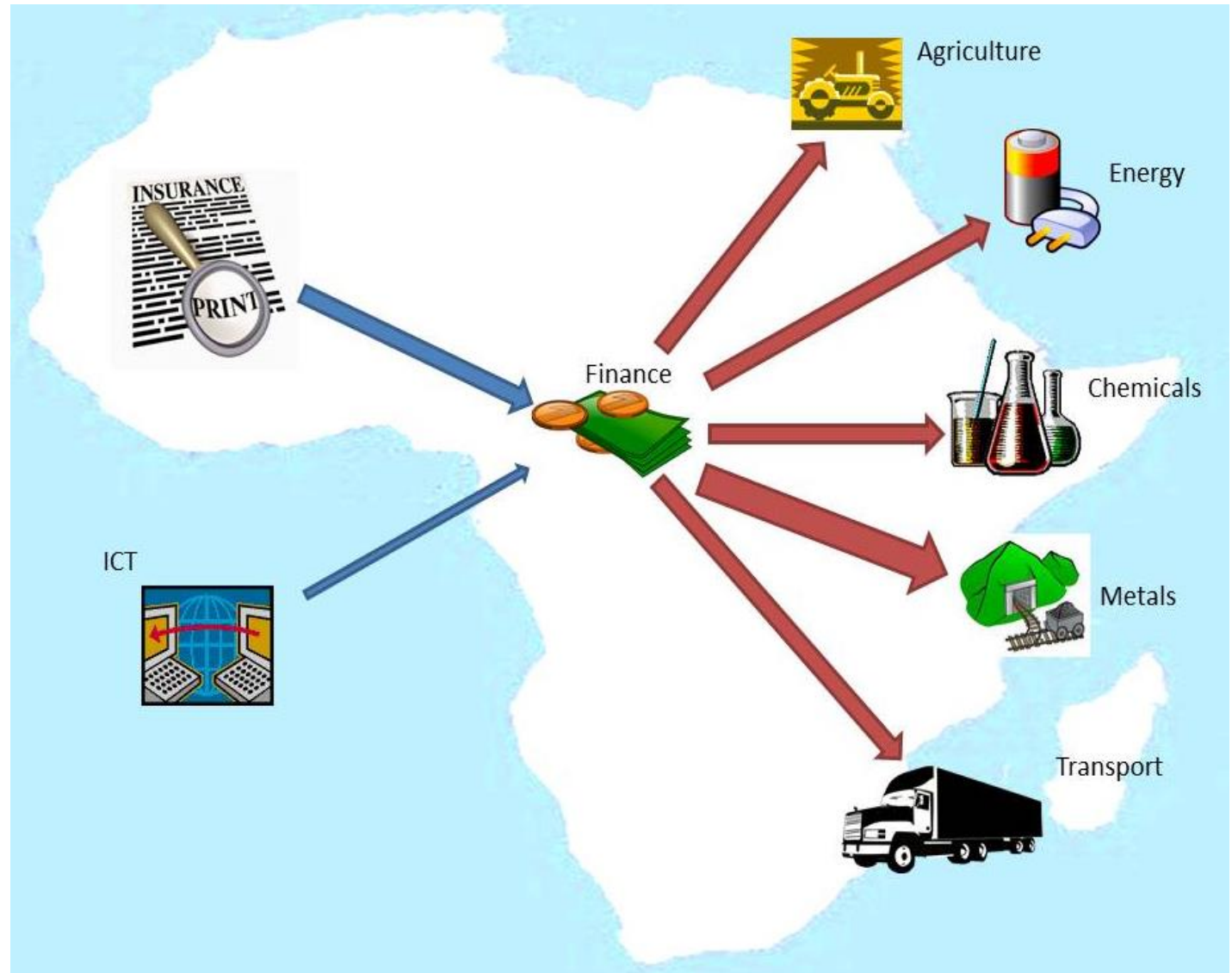
**Figure 16: Stylised Value Added Mapping: Financial Services: Africa** (Original Data: World Bank VA Database, Basis: ISIC Rev3, Year: 2011)

### Export value added mapping

The forward/backward linkages aggregate ratio for Africa is 4.7, indicating that financial services are strongly forward-linked.

Figure 16 attempts to abstract from the full relationship of backward and forward linkages by focussing only on the most important linkages. The direction of the arrow indicates the flow of value and the weight (thickness) of the arrow indicates the magnitude of value.

This figure confirms the forward-emphasis of financial services. The largest flow is the input from financial services into metals commodities exports, although the sector also contributes value into the exports of the other four sectors indicated.

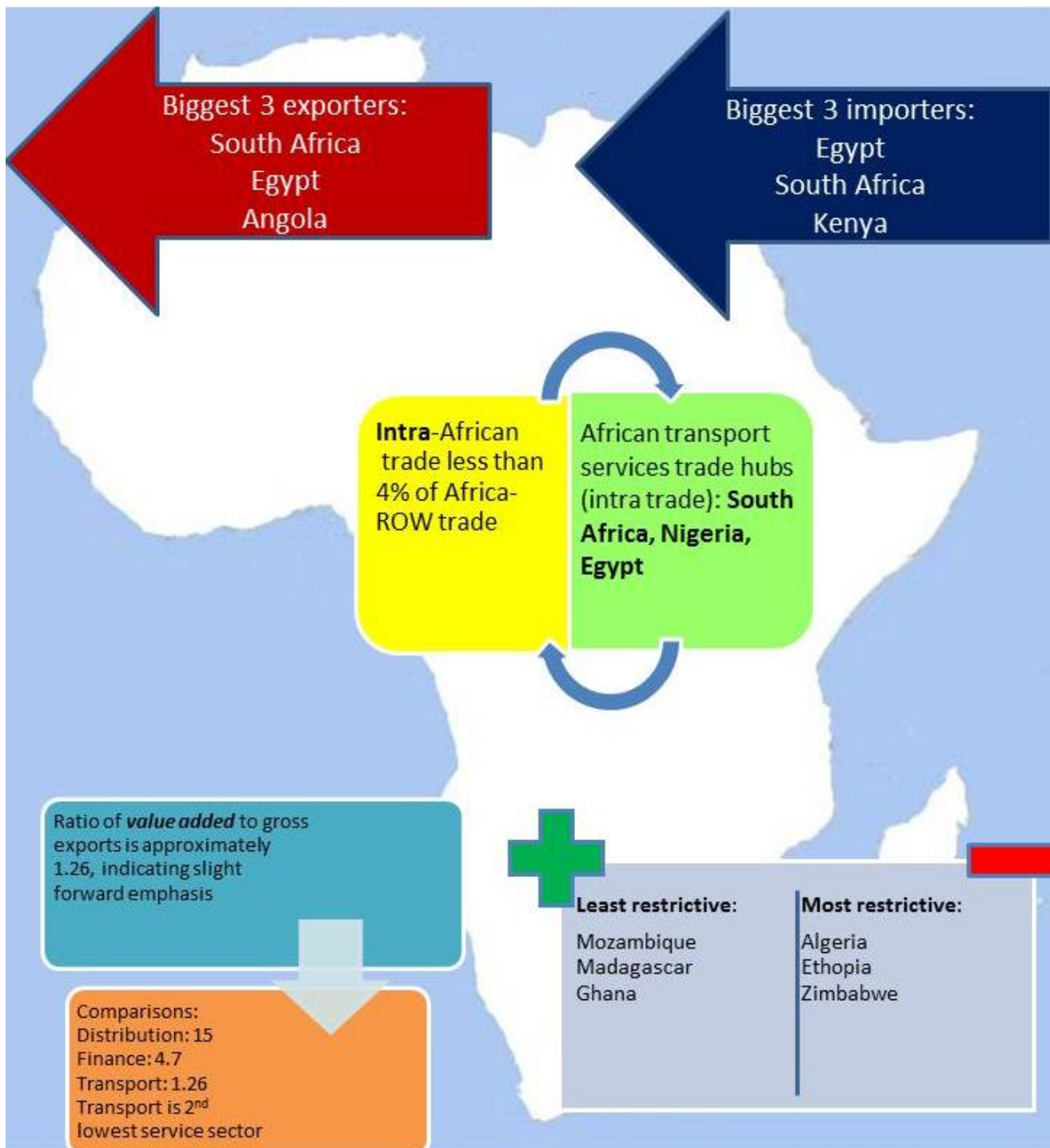


## Transport

### Definition

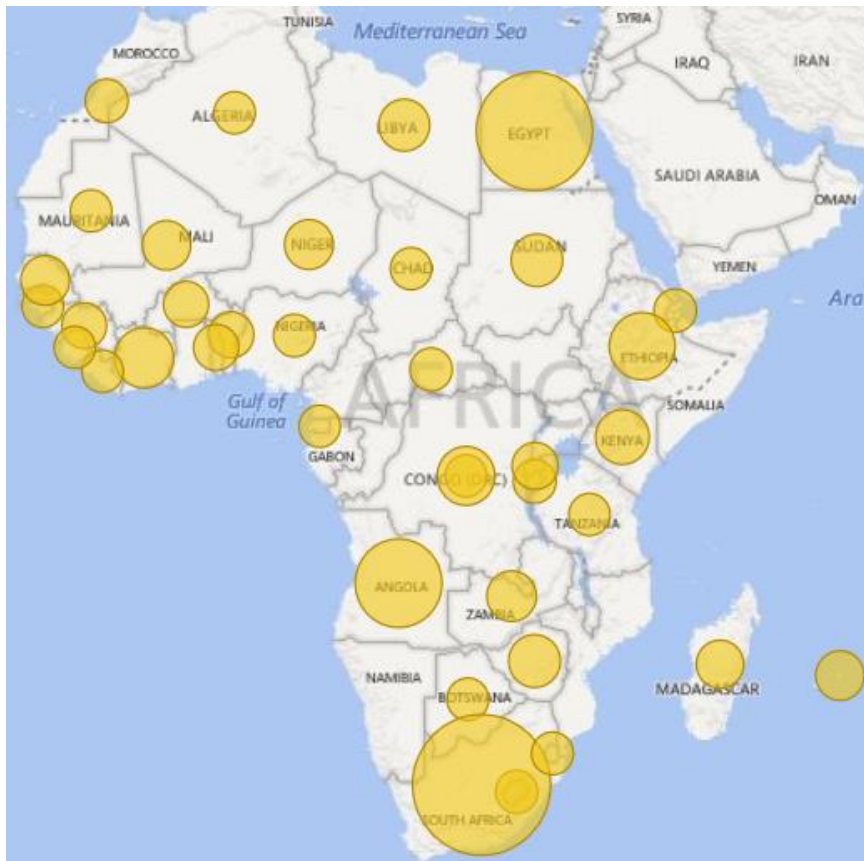
The classification of transport services for both BPM6 and ISIC includes road, rail and water transport; postal and courier services. The ISIC classification also groups warehousing so that the main sector is more correctly called 'Transport and Storage'. For the FATS data, the data provider has also grouped communications with transport and storage.

Figure 17: Africa Transport Services Trade - Summary Infographic





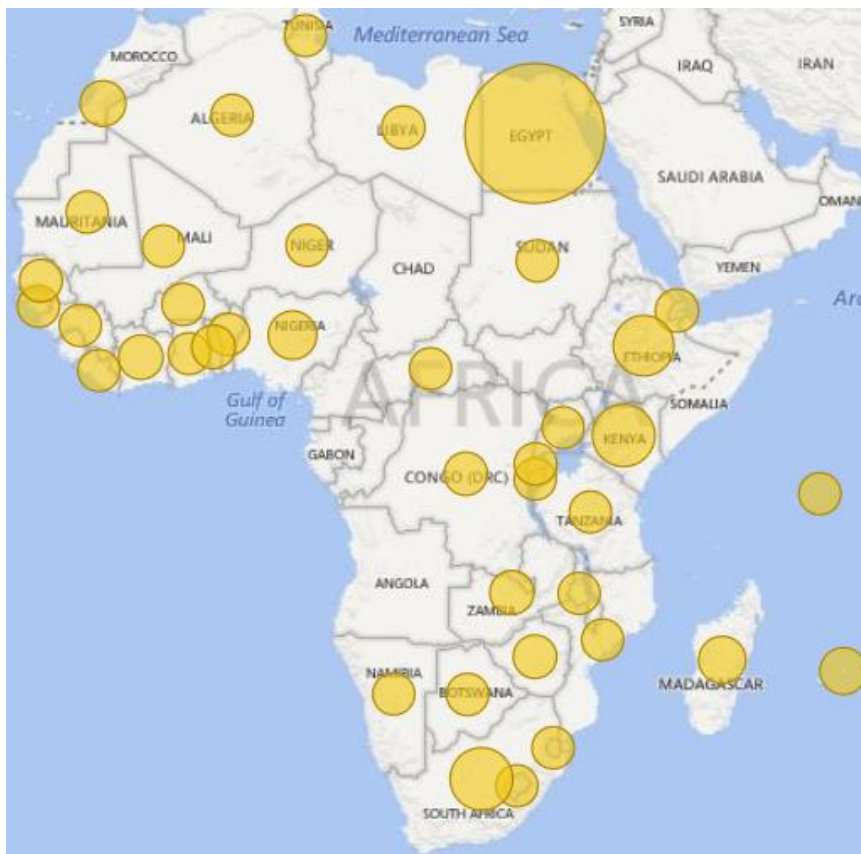
**Figure 18: Africa Transport Services Exports - Proportional Bubble (Data Source: World Bank, Basis: BPM6, Year: 2011)**



### Multilateral Trade

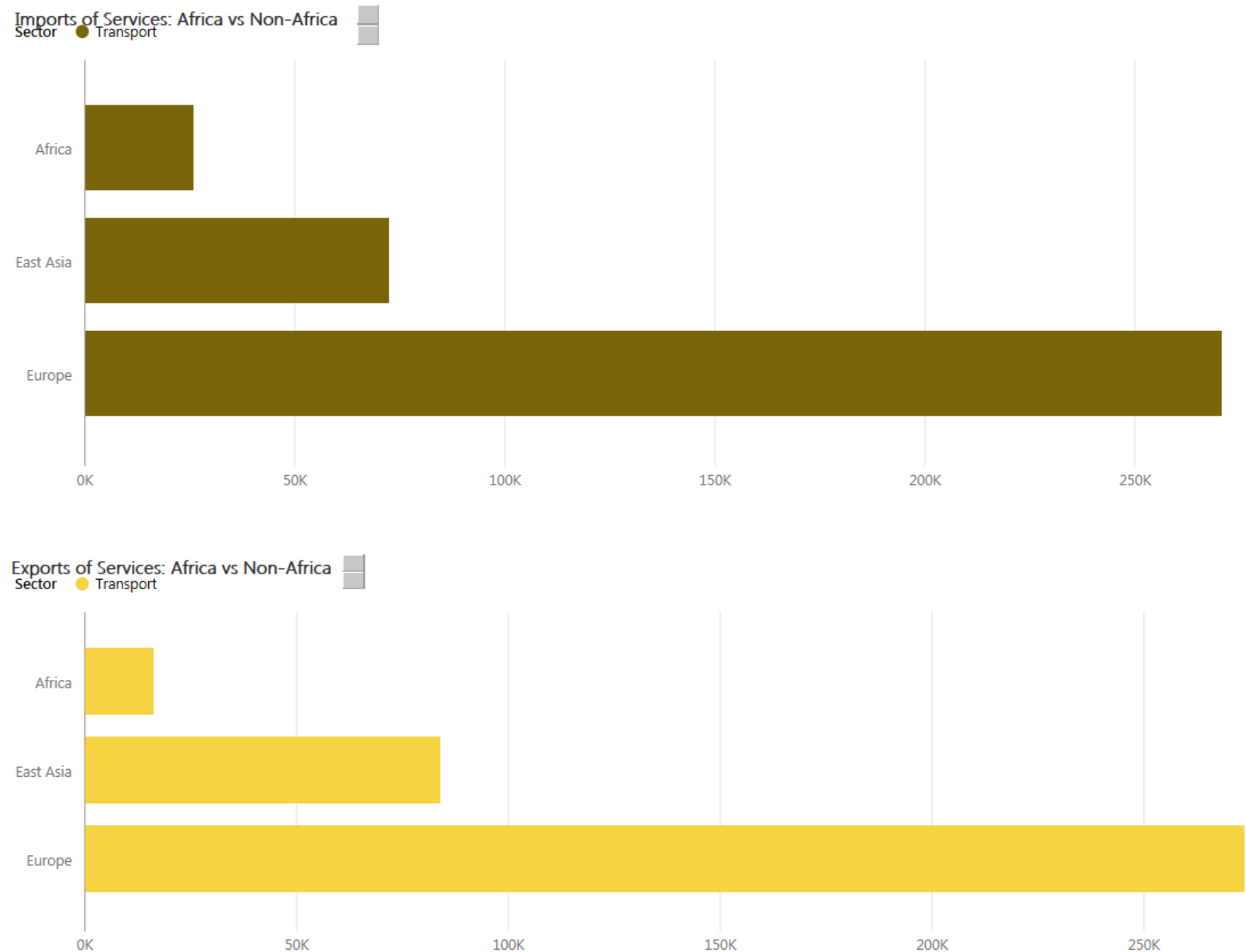
The export bubble Figure 18 indicates the main exporters of transport services in Africa are South Africa, Egypt and Angola.

**Figure 19: Africa Transport Services Imports - Proportional Bubble (Data Source: World Bank, Basis: BPM6, Year: 2011)**



The import bubble Figure 19 indicates that the main importers of transport services in Africa are Egypt, South Africa and Kenya

Figure 20: Africa Transport Services Trade vs East Asia and Europe (Data Source: GTAP, Basis: ISIC rev3, Year: 2007)



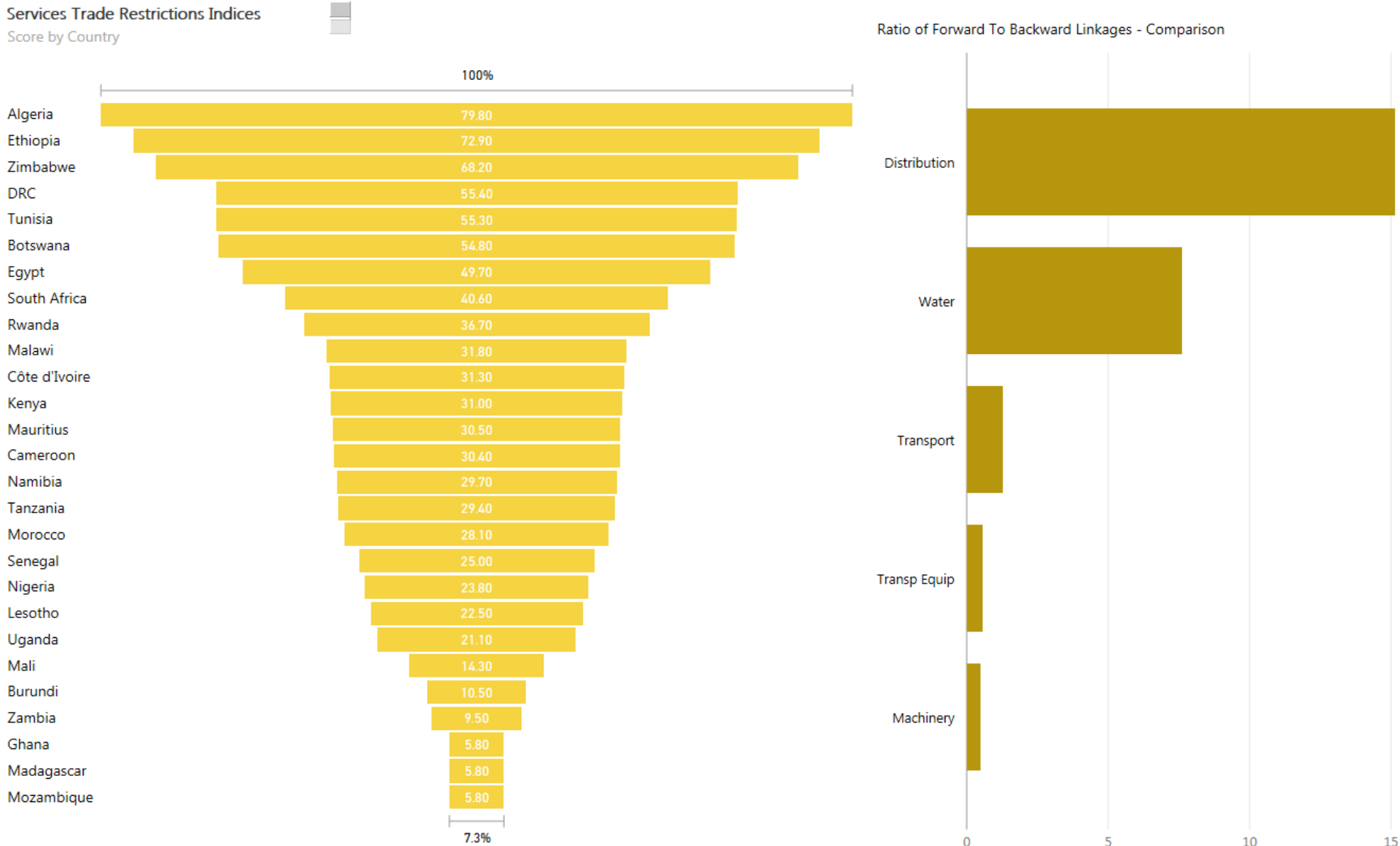
### Trade levels comparisons

Figure 20 compares African trade in transport services with two other trade blocs. For Africa, imports exceed exports and import magnitudes are relatively large.

### Trade restrictions and EVA

Figure 21 overleaf shows services trade restrictions on the left and a comparison of export value added forward/backward ratios. Transport services are only slightly forward linked, at 1.26.

Figure 21: Left: Transport Services Trade Restrictions - Africa (Data Source: World Bank, 2010). Right: Ratio of Forward to Backward Value Added for Africa – Transport Services Comparison (Source: Derived from World Bank EVA Database, Basis: ISIC Rev3, Year: 2011)



## FATS

FATS for this sector indicate mode 3 hubs in Côte d'Ivoire, Congo (Brazzaville) and Morocco. Djibouti and Angola show above average activity.

Figure 22: Africa FATS: Transport, Storage and Communications Services – Proportional Bubble (Data Source: Investment Map, Basis: ISIC Rev3, Year: 2011)

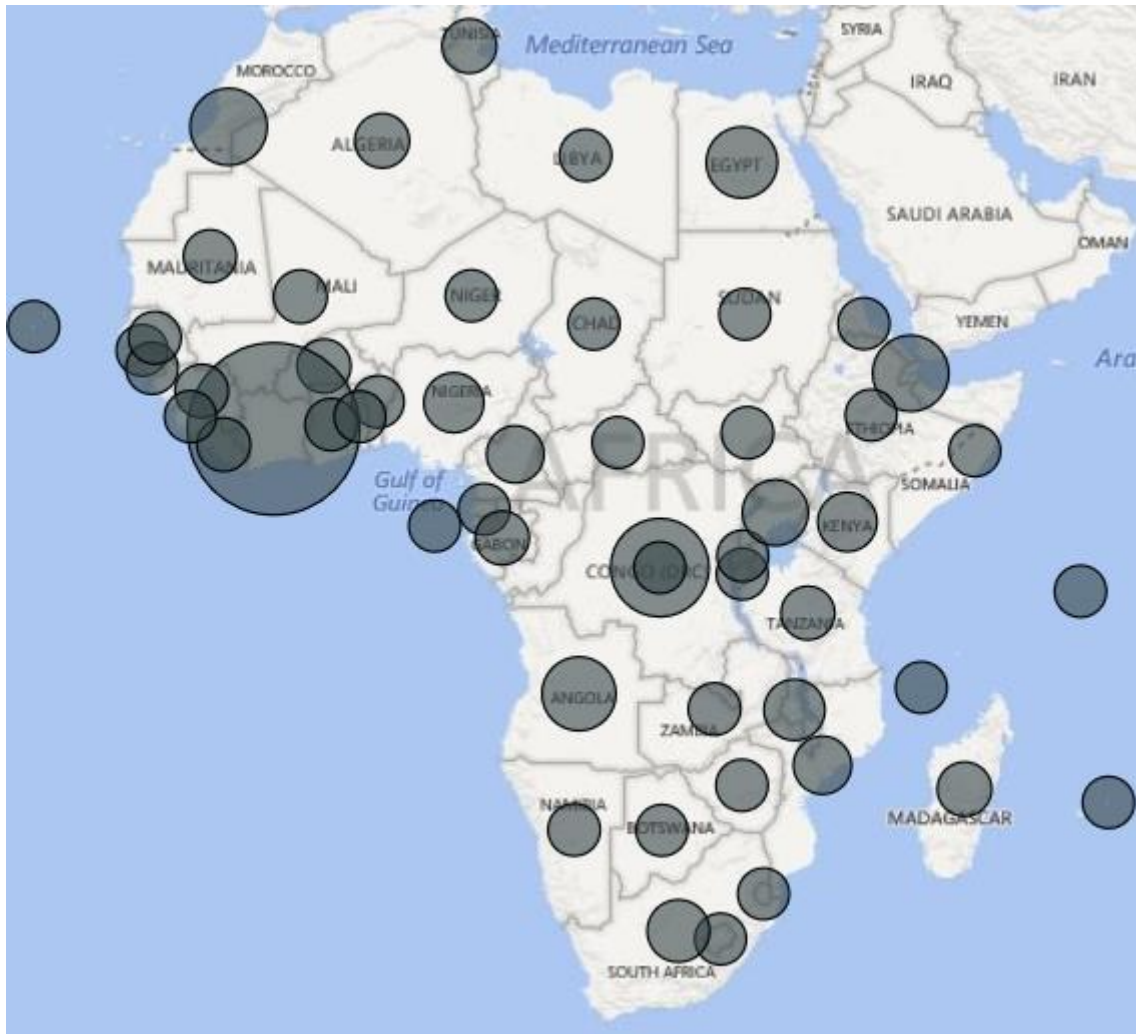




Figure 23: Bilateral Transport Services Trade - Main Players (Data Source: GTAP, Basis: ISIC rev3, Year: 2007)

## Bilateral trade

The main players in intra-African bilateral trade in transport services are South Africa and Nigeria, which are exporters, and Egypt and Morocco, which are mostly importers.

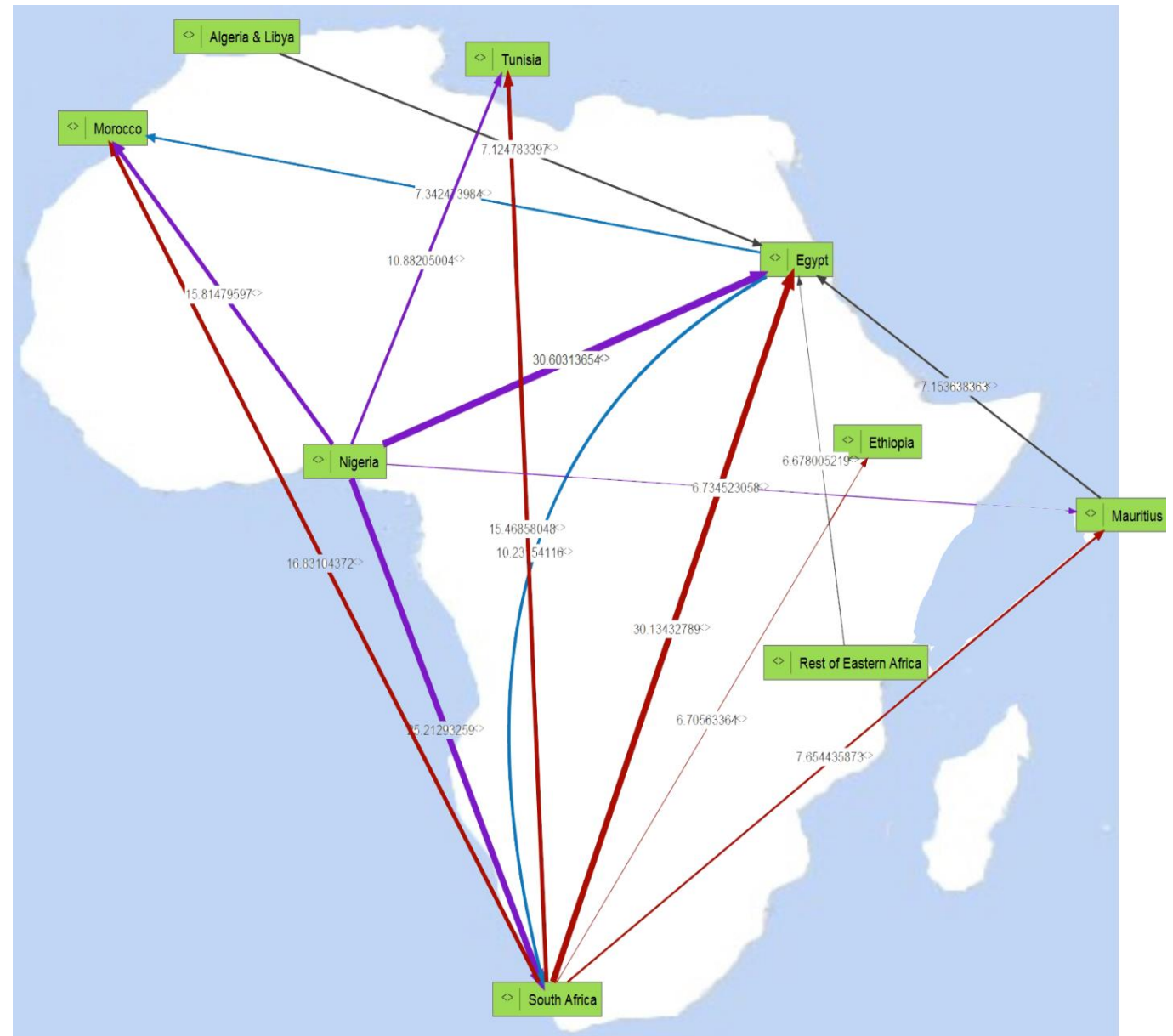
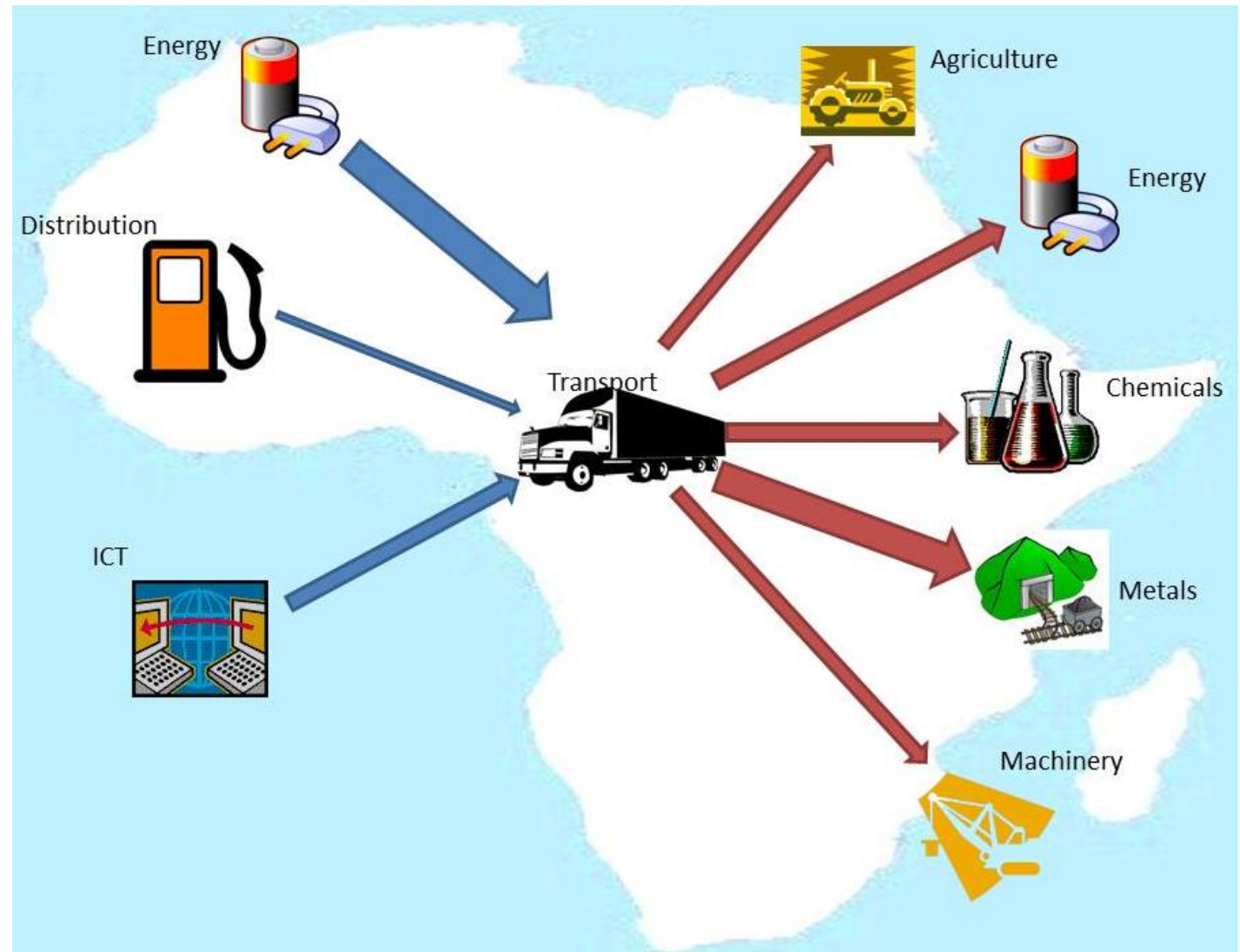


Figure 24: Stylised Value Added Mapping: Transport Services: Africa (Original Data: World Bank VA Database, Basis: ISIC Rev3, Year: 2011)

### Export value added mapping

The forward/backward linkages aggregate ratio for Africa for transport services is 1.26, indicating a weak forward emphasis.

The main forward-linked sectors are metals and energy, with energy also being strongly backward-linked, indicating a strong bilateral value relationship.



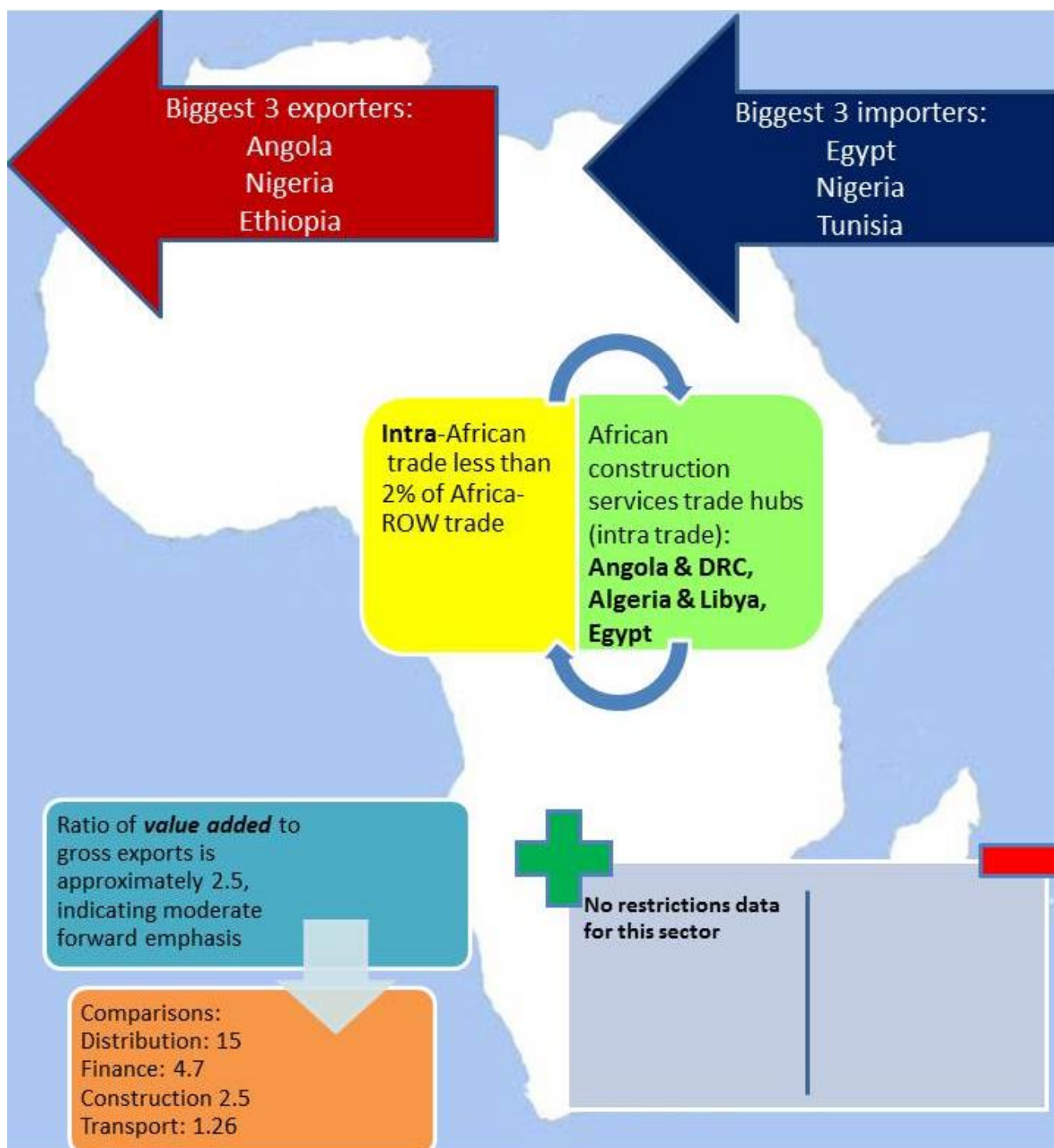
## Construction

### Definition

Construction services are straightforward and are defined similarly in both ISIC and BPM6. That is, construction of buildings, civil engineering and specialised activities such as demolition, site preparation and electrical/plumbing.

There are no aggregations or combinations for this sector in this report.

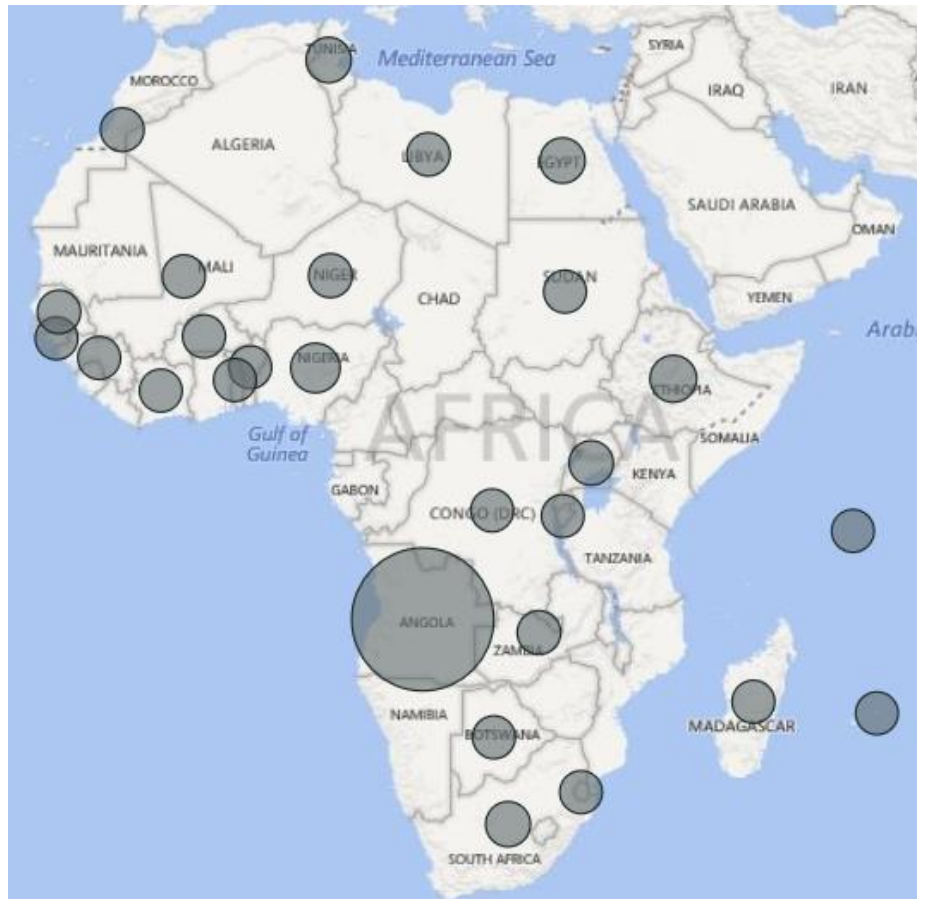
Figure 25: Africa Transport Services Trade - Summary Infographic



**Figure 26: Africa Construction Services Exports - Proportional Bubble (Data Source: World Bank, BPM6, 2011)**

### Multilateral Trade

The export bubble Figure 26 indicates the main exporters of construction services in Africa are Angola, Côte d'Ivoire and Kenya.



**Figure 27: Africa Construction Services Imports - Proportional Bubble (Data Source: World Bank, BPM6, 2011)**

The import bubble Figure 27 indicates that the main importers of construction services in Africa are Egypt, Nigeria, Tunisia, South Africa, Uganda and Senegal

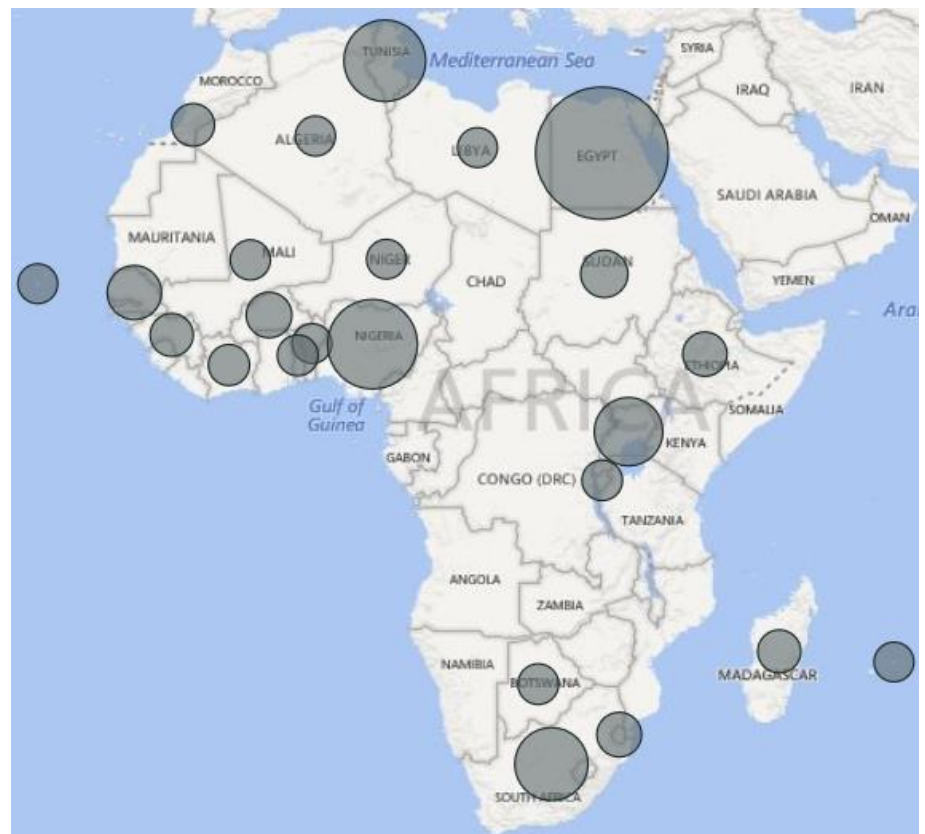
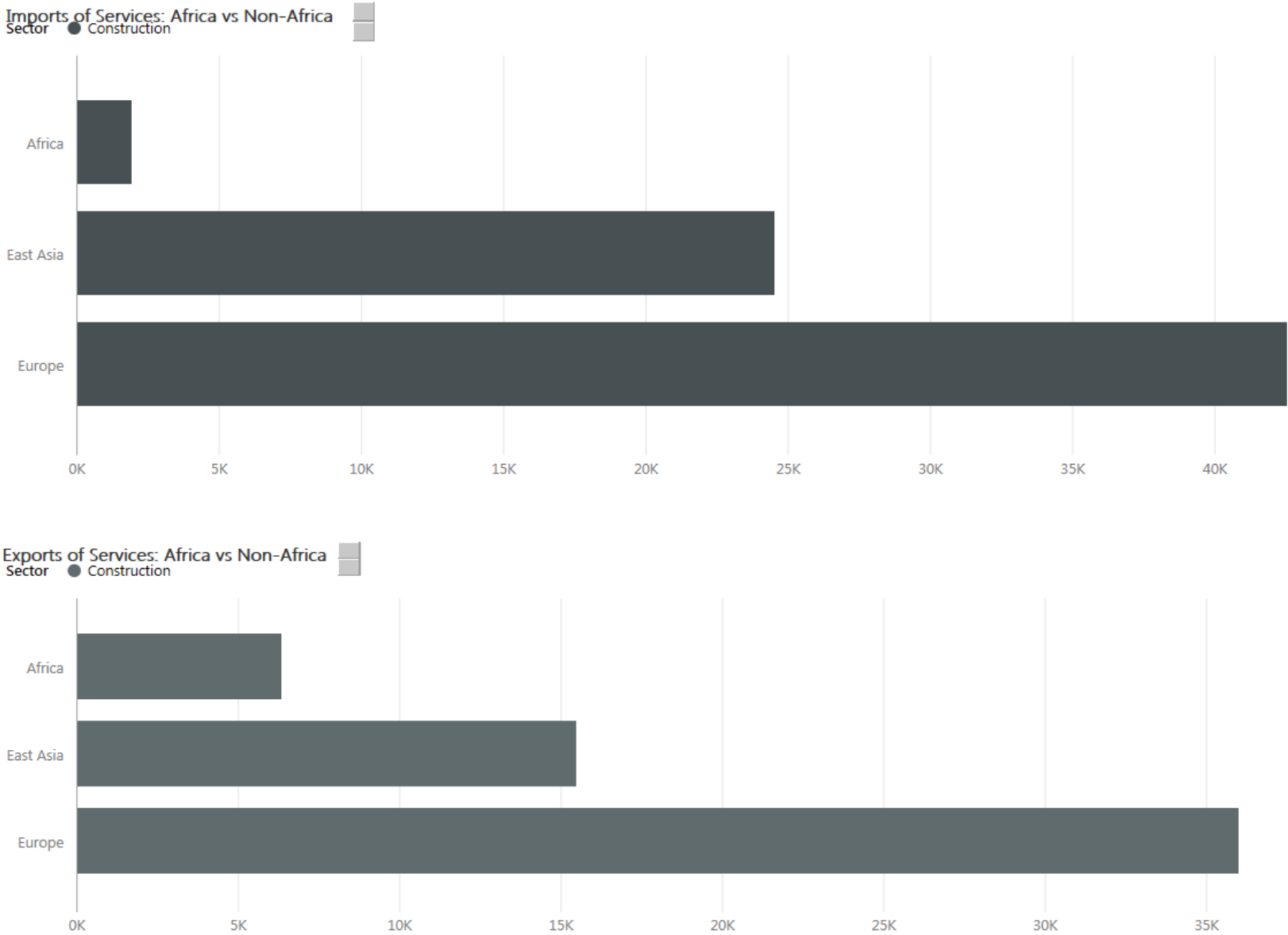


Figure 28: Africa Construction Services Trade vs East Asia and Europe (Data Source: GTAP, Basis: ISIC rev3, Year: 2007)

Trade levels comparisons

Figure 28 compares African trade in construction services with two other trade blocs. For Africa, exports exceed imports and export magnitudes are relatively large.



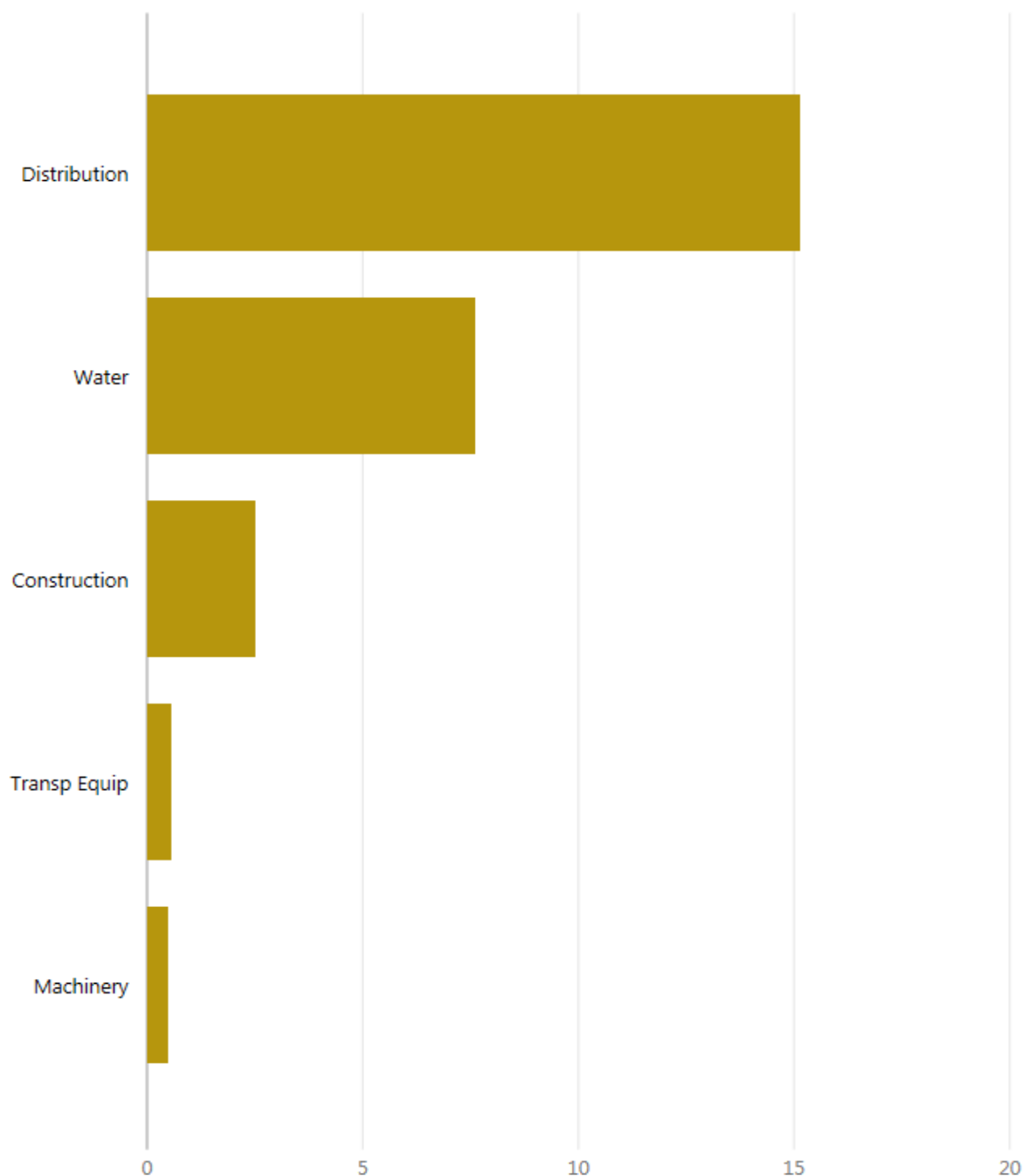


## Trade restrictions and EVA

Figure 29 below shows a comparison of export value added forward/backward ratios. Construction services are relatively forward linked, at 2.5.

**Figure 29: Ratio of Forward to Backward Value Added for Africa – Construction Services Comparison**  
(Source: Derived from World Bank EVA Database, ISIC Rev3, 2011)

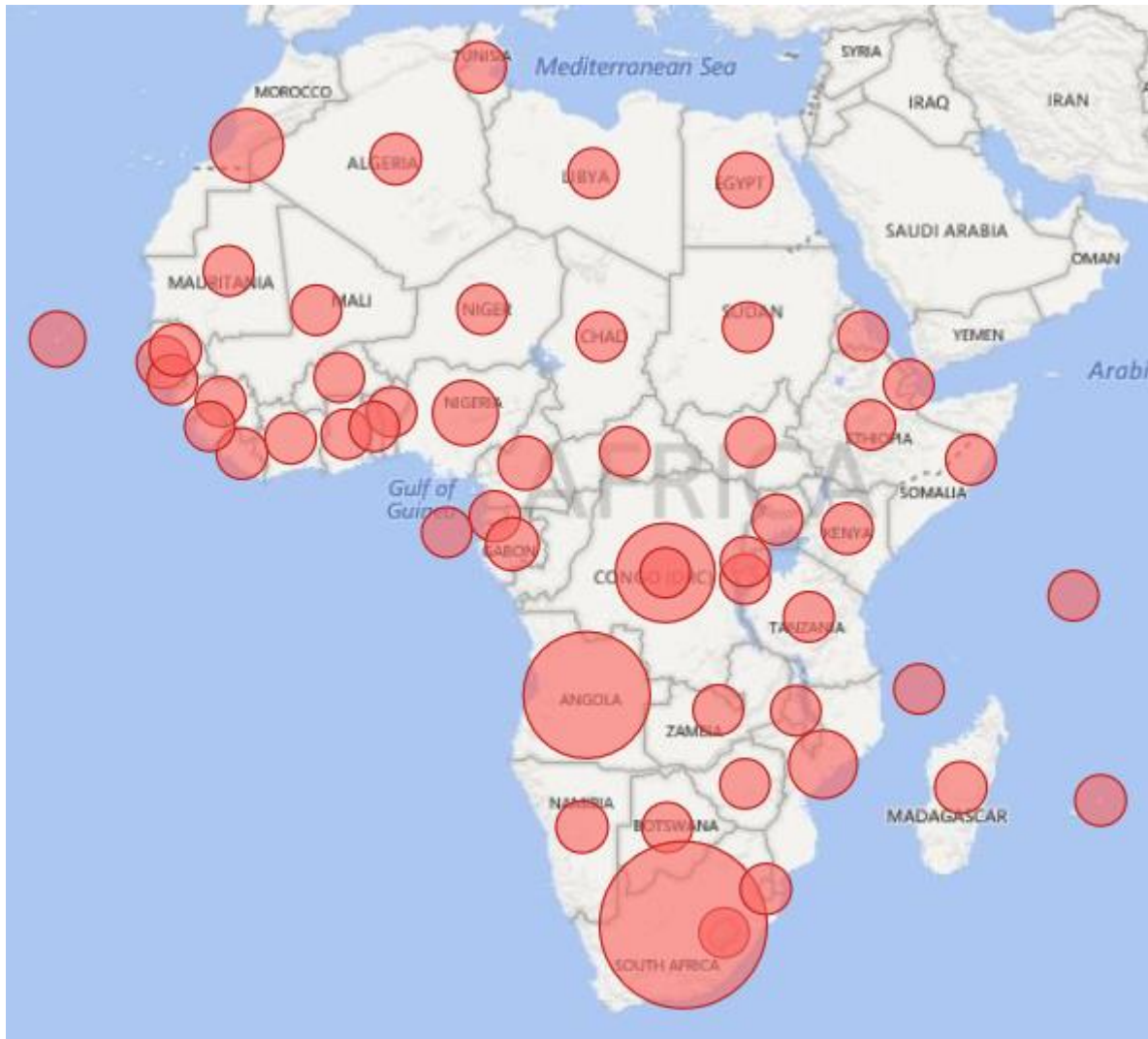
Ratio of Forward To Backward Linkages - Comparison



## FATS

FATS for this sector indicate mode 3 hubs in South Africa, Angola and DRC. Other countries with higher than average activity are Mozambique, Nigeria and Morocco.

Figure 30: Construction Services FATS – Proportional Bubble (Data Source: Investment Map, ISIC Rev3, 2011)



**Figure 31: Bilateral Construction Services Trade - Main Players (Data Source: GTAP, Basis: ISIC rev3, Year: 2007)**

## Bilateral trade

The main players in intra-African bilateral trade in construction services are Angola and Algeria/Libya which are exporters, and Egypt and Tunisia, which are mostly importers

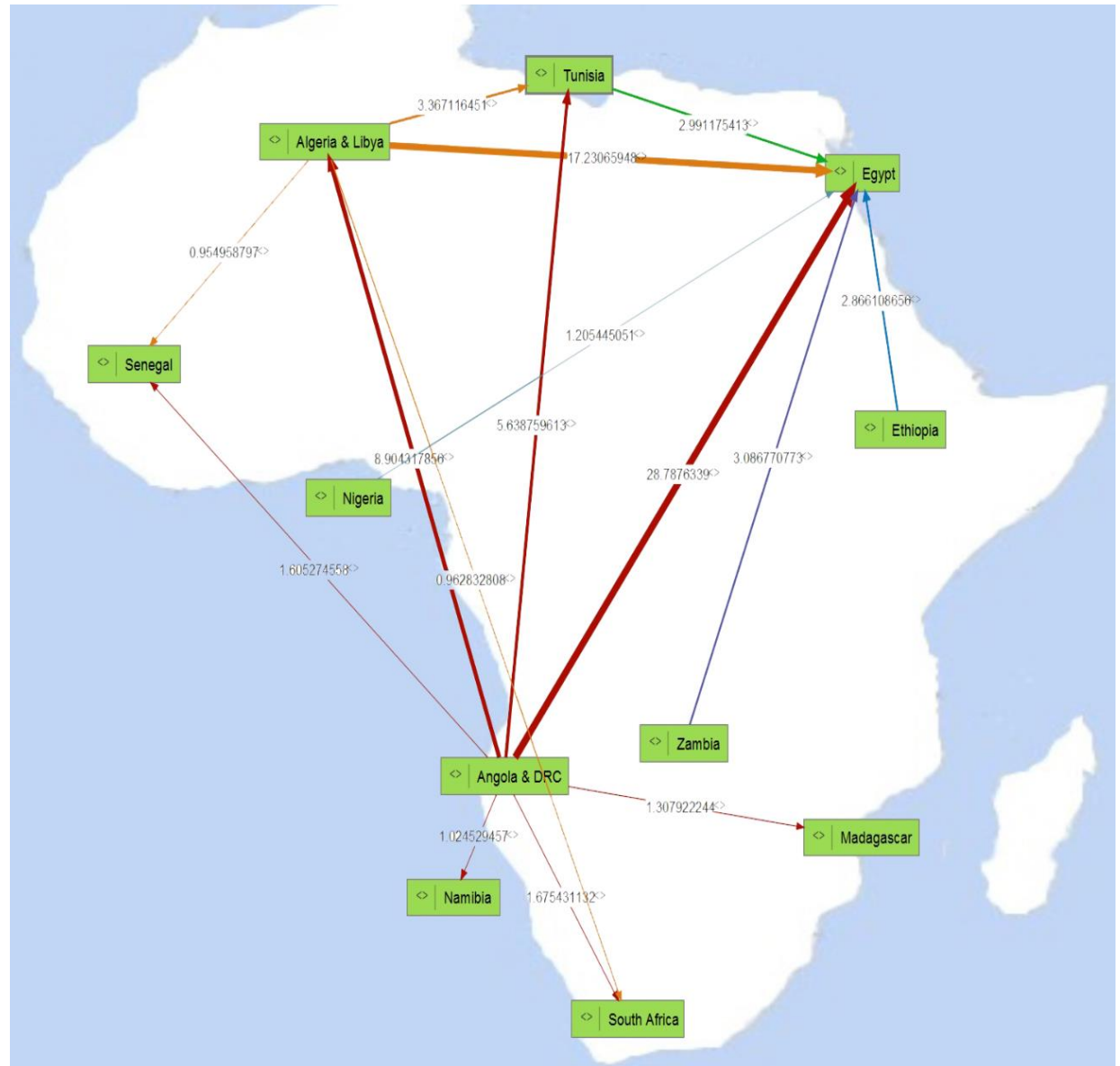
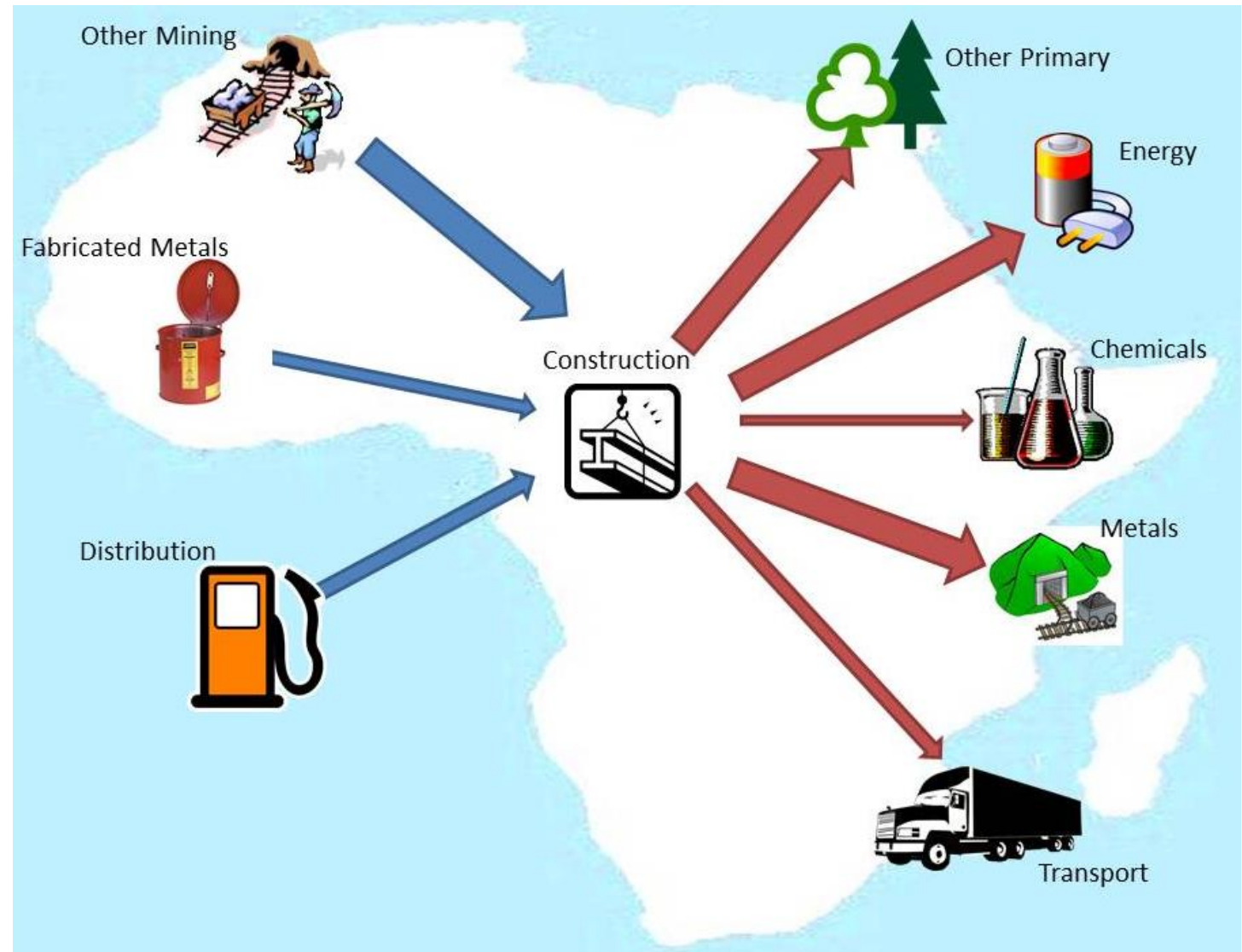


Figure 32: Stylised Value Added Mapping: Construction Services: Africa (Original Data: World Bank VA Database, ISIC Rev3, 2011)

### Export value added mapping

The forward/backward linkages aggregate ratio for Africa for construction services is 2.5, indicating a moderate forward emphasis.

The largest backward linkage is from 'other mining'. The largest forward linkage is to metals commodities exports. The forward linkage to 'Other Primary' and energy is also significant.



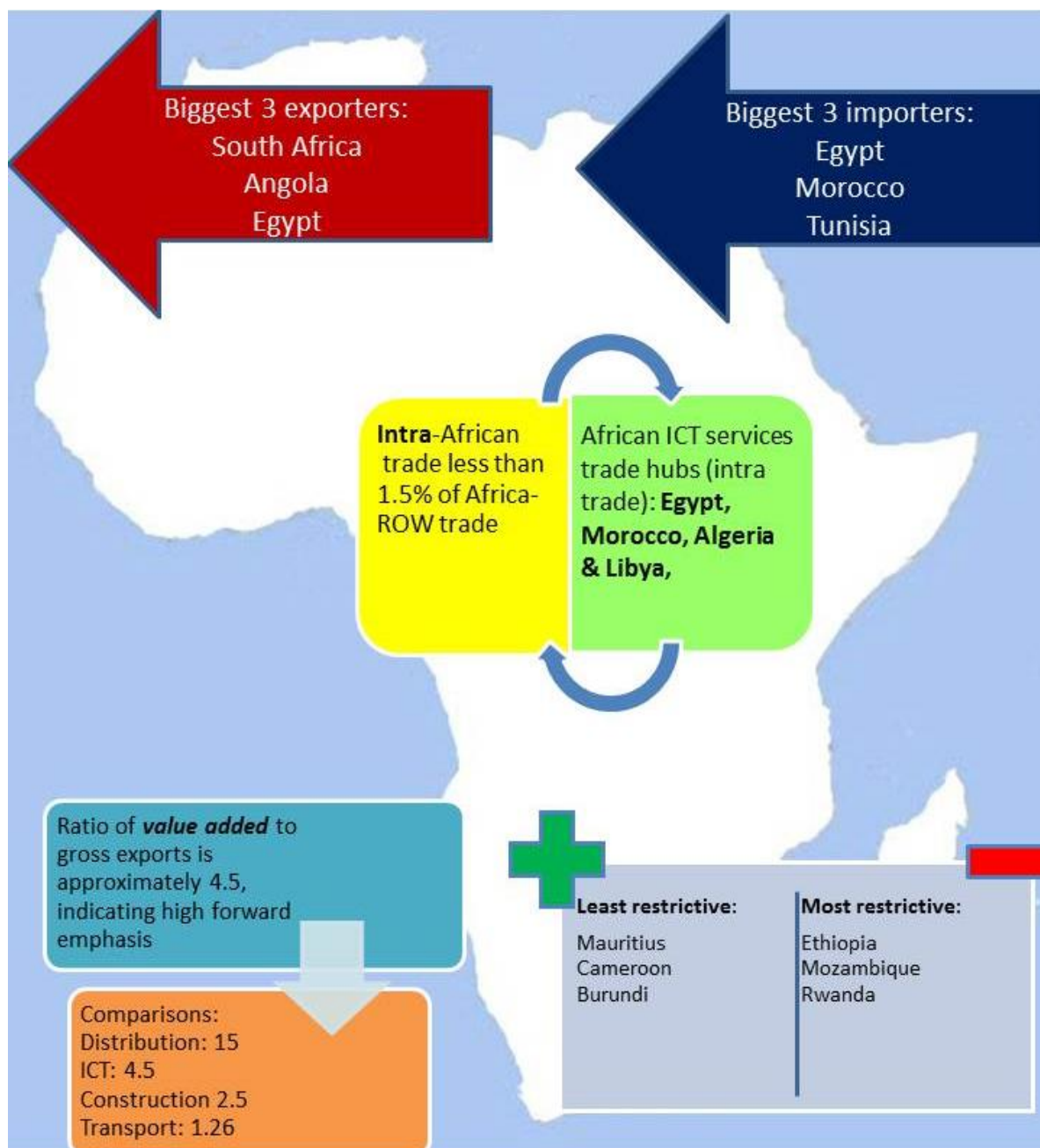
## Information and Communication Technology (ICT)

### Definition

The ICT sector is defined as a combination of information technology services and communication services. However, this typical classification is not universal in the available data. The classifications vary as follows:

- For the multilateral trade measures, communications and IT services are combined
- For the export value added measures, IT has been combined with *business services*
- For the bilateral trade measures, IT has been combined with business services and communications
- For the trade restrictions measures, only the communications sector is covered
- No FATS data is available for the ICT sector

Figure 33: Africa ICT Services Trade - Summary Infographic

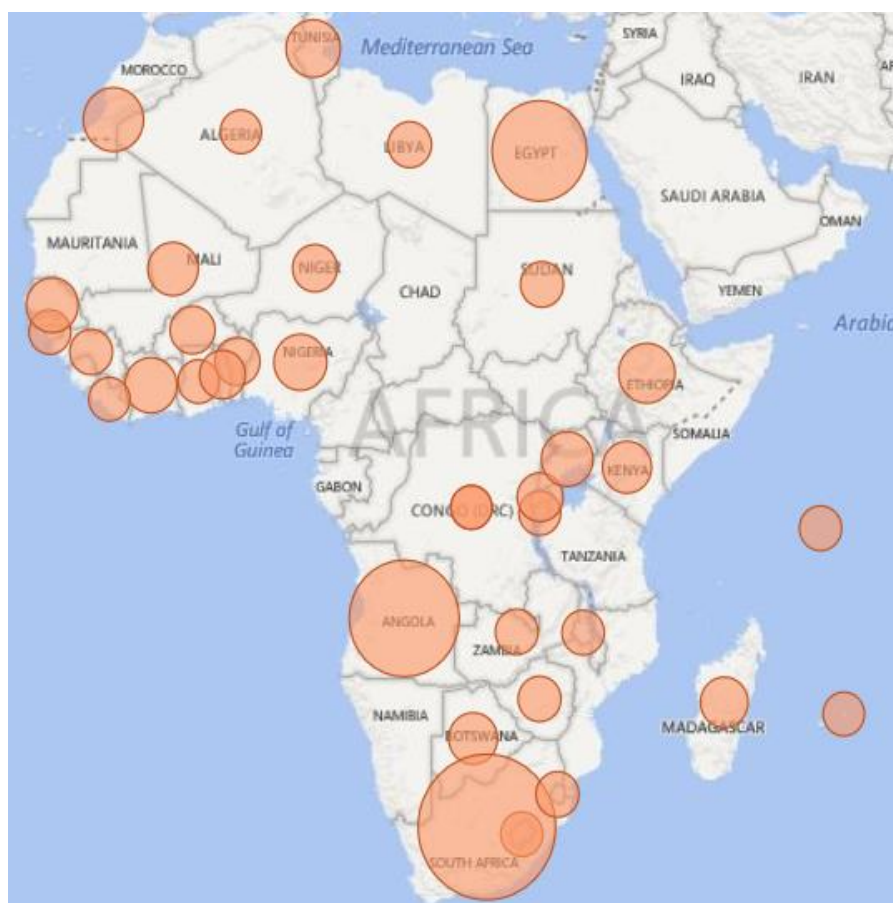




**Figure 34: Africa ICT Services Exports - Proportional Bubble (Data Source: World Bank, BPM6, 2011)**

### Multilateral Trade

The export bubble Figure 34 indicates the main exporters of ICT services in Africa are South Africa, Angola and Egypt. Morocco, Ethiopia and Tunisia are also above average exporters.



**Figure 35: Africa ICT Services Imports - Proportional Bubble (Data Source: World Bank, BPM6, 2011)**

The import bubble Figure 35 indicates that the leading importers of construction services in Africa are Egypt, Morocco, Tunisia and Kenya.

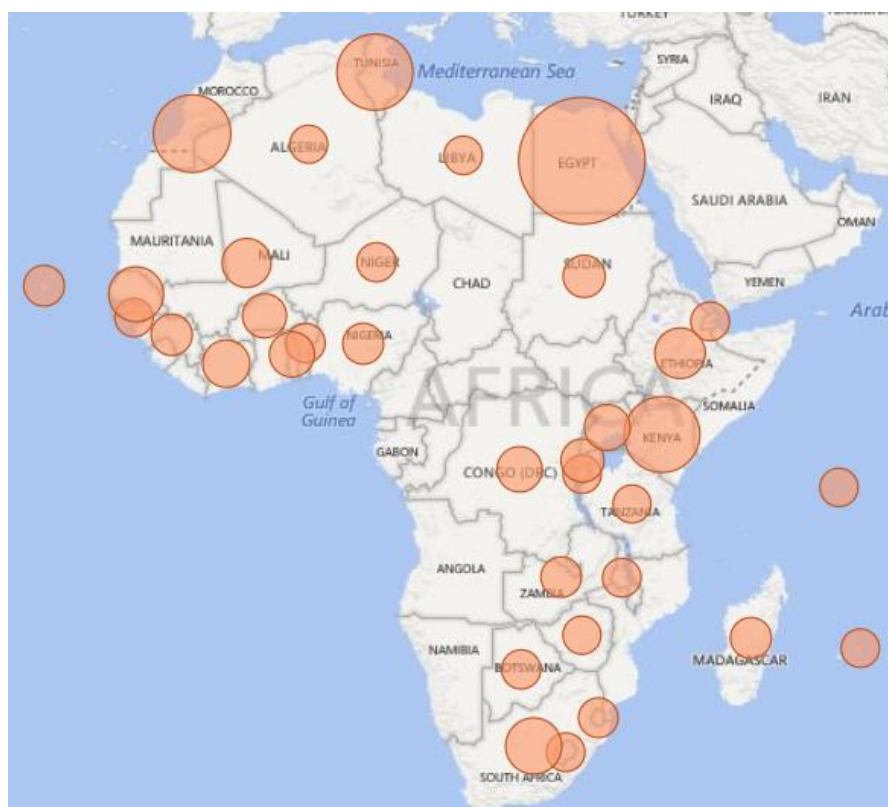
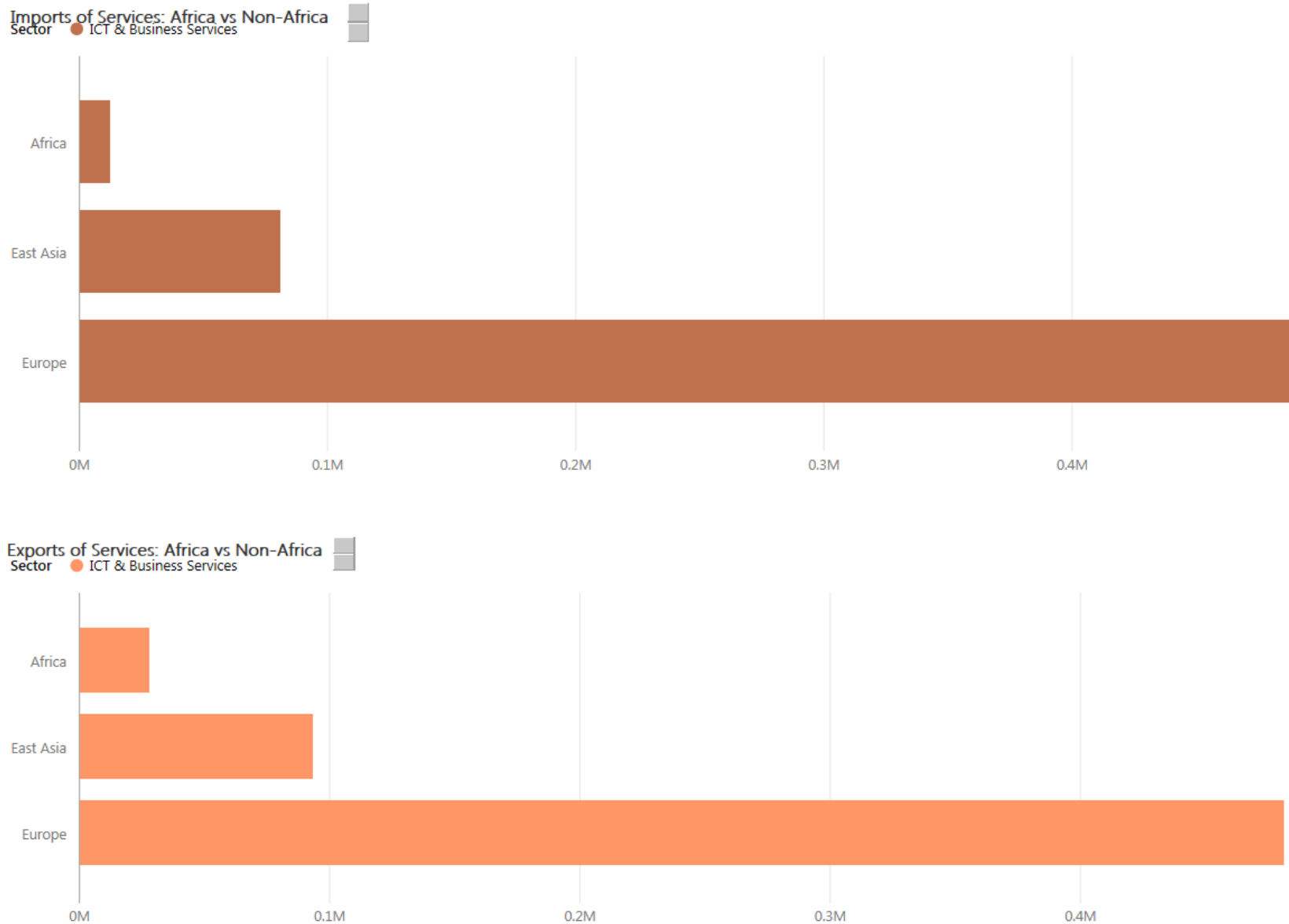


Figure 36: Africa ICT Services Trade vs East Asia and Europe (Data Source: GTAP, Basis: ISIC rev3, Year: 2007)



### Trade levels comparisons

Figure 36 compares African trade in ICT services with two other trade blocs. For Africa, exports exceed imports, as in East Asia.

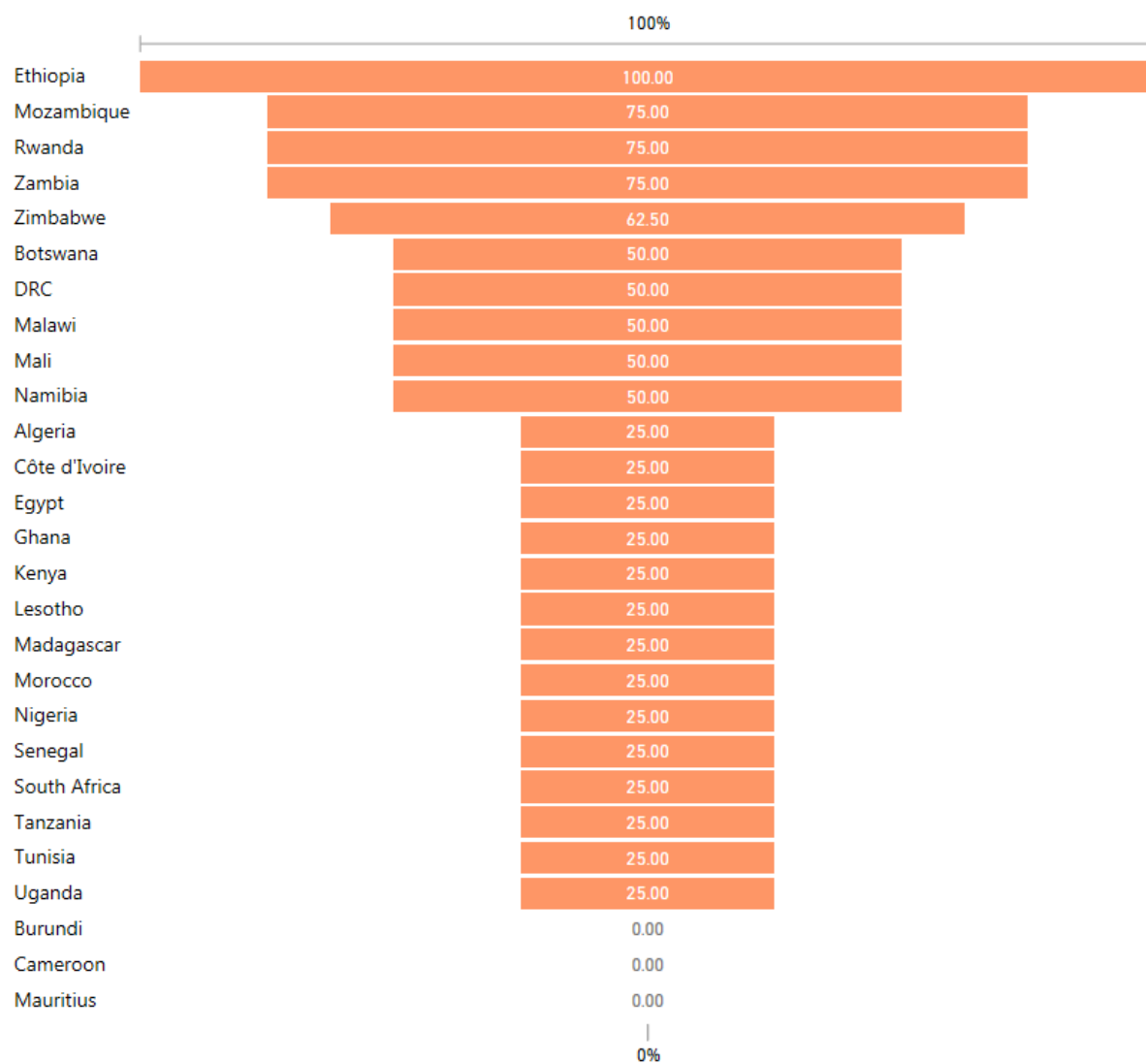
### Trade restrictions and EVA

Figure 37 overleaf shows services trade restrictions on the left and a comparison of export value added forward/backward ratios. The ICT & Business Services sector is strongly forward linked, at 4.6.

**Figure 37: Left: Communications Services Trade Restrictions - Africa (Data Source: World Bank, 2010). Right: Ratio of Forward to Backward Value Added for Africa – ICT & Business Services Comparison (Source: Derived from World Bank EVA Database, ISIC Rev3, 2011)**

#### Services Trade Restrictions Indices

Score by Country



#### Ratio of Forward To Backward Linkages - Comparison

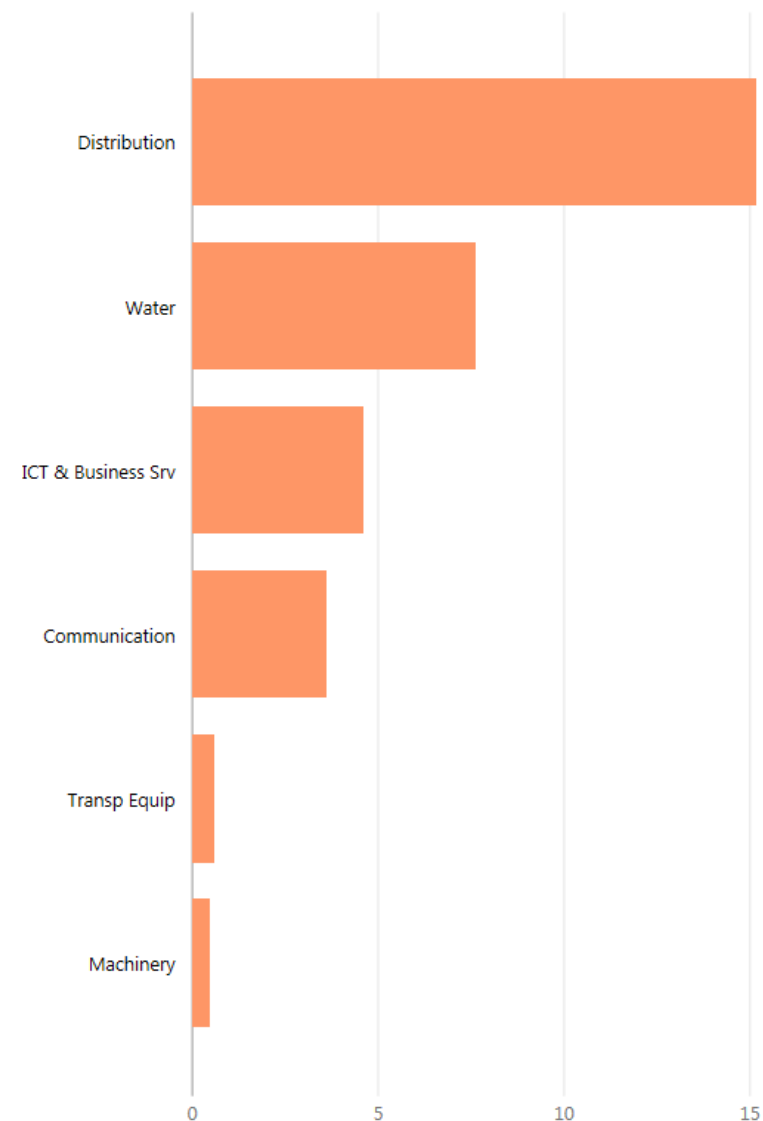


Figure 38: Bilateral ICT & Business Services Trade - Main Players (Data Source: GTAP, Basis: ISIC rev3, Year: 2007)

### Bilateral trade

The main players in intra-African bilateral trade in ICT and business services are Angola-DRC, Egypt, Nigeria, Algeria-Libya and Morocco.

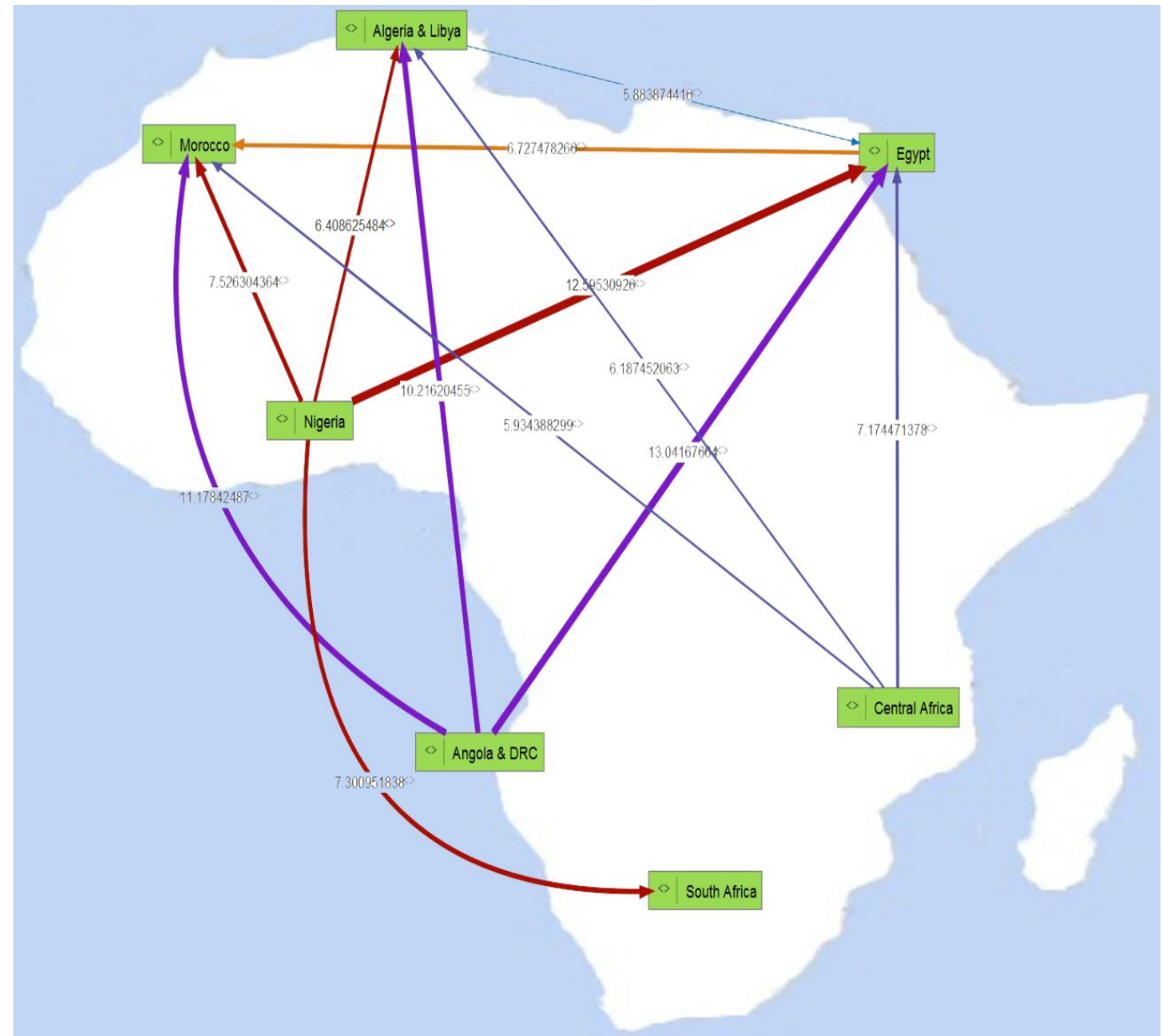


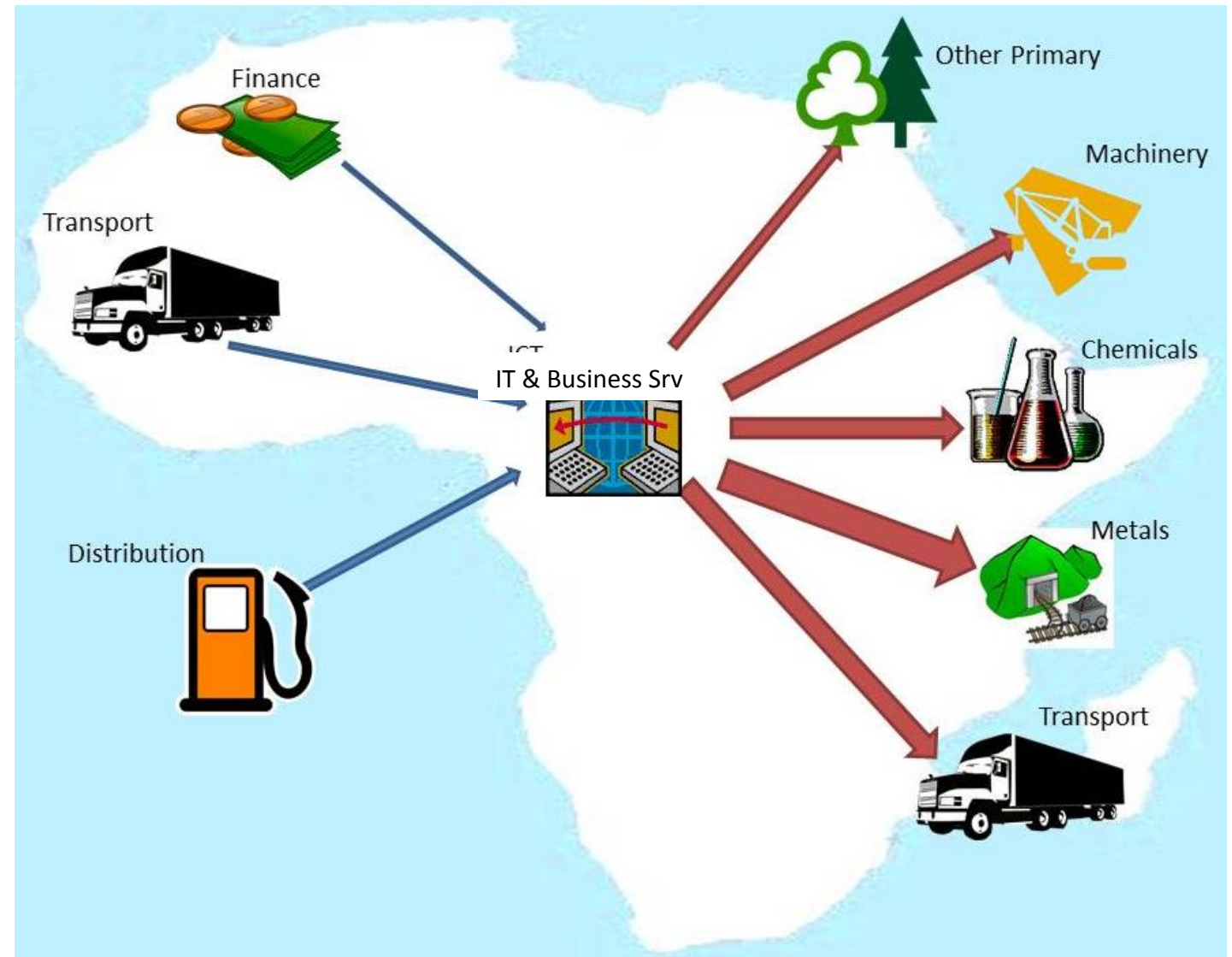
Figure 39: Stylised Value Added Mapping: IT & Business Services: Africa (Original Data: World Bank VA Database, ISIC Rev3, 2011)

### Export value added mapping

The forward/backward linkages aggregate ratio for Africa for ICT and Business Services is 4.6, indicating a strong forward emphasis.

The main forward-linked sectors are metals, transport and machinery. By contrast, the backward linked sectors do not account for a large amount of value added for this sector.

There is a significant bilateral value flow between this sector and the transport sector.





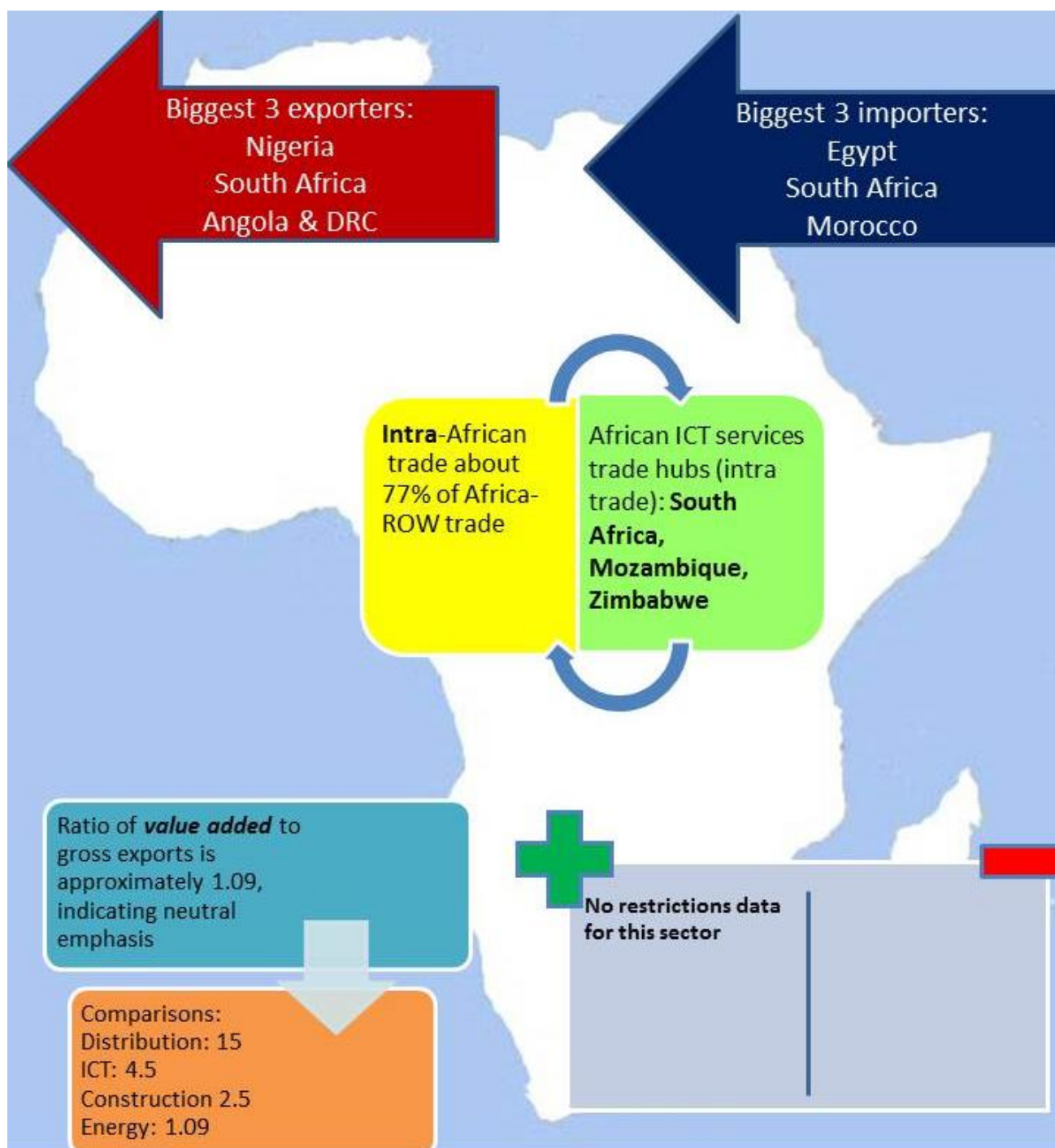
## Energy

### Definition

Energy is not a sector under the BPM6 classification, it only appears as a sector. For the GTAP bilateral data we aggregate the following ISIC sectors into one Energy sector:

- Electricity
- Gas fuels
- Steam and hot water supply

Figure 40: Africa Energy Services Trade - Summary Infographic



**Figure 41: Africa Energy Services Exports - Proportional Bubble (Data Source: GTAP, ISIC Rev3, 2007)**

### Multilateral Trade

The export bubble Figure 41 indicates the main exporters of energy services in Africa are South Africa, Morocco, Tunisia and Zimbabwe

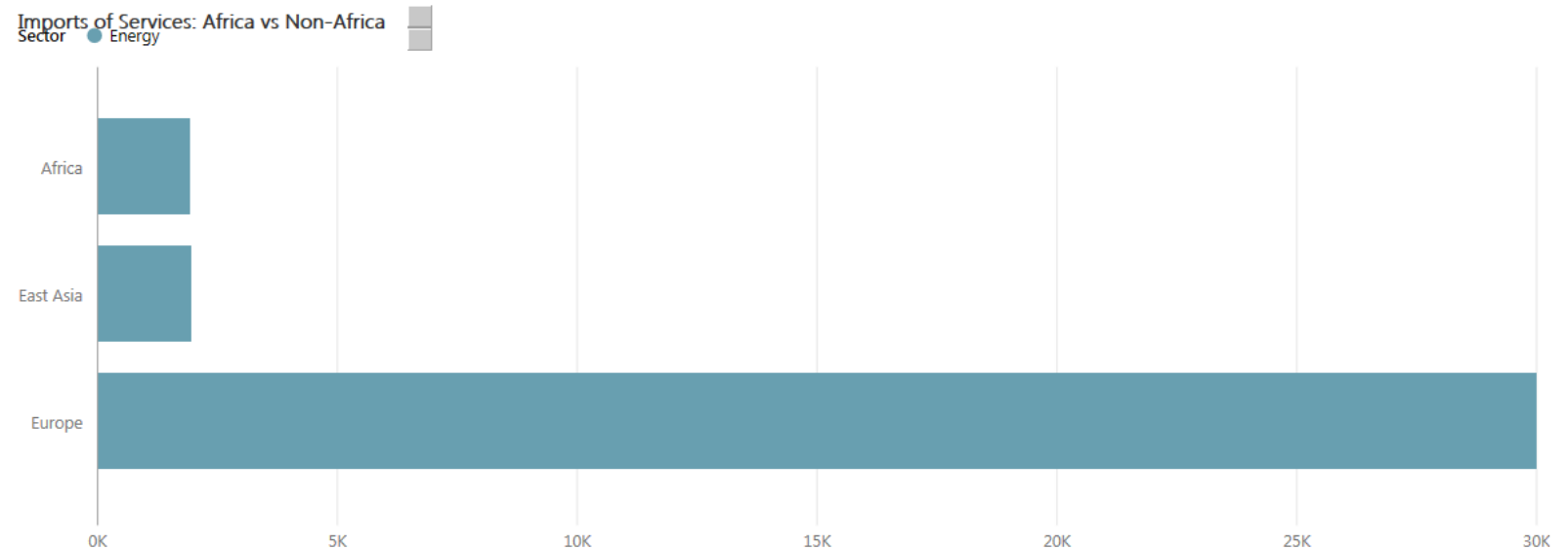


**Figure 42: Africa Energy Services Imports - Proportional Bubble (Data Source: GTAP, ISIC Rev3, 2007)**

The import bubble Figure 42 indicates that the main importers of energy services in Africa are Mozambique, South Africa, Angola and Côte d'Ivoire.



Figure 43: Africa Energy Services Trade vs East Asia and Europe (Data Source: GTAP, ISIC rev3, 2007)



### Trade levels comparisons

Figure 43 compares African trade in energy services with two other trade blocs. For Africa, exports exceed imports and overall magnitudes compare with East Asia's data.

### Trade restrictions and EVA

Figure 44 overleaf shows a comparison of export value added forward/backward linkage ratios. Energy services are neutrally linked, at 1.09.

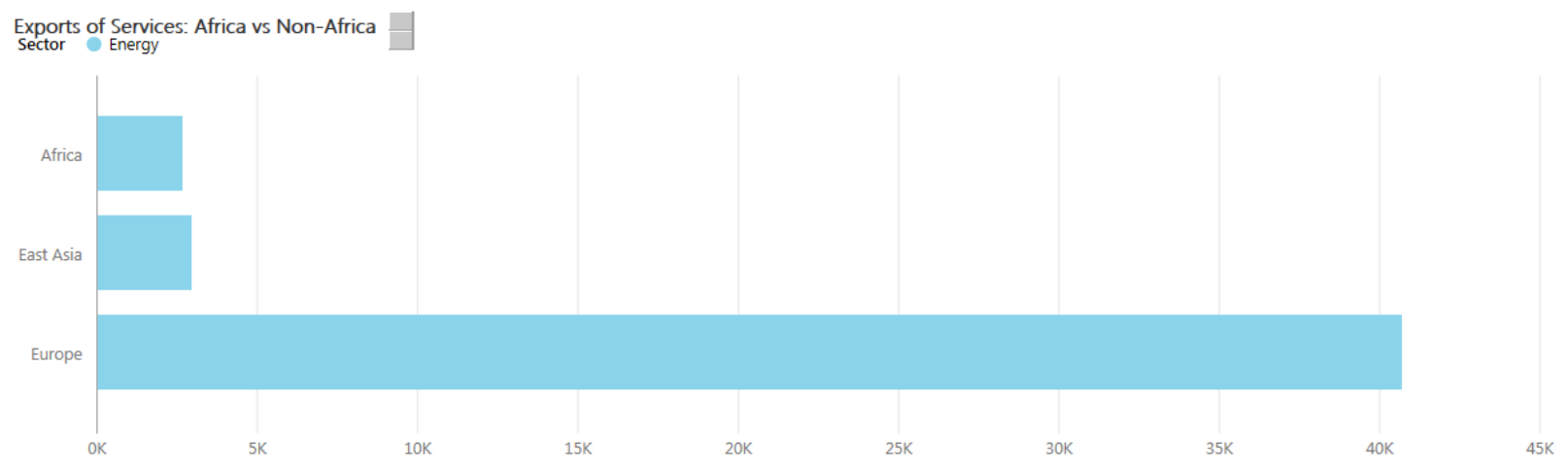


Figure 44: Ratio of Forward to Backward Value Added for Africa – Energy Services Comparison (Source: Derived from World Bank EVA Database, ISIC Rev3, 2011)

Ratio of Forward To Backward Linkages - Comparison

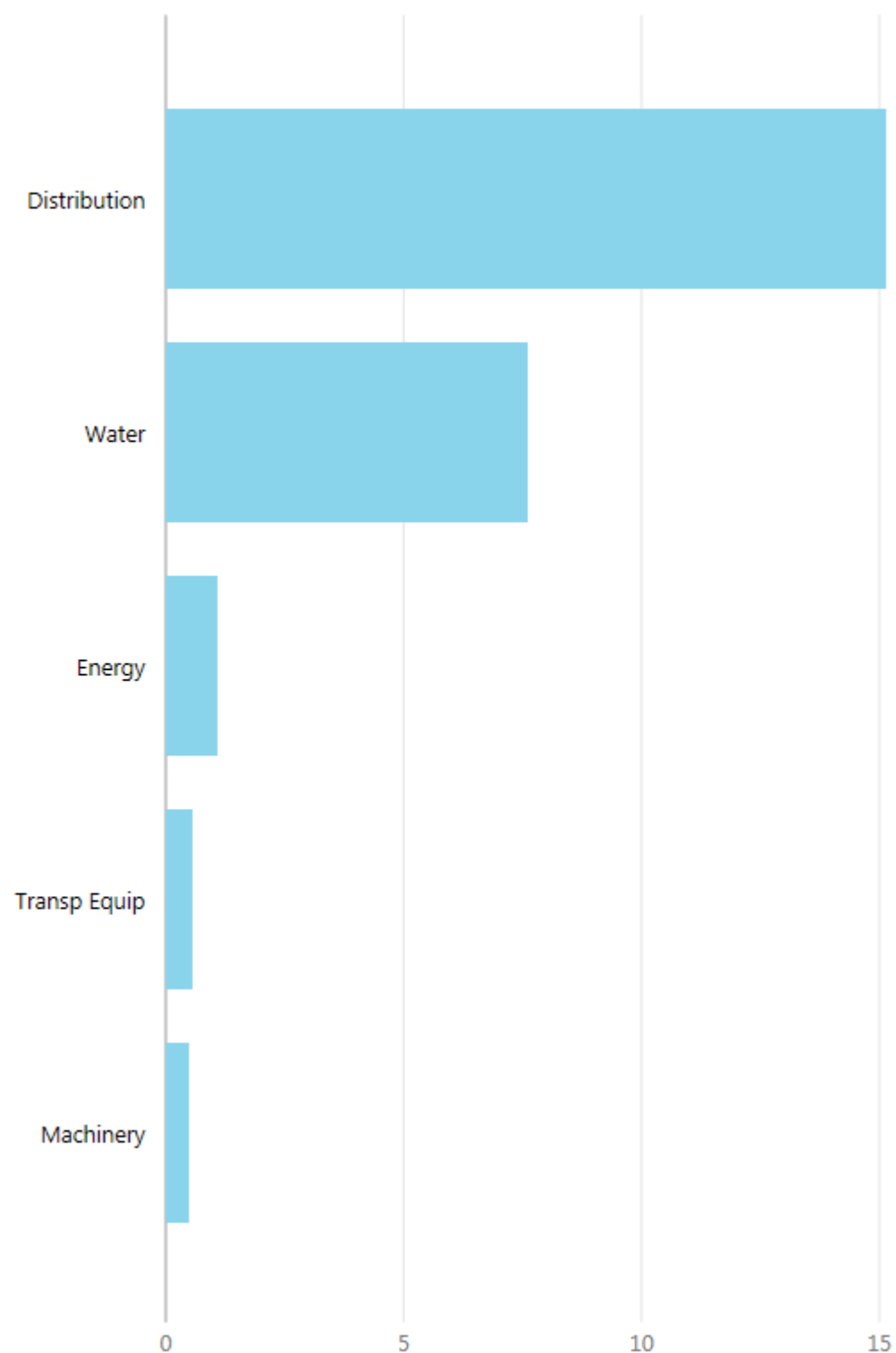


Figure 45: Bilateral Energy Services Trade - Main Players (Data Source: GTAP, ISIC rev3, 2007)

## Bilateral trade

The main players in intra-African bilateral trade in transport services are South Africa, Mozambique, Zimbabwe, Angola-DRC.

The Northern African nations do not appear in this figure because their intra-African trade levels fall below the threshold. Their energy trade is primarily with the rest of the world.

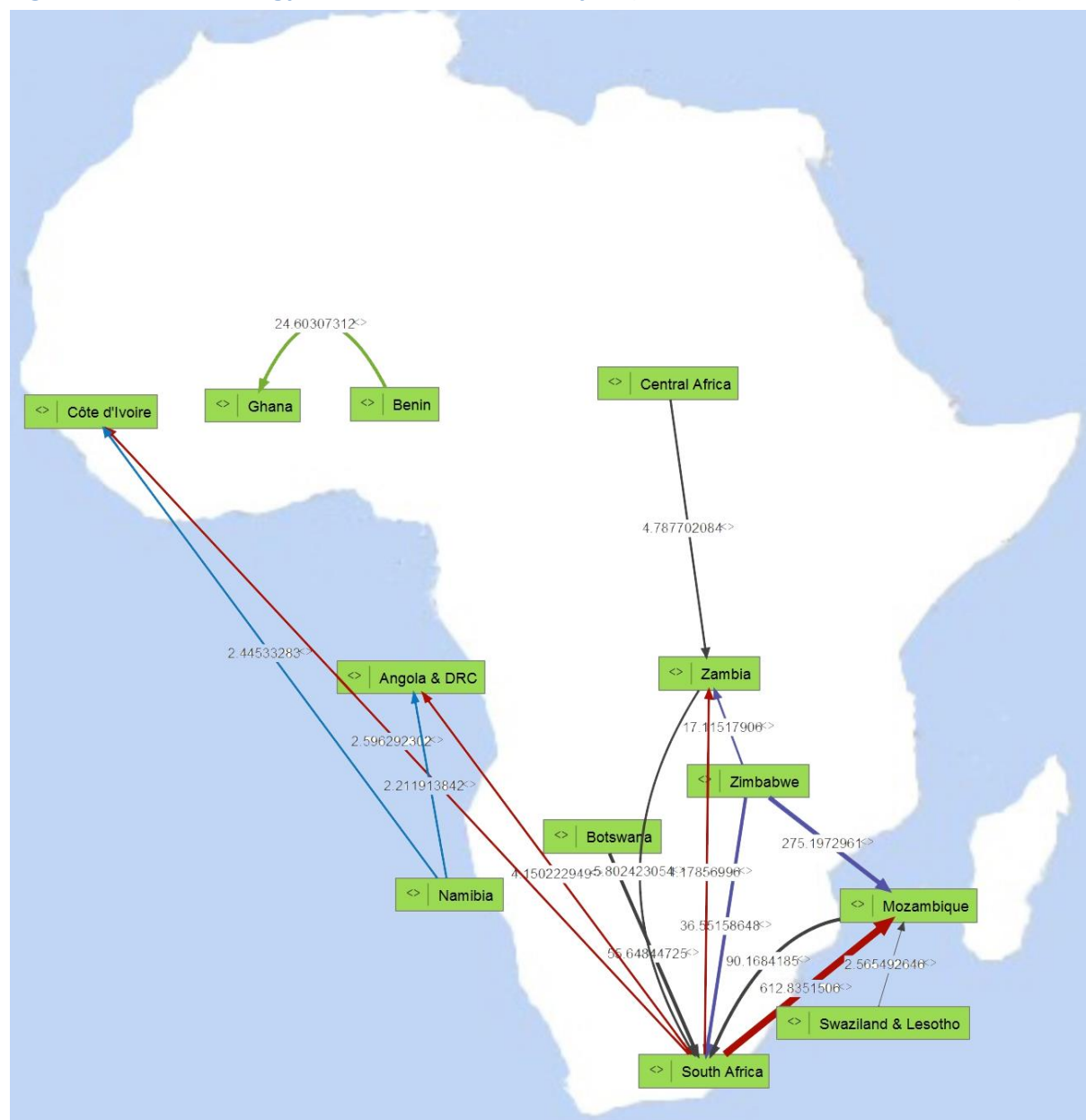


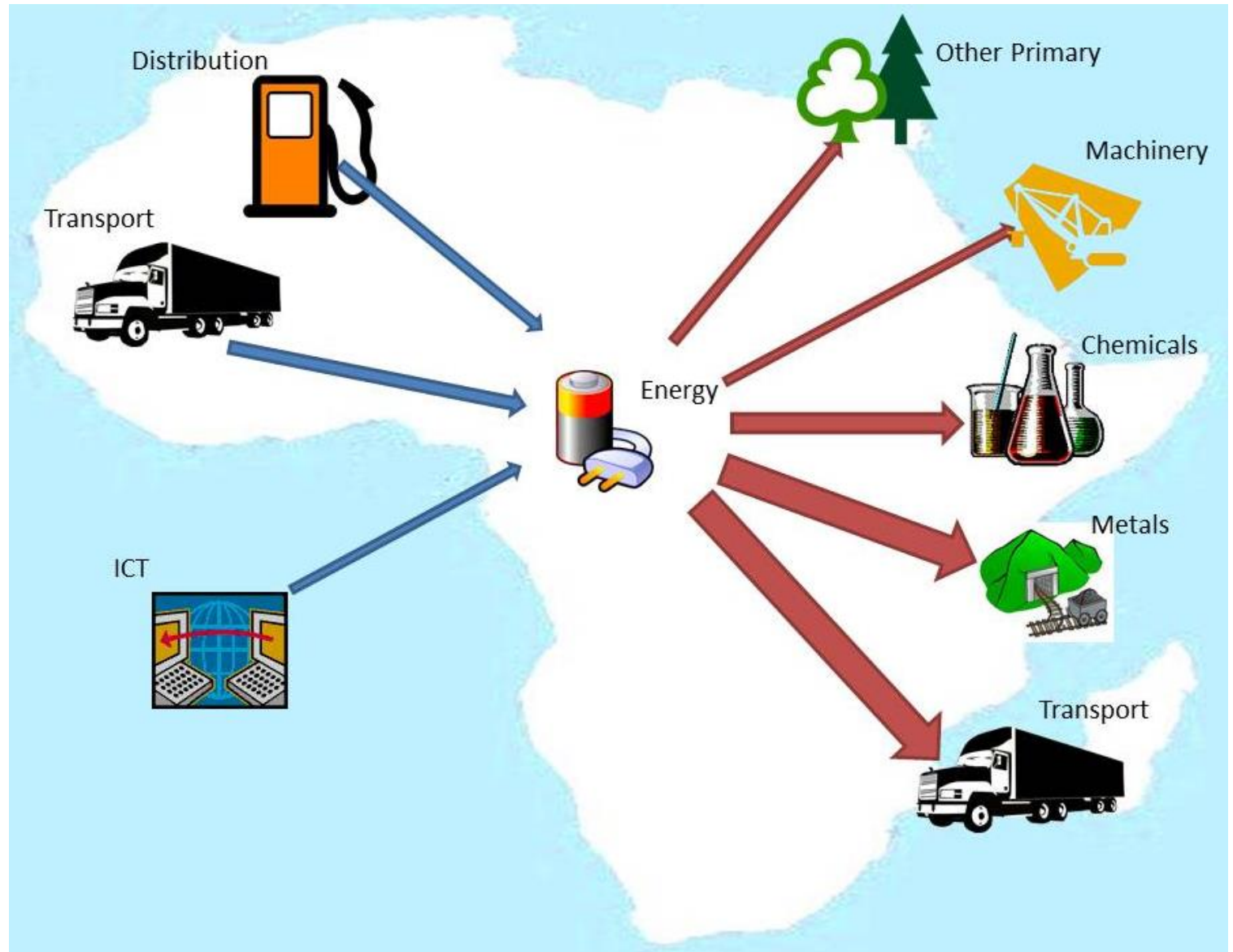


Figure 46: Stylised Value Added Mapping: Energy Services: Africa (Original Data: World Bank VA Database, ISIC Rev3, 2011)

### Export value added mapping

The forward/backward linkages aggregate ratio for Africa for energy services is 1.09, indicating a neutral export linkage emphasis.

The main forward-linked sectors are metals, transport and chemicals; with transport also being backward-linked, indicating the presence of a bilateral value relationship.



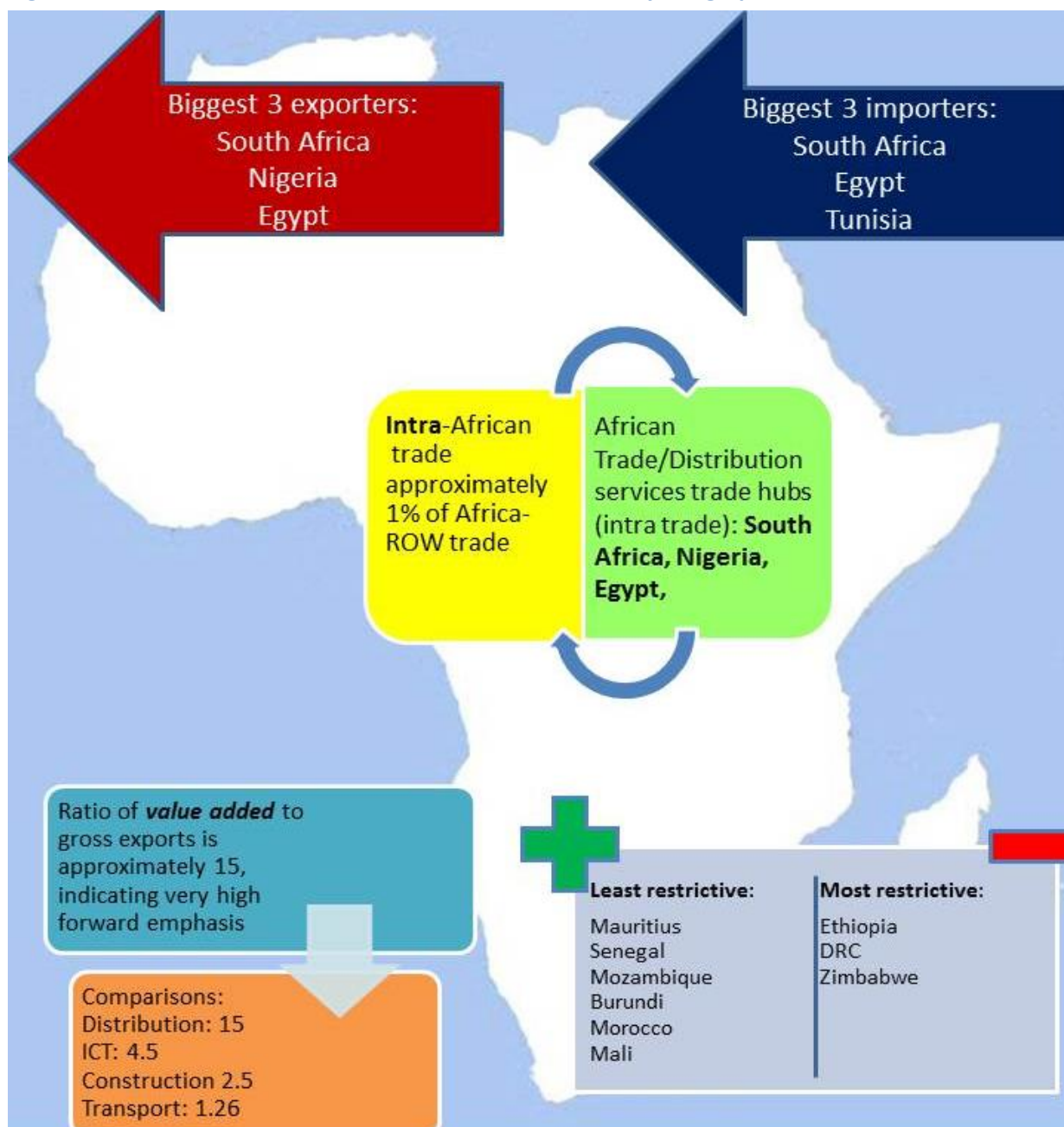
## Trade/Distribution

### Definition

This sector covers retail and wholesale trade, and is grouped with hotels and restaurants for the GTAP data. We will refer to it as 'distribution' in the text in order to avoid the confusion involved in using the word 'trade'. The various definitions are as follows:

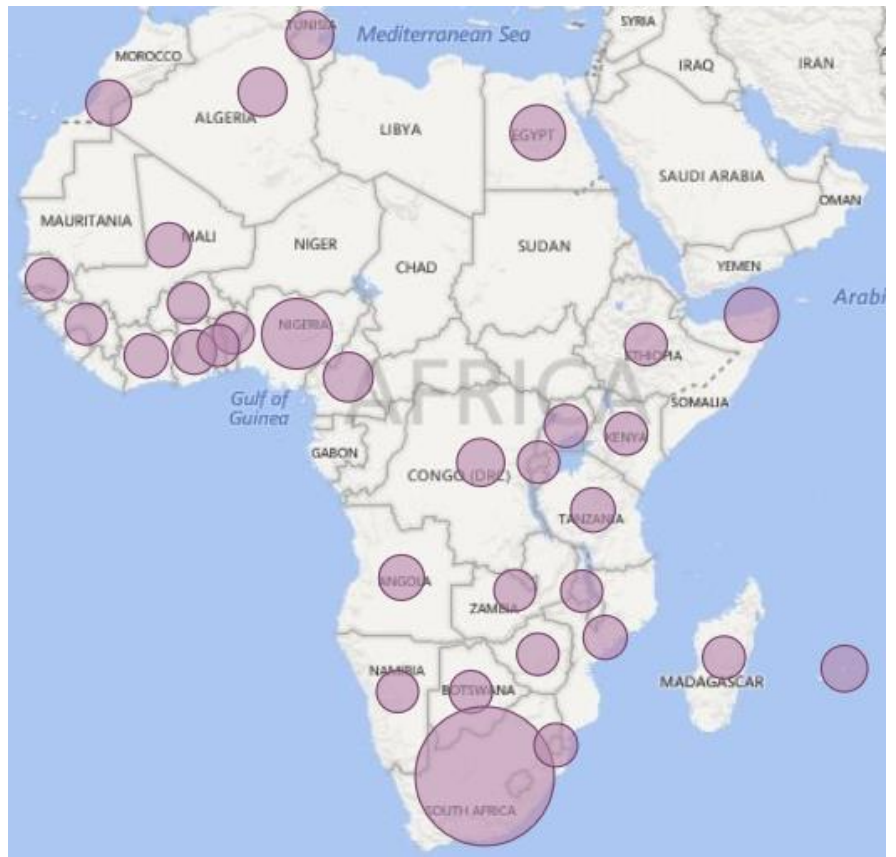
- BPM6 classification: none
- GTAP data (ISIC): wholesale and retail trade including hotels and restaurants
- Service trade restrictions: retail trade only
- Export value-added: called 'distribution' but the classification is the same as for GTAP
- FATS: Wholesale and retail trade only, does not include hotels and restaurants (separate category)

Figure 47: Africa Trade-Distribution Services Trade - Summary Infographic



**Figure 48: Africa Trade-Distribution Services Exports - Proportional Bubble (Data Source: GTAP, ISIC Rev3, 2007)**

The export bubble Figure 48 indicates the main exporters of distribution services in Africa are South Africa, Nigeria and Egypt.

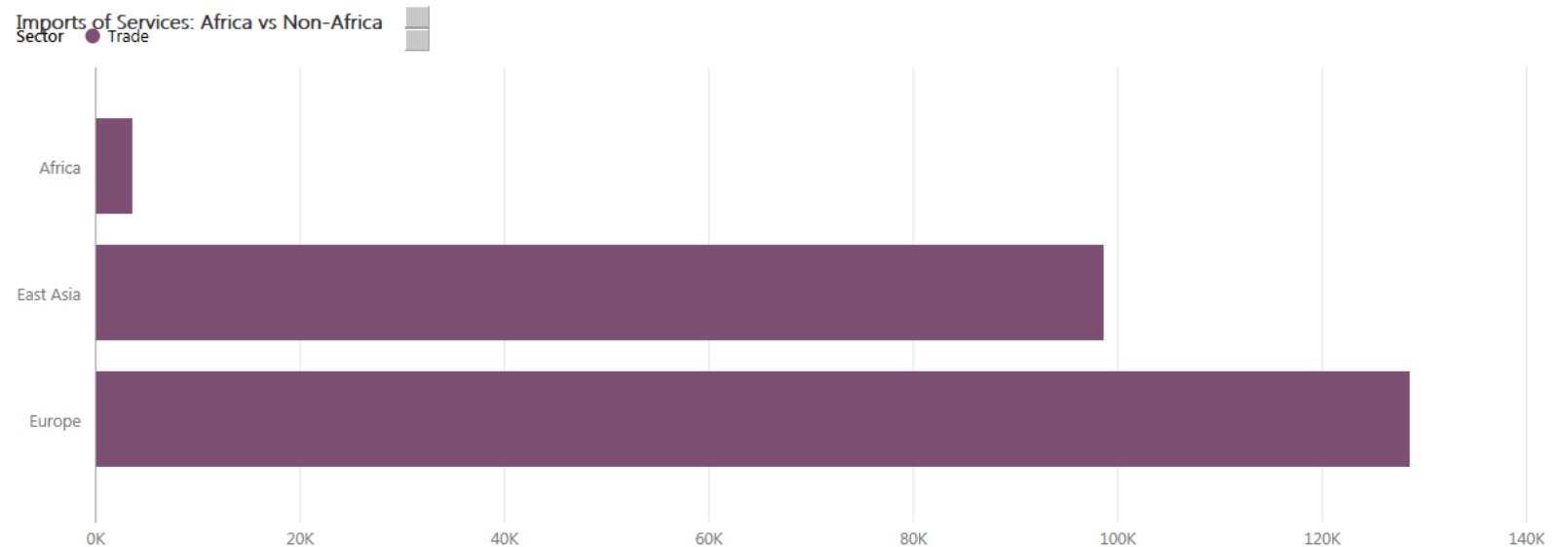


**Figure 49: Africa Trade-Distribution Services Imports - Proportional Bubble (Data Source: GTAP, ISIC Rev3, 2007)**

The import bubble Figure 49 indicates that the main importers of distribution services in Africa are South Africa, Egypt, Tunisia and Morocco.



Figure 50: Africa Trade-Distribution Services Trade vs East Asia and Europe (Data Source: GTAP, ISIC rev3, 2007)



### Trade levels comparisons

Figure 50 compares African trade in distribution services with two other trade blocs. For Africa, exports exceed imports and overall magnitudes are small relative to the other blocs.

### Trade restrictions and EVA

Figure 51 overleaf shows services trade restrictions on the left and a comparison of export value added forward/backward ratios. Distribution services are extremely forward linked, at 15.1.

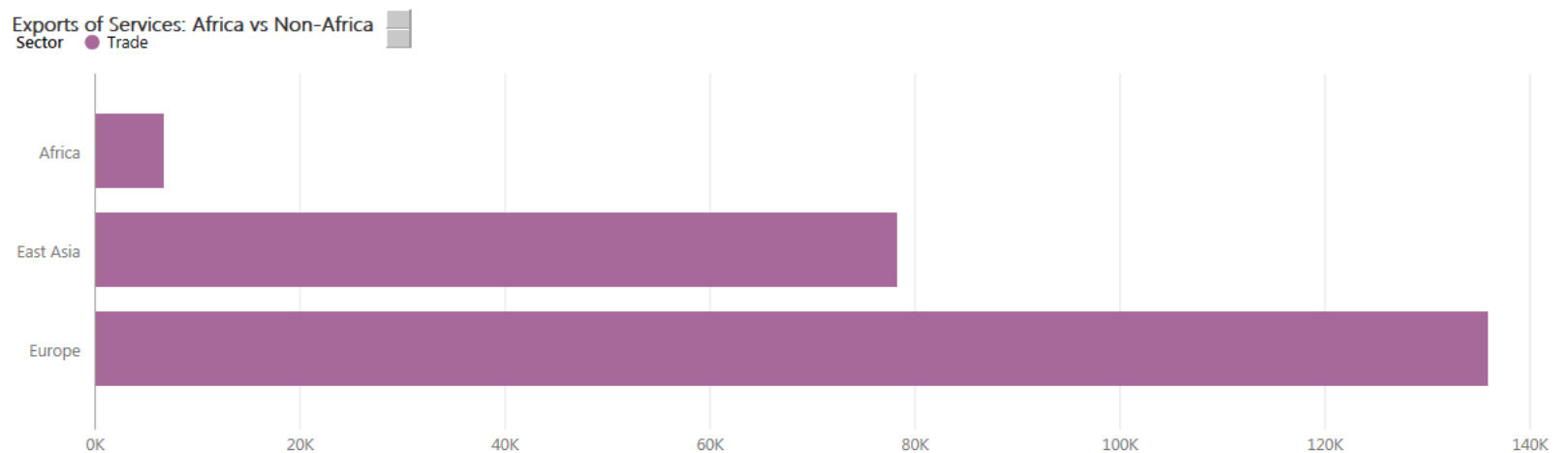
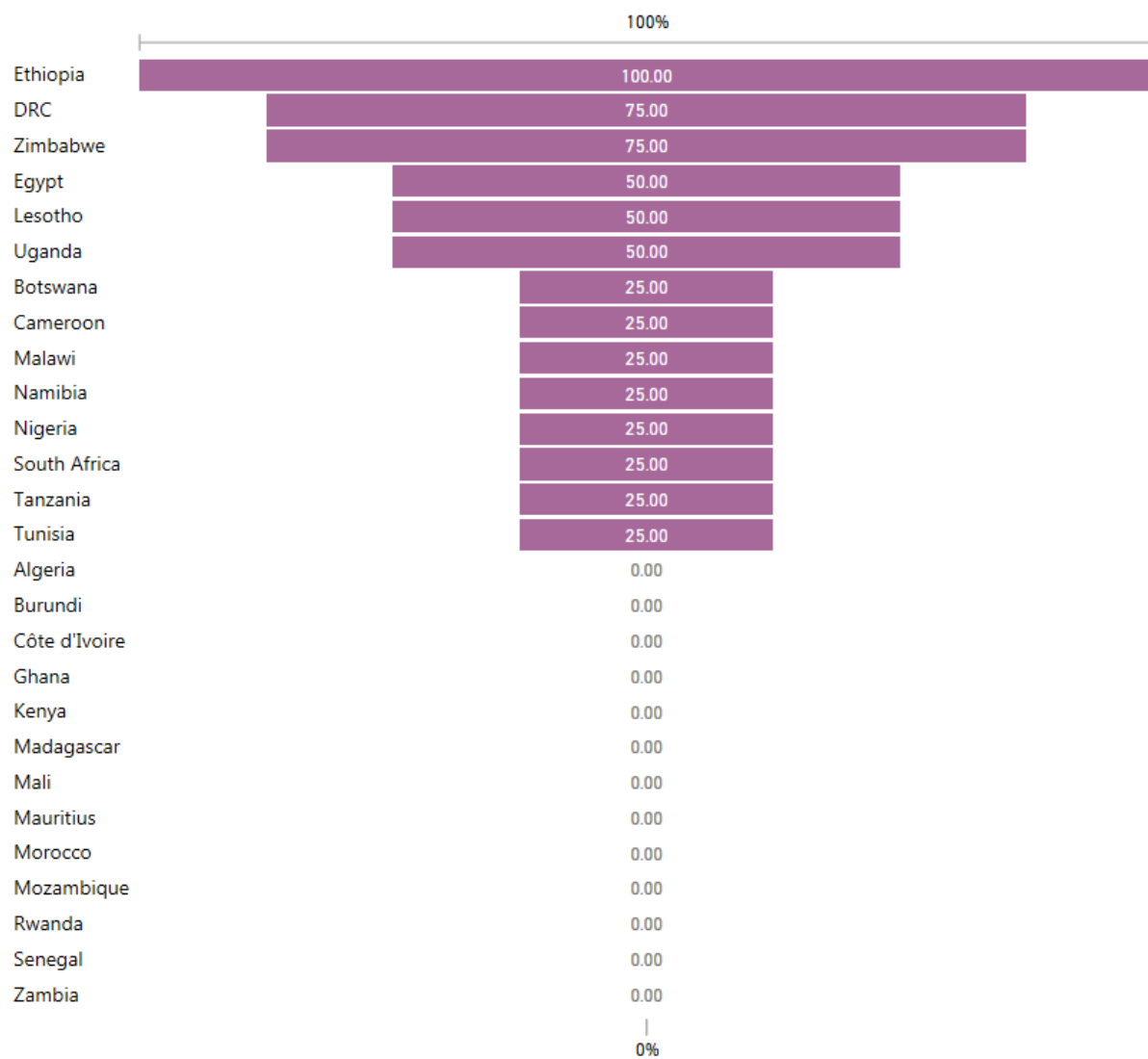


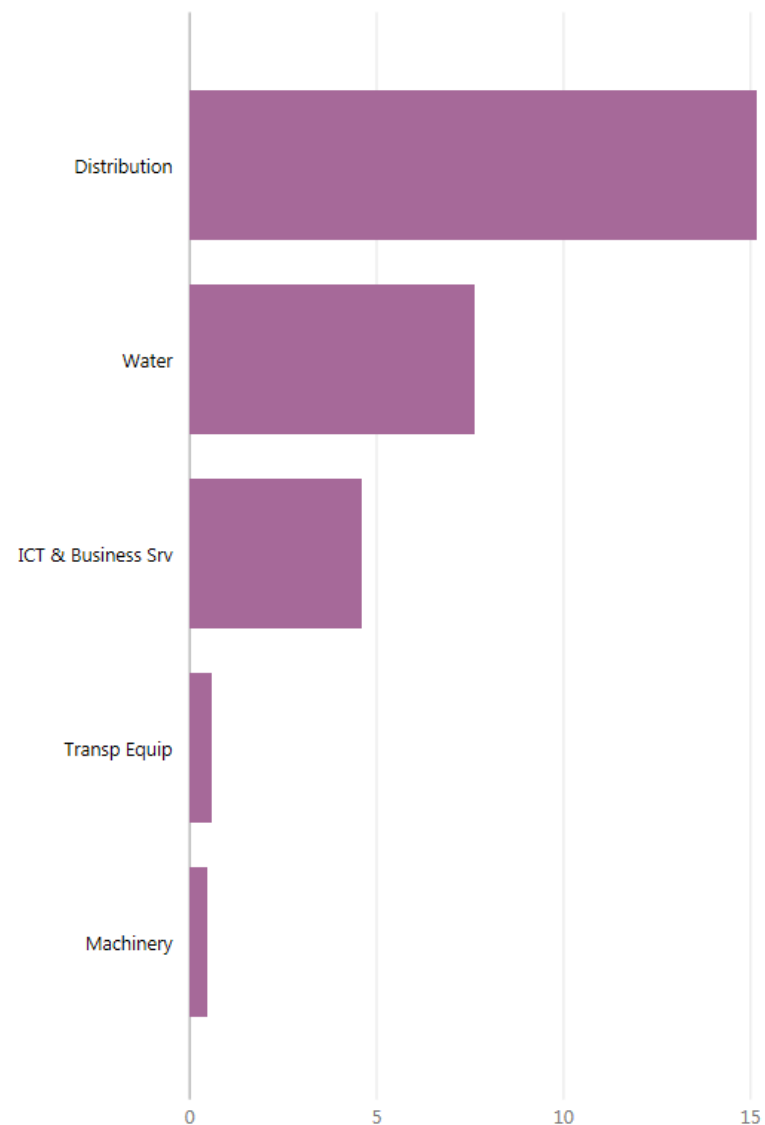
Figure 51: Left: Trade-Distribution Services Trade Restrictions - Africa (Data Source: World Bank, 2010). Right: Ratio of Forward to Backward Value Added for Africa – Trade-Distribution Services Comparison (Derived from World Bank EVA Database, ISIC Rev3, 2011)

#### Services Trade Restrictions Indices

Score by Country



#### Ratio of Forward To Backward Linkages - Comparison

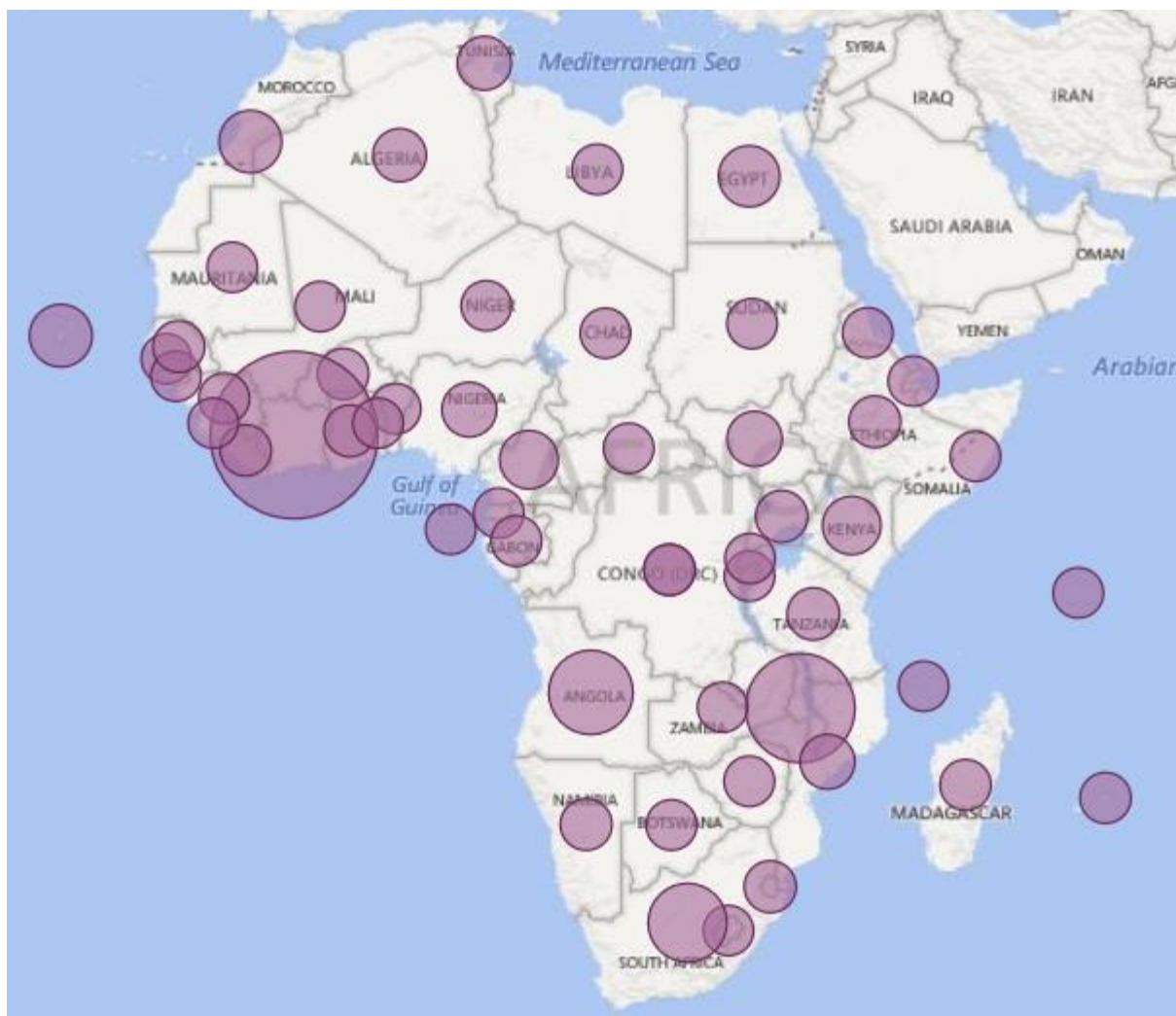




## FATS

FATS for this sector indicate mode 3 hubs in Côte d'Ivoire, Malawi, Angola and South Africa. Egypt, Morocco and Cape Verde also show above average activity.

Figure 52: Africa FATS: Trade-Distribution Services – Proportional Bubble (Data Source: Investment Map, ISIC Rev3, 2011)



## Bilateral trade

The main players in intra-African bilateral trade in distribution services are South Africa, Nigeria and Egypt. The latter is import-oriented while the other two are export-oriented.

Figure 53: Bilateral Trade-Distribution Services Trade - Main Players (Data Source: GTAP, ISIC rev3, 2007)

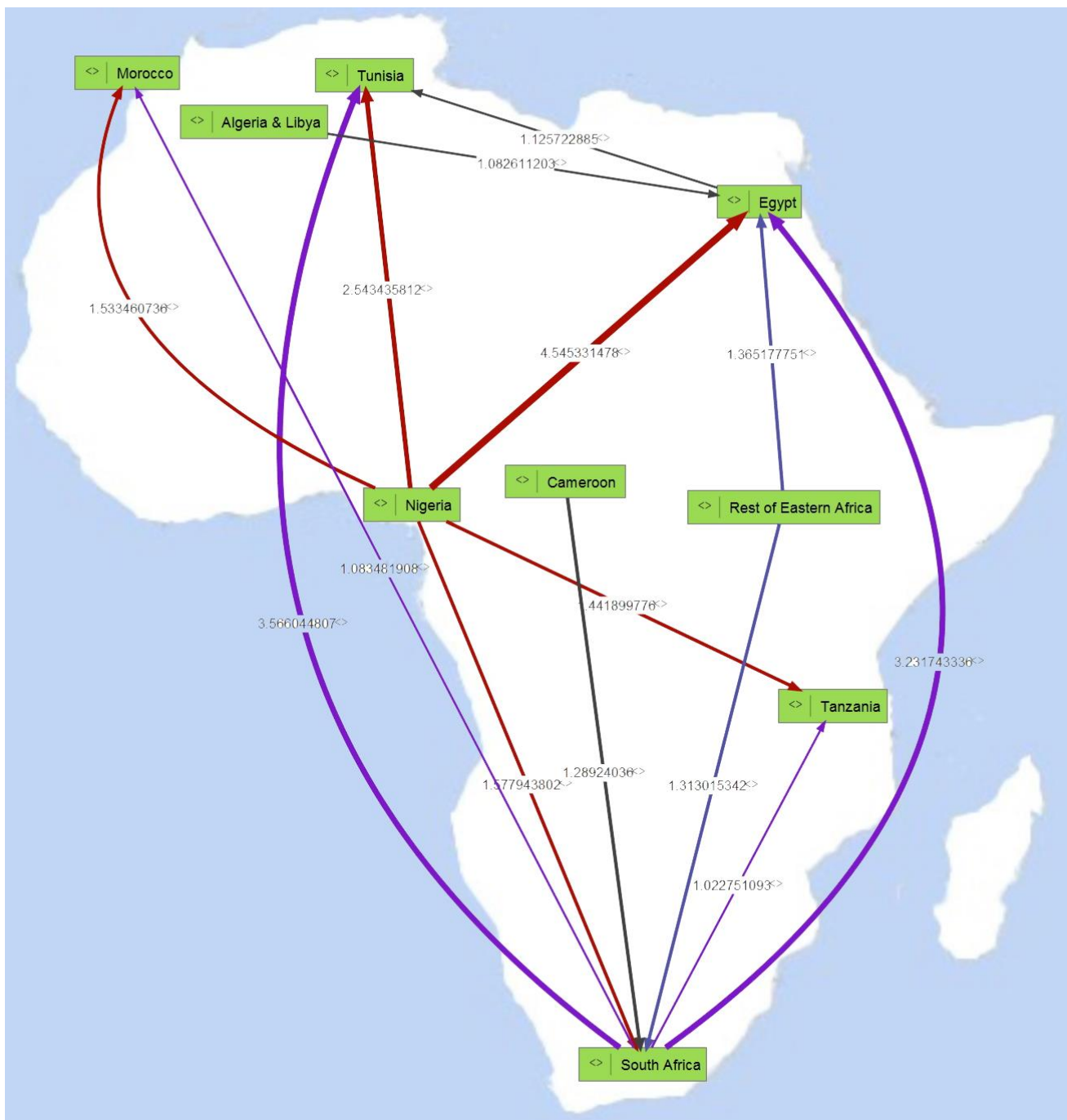
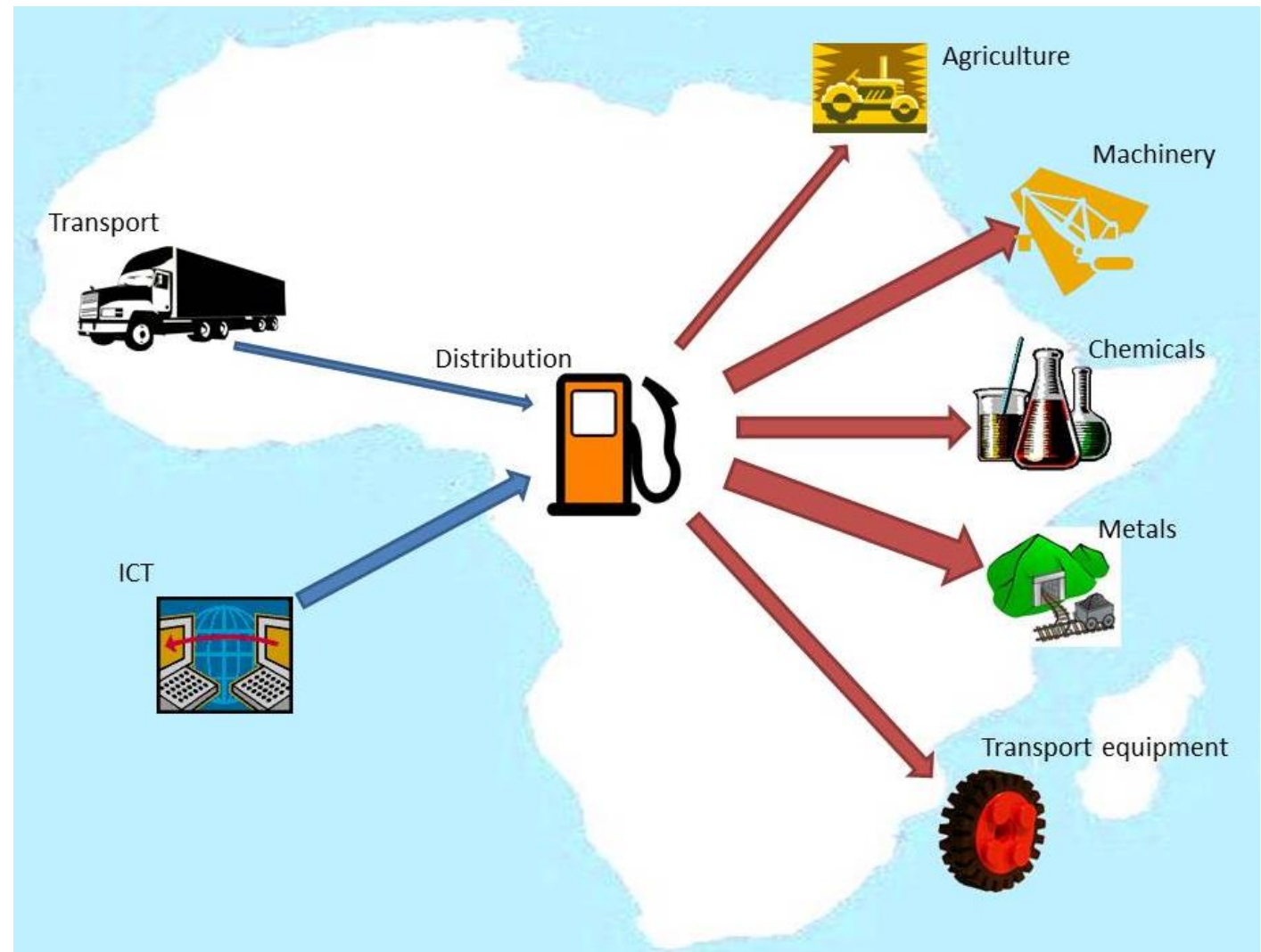


Figure 54: Stylised Value Added Mapping: Trade-Distribution Services: Africa (Original Data: World Bank VA Database, ISIC Rev3, 2011)

### Export value added mapping

The forward/backward linkages aggregate ratio for Africa for transport services is 15.1, indicating an extremely forward emphasis. This means distribution services have a high embodied trade content, even though these services have a relatively low absolute trade content.

The main forward-linked sectors are metals, machinery, chemicals and transport equipment.



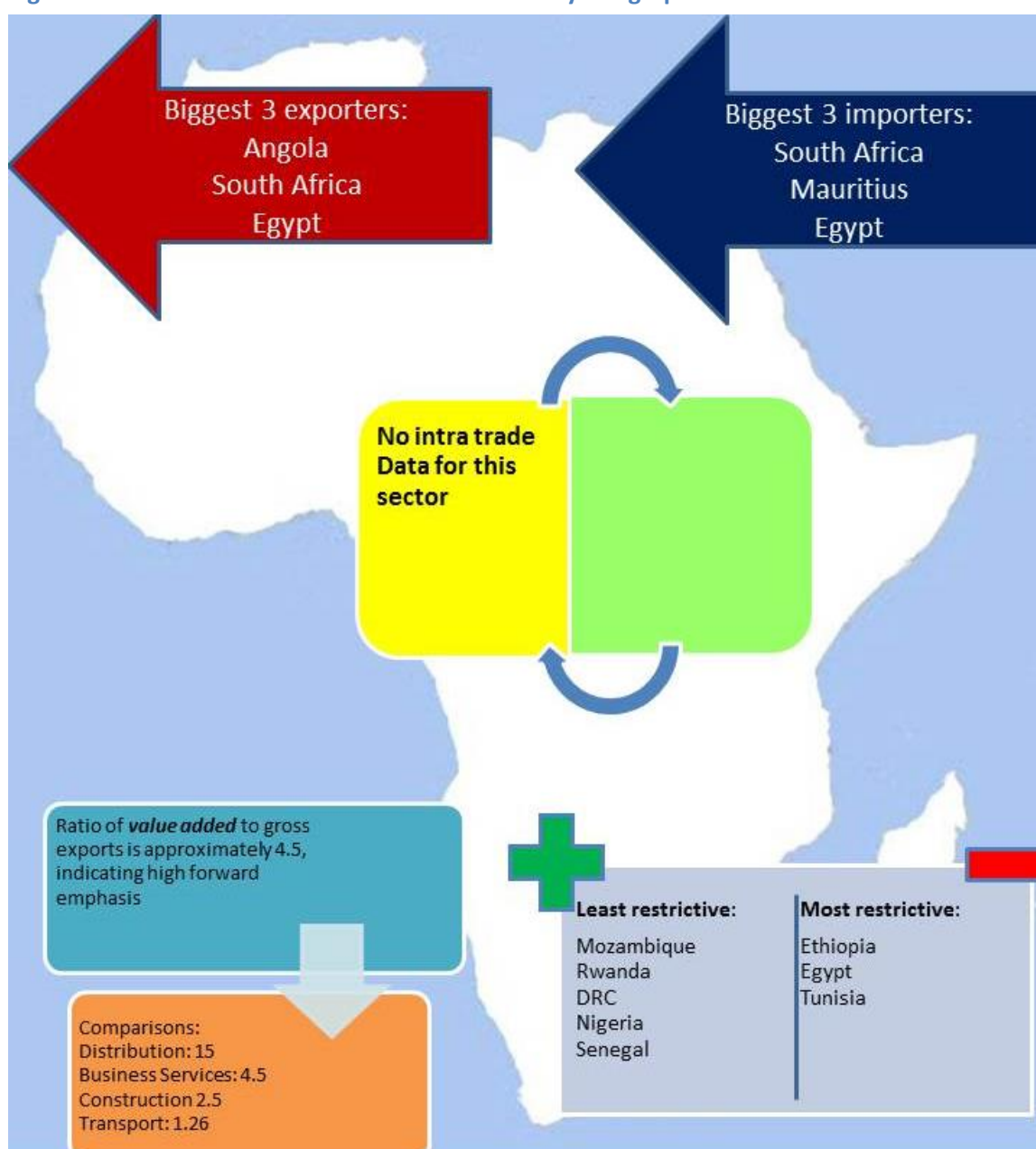
## Business Services

### Definition

This sector covers business and professional services, but the export value added data is provided for the aggregate sector IT and business services. The various definitions are as follows:

- BPM6, which covers the multilateral trade data – ‘other business services’: includes research & development, professional and management consulting, and technical and trade-related services
- Trade restrictions database – only covers professional services, e.g. legal, accounting, management consulting, advertising and PR
- Export value added: ‘other business services’ is aggregated with IT services
- FATS – the ISIC rev3 classification is called ‘business activities’ and covers real estate, equipment, renting, computer activities and research and development.

Figure 55: Africa Business Services Trade - Summary Infographic



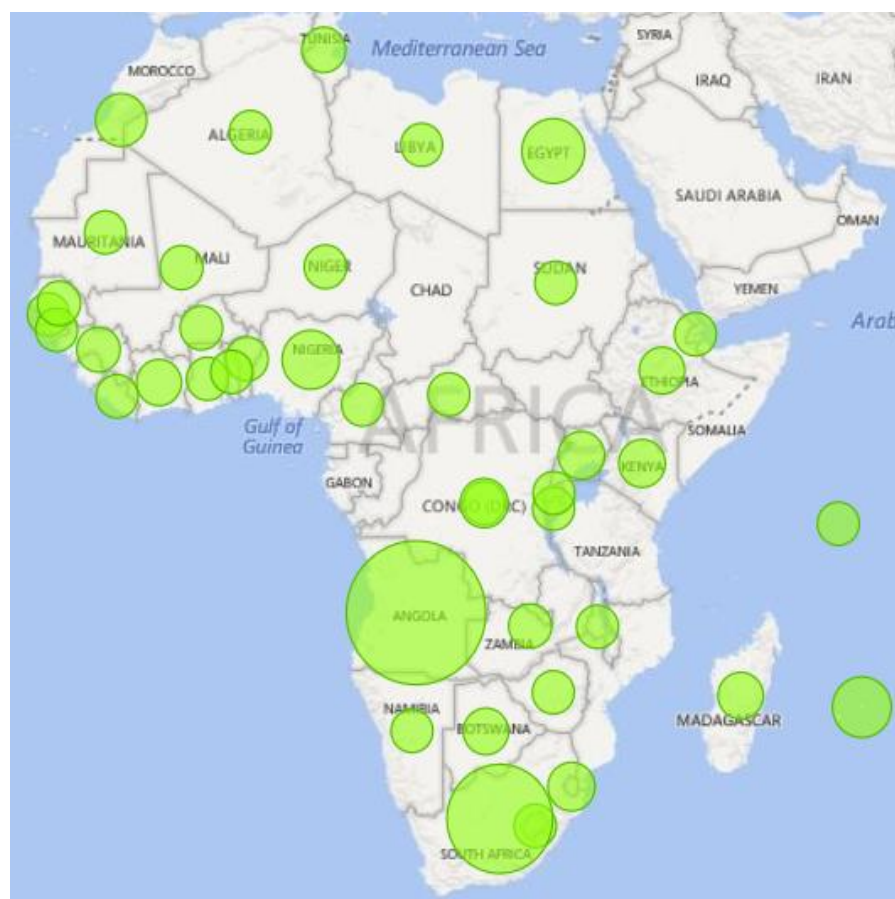


**Figure 56: Africa Business Services Exports - Proportional Bubble (Data Source: World Bank, BPM6, 2011)**

### Multilateral Trade

The export bubble Figure 56 indicates that the main exporters of business services in Africa are Angola, South Africa and Egypt.

The import bubble Figure 57 indicates that the main importers of business services in Africa are South Africa, Mauritius and Egypt.



**Figure 57: Africa Business Services Imports - Proportional Bubble (Data Source: World Bank, BPM6, 2011)**

### Trade restrictions and EVA

Figure 58 overleaf shows services trade restrictions on the left and a comparison of export value added forward/backward ratios. IT & Business Services are strongly forward linked, with a score of 4.6

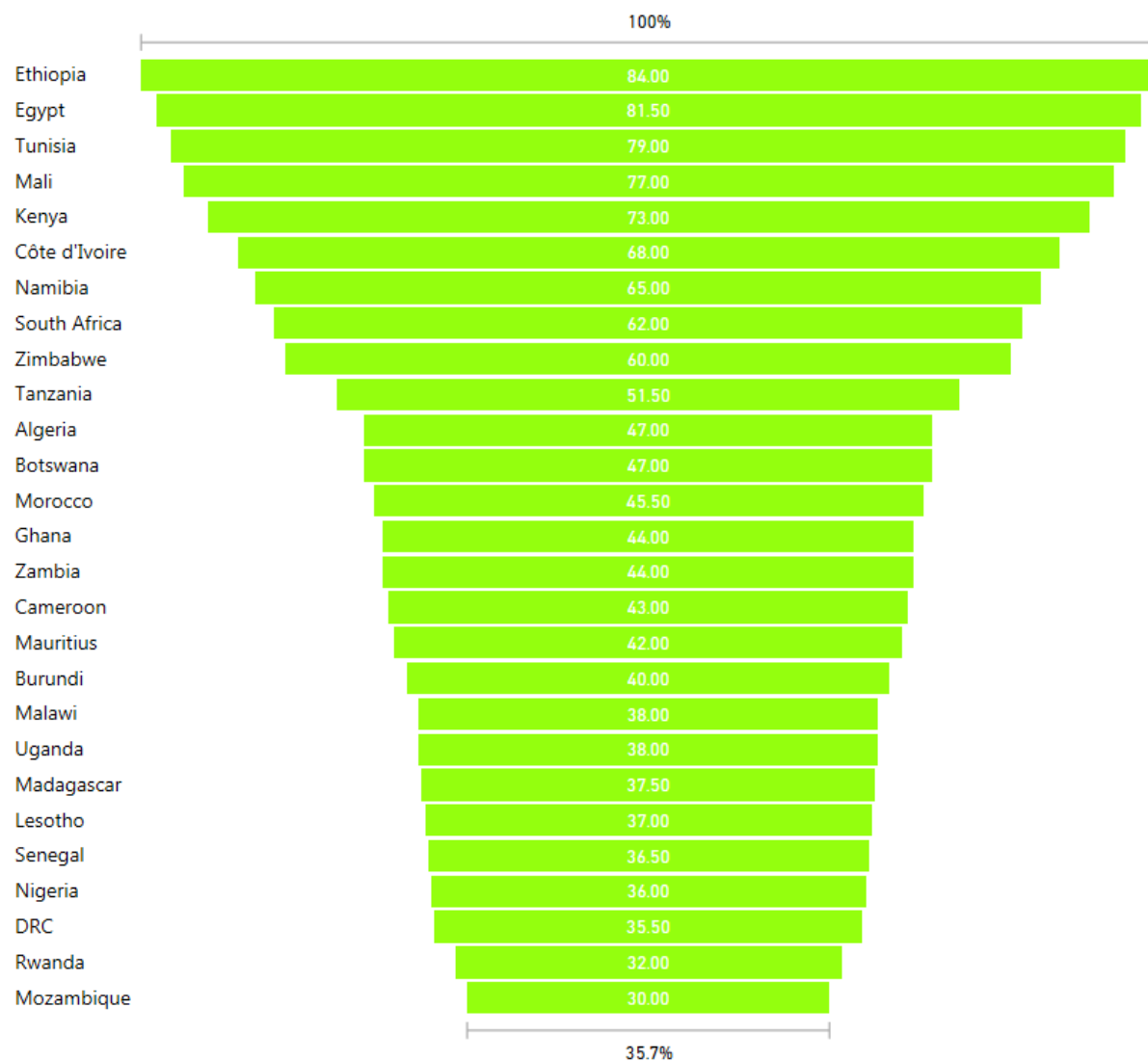




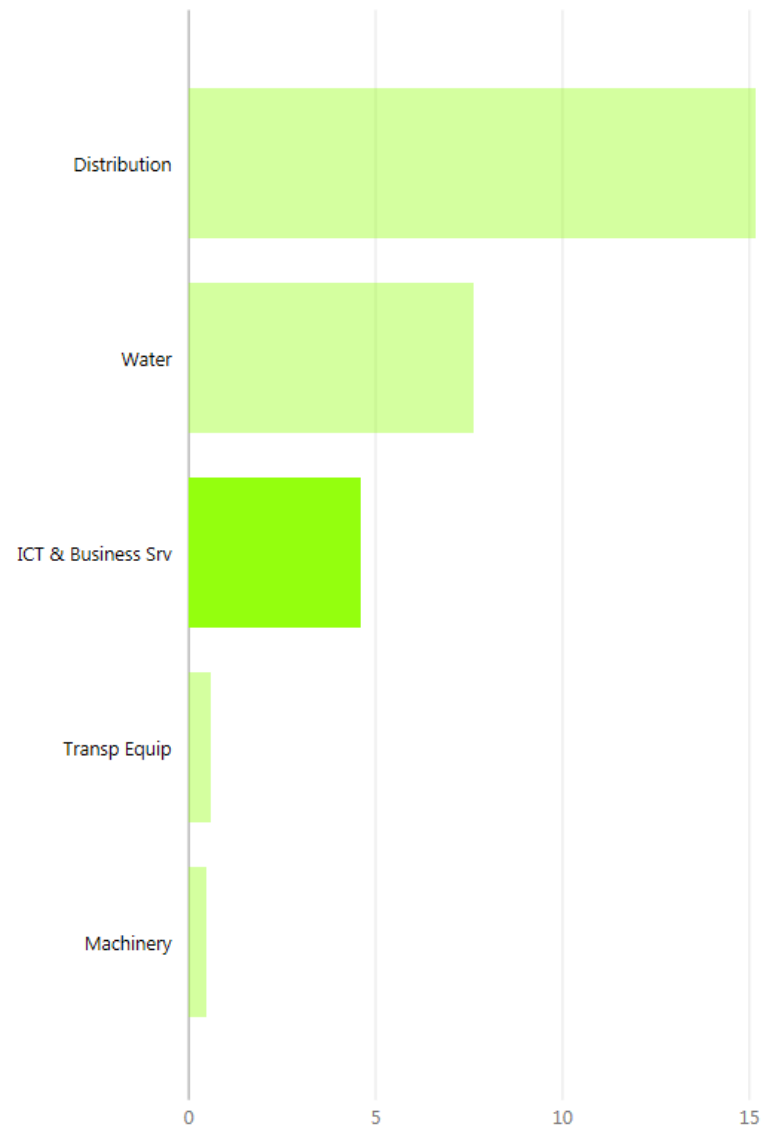
Figure 58: Professional Services Trade Restrictions - Africa (Data Source: World Bank, 2010). Right: Ratio of Forward to Backward Value Added for Africa – ICT & Business Services Comparison (Derived from World Bank EVA Database, ISIC Rev3, 2011)

Services Trade Restrictions Indices

Score by Country



Ratio of Forward To Backward Linkages - Comparison



## FATS

FATS for this sector indicate mode 3 hubs in Angola and South Africa.

Kenya, Egypt, Nigeria, Tunisia, Algeria, Côte d'Ivoire and Guinea also have above average FATS activity for this sector.

Figure 59: FATS: Business Activities – Proportional Bubble (Data Source: Investment Map, ISIC Rev3, 2011)

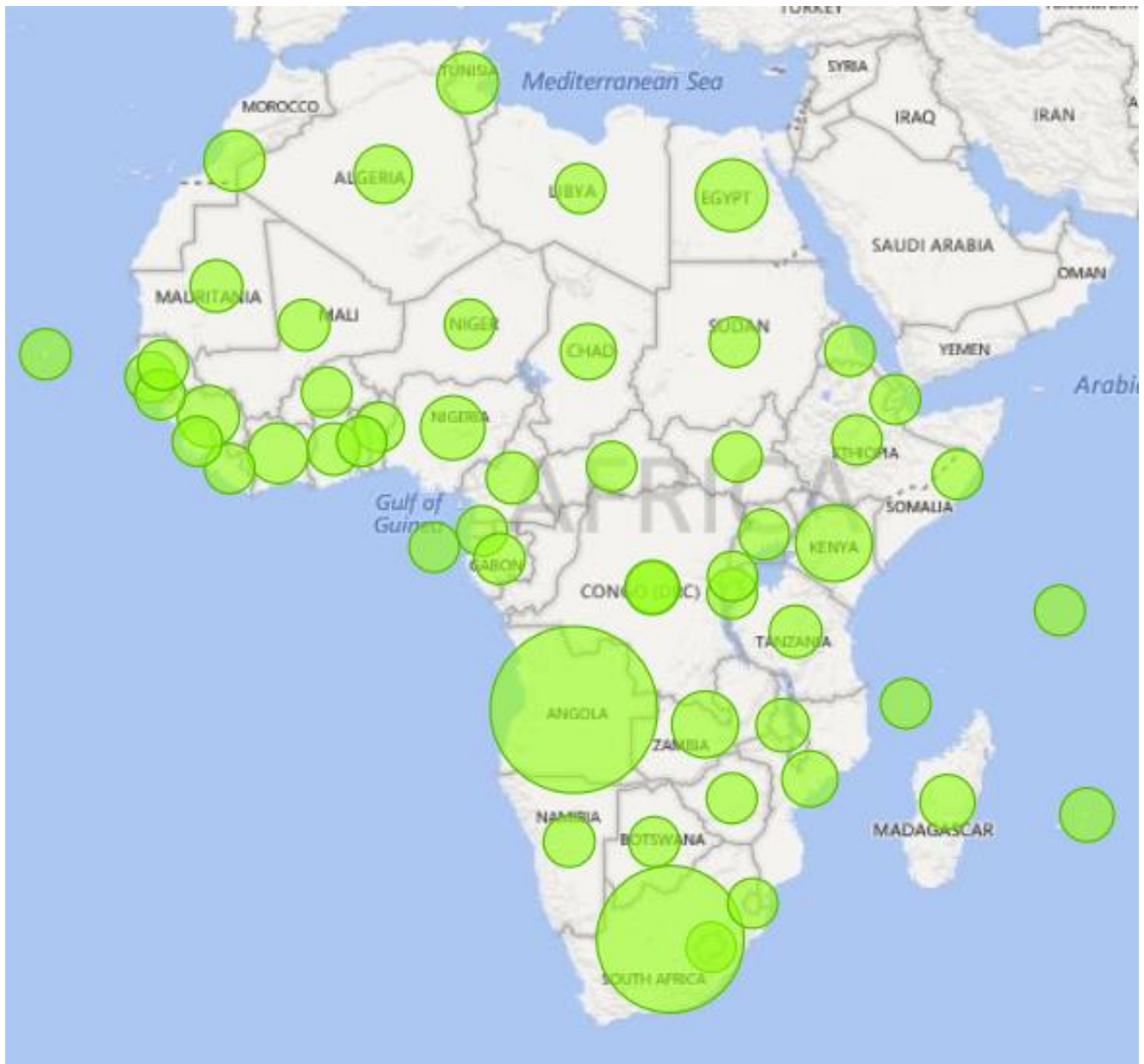


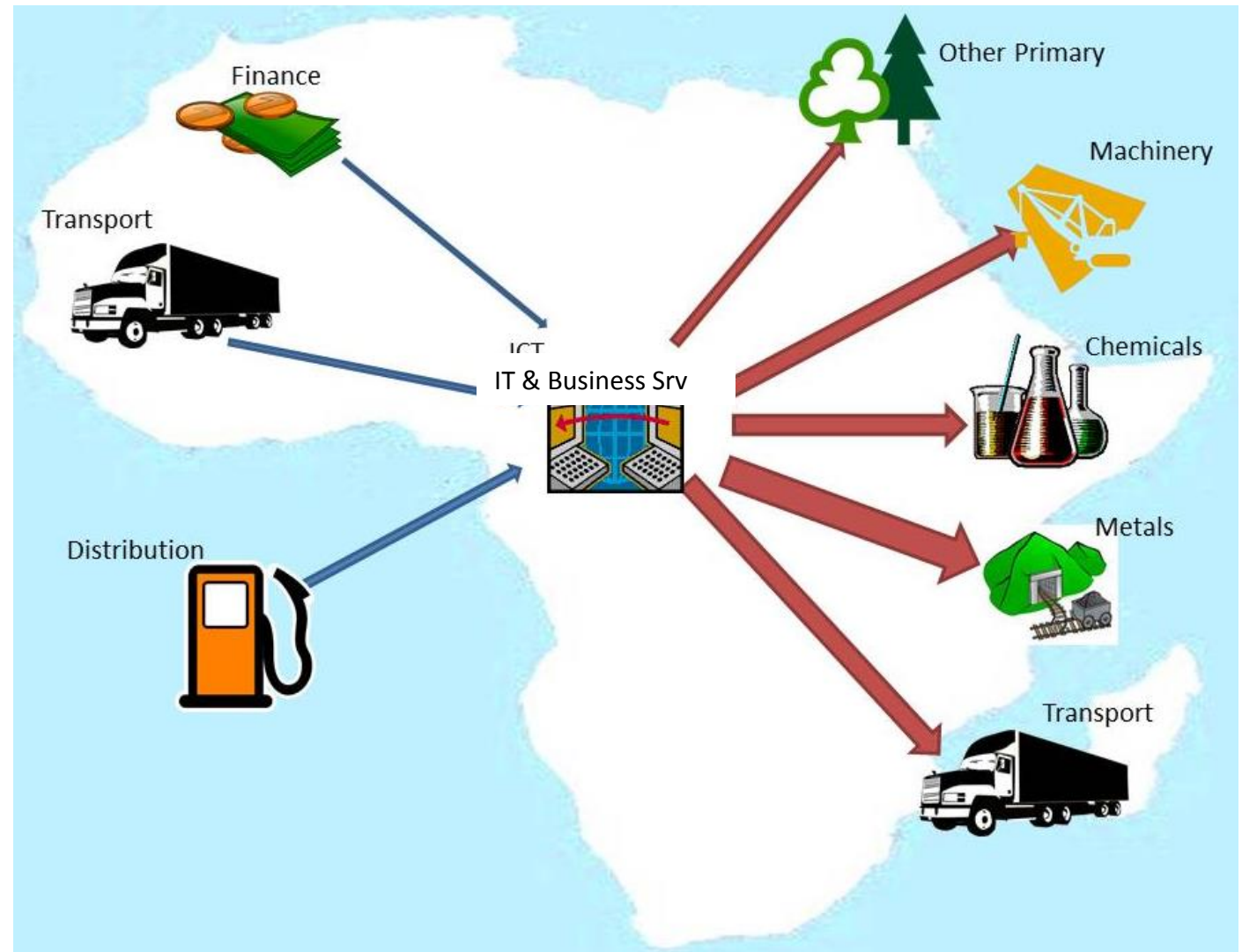
Figure 60: Stylised Value Added Mapping: IT and Business Services: Africa (Original Data: World Bank VA Database, ISIC Rev3, 2011)

### Export value added mapping

The forward/backward linkages aggregate ratio for Africa for ICT and Business Services is 4.6, indicating a strong forward emphasis.

The main forward-linked sectors are metals, transport and machinery. By contrast, the backward linked sectors do not account for a large amount of value added for this sector.

There is a significant bilateral value flow between this sector and the transport sector.



## Concluding remarks

This report has presented a large set of visual data describing trade in services in Africa for seven sectors. As was pointed out initially, data sources are far from perfect and some sources are more dated than others. However, the multiple types of data should still give helpful insights into this topic, both as an aid to understand areas of potential growth and deficiency, as well as to assist policy makers and advisers.

Services are primarily forward-linked, and participate in trade more than initially understood, when only directly traded volumes are considered. However, services are often more highly regulated and subjected to red tape than primary or secondary sectors. Given their ‘embodied’ participation in physical trade, over regulation or poor regulation of services sectors can thus be viewed as an indirect barrier to trade.

Finally, it has been shown extensively in the literature, that development of a robust services sector is a key prerequisite for development. Government and policy makers can either assist or frustrate this process through formulation of legislation and regulations, as well as engagement around regional economic communities and cooperation around trade liberalisation.

## References

- Becker, R (2004). *Revision of the CPC and Relationship to EBOPS*. Geneva: United Nations
- Dimaranan, B.V. and McDougall, R.A. (2006). *Guide to the GTAP Database* in Dimaranan, B.V. *Global Trade, Assistance and Production: The GTAP Database*. Center for Global Trade Analysis: Purdue University
- Francois J. and O. Pinduyk (2013). *Consolidated Data in International Trade in Services*. Washington: World Bank
- Investment Map (2015) *Industry Classification*. Internet resource located at:  
[http://www.investmentmap.org/industry\\_classification.aspx](http://www.investmentmap.org/industry_classification.aspx)
- OECD (2007). *Information Economy – Sector Definitions Based on the International Standard Industry Classification (ISIC 4)*. Paris: OECD
- Stuart, J (2015). *Sectoral Trade in Services Data Reports* (forthcoming). Stellenbosch: Tralac
- United Nations (2011). *Manual on Statistics of International Trade in Services 2010*. Geneva: United Nations
- United Nations (2008). *International Standard Industrial Classification of All Economic Activities (ISIC), Rev 4*. Geneva: United Nations
- World Bank (2012). *Guide to the Services Trade Restrictions Database*. Policy Research Working Paper 6108. Washington: World Bank
- World Economic Forum (WEF) 2015. *The Africa competitiveness report 2015*. Geneva: World Economic Forum