Item 7. Way Forward: Fostering Sustainable Growth and Economic Diversification. Role of Trade in Services
**Services trade in UNECE member States**

- **Trade in services** contribution to GDP varies from 317% (Luxemburg) to 7.8% (Kazakhstan).

- Heterogeneity due to different levels of development among members

**Compare:**

**Share in world:** CIS countries 1.13 % VS EU countries – 100 %

**Predominant services:** CIS counties - trade-related services (distribution), transports, telecommunication, IT and audiovisual services VS EU countries - other business services (excluding trade-related), trade-related services (distribution), insurance and financial services.

**Modes of supply:** For both CIS and EU countries modes 1 (cross-border supply) and 3 (commercial presence) are the main modes of supply (approx. 40-50% each)

Source: [World Bank Group](https://www.worldbank.org) (2022)
The role and relevance of services for UNECE member States

- Services are the key pillar in advancing SDGs in the UNECE region. They provide significant opportunities for export-led, growth, economic diversification, FDI and integration into GVCs.

- **Value-added services** (% of GDP) in Europe and Central Asia (excluding high-income) – 2010-2022 stood at 50% (World Bank Group 2024).

- **Substantial employment opportunities and promotion of MSMEs and gender inclusivity** (e.g., EAEU Digital Agenda: a 2.4% increase in employment rates by 2025).

- **Development of new economic sectors**: medical tourism (Hungary), sustainable tourism (Slovenia), fintech innovation (Switzerland).

- **Support with infrastructure development**: e.g. Turkmenbashi International Seaport and the Ashgabat International Airport (Turkmenistan) to facilitate regional trade and connectivity.

- **Increased demand for digital connectivity and related services**, due to COVID-19 as well as the landlocked position of many member States in the region.

- Support the circular economy and low-carbon economy transition.
UNECE PPP and Infrastructure Evaluation and Rating System (PIERS): supporting services development

PIERS is a platform to align PPP and infrastructure projects with the SDGs

PIERS online platform
Statistics since its launch in December 2023

- 93 projects evaluated
- 44 countries
- 18 sectors (Energy, Transport & Health)
- 41.4 billion USD
UNECE work on innovation: enhancing services sectors in the Western Balkan region

ETIN Events Focused on the Western Balkans:
- "The Role of Transformative Innovation in Supporting the Digital and Green Transformations in the Western Balkans," 20 & 21 September 2023, Pržno, Montenegro
- "Unlocking Innovation in Services in the Western Balkans,” 13 & 14 May 2024, Geneva, Switzerland

Services innovation, particularly in Business Process Outsourcing (BPO), is crucial for the Western Balkans as it drives economic diversification, enhances competitiveness, and creates high-skilled job opportunities, thereby fostering regional economic growth and stability.
Constraints in services trade in UNECE Member States

**REGULATORY BARRIERS:**
- COMPLEX REGULATIONS

**INSTITUTIONAL WEAKNESSES:**
- WEAK GOVERNANCE, LIMITED CAPACITY

**MARKET ACCESS RESTRICTIONS:**
- LICENSING AND CERTIFICATION ISSUES

**INFRASTRUCTURE DEFICIENCIES:**
- INADEQUATE DIGITAL INFRASTRUCTURE

**HUMAN CAPITAL CONSTRAINTS:**
- SKILL GAPS

**FINANCIAL CONSTRAINTS:**
- LIMITED ACCESS TO FINANCING

**TRADE POLICY AND BARRIERS:**
- REGULATORY RESTRICTIONS, WEAK IPR PROTECTION

**POLITICAL AND ECONOMIC INSTABILITY:**
- UNPREDICTABLE BUSINESS ENVIRONMENT
How UNECE can help overcome these constraints

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| Trade facilitation measures                  | • Implementation of trade facilitation measures such as Single Window systems and standardized regulatory frameworks (UN/CEFACT standards and recommendations).  
                                         | • Development of Trade Facilitation Roadmaps and Business Process Analysis. |
| Capacity building and technical assistance    | • Targeted support of high-potential sectors like agri-food, (UNECE initiatives in Central Asia to boost agri-food supply chains). 
                                         | • Workshops, training, and technical assistance programs to enhance the capabilities of businesses. |
| Infrastructure development                   | • Support with the implementation of PPPs projects (UNECE's PPP and Infrastructure Evaluation and Rating System (PIERS)). |
| Digital connectivity and regional cooperation | • Efforts to reduce trade barriers and enhance connectivity in Central Asia and beyond (UN/CEFACT standards and recommendations, SPECA Trans-Caspian Digitalization Roadmap). 
                                         | • Promotion of e-services & enabling MSMEs to participate in international markets (Integrated services platforms (ISMIT)). |
| Policy and regulatory support                | • Strengthening regulatory frameworks and institutions (UNECE Studies on Regulatory and Procedural Barriers to Trade) |
| Circular economy transition                  | • Circularity Circular STEP initiative. 
                                         | • Sustainability Pledge and the development of the UNECE Recommendation 49 “Transparency at Scale”.

Revised terms of reference of the Steering Committee on Trade Capacity and Standards

The Steering Committee on Trade Capacity and Standards is an intergovernmental body that oversees and guides the development of international norms and standards, procedures and best practices that reduce the costs associated with export and import processes and increase the efficiency, predictability and transparency of trade regulations and procedures and the movement of goods and services.

Economic Commission for Europe
Steering Committee on Trade Capacity and Standards

Eighth session
Geneva, 26–27 (am) June 2023

Report of the Steering Committee on Trade Capacity and Standards on its eighth session

88. The representative of Kyrgyzstan indicated that digitalization is an irreversible process and, thus, it is urgent to address the remaining gaps in its understanding. He gave examples of various barriers highlighted by the business that preclude them from the full uptake of digital solutions, including tariffs for services in the marketplaces and high logistics and storage costs.
THANK YOU

CONTACT

Economic Cooperation and Trade Division
United Nations Economic Commission for Europe
Palais des Nations, CH-1211, Geneva 10, Switzerland

Elisabeth Türk
Director of the Economic Cooperation and Trade Division
Tel. +41 (0) 22 9175271
email. elisabeth.tuerk@un.org
Twitter: @ElisabethTuerk