



V-LRN

VIRTUAL LEARNING NETWORK



International Business Environment

**Block-5
Unit-18**

International Trade In Services

Virtual Learning Network

Topics to be Covered

Introduction

Trade in Services : Conceptual Aspect

Role of Trade in Services and Prospects

Recent Trends in World Trade in Services & prospects

- Overall trends
- Direction of Trade in Services
- Composition of Trade in Service
- Future Trade Prospects

Summary

Introduction

Interest in the services sector at both the global and national levels has considerably increased in recent years.



Apart from being a major contributor to GDP and employment, the services sector has emerged as an important foreign exchange earner for the developed as well as the developing countries.



More than one-fifth of the world trade is currently accounted for by international transactions in services.

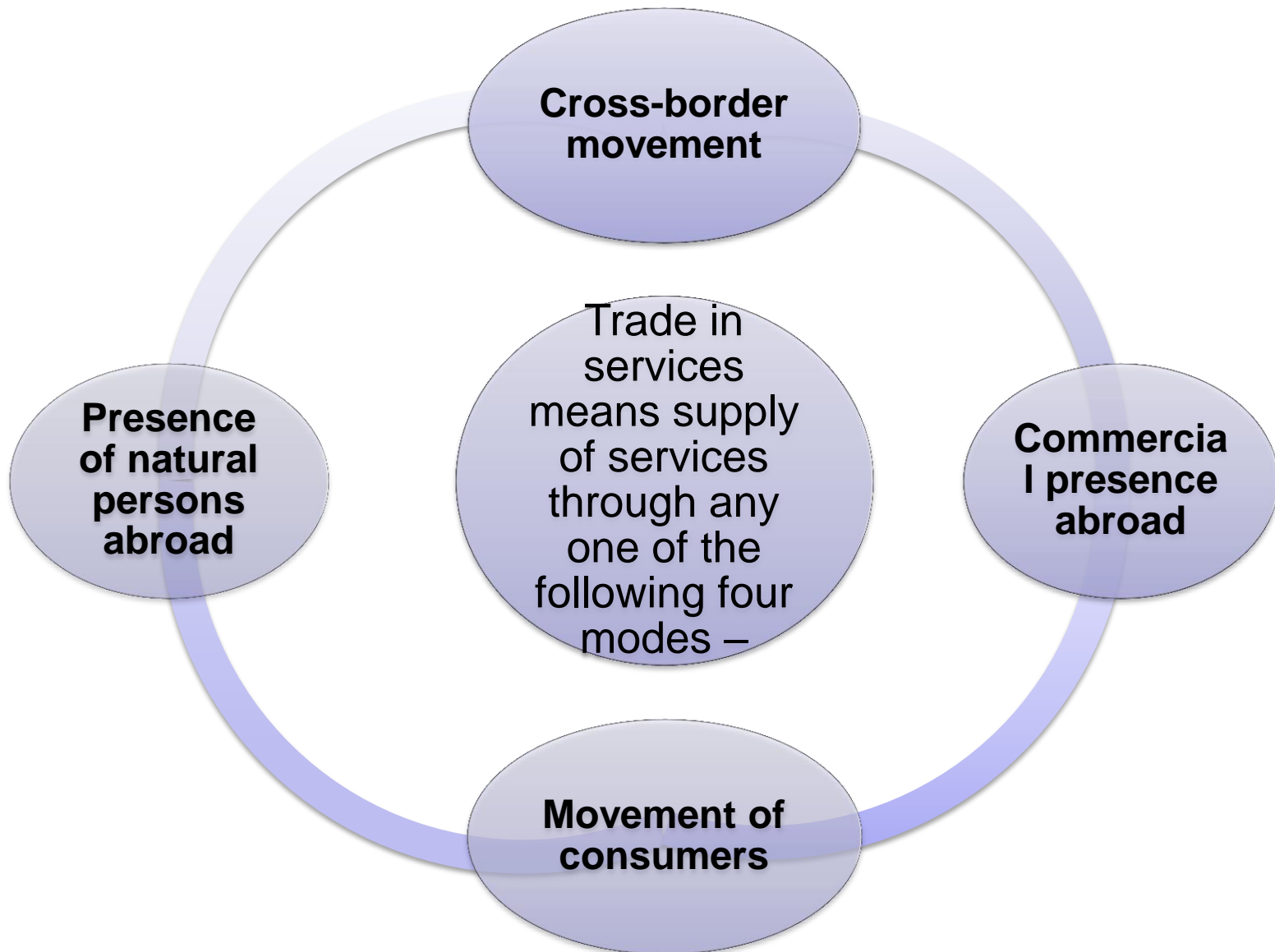


Trade In Services: Conceptual Aspects

Services are activities which are essentially invisible, intangible and perishable in nature. As the services are not inventoriable, their production and consumption take place simultaneously. From the point of view of national income accounting, services are defined as activities not included in the primary and secondary sectors.

With the evolution of GATS in December 1993, the controversy has largely been set aside. According to the GATS provisions

Trade In Services: Conceptual Aspects (Contd.)



Role Of Trade In Services In Economic Development



Exports of services such as tourism, shipping, telecommunications, insurance, banking, software and project exports including technical consultancy and legal management have come to occupy a strategic position in the world markets.



Services have emerged as an important source of foreign exchange earnings for both the developed and developing countries.

Role Of Trade In Services In Economic Development (Contd.)

Services is also economically important for providing jobs to the millions of people.

Service sector plays a catalytic role in the industrialization process and economic development of the countries by way of providing necessary infrastructure and basic inputs for material production in other sectors.

Trade in services encompasses all the four modes of supply, viz., cross-border transactions, movement of consumer's commercial presence abroad and movement of natural persons

Recent Trends In World Trade In Services And Prospects

- **Overall Trends**

- In value terms, world trade in commercial services has grown considerably over the years.

Table 18.2: Exports and Imports of World Commercial Services

Value in billion dollar

Year	Exports	Imports
1988	600.1	618.2
1989	658.1	678.8
1990	783.2	811.2
1991	826.9	841.7
1992	923.1	932.0
1993	942.1	949.8
1994	1037.5	1032.1
1995	1188.1	1190.3
1996	1270.8	1255.2
1997	1320.9	1296.2
1998	1317.8	1306.2

Source: WTO Annual Report 1999.



Recent Trends In World Trade In Services And Prospects (Contd.)

- **Direction of Trade in Services**
 - When examined from the point of view of growth, it can be discerned that the Asian region has experienced the highest growth; and if the present trends continue, this region shall be at the centre-stage of developments in the services sector in future.

Recent Trends In World Trade In Services And Prospects (Contd.)

• Direction of Trade in Services

Table 18.3: Direction of World Trade in Services

(Percentage)

Region	Exports			Imports		
	1990	1995	1998	1990	1995	1998
North America	19.2	18.0	20.5	15.5	13.6	15.4
Latin America	3.8	3.4	4.0	4.3	4.2	5.3
Western Europe	53.3	49.6	48.3	48.4	46.6	45.4
Africa	2.4	1.9	2.0	3.3	2.7	2.9
Asia	16.8	22.2	19.4	22.0	26.3	24.5

Source: WTO Annual Report, 1999.

Recent Trends In World Trade In Services And Prospects (Contd.)

• Direction of Trade in Services

Table 18.4: Leading Exporters and Importers of Trade in Commercial Services: 1998

Value: Billion US\$

Rank	Exporters	Value	Share	Rank	Importers	Value	Share
1	United States	240.0	18.2	1	United States	165.8	12.7
2	United Kingdom	100.5	7.6	2	Germany	125.0	9.6
3	France	84.6	6.4	3	Japan	110.7	8.5
4	Germany	78.9	6.0	4	United Kingdom	78.8	6.0
5	Italy	66.6	5.1	5	France	65.4	5.0
6	Japan	6.8	4.7	6	Italy	62.9	4.8
7	Netherlands	51.6	3.9	7	Netherlands	46.6	3.6
8	Spain	48.7	3.7	8	Canada	35.2	2.7
9	Belgium-Luxembourg	35.4	2.7	9	Belgium-Luxembourg	33.9	2.6
10	Hong Kong, China	34.2	2.6	10	Austria	30.1	2.3
11	Austria	32.4	2.5	11	China	28.8	2.2
12	Canada	30.3	2.3	12	Spain	27.5	2.1
13	Switzerland	27.1	2.1	13	Korea, Rep. of	23.8	1.8
14	China	24.0	1.8	14	Taipei, Chinese	23.3	1.8
15	Korea, Rep. of	23.9	1.8	15	Hong Kong, China	22.7	1.7

Source: WTO Annual Report, 1999.

Recent Trends In World Trade In Services And Prospects (Contd.)

- **Composition of Trade in Services-**
 - These are the items included in World exports.

Table 18.5: Composition of World Exports in Commercial Services

(Percentage)

Item	1990	1998
Transportation	28.4	23.3
Travel	33.7	32.5
Other Commercial Services	38.0	44.2

Source: WTO Annual Report, 1999.



Recent Trends In World Trade In Services And Prospects (Contd.)

- **Future Trade Prospects**
 - Prospects of trade in services thus appear quite bright in future. Gains from such trade expansion, however, shall primarily accrue to those nations which make a timely move to acquire international competitiveness through opening up of their service sector and induct latest technologies.

Summary

- Services have gained considerable importance in both the developed and developing countries. Besides being a major contributor to GDP and employment, international transactions in services account for about 20 per cent of total world trade.
- Trade in services has grown rapidly over the years. European region dominates the world trade in commercial services, followed by American regions and Asian Region. Composition of world trade in services has also undergone significant changes during the last three decades.

*Thank
You*