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**Report of the Multi-year Expert Meeting on Trade,
Services and Development on its fifth session**

Held at the Palais des Nations, Geneva, on 18–20 July 2017

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Introduction

1. The fifth session of the Multi-year Expert Meeting on Trade, Services and Development was held at the Palais des Nations in Geneva, Switzerland, from 18 to 20 July 2017. The session provided an opportunity to examine and exchange national experiences and lessons learned on the role of the services economy and trade in structural transformation and inclusive development, as well as to identify policy recommendations. Nearly 100 participants were present. These included Geneva-based and capital-based high-level trade policymakers and trade negotiators, ambassadors and senior officials from national regulatory bodies and representatives of international organizations, the civil society and the private sector. Participants commended the high quality of the secretariat's background note and the insightfulness and policy relevance of the discussions.

I. Chair's summary

A. Opening plenary

2. The Head of the Trade Negotiations and Commercial Diplomacy Branch of the Division on International Trade in Goods and Services, and Commodities delivered an opening statement. Recalling the session's focus on the role of services in promoting structural transformation, with particular attention to infrastructure services, she emphasized that the multi-year expert meeting formed an integral part of the long-standing and comprehensive work of UNCTAD on the services economy and trade, and constituted an essential component of its toolkit on the matter, together with services policy reviews and the Global Services Forum. The Nairobi Maafikiano adopted at the fourteenth session of the United Nations Conference on Trade and Development had enhanced the mandate of UNCTAD with respect to trade in services and infrastructure services, including their policy, regulatory and institutional frameworks (TD/519/Add.2). The meeting provided a unique platform to identify policy recommendations and exchange experiences and lessons learned, to improve understanding of the critical issue of the services economy and trade, and supported the efforts of countries to formulate and implement suitable national policy, regulatory and institutional frameworks, and engage in international trade, negotiations, trade agreements and cooperative frameworks, including to maximize the contribution of services to the achievement of the Sustainable Development Goals.

3. The Head of the Trade Negotiations and Commercial Diplomacy Branch introduced the background note of the secretariat (TD/B/C.I/MEM.4/14). She noted that the services sector had expanded to become a defining feature of the modern economy, representing more than half of output, almost half of employment and a third of trade in value added in developing countries. The distinction between goods and services was increasingly blurred given advances in the servicification of the economy, and there was significant value added embedded in manufactures. Value added services, including infrastructure and producer and intermediary services, were a major source of productivity growth, implying that the services sector, and trade in services, could act as an essential catalyst and powerful enabler of the 2030 Agenda for Sustainable Development.

4. However, services had not received the level of policy attention they deserved in view of the critical role of the services economy and trade in growth and development. The Head underlined the need for a balanced growth strategy to capitalize on the growth-inducing role of services; reaping the sector's potential required robust policy, regulatory and institutional frameworks. International trade could strengthen the sector and enhance the potential for services-led structural transformation. It was therefore crucial to address domestic supply constraints and achieve coherence among several policy areas, as well as between these areas and trade liberalization. Instituting trade and labour adjustment mechanisms, and building capabilities and skills that the market required, were also key.

Finally, the Head highlighted the role of small and medium-sized enterprises and the importance of regulatory cooperation, as well as the implications of the built-in agenda of the General Agreement on Trade in Services and its coverage of electronic commerce (e-commerce).

B. The role of the services economy and trade in structural transformation and inclusive development

(Agenda item 3)

Services economy and trade for development

5. Many panellists concurred on the growing importance of services for economies as a source of income, employment, trade, value added and investment. Several panellists highlighted that services were increasingly embedded in all areas of the global economy, and the distinction between agriculture, manufacturing and services had blurred, in line with the advance in servicification and digitalization of the economy and the expansion of value chains. The positive effects of services derived from their role as an enabler of trade and economic transactions, and were not confined to their size. Financial and legal services organized payments, loans and investments; telecommunications services allowed for services trade to take place over the Internet; and transport and logistical services allowed goods to move around efficiently. Services were also embedded in goods; improving trade in services was therefore also dependent on removing tariff and non-tariff barriers to goods. By reducing distance and marginal transaction costs, digital trade had the potential to empower entrepreneurs and businesses of all sizes, in particular in developing countries.

6. The development of information and communications technology (ICT) services had been significant. One panellist highlighted that ICT services had brought about the fourth industrial revolution and new economic opportunities, enabling access to new markets and increasing the availability of new products and services for consumers, with low transaction costs. Digital tools had helped firms and micro, small and medium-sized enterprises to overcome barriers to growth by facilitating payments; enabling collaboration; removing the need to invest in fixed assets, through the use of cloud-based services; and allowing for the use of alternative funding mechanisms, such as crowdfunding. The ICT development index of the International Telecommunication Union showed improvements in the coverage of mobile cellular networks. Improved interconnections and infrastructure enabled greater accessibility and affordability for Internet access, with a reduction in the prices of both fixed and mobile broadband services.

7. Several panellists noted that, with regard to domestic trade policy, the services sector was at times underrepresented, as most policymakers focused attention on manufacturing and agriculture, and there was a need to direct greater attention to services. Services trade appeared minimal, yet this was mainly due to statistical and data-related issues; conventional data underestimated the importance of services as it only captured the first two modes of supply (cross-border supply and consumption abroad) and not modes 3 and 4. In addition, services value added in gross trade, including services conducted by manufacturing firms, was not reported. Without good data, policymakers could not help achieve the Sustainable Development Goals, as they might not make the best policy choices. The joint Organization for Economic Cooperation and Development and World Trade Organization trade in value added database, as well as the UNCTAD database on trade in services, creative services and ICT, contributed to a better understanding of real world trade flows in services.

8. In this regard, one panellist detailed the experience of Brazil in developing and operating the Integrated System of Foreign Trade in Services, Intangibles and Other Operations that Produce Variations in Equity, to address the critical lack of data in services. The system had been created in 2005 in response to the need for data for better, evidence-based public policy for development of the services sector. It had produced useful data and information, including a three-year (2014–2016) statistical base of trade in individual services on the four modes of supply, classified individually as products in

accordance with the nomenclature in Brazil for services, intangibles and other operations, based on the United Nations Central Product Classification.

9. Several panellists underlined the importance of instituting fit-for-purpose regulation, to reap the positive effect of services, as the sector was sensitive to the regulations and institutions that framed it. Regulatory reform was particularly important in pre-empting domestic regulations from having trade restrictive effects. One panellist stressed that barriers to trade in services were often embedded in domestic regulation, rather than set by tariffs and customs at borders. Such regulation was often designed for other legitimate public policy purposes, yet might be deliberately or inadvertently trade restrictive. Work had been undertaken by the World Trade Organization Council for Trade in Services, which had been tasked to follow up on the implementation of services preferences in favour of the least developed countries and increasing their participation in services trade.

10. Barriers to services trade were higher than those related to goods, in particular for small and medium-sized enterprises, and the liberalization of services was important, mainly with regard to trade in goods, such as logistics, finance, ICT and telecommunications services. One panellist stressed the importance of addressing constraints facing services offshoring. For example, education and training in customer relationship management skills were essential for transborder flows. The management of relations with potential customers could be a strong differentiating element. In addition, paying attention to trust components, such as certification and transparency, could foster services offshoring and trade. Barriers to trade in services were relatively more important for new and small-scale entrepreneurs. Trade finance for services remained underdeveloped and trade facilitation for services could therefore be useful.

11. In the area of ICT services and the digital economy, digitalization could create challenges for inclusiveness, involving access, skills, motivation and trust. Making the digital transformation work for the economy required a focus on policies that enabled the effective use of digital technologies by people, firms and Governments, which should focus on promoting connectivity, access and infrastructure development, as well as on providing the right incentives to promote greater investment, to support new business models within the ICT ecosystem and to benefit consumers by bringing them online and making Internet access more affordable. In Brazil, for example, a major challenge facing the services sector lay in improving its competitiveness. While the services sector was important in the national economy, it was characterized by low productivity and limited value added. Accordingly, Brazil had embarked upon a process of reforming its labour laws, to make them more flexible and adapted to social and economic realities.

12. International standards played an important role in facilitating services activities and trade by enhancing trust and confidence in the quality of services and reducing uncertainty and information asymmetries. One panellist noted that the number of such standards was increasing, including in business, finance, tourism and web-based services. Standards had also been developed for social services and services related to education, health, the environment and transport and distribution. The International Organization for Standardization had around 700 standards for services, and this was only about 3 per cent of its portfolio. Its international standards for services were guidelines for voluntary adoption, which aimed to ensure that products, processes and services were fit for purpose and provided practical tools for addressing challenges. Standards could therefore be considered part of the enabling environment for services. In the ensuing discussion, participants highlighted the need to ensure that developing countries fully and effectively participated in standard-setting bodies and that barriers to their participation in trade were not raised by such bodies.

Role of services in structural transformation

13. Structural transformation had traditionally been conceived as a shift in the structure of an economy from the primary sector to the manufacturing and services sectors, yet this was no longer the case. One panellist identified three types of services-led

transformation with different outcomes. First, the services sector might grow as a result of premature de-industrialization and servicification. Second, increased services output and trade could make direct contributions to growth. Third, and most promising for sustainable development, services could act in service of the economy as a whole by providing competitive and efficient inputs to support the competitiveness of industry, agriculture and services. For example, services reforms in banking, telecommunications and transport could improve the performance of downstream manufacturing industries. Given the explicit and implicit linkages between various sectors, it was important for countries to adopt a balanced growth path.

14. Development of the services sector was challenging, and some binding constraints might limit the comparative advantage of an economy. One panellist noted that comparative advantages in services trade were determined by the interplay between endowments (skills), infrastructure (telecommunications) and institutions (regulatory); endowments were influenced by demographics and infrastructure mattered for digital trade. Research by the World Bank suggested that, in India for example, intra-State differences in the level of services output might be due to a combination of skills availability, infrastructure development and regulatory institutions. A greater availability of skilled workers had a positive and significant impact on output in the services sector. Markets for skilled labour in services were relatively flexible, while unskilled labour was subject to more rigid regulations, and infrastructure for services delivery, such as telecommunications networks, had improved dramatically, while that for goods delivery, such as roads and ports, was improving more gradually.

15. Regulatory and institutional frameworks for infrastructure services were important with regard to energy. One panellist stressed that the availability of electricity supply was essential for production and for human and economic development. The centrality of electricity to the economy, combined with the unavoidable natural monopoly aspects of the industry, in particular in distribution, invited some measure of State regulation. Governments faced the question, not of whether to regulate, but how and how much to regulate. Another panellist addressed the issue of transitions to clean energy, consumer protection and transparency in pricing policies in European distribution markets, one of the main regulatory focuses of the sector.

16. The expansion of the services economy meant that services value added, both domestic and imported, accounted for a growing share of global merchandise trade flows. One panellist defined such services embedded in goods as mode 5 of the supply of services, in keeping with terminology in the General Agreement on Trade in Services. However, policies had yet to fully catch up with the evolution of servicification, and there was concern with regard to the adequacy of existing policy arrangements and international disciplines in services trade. Noting the high services value added in certain areas, in particular vehicles, chemicals and electronic equipment, the panellist presented findings from a Global Trade Analysis Project simulation to measure the potential effects of tariff elimination in merchandise trade, combined with trade facilitation measures. The results suggested that the global gross domestic product would increase by \$240 billion–\$300 billion per year and that global exports would increase by over \$500 billion per year. The share of services in global output was expected to increase, suggesting that the General Agreement on Tariffs and Trade and General Agreement on Trade in Services interface affecting technology and new services would become more important, and that trade rules might need to evolve to keep pace with global value chains, technology and innovation.

17. The ensuing discussion highlighted the strong heterogeneity across services sectors and that some consumer services were instrumental for structural transformation by providing jobs and creating linkages. One panellist underscored that the tourism sector represented \$1.4 trillion or 30 per cent of global trade in services, about 10 per cent of direct and indirect gross domestic product and 1 in 10 jobs worldwide. The fact that the four countries that had recently graduated from the least developed country category each had an important tourism sector was indicative of the potential of tourism. The importance of tourism was further evidenced by its ability to create upstream linkages

with domestic economies. It was therefore important to mainstream tourism in national development strategies, including by enhancing dialogue between actors in tourism and trade stakeholders. Furthermore, actions were required to increase the contribution of tourism to social inclusiveness and poverty reduction, such as through the involvement of local communities and a focus on economic opportunities for women and youth.

18. The sharing of national experiences underlined the importance of fit-for-purpose national policies specific to local conditions. One panellist noted that, in recognition of the crucial contribution of services to economic growth and to rebalance its economic structure, China sought to promote an open and transparent services sector and had conducted experimental and gradual policy reforms, reducing obstacles and restrictions to services, to attract foreign investment. Since 2013, China had embarked on the creation of pilot free-trade zones in 15 regions, for a trial period until 2018. In addition, the One Belt, One Road initiative would enhance economic opportunities in the region. One delegate noted that, in Paraguay, efforts had been made to leverage the services sector to promote structural transformation and, in this regard, recourse had been made to the UNCTAD services policy review for Paraguay, which had allowed for a national review of challenges and opportunities in selected priority services sectors, namely telecommunications, finance, education and construction and related professional services. Objectives included the promotion of new legislation for the construction sector and addressed the need to ensure financial inclusion and improve the quality of education services by incorporating scientific and technological content.

Services policies and regulations for structural transformation

19. The production of services had been fragmented and services and manufacturing activities had become intertwined as manufacturing firms bundled customer-related services with goods. One panellist noted that in most industries, almost 30 per cent of value added had its origin in services and, on average, 18 per cent of the value in goods exports came from in-house services provision. The panellist identified the following three business models in global value chains: value chains in which raw materials were transformed and value added to more processed products in a sequential way, culminating in final products; value networks in which, similar to the provision of insurance, value was created by linking customers; and value shops, in which value was created by solving customer problems, such as in consulting firms. Over time, value had been increasingly created under the third model. The shift towards value networks and shops also pointed to possible areas for policy reform to facilitate services global value chains. With regard to networks, the main trade barriers related to sector-specific regulations and a lack of enforcement of competition policy, while with regard to shops, the main barriers related to the movement of people. Beyond trade, skills and innovation policies also played an important role.

20. With regard to the labour market implications of the evolving services economy and trade, one panellist noted that the growing importance of services had increased the complexity of the relationship between technology and employment. While productivity increases could lead to job replacement, new jobs would be created in technology-producing sectors, which might be more important. Services were increasingly tradeable, which affected mid-level jobs in particular. This evolution was not only determined by technology, but also the result of policy and social decisions. It was important to promote better jobs with decent work involving, among others, decent pay and a voice for workers.

21. Policies and regulations affecting key business services, namely financial services and the digital economy, were relevant to efforts aimed at structural transformation. One panellist stressed that financial inclusion was a major regulatory challenge, in particular for small and medium-sized enterprises. Financial inclusion was measured in three dimensions, namely access to, usage of and quality of financial services and products. However, the degree of inclusion was affected by geographic distance and the lack of infrastructure, such as branches in rural communities; high risk levels associated with rural communities and small businesses; low levels of competition between financial institutions; and the lack of institutional quality, such as in investor protection and contract enforcement.

Financial technology, or digital financial services, had emerged as a new avenue for the inclusion of individuals and small businesses. Digital data had made the market more efficient but also introduced new risks and regulatory challenges, such as in data storage, cybersecurity and confidentiality.

22. One panellist noted that, in many instances, there was technical quality in financial services and ICT services, including infrastructure, and the challenge was to develop a proper environment to deploy regulatory frameworks in support of the digital economy, including digital financial services. This could comprise, for example, enhancing adequate usage, interoperability and taxonomy harmonization. Regulatory frameworks needed to be fit for purpose and ensure adequate services for customers. In addition, regulators of telecommunications and financial services needed to cooperate more closely, including by signing memorandums of understanding, to devise coherent regulatory approaches. Governments needed to be at the centre of such efforts, and assume ownership and responsibility. UNCTAD could usefully lead multi-stakeholder consultations on how to develop the enabling environment to support telecommunications and financial services.

23. Another panellist presented national experiences in developing a knowledge-based services industry and skilled labour force. The services sector was considered of strategic importance in Argentina, as related jobs involved high technology levels, were knowledge intensive, provided high levels of remuneration and were in the formal sector. While the sector had become an important segment in the economy of Argentina, there was a shortage of skilled labour. A programme called 111 Mil (Thousand) had been initiated to strengthen education and training in universities, develop entrepreneurship and provide government-endorsed certifications to trained professionals. The programme had been useful in developing the information technology industry, to promote the digital transformation of other industries, and to increase digital inclusion.

24. The digital economy involved infrastructure, services, devices, platforms and ecosystems, and one panellist stressed that different policy interventions could spur and facilitate investment in each of these areas, while a set of principles of international trade and investment rules supporting such domestic policies could be identified. Market access was a key concern for all actors in the digital economy, namely the ability to enter markets without being subject to arbitrary barriers and discrimination. National treatment, that is treating foreign economic actors in the same manner as domestic actors, was also an important precondition to attracting foreign talent, entrepreneurs and capital. Adopting a multi-stakeholder approach to digital governance could help ensure that the laws and regulations enacted did not have unforeseen consequences. Finally some cross-cutting issues were also important, such as boosting digital skills; investing in infrastructure such as communications networks, as well as roads and ports; and ensuring that the business climate and investment regime were as predictable as possible.

25. E-commerce could play an important role in economic development by reducing the costs of doing business, increasing business opportunities for small firms and individuals and extending the possibility to participate in global value chains. One panellist detailed the work of the World Trade Organization related to e-commerce that, given the broad coverage of e-commerce, was being addressed by different bodies dealing with trade in goods, services, intellectual property rights and development. Discussions on e-commerce in preparation for the eleventh ministerial conference to be held in December 2017 had addressed specific issues such as consumer protection, cross-border payments, cybercrime, e-signatures, transparency and non-discrimination.

Role of services-related trade policies and negotiations for structural adjustment

26. With regard to ongoing services negotiations under the World Trade Organization prior to the eleventh ministerial conference, one panellist noted that, the European Union had significantly recalibrated its approach to services since the last conference and adopted a more pragmatic approach focusing on areas in which the World Trade Organization had the highest added value, in particular domestic regulation and trade facilitation in online and offline services. The contributions of domestic regulations were significant and positive

for all countries, while the right to regulate for public policy objectives and developing country needs was recognized. The panellist stressed that domestic regulations in the context of the World Trade Organization referred only to the authorization of services and complemented existing market access and did not create new access. With regard to facilitating trading online, the European Union had focused on a set of specific topics, such as consumer protection and electronic signatures and contracts.

27. One panellist noted that, since the General Agreement on Trade in Services had become operational in 1995, the services sector had seen a dramatic evolution not foreseen in that year. However, developing countries could bear most of the costs of adjustment, as they were ill-equipped to deal with such shifts. Domestic regulations for trade in services were necessary, and the efficiencies that could be generated through multilateral disciplines on domestic regulations depended on the nature of a national services sector and how it had been regulated in the past. Benefits were not automatic, nor was it sufficiently clear that a one-size-fits-all model was the most suitable approach to multilateral, horizontally applied domestic regulation disciplines. The proposed rules might reduce policy space in Africa, for example, and impact development of the domestic services sector.

28. Another panellist detailed how domestic regulation disciplines for services had been addressed in recent megaregional trade agreements. Such regional disciplines indicated possible approaches to be pursued in a multilateral context. Deeper disciplines incorporated in regional trade agreements could have development implications, in particular for the ability of countries to implement regulatory measures for public policy purposes.

29. One panellist presented a national perspective on services and trade, noting that, in India, the multilateral trading system remained important and irreplaceable. India had provided commercially meaningful preferences under the waiver concerning preferential treatment to services and services suppliers of the least developed countries in three areas, namely visa-related (India waived visa fees for applicants from the least developed countries); technical assistance and capacity-building; and market access under mode 4 and sectoral offers (India offered market access to contractual services suppliers and independent professionals in engineering, computers and related services). India had submitted a proposal on trade facilitation for services, in advance of the eleventh ministerial conference, which recognized that services trade remained subject to numerous border and behind-the-border barriers, as well as procedural bottlenecks, limiting the benefits of trade in services, in particular for small and medium-sized enterprises.

30. Given the growing interlinkages among different activities promoted by services, one panellist stressed the need to adapt trade policy methods. Trade policy was currently negotiated under different pillars, yet trade in goods and in services were increasingly integrated; the trade in value added database showed the significant services value added in trade. Services were significant as intermediates in every sector, and efficiency, including regulatory efficiency, in services had become paramount to remaining competitive in exporting manufactured goods and services. Other business services represented a variety of services, that is, services embedded into products. Therefore, there was a need for liberalization efforts to move beyond services to address all sectors holistically. The European Union, for example, had adopted a new approach to trade liberalization that sought comprehensive commitments under regional trade agreements, encompassing, goods, services, investment, intellectual property and government procurement, and also included regulatory cooperation, such as mutual recognition.

31. One panellist described the interests of services companies in the United States of America, namely business services providing high-skill and high-earning jobs. ICT services and digital-enabled services accounted for the majority of the United States trade surplus, and cloud computing was expected to become a leading export. Thus, the free flow of data across borders and the prohibition of data localization requirements were key objectives of the Coalition of Services Industries. The panellist emphasized the importance of enabling policies and regulations supporting digital-enabled services, public investment in ICT and appropriate regulations that allowed for access to telecommunications networks, as well as

minimal regulation. An important outcome of the eleventh ministerial conference would include domestic regulation and renewal of the moratorium on e-commerce customs duties.

32. Domestic regulation issues were also considered in the services negotiations related to the continental free trade area in Africa. One panellist noted that the negotiations, launched in 2012, were set to conclude in 2017; in June 2017, modalities for negotiations for trade in services had been approved by ministers of the African Union. The Union had conducted case studies identifying successful services exports, including cultural services in Burkina Faso, air transport in Ethiopia, banking services in Nigeria, business processing outsourcing in Senegal and higher education services in Uganda, which showed the importance of appropriate and enabling regulatory frameworks for success.

33. In recognition of the growing significance of regional and plurilateral approaches, one panellist stressed the importance of multilateralism, noting that the General Agreement on Trade in Services framework already provided for a services trade facilitation environment, with a built-in agenda and flexibilities. For example, a reference paper had been developed to address specific challenges in the telecommunications sector as need arose. New challenges in the current economic environment could be met under the existing framework, given four main aspects. First, the country coverage under the World Trade Organization could not be matched by regional trade agreements. Second, alternative trade forums might not have dispute settlement mechanisms as strong as that under the Organization. Third, the Organization had a built-in rulemaking agenda that could most adequately address the costs related to regulatory diversity, at the multilateral level. Finally, rulemaking required institutional support, as provided by the Organization secretariat.

Towards a coherent services trade policy, regulatory and institutional framework for structural transformation

34. The productivity growth rate of services had become similar to that of manufacturing and agriculture, and one panellist observed that it was possible to increase productivity in services. Trade helped to increase such productivity and it was therefore important to reduce barriers to trade in services. Both discriminatory measures and cross-country differences in legitimate non-discriminatory measures had the effect of raising services trade costs. Lower barriers could have positive effects on productivity, as downstream firms that used services were also affected. Research suggested that if services barriers in South Africa, for example, were removed, agribusinesses would also increase their productivity. Better governance was instrumental for lowering barriers to trade in services, for example through regulatory quality and rule of law. Practical trade facilitation measures could usefully be explored, such as by including transport and logistics services in the mandate of national trade facilitation committees and by promoting further regulatory cooperation, building on the services waiver for the least developed countries and regional trade experiences, and including services in aid for trade.

35. One panellist stressed the need for greater attention to be given to services and the importance of a balanced growth strategy recognizing the heterogeneity of different services sectors. Some services were important revenue and foreign exchange earners, such as tourism, and some services sectors were critical for supporting productivity and trade in other sectors, such as ICT and financial services. Policy design had a major impact in terms of raising the contribution of services to structural transformation. For example, Mauritius and South Africa had liberalized air access to support tourism, India and Mauritius had clustered firms to support ICT services and Kenya had leveraged regional integration to improve financial inclusion. In addition, in Southeast Asia, the mutual recognition of qualifications at the regional level had been facilitated. Openness was important, to reap the transformative effects of services. For example, imported services were an important part of the value added embedded in a country's goods exports, and foreign ownership in the services sector had a considerable and positive effect on labour productivity. Finally, increased competition in an opened services sector could help services firms become more competitive.

36. Another panellist presented the main findings of research by the Organization for Economic Cooperation and Development detailed in a publication entitled *Services Trade Policies and the Global Economy*. The largest gains could be expected if domestic regulations regarding competition and transparency were concurrently improved. In addition, the panellist noted that regulatory cooperation made doing business easier for exporters; modes of supply were in many cases complementary; opening up services markets could primarily benefit small and medium-sized enterprises, the major source of new job creation; services trade costs affected the competitiveness of value chains; and digitization led to changes in market structure, transforming some services to knowledge-capturing products and changing the way production was organized. Domestic reforms related to licensing, standards, qualifications and the enforcement of competition policy could significantly reduce trade costs. Finally, reforming services trade brought benefits for consumers and strengthened domestic productivity and economic performance.

37. In the context of contemporary trade patterns as manifested in global value chains, one panellist emphasized that rules across different modes of services supply needed to be defined with greater consideration of their interconnectedness and a whole-of-supply-chain approach rather than formulation in isolation. This reflected the fact that in a world economy where global value chains played a dominant role, imports mattered as much as exports, and flows of people, goods, services, ideas and capital were interdependent and needed to be assessed jointly. Research by the Commonwealth Secretariat on future fragmentation processes suggested that improvements in ICT connectivity had the potential to boost trade in global value chains by four times the global average. Distance exerted a strong influence on participation in value chains, due in part to the cost of coordination and a reduction in the exchange of tacit knowledge arising from interactions between buyers and sellers. Cutting-edge digitally powered goods and services were likely to be outsourced based on sophisticated contractual arrangements.

38. One panellist detailed the work of the International Trade Centre on tourism, e-commerce activities and information technology and digital-enabled services, outlining a series of related policy lessons. With regard to tourism, while infrastructure was a major challenge in many developing countries, policies were also relevant. Visa openness and open sky agreements were key to ensuring the mobility of international tourists, and investment policies regarding the establishment of hotels and resorts and regulations for tour operators often had a significant impact. With regard to information technology, most such exports were supplied in a cross-border fashion on the Internet, which was to the advantage of small and medium-sized enterprises. However, the temporary movement of professionals and the recognition of education and qualifications often concerned the private sector, as did emerging issues such as data regulation, privacy and cybersecurity. Finally, e-commerce cut across various types of activities and had triggered much policy discussion. Overall, policies needed to catch up to business realities, and soft infrastructure was as important as hard infrastructure.

39. One panellist discussed the experience of South Africa in competition regulation for the services sector. The Competition Act, 1988, applied to all economic activities, including State monopolies, and regulated pricing conduct such as excessive pricing, margin squeezing, predation and price discrimination, as well as refusal to grant access to essential facilities. The Act established concurrent jurisdiction between the Competition Commission and other sector regulators, and the Commission had accordingly signed memorandums of understanding with regulators. The Commission intervened to address anti-competitive practices in telecommunications, financial services, construction and transportation.

40. One panellist considered the elements necessary for sound institutional arrangements, which needed to ensure the independence of the judiciary and the regulatory agency and clarity on institutional roles and responsibilities. With regard to macro-level policies, the panellist highlighted the importance of ease in the entry and exit of services suppliers and clarity in the roles of State and private sector actors, in legal obligations and in competition policy. Symmetry in risk and reward was also important, in particular in

public infrastructure and utility services. Transparency was essential in decision-making processes, outcomes and rationales, and all needed to be documented in writing.

41. Delegates presented national experiences in devising services policy and regulatory frameworks. One delegate commended the UNCTAD services policy review for Bangladesh and noted that Bangladesh had made recourse to the review in assessing key potential services sectors and policies, including ICT, tourism, accounting and auditing, architecture and engineering and nursing and midwifery. Another delegate noted that the Lao People's Democratic Republic had successfully sustained robust growth driven by hydropower, construction and services, in particular tourism. The services sector had been liberalized upon accession to the World Trade Organization in 2013, and trade policy, trade facilitation and regulations focused on the provision of continued technical assistance in support of the effective implementation of goods and services commitments at the level of both the World Trade Organization and the Association of Southeast Asian Nations. The delegate requested that UNCTAD conduct a services policy review for the Lao People's Democratic Republic. Another delegate noted that, in Belarus, the ICT sector had become a major source of export revenue and high-paid employment, and Belarus was now the fourth leading destination for ICT outsourcing services globally, facilitated by the availability of a considerable workforce with ICT education, along with well-developed ICT infrastructure.

C. Conclusion

The way forward, road map and recommendations

42. The meeting deliberated on the possible elements of a road map and policy recommendations for enhancing the contribution of services to structural transformation through, among others, a whole-of-government approach, to ensure coherence. The secretariat presented preliminary findings from a survey of regulatory agencies. Discussions underscored the importance of redirecting priority policy and regulatory attention to services, and of changing mindsets to achieve a whole-of-supply-chain approach, thereby avoiding policymaking in isolation, while recognizing the heterogeneity of services sectors. It was important to pursue a balanced growth strategy to capitalize on the catalytic role of services, and fit-for-purpose policy, regulatory and institutional frameworks were needed to balance growth strategies, build on partnerships and pursue skills and value upgrading. Finally, discussions highlighted the need for greater stakeholder involvement and ownership in building an enabling environment for financial and social inclusion for development, and the importance of trade in services data and South–South cooperation.

43. Recommendations by the multi-year expert meeting included the following:

(a) Work towards ensuring sound policies, adequate regulations and strong institutions, together capable of enhancing the productivity and competitiveness of services sectors;

(b) Enhance intersectoral policy coherence, such as on competition policy and sectoral policies, including through inclusive and multi-stakeholder approaches, public–private partnerships and targeted institutional settings, such as national sectoral services forums;

(c) Recognize the special role of infrastructure and knowledge-based services for structural transformation and strengthen the enabling environment accordingly, including by improving labour skills; providing adequate infrastructure, particularly financial, energy, telecommunications, information and communications technology and transport-related infrastructure; and providing adequate technology and innovation systems, as well as through business facilitation and formalization, and provide assistance to developing countries in this regard;

(d) Improve the availability of sound, timely and disaggregated data on services, including at the firm level, for evidence-based policymaking, including through international and South–South cooperation, drawing on experiences and lessons learned, for example the Integrated System of Foreign Trade in Services, Intangibles and Other Operations that Produce Variations in Equity in Brazil;

(e) Establish dedicated institutions to build the capacity and skills of services suppliers, small and medium-sized enterprises and the informal sector to produce and export, including by strengthening their capacities to meet quality standards;

(f) Strengthen human, regulatory and institutional capacity to effectively regulate services sectors, including through national, regional and international regulatory cooperation;

(g) Define and negotiate the content, pace and sequence of trade liberalization processes coherently;

(h) Strengthen national capacities to implement complementary measures such as trade adjustment mechanisms, regulatory cooperation and facilitative measures for services trade.

44. Recommendations by the multi-year expert meeting for further research and capacity-building support by UNCTAD included the following:

(a) Support developing countries in assessing and identifying proactive policies and fit-for-purpose regulatory and institutional frameworks, in particular for infrastructure services, business services, the digital economy, e-commerce and tourism;

(b) Conduct new services policy reviews, including for the Lao People's Democratic Republic, Paraguay and Commonwealth countries;

(c) Continue to facilitate the addressing of sector-specific issues at future sessions of the multi-year expert meeting;

(d) Undertake analytical work on services trade and the international trading system affecting the sector, using whole-of-supply-chain approaches;

(e) Support developing country engagement in multilateral, plurilateral and regional trade negotiations affecting the services sector, including in establishing regulatory frameworks and addressing regulatory trade barriers, such as in the context of megaregional trade agreements and the continental free trade area negotiations in Africa;

(f) Deepen work on domestic regulation and trade agreements;

(g) Support developing countries in enhancing supply capacities in services;

(h) Support the least developed countries in monitoring and benefiting from services-related preferential market access initiatives granted under the services waiver for the least developed countries;

(i) Contribute to national and international efforts for the better collection of statistical data on services;

(j) Pursue research, including through surveys of regulatory and competition agencies, on regulatory practices, experiences and lessons learned;

(k) Foster multi-stakeholder dialogues on services towards the identification of best-fit practices, including by focusing on particular sectors;

(l) Continue inter-agency cooperation on matters at the interface of trade, services and employment.

II. Organizational matters

A. Election of officers

(Agenda item 1)

45. At its opening plenary, on 18 July 2017, the Multi-year Expert Meeting on Trade, Services and Development elected Mr. Álvaro Cedeño Molinari (Costa Rica) as its Chair and Mr. Moshe Neo Kao (Lesotho) as its Vice-Chair-cum-Rapporteur.

B. Adoption of the agenda and organization of work

(Agenda item 2)

46. Also at its opening plenary, the multi-year expert meeting adopted the provisional agenda for the session (TD/B/C.I/MEM.4/13). The agenda was thus as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. The role of the services economy and trade in structural transformation and inclusive development
4. Adoption of the report of the meeting

C. Outcome of the session

47. Also at its opening plenary, the multi-year expert meeting agreed that the Chair should summarize the discussions.

D. Adoption of the report of the meeting

(Agenda item 4)

48. At its closing plenary, on 20 July 2017, the multi-year expert meeting authorized the Vice-Chair-cum-Rapporteur to finalize the report after the conclusion of the session.

Annex

Attendance*

1. Representatives of the following States members of UNCTAD attended the session:

Argentina	Lao People's Democratic Republic
Australia	Lesotho
Bahamas	Madagascar
Bangladesh	Mauritius
Benin	Nepal
Bolivia (Plurinational State of)	Oman
Brazil	Paraguay
Brunei Darussalam	Peru
Burundi	Philippines
China	Poland
Colombia	Russian Federation
Congo	Saudi Arabia
Costa Rica	South Africa
Djibouti	Spain
Ecuador	Sudan
Egypt	Switzerland
Finland	Trinidad and Tobago
Haiti	Tunisia
India	Uganda
Iran (Islamic Republic of)	Venezuela (Bolivarian Republic of)
Iraq	Zambia
Kazakhstan	

2. Representatives of the following Member of the Conference attended the session:

Holy See

3. Representatives of the following non-member observer State attended the session:

State of Palestine

4. Representatives of the following intergovernmental organizations attended the session:

African Union
 African, Caribbean and Pacific Group of States
 Commonwealth Secretariat
 European Union
 International Organization of la Francophonie
 Organization for Economic Cooperation and Development
 Pacific Islands Forum Secretariat
 South Centre
 Southern African Customs Union

* This attendance list contains registered participants.
 For the list of participants, see TD/B/C.I/MEM.4/INF.5.

5. Representatives of the following non-governmental organizations attended the session:

General category

Engineers of the World
International Centre for Trade and Sustainable Development
International Network for Standardization of Higher Education Degrees
International Organization for Standardization
Third World Network
Village Suisse

Special category

International Ocean Institute
