



Facts on Global Reform

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Opening Services Markets for Development

Services Critical to Economies in Developing World

The services sector is the largest and fastest growing sector in the world economy and generally accounts for more than 50 percent of global GDP, but it accounts for only 20 percent of total world trade -- a reflection of the potential growth that could be unleashed by significant services liberalization in the Doha round. Between 1980 and 2004, world cross-border services trade grew from \$363 billion to \$1.8 trillion.

- From 1990 to 2002, global foreign direct investment in services increased from \$950 billion to over \$4 trillion, with services accounting for 60 percent of the world's stock in foreign direct investment. The stake of developing countries increased substantially during 1990-2002. During this time, *outward* investment from developing countries rose from just 1 percent to 10 percent of the global outward stock of foreign direct investment, while the share of inward foreign direct investment in services increased from 17 percent to 25 percent.
- In developing countries, the service sector accounts for the largest share of total economic output. According to data published by the World Bank, the service sector accounted for 54 percent of middle-income economies' total GDP in 2000, and 44 percent of GDP for low-income countries. World Bank data also indicate that service sector GDP is the fastest-growing component of total GDP in both low- and middle-income economies. Moreover, service sector GDP in such economies is growing faster than the world average.
- A substantial share of workers in developing economies is employed in the services sector. Between 1960 and 1999, the share of workers in Latin America and the Caribbean that were employed in service industries increased from 31 percent to over 50 percent. Likewise, more than half of workers in East Asia are employed in the services sector.

Benefits from Open Trade in Services

Removing barriers to global services trade will strengthen prospects for economic growth in the developing world, create jobs, diversify economies, and develop human capital in knowledge-based industries.

- The World Bank estimates that nearly \$900 billion in annual income gains would be realized by developing countries from elimination of their barriers to trade in services.
- Services liberalization enhances the gains from liberalization in goods and agriculture by making the infrastructure of modern economies – express delivery services, reliable communications, financial services, transportation services and others – more widely available. In addition to creating jobs and supporting growth in the service sector, services trade supports manufacturing and agriculture by reducing production costs, enhancing productivity gains, and facilitating product distribution.
- For poor countries, services trade offers innovative opportunities to jump-start growth and development, and to tackle endemic poverty. Services promise poorer countries a chance to leap over the industrial revolution and directly enter the information revolution.