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The Impact of COVID-19 on Commonwealth Services Trade

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Abstract

This paper examines the likely effect of the COVID-19 pandemic on services trade in the Commonwealth. In gross terms, the Commonwealth accounts for nearly a fifth of global trade in services, of which nearly a fifth may be transacted within the Commonwealth. Our analysis suggests that at least 40 per cent of Commonwealth services exports and more than 45 per cent of its imports, close to US\$900 billion, could easily stand compromised by COVID-19. These are services delivered by “modes” that require physical proximity between buyers and sellers and the latter is the first casualty of social-distancing and related practices in the wake of COVID-19. On average, 45 per cent of Commonwealth services exports are delivered by Mode 2; Caribbean and Pacific Commonwealth countries dominant in this mode are therefore likely to be even more severely impacted. In contrast, in several African and Asian Commonwealth members, the bulk of services exported are transacted via mode 1. Services exports of these countries are therefore likely to be less vulnerable to the pandemic. This said, delayed recovery in services trade will affect both services and manufacturing sector activity in Commonwealth member countries, given their increasing ‘servicification’ of economic activity and exports.

JEL Classifications: F10, L84, O14

Keywords: COVID-19, services trade, Commonwealth, social distancing, servicification

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Abbreviations and Acronyms

B2B	business to business
B2C	business to consumer
BPM	business process management
CW	Commonwealth
CWMS	Commonwealth member state
GFC	global financial crisis
GVC	global value chain
ICT	information and communications technology
IMF	International Monetary Fund
LDCs	least developed countries
M&A	mergers and acquisitions
WTO	World Trade Organization

1. Introduction

The COVID-19 pandemic has led to lockdowns in countries across the world, stalling economic activity globally. The International Monetary Fund, the World Trade Organization (WTO) and other organisations have predicted massive losses in economic growth and international trade in countries and regions across the world. The WTO (2020) has predicted a 13–32 per cent decline in trade, depending on whether the recovery takes a V-shape or an L-shape. However, these predictions are likely to underestimate the impact because they are based on merchandise trade alone (Shingal, 2020).

Services trade was shown to be more resilient to the 2008 global financial crisis (GFC) than merchandise trade (Borchert and Mattoo, 2009; Ariu, 2016), given its low sensitivity to demand shocks and lower dependence on supply finance. While COVID-19 has resulted in an immediate supply shock followed by a demand shock, what matters more this time is the social distancing and contagion-related fears that have a bearing on any services transactions that require some form of physical proximity between buyers and sellers and which cannot be substituted or replaced by services traded over the internet.

There are four different ways in which services are traded across borders and three of these modes of supply (in the parlance of the WTO's General Agreement on Trade in Services [GATS]) require proximity between buyer and seller. These are mode 2 (consumption abroad, e.g. tourism services), mode 3 (commercial presence or foreign direct investment [FDI] in services, e.g. international banking services) and mode 4 (movement of natural persons, e.g. information technology professionals working onsite abroad and intra-corporate transferees).

Mode 1 – or cross-border services trade – includes the entire range of services transacted via the internet, some of which at least can continue to be delivered even in work-from-home scenarios.

The adverse effects of social distancing are going to be the largest for services transacted via modes 2, 3 and 4 because they require some form of physical proximity between suppliers and consumers. To put this into perspective, the total value of global trade in commercial services in 2017¹ was US\$13.3 trillion, of which more than half was transacted via mode 3, 12 per cent via mode 2 and 4 per cent via mode 4.

Nearly half of total FDI in 2017 was in the form of announced greenfield investment² while merger and acquisition (M&A) activity accounted for the rest (UNCTAD, 2018). This suggests that at least half of mode 3 services trade may be completely stalled due to the pandemic, with significant disruptions for the other half too. Thus, at least half of global services trade – nearly US\$7 trillion – easily stands compromised by COVID-19. However, this is still likely to underestimate the impact because several mode 1 services are complementary inputs into manufacturing and other services. These activities have been drastically affected, if not completely stalled, by the lockdowns. Moreover, data security, client confidentiality, access to information and communications technology (ICT) and related issues are likely to render even remotely deliverable mode 1 services activities infeasible.

Against this background, this International Trade Working Paper examines the effect of the pandemic on the services trade of Commonwealth countries using both descriptive statistics and qualitative analysis.

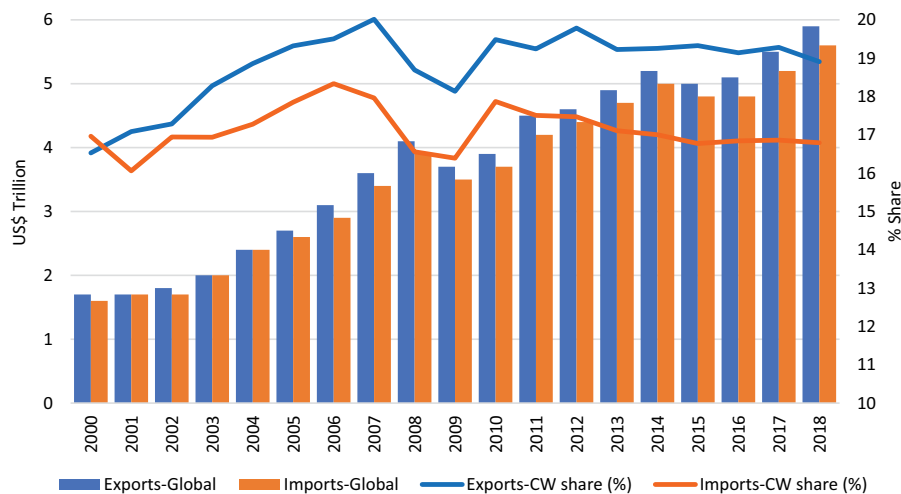
2. Commonwealth services trade

Gross trade in services more than tripled in value over 2000–2018. The share of Commonwealth member countries in that increased over time from 16.5 per cent to 18.9 per cent for services exports but showed a marginal decline in

services imports from 17 per cent to 16.8 per cent (Figure 1).

However, the overall growth over 2000–2018 masks significant differences. Global exports and imports of services grew most rapidly in

Figure 1. Global services trade (US\$ trillion) and share of the Commonwealth (%)



Source: Author's calculations using World Bank, World Development Indicators

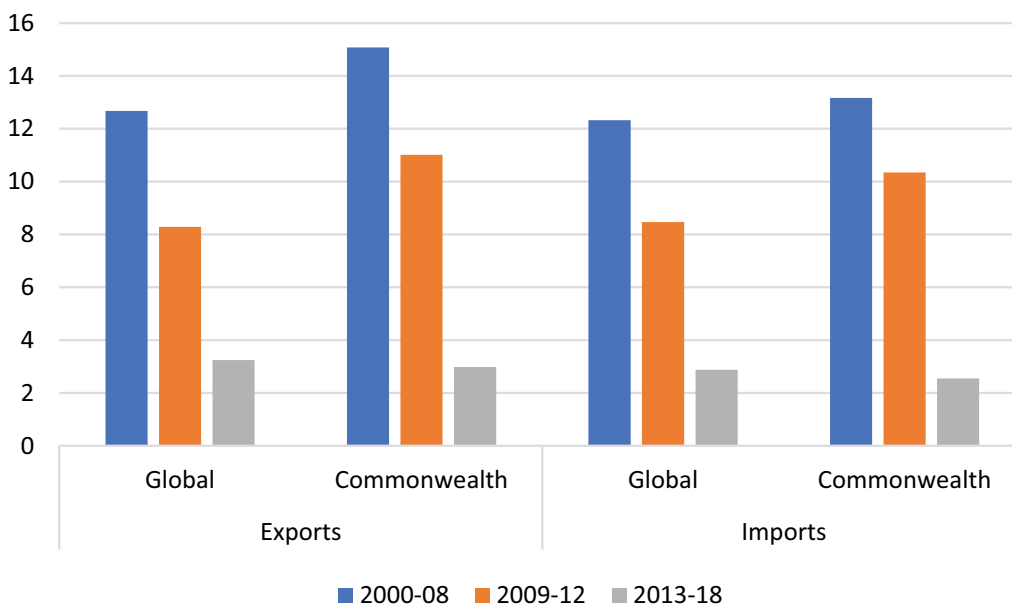
the pre-GFC years (2000–2008) at 12.7 per cent and 12.3 per cent per annum, respectively. Growth then slowed to just 8 per cent in the post-GFC period (2009–2012) and plummeted to just 3 per cent in the years from 2013 to 2018. Commonwealth services trade growth witnessed higher increases in the pre- and post-GFC years, but has fallen even more over 2013 to 2018 (Figure 2).

The Commonwealth's five largest services traders in 2018 were the UK, Singapore, India, Canada and Australia (Figure 3a). The top three countries exported services exceeding US\$150

billion. The UK and Singapore also imported services above \$150 billion each. For the remaining Commonwealth countries, services trade was well below \$50 billion each in 2018, although Malaysia stands out with services trade of \$42.5 billion. However, for the majority of Commonwealth countries (over three quarters of the membership), services trade was below \$10 billion (Figure 3b).

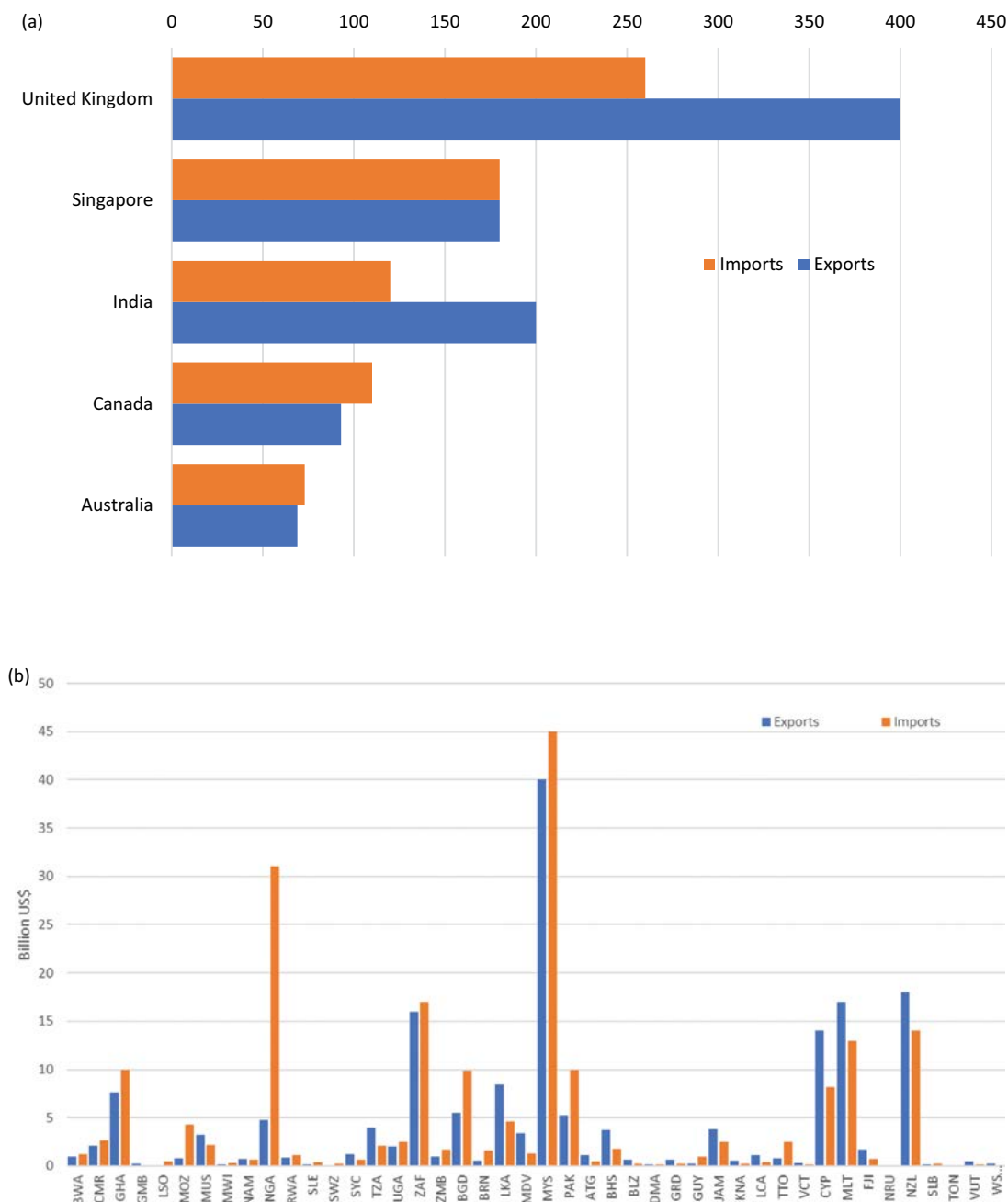
At the sector level, services exports are dominated by travel (mostly personal), transport and distribution services across Commonwealth member countries (Figure 4). However, there

Figure 2. Average annual growth rate of services trade over time periods (%)



Source: Author's calculations using World Bank, World Development Indicators

Figure 3. (a) Top five Commonwealth services traders, 2018 (US\$ billion). (b) Services trade for remaining Commonwealth members, 2018 (US\$ million)



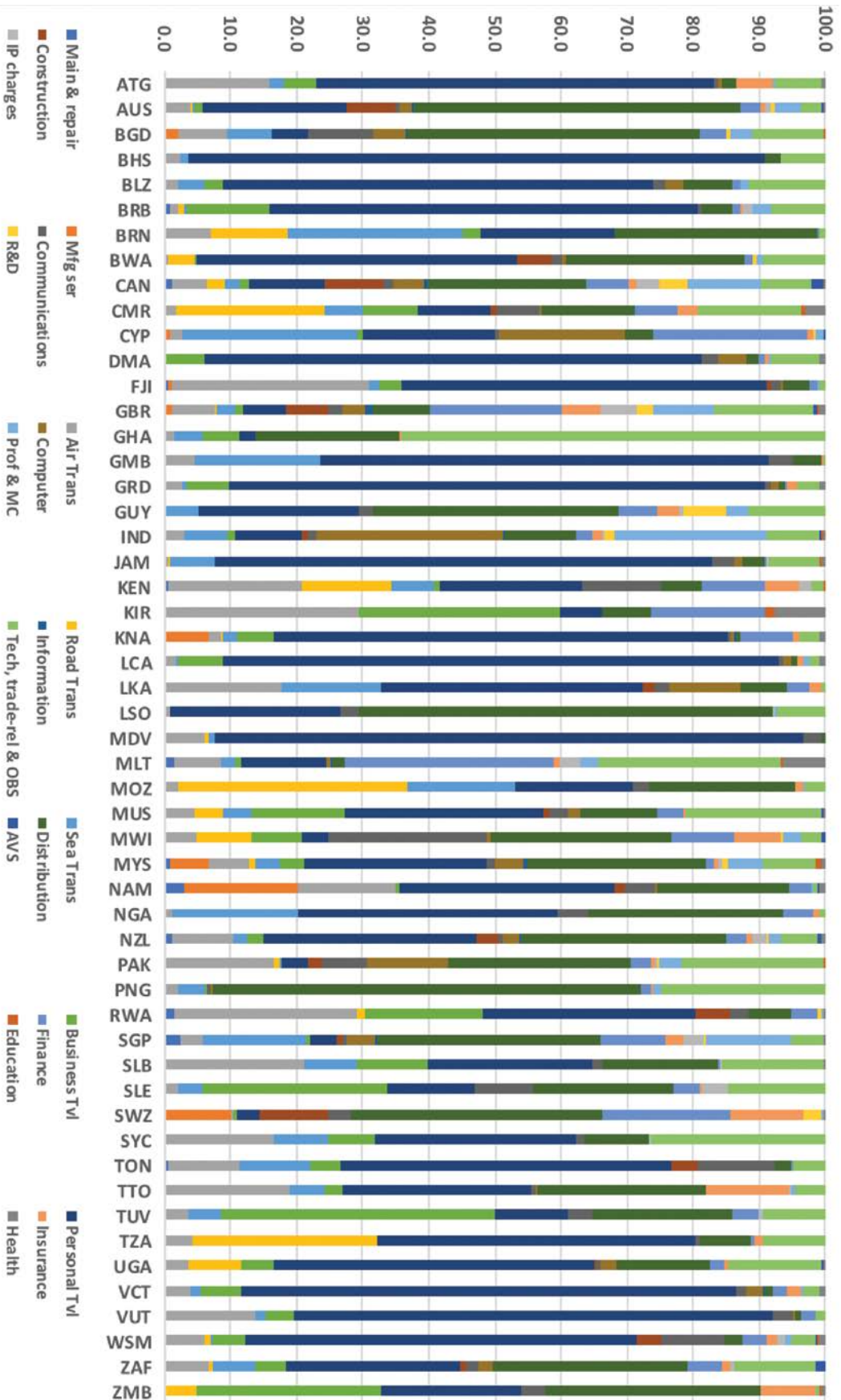
Source: Author's calculations using World Bank, World Development Indicators

are a few notable exceptions: computer services (Cyprus [CYP], India [IND]); technical, trade-related and other business services (Ghana [GHA], Malta [MLT], Papua New Guinea [PNG]); financial (the UK [GBR], Cyprus [CYP], Kiribati [KIR]); communications (Malawi [MWI], Sierra Leone [SLE]); and insurance (Swaziland [SWZ], Zambia [ZMB]). In contrast, Commonwealth services imports are dominated more uniformly by transport (air and sea), travel, distribution and technical,

trade-related and other business services (Figure 5).

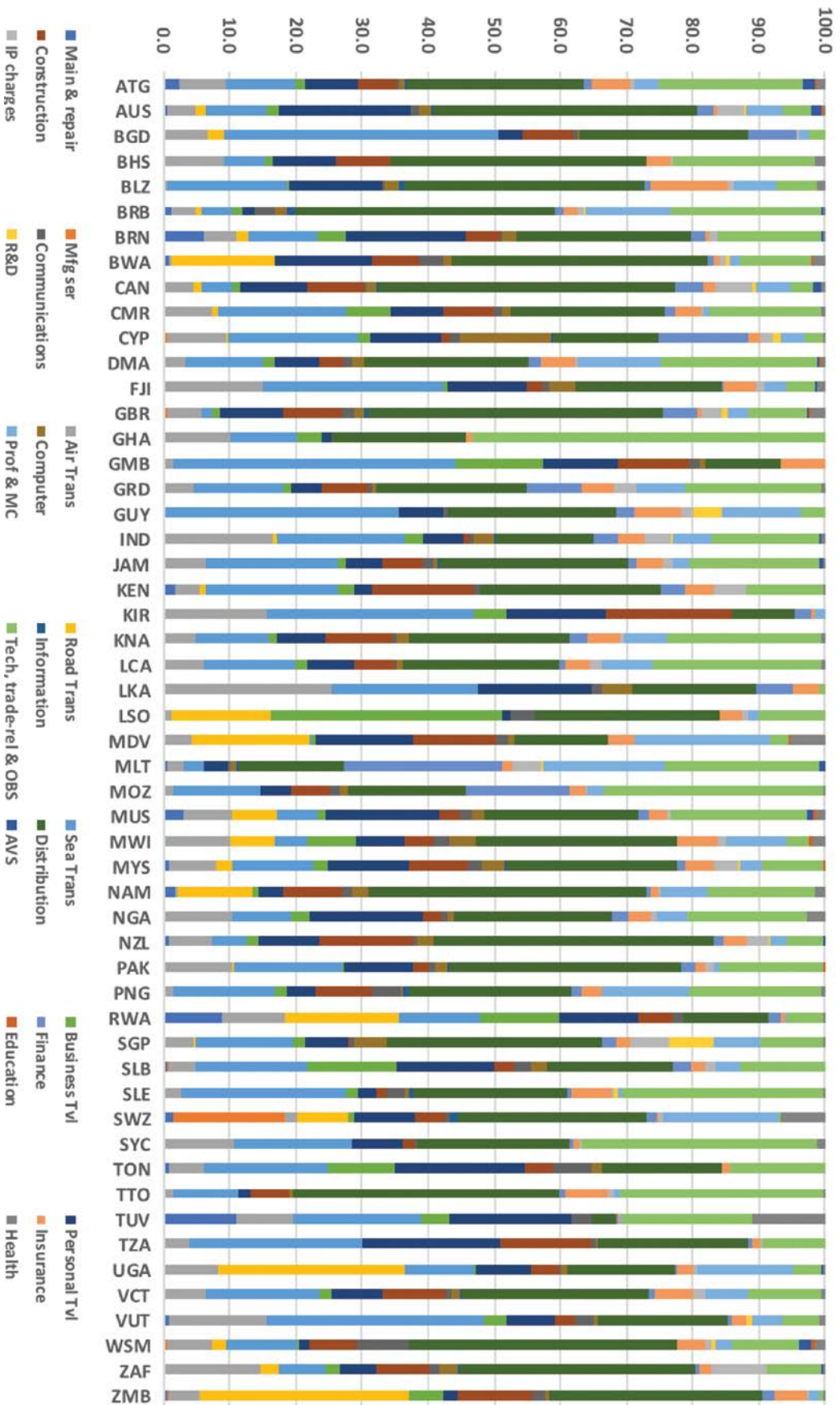
Unfortunately, more complete data on bilateral services trade to discern the intra-Commonwealth share within Commonwealth services trade are only available until 2012 in the OECD-WTO BaTiS database. These data suggest that in 2012, of all Commonwealth exports and imports of services, 21.4 per cent was destined for and 19.5 per cent was sourced from within the Commonwealth. These shares were higher

Figure 4. Services exports by Commonwealth country and sector, 2017 (%)



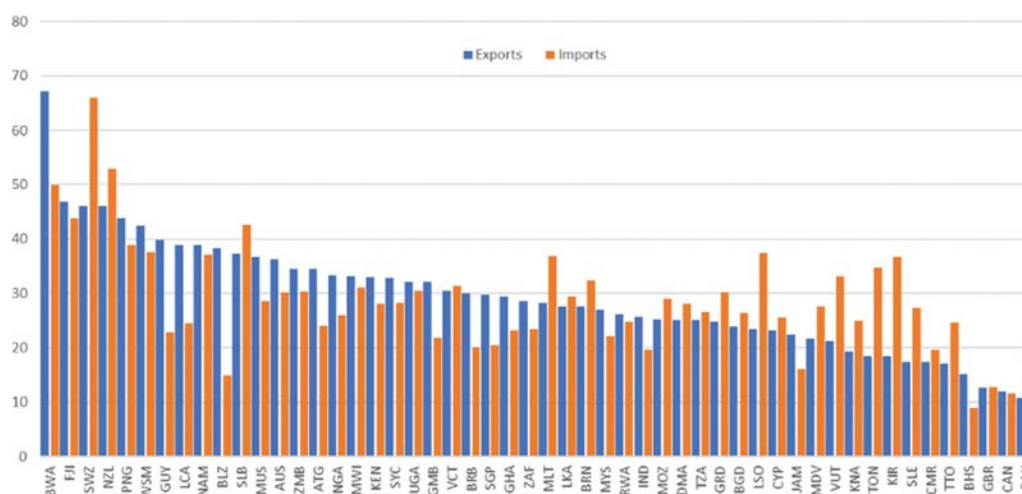
Source: Author's calculations using WTO TISMOS data

Figure 5. Commonwealth services imports by Commonwealth country and sector (2017, %)



Source: Author's calculations using WTO TISMOS data

Figure 6. Share of intra-Commonwealth services trade in total services trade of Commonwealth countries, 2012 (%)



Source: Author's calculations using OECD-WTO BaTiS data

than the comparable shares (19.1 and 15.6 per cent, respectively) for merchandise exports and imports of the same year (see Shingal and Aggarwal, 2020). Thus, for Commonwealth members, intra-Commonwealth trade is relatively more important for services than

merchandise. Moreover, the overall shares mask significant differences among the member countries: Botswana, Fiji, New Zealand, Papua New Guinea, Solomon Islands, Eswatini and Samoa depend on the Commonwealth for more than 40 per cent of their services exports (Figure 6).

3. Likely effect of COVID-19 on Commonwealth services trade

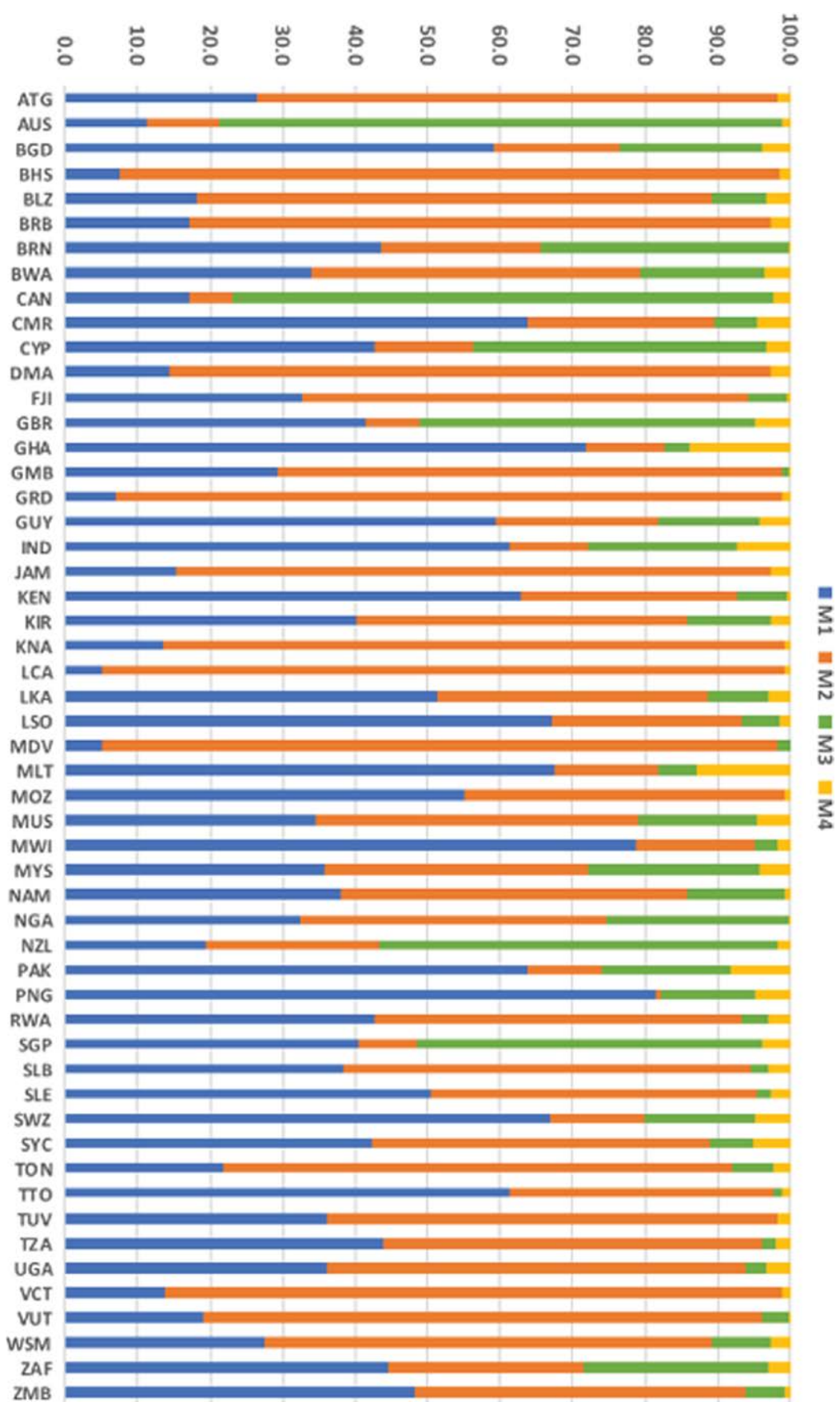
Figures 7 and 8 show the distribution of Commonwealth member countries' services exports and imports, respectively, by modes of supply. On the whole, 35 (32) and 50 (67) per cent of Commonwealth services exports (imports) by value were delivered by modes 1 and 3 in 2017, followed by mode 2 (10.4 per cent exports, 9.6 per cent imports) and mode 4 (4 per cent exports, 3 per cent imports). Thus, at least 40 per cent of Commonwealth services exports and more than 45 per cent of imports, close to US\$900 billion, could easily stand compromised by COVID-19.

Moreover, on average, 45 per cent of Commonwealth services exports were delivered by mode 2 and countries dominant in this mode are therefore likely to be even more severely impacted. This is particularly true of the Caribbean (The Bahamas, Saint Lucia),

the Pacific (Tonga, Vanuatu) and some Asian (Maldives) countries whose economies rely largely on tourism and related services. On the other hand, in several African (Ghana, Kenya, Malawi) and Asian (Bangladesh, India, Pakistan) economies, the bulk of services exported are transacted via mode 1 and the services exports of these countries are therefore likely to be less vulnerable to the pandemic. On the whole, the bulk of services exports were traded in Commonwealth Africa via modes 1 and 2; in Asia via modes 1 and 3; in the Caribbean and Pacific via mode 3; and in Europe via modes 3 and 1. Meanwhile, services imports across Commonwealth regions were dominated by modes 3 and 1 (see Tables 1 and 2; last rows).

Moreover, even within these countries, some services sectors are going to be more severely

Figure 7. Services exports by Commonwealth country and modes of supply, 2017 (%)



Source: Author's calculations using WTO TISMOS

Figure 8. Services imports by Commonwealth country and modes of supply, 2017 (%)



Source: Author's calculations using WTO TISMOS

affected and are also likely to take longer to recover as they rely on modes of delivery that require physical interaction between buyer and seller. These include business travel and tourism, including associated hotel and restaurant services (all of these services exports were delivered by mode 2 across Commonwealth regions in 2017); manufacturing; maintenance and repair; sea transport services; and construction services (the bulk of these required either commercial presence across Commonwealth regions in 2017 or some temporary movement of service suppliers as in Commonwealth Africa and Asia). Similarly, computer, education and other business services required the movement of skilled professionals across borders to deliver at least a quarter of services exports across Commonwealth regions in 2017.

Likewise, while mode-2-dependent health (medical tourism) and education (international student travel) services are being adversely affected due to travel restrictions or outright bans, significant efforts are already being made to deliver education services online, both within and across borders, which may somewhat mitigate the adverse effect on the latter. This said, health services incidental to the export of medical goods and services will also be impacted by export bans on the latter.

In contrast, the effects of the pandemic on audio-visual, communications, information, insurance, financial, and most computer and other business services exports are likely to be more limited, as most if not all of these services can still be delivered online in work-from-home scenarios and are therefore more resilient to any voluntary and selectively imposed social distancing once lockdowns are lifted. Interestingly, the bulk of air and road transport services exports across Commonwealth regions were also delivered cross-border in 2017, which suggests that these would also be less affected than expected (Tables 1 and 2).

At the same time, while remotely deliverable mode 1 services seem theoretically tradable during these times, there are several circumstances in which they may become infeasible. The first and foremost is lack of access to ICT, which is particularly likely to affect Commonwealth least developed countries (LDCs) (for instance see AIIB, 2020). Even if digital access is not a problem, data security and client confidentiality concerns may prevent delivery of business process management (BPM) services in sensitive

sectors such as financial and legal services in work-from-home scenarios. Moreover, several BPM services are linked to economic activity in other sectors like manufacturing, transport and tourism, and will be directly impacted by the adverse effects of lockdowns. In contrast, other mode 1 health-related services like telemedicine and medical transcription services are likely to witness a spurt during the pandemic.

COVID-19-induced lockdowns and social distancing measures have also led to a proliferation of online shopping, social media use, internet telephony and teleconferencing, and streaming of videos and films, resulting in spikes in business-to-consumer (B2C) sales (especially of medical supplies, household essentials and food products) and an increase in B2B e-commerce. Demand has also increased for internet and mobile data services (WTO, 2020). In that sense, the pandemic has highlighted the significance of the digital economy, including the pressing need to bridge the digital divide, both within and across countries. Many traditional obstacles have been accentuated and have continued to hamper greater participation of small producers, sellers and consumers in e-commerce activities in developing countries, especially LDCs. This reinforces the need for efficient and affordable ICT services and related emerging technologies across the Commonwealth to facilitate e-commerce during this period.

Heterogeneity in the sectoral and modal distribution of services trade among Commonwealth members also translates into differences in impact and recovery times. For instance, financial services accounted for a fifth of the UK's services exports in 2017 but these services were delivered entirely by mode 1, which suggests that despite their sectoral importance and significant use as inputs in the domestic economy and for exports, the impact on them will be more limited. In contrast, tourism services accounted for 18 and 25 per cent, respectively, of total Caribbean and Pacific services exports in 2017 – all delivered by mode 2 – and their loss will severely impact these economies. Given mandatory and voluntary travel restrictions in the wake of the pandemic, they are also likely to take much longer to recover. Meanwhile, ICT services exports accounted for only 3 per cent and 1 per cent, respectively, of total African and Asian services exports and these services were also completely delivered cross-border. This suggests a minimal

Table 1. Services exports of Commonwealth regions by sector and modes of supply, 2017 (%)

Sector	Africa				Asia				Caribbean				Europe				Pacific			
	M1	M2	M3	M4	M1	M2	M3	M4	M1	M2	M3	M4	M1	M2	M3	M4	M1	M2	M3	M4
Air transport	83	17	0	0	80	20	0	0	57	43	0	0	50	50	0	0	79	21	0	0
Road transport	92	8	0	0	61	39	0	0	100	0	0	0	97	3	0	0	79	21	0	0
Sea transport	50	50	0	0	79	21	0	0	23	77	0	0	88	12	0	0	55	45	0	0
Business travel	0	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0
Personal travel	0	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0
Communications	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0
Computer	75	0	0	25	80	0	0	20	75	0	0	25	75	0	0	25	75	0	0	25
Information	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0
Construction	0	0	81	19	0	0	78	22	0	0	99	1	0	0	95	5	0	0	98	2
Distribution	83	0	17	0	35	0	65	0	47	0	53	0	73	0	27	0	21	0	79	0
Financial	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0
Insurance	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0
IP charges	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0
Maintenance & repair	0	90	0	10	0	90	0	10	0	90	0	10	0	90	0	10	0	90	0	10
Manufacturing services	0	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0
Audio-visual	70	10	0	20	70	10	0	20	70	10	0	20	70	10	0	20	70	10	0	20
Education	75	0	0	25	85	0	0	15	75	0	0	25	75	0	0	25	75	0	0	25
Health	61	19	0	20	42	43	2	14	12	37	47	4	17	6	71	6	43	2	40	14
Research & development	75	0	0	25	81	0	0	19	75	0	0	25	75	0	0	25	75	0	0	25
Professional & mgmt. consulting	75	0	0	25	87	0	0	13	75	0	0	25	75	0	0	25	75	0	0	25
Technical, trade & other business	80	1	0	19	81	1	0	18	81	0	0	19	75	1	0	24	79	1	0	20
Total	48	33	16	4	48	12	35	5	17	8	73	2	42	8	45	5	13	12	74	1

Source: WTO TiSMoS; own calculations

Table 2. Services exports of Commonwealth regions by sector and modes of supply, 2017 (%)

Sector	Africa				Asia				Caribbean				Europe				Pacific			
	M1	M2	M3	M4	M1	M2	M3	M4	M1	M2	M3	M4	M1	M2	M3	M4	M1	M2	M3	M4
Air transport	87	13	0	0	91	9	0	0	76	24	0	0	77	23	0	0	75	25	0	0
Road transport	93	7	0	0	48	52	0	0	100	0	0	0	81	19	0	0	91	9	0	0
Sea transport	81	19	0	0	78	22	0	0	95	5	0	0	76	24	0	0	92	8	0	0
Business travel	0	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0
Personal travel	0	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0
Communications	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0
Computer	75	0	0	25	75	0	0	25	75	0	0	25	75	0	0	25	75	0	0	25
Information	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0
Construction	0	0	90	10	0	0	72	28	0	0	99	1	0	0	98	2	0	0	98	2
Distribution	47	0	53	0	43	0	57	0	15	0	85	0	19	0	81	0	24	0	76	0
Financial	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0
Insurance	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0
IP charges	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0
Maintenance & repair	0	90	0	10	0	90	0	10	0	90	0	10	0	90	0	10	0	90	0	10
Manufacturing services	0	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0	0	100	0	0
Audio-visual	70	10	0	20	70	10	0	20	70	10	0	20	70	10	0	20	70	10	0	20
Education	75	0	0	25	75	0	0	25	75	0	0	25	75	0	0	25	75	0	0	25
Health	3	80	16	1	44	20	21	15	3	34	61	1	12	2	82	4	22	2	69	7
Research & development	75	0	0	25	75	0	0	25	75	0	0	25	75	0	0	25	75	0	0	25
Professional & mgmt. consulting	75	0	0	25	75	0	0	25	75	0	0	25	75	0	0	25	75	0	0	25
Technical, trade & other business	80	2	0	18	85	0	0	15	81	1	0	19	75	1	0	24	78	1	0	21
Total	32	9	56	3	49	12	34	5	22	7	69	2	18	6	74	2	23	12	63	2

Source: WTO TiSMoS; own calculations

pandemic-related impact on the economies of these countries via effects on ICT services exports.

The analysis in this section also has implications for intra-Commonwealth services trade. Unfortunately, bilateral services trade data are not available by modes of supply, so we use the modal distribution of aggregate services trade to estimate the likely effect of the pandemic on intra-Commonwealth services trade of the few countries for which bilateral services trade data are available from the WTO. Note that only Cyprus and the UK report the full coverage of Commonwealth partners in the WTO data, so the values for the other Commonwealth countries are underestimates.

Even so, this analysis suggests the maximum effects of the pandemic on the intra-Commonwealth services trade of Malaysia (US\$5.9 billion), Australia (\$5.6 billion) and Singapore (\$2.9 billion); unfortunately, the coverage of Commonwealth services trade partners for these member states in the WTO data only pertains to 12, 10 and 8 countries each, respectively, so these values are underestimates. In contrast, while only 3.5 (4.9) per cent of the UK's intra-Commonwealth services exports (imports) are likely to be affected by the pandemic, this translates into \$1.1 billion and \$1.25 billion, respectively (Figure 9).

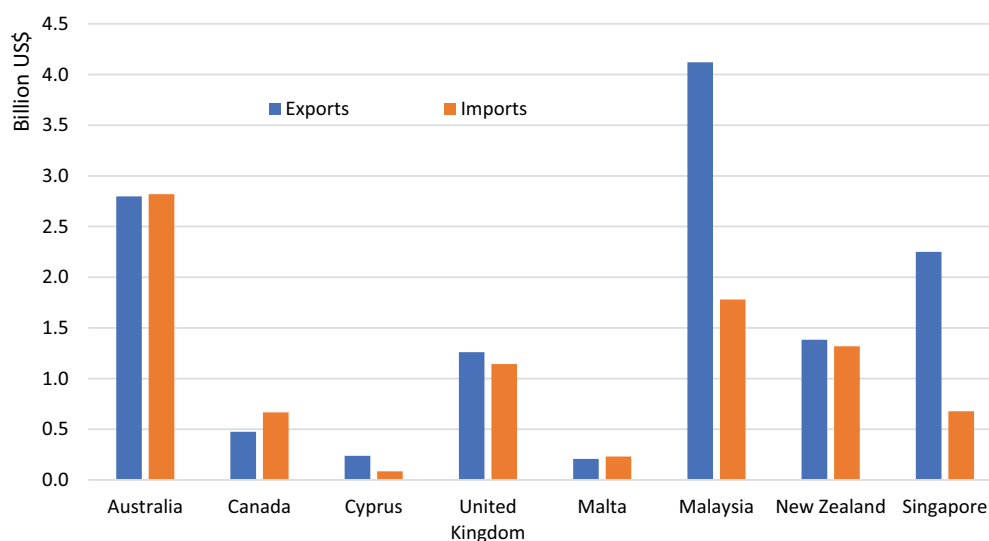
Finally, COVID-19-induced delays in re-opening trade in these sectors will also affect other areas of economic activity where these services serve as significant inputs. Across

Commonwealth member countries and sectors, services are used the most intensively in the domestic economy in Pakistan and the least in Lesotho, Malaysia and Singapore (Table 3). For the Commonwealth as a whole, global value chain (GVC) participation (the sum of backward and forward participation) is particularly large for wholesale trade; maintenance and repair; and post and telecommunications services, followed by financial intermediation and transport services (Table 4).

Table 3 reports domestic value added as a share of gross exports across Commonwealth member countries and services sectors calculated from the EORA MRIO database. Commonwealth countries with domestic value-added shares that are significantly higher than the average and the total for the Commonwealth across the different sectors are highlighted in red. The table illustrates the importance of all services as inputs in the domestic economy across the Commonwealth, but especially for South Asian and Southern and West African members. The retail and financial intermediation and business services sectors contribute the maximum to the domestic economy across the Commonwealth.

Table 4 reports backward and foreign participation as a share of gross exports across Commonwealth member countries and services sectors calculated from the EORA MRIO database. Commonwealth countries with GVC participation significantly higher than the average and the total for the Commonwealth

Figure 9. Estimates of intra-Commonwealth services trade likely affected by COVID-19, 2017 (US\$ billion)



Source: Author's calculations using WTO and WTO TiSMoS

Table 3. Domestic value added across services in Commonwealth countries, 2015 (% share in gross exports)

CWMS	Construction	H&E	FIBS	H&R	M&R	P&T	Retail	Transport	Wholesale	All services
ATG	85.1	85.4	89.6	84.4	71.9	88.2	90.1	86.9	82.2	84.8
AUS	90.0	92.7	91.5	88.6	76.1	85.8	86.0	83.9	65.2	87.1
BGD	91.8	96.5	98.2	95.1	95.7	96.2	97.1	92.6	95.2	94.1
BHS	81.5	88.6	90.8	81.4	79.2	86.5	90.0	76.7	78.8	81.5
BLZ	79.1	85.9	89.9	86.7	72.7	88.2	90.6	85.8	82.0	85.1
BRB	82.4	88.6	92.2	86.9	78.5	87.6	91.4	88.7	83.2	87.6
BRN	88.2	93.4	95.6	86.8	85.6	92.0	92.7	87.1	90.2	88.9
BWA	74.7	87.3	93.1	80.8	84.3	87.4	91.0	77.8	88.5	81.5
CAN	82.2	91.8	91.4	85.5	89.9	89.0	89.9	82.9	89.9	86.8
CMR	91.5	95.2	97.1	94.4	92.4	95.4	96.8	93.9	94.7	94.3
CYP	78.4	89.2	92.9	84.1	86.4	87.6	91.2	84.0	84.8	85.2
FJI	78.9	88.5	92.7	87.9	76.7	90.5	91.4	89.6	87.3	87.8
GBR	86.7	88.2	92.6	90.4	82.5	78.9	90.8	85.6	88.4	89.4
GHA	92.2	96.1	97.6	94.6	92.4	95.9	96.5	93.3	94.8	94.3
GMB	85.2	85.1	87.8	89.5	77.5	91.5	93.7	83.0	90.0	85.9
GUY	76.9	79.3	83.6	77.2	66.9	75.4	79.5	63.4	58.9	70.4
IND	88.1	92.8	97.0	94.6	97.4	95.2	97.4	89.8	97.4	93.6
JAM	82.1	88.5	91.9	84.3	84.1	87.5	90.7	82.4	84.0	84.2
KEN	74.8	93.9	92.9	93.7	85.2	89.8	85.2	80.7	85.2	86.4
LKA	91.5	96.3	97.4	93.7	94.9	95.6	97.2	92.6	94.9	93.8
LSO	69.0	78.3	84.7	66.7	27.1	65.0	70.8	48.4	53.6	58.3
MDV	79.4	84.3	88.7	82.5	80.4	88.0	91.7	77.7	86.7	82.7
MLT	82.9	88.2	88.0	69.4	86.6	77.5	94.4	65.0	92.3	76.6
MOZ	91.7	95.8	97.5	93.9	90.5	95.8	96.7	93.9	95.7	94.3
MUS	72.7	89.1	89.0	82.9	84.4	86.4	50.2	77.7	95.4	84.9
MWI	83.2	90.1	93.4	88.6	82.9	90.2	92.8	85.6	90.0	87.5
MYS	48.9	76.1	82.5	59.8	87.3	71.2	87.3	57.5	87.3	73.1
NAM	75.5	88.1	91.9	81.4	81.3	85.3	89.6	77.7	87.1	81.8
NGA	90.7	96.6	98.6	94.6	96.1	96.8	96.8	90.8	95.1	93.1
NZL	84.4	89.9	94.4	90.1	79.8	82.8	78.6	82.3	80.9	88.9
PAK	94.7	97.1	98.1	96.8	96.8	97.3	97.9	95.4	96.4	96.2
PNG	89.3	92.5	96.2	90.0	86.1	91.0	93.6	85.5	91.9	90.4
RWA	88.1	92.1	95.3	89.2	53.5	90.3	92.2	86.8	88.5	85.9
SGP	60.0	81.6	74.5	72.4	69.2	34.1	69.2	48.2	69.2	65.6
SLE	84.7	92.2	96.4	90.5	67.4	92.6	93.4	91.1	90.5	89.1
SWZ	59.8	76.6	85.5	75.2	65.7	78.4	81.0	79.9	77.7	76.9
SYC	86.4	90.3	93.9	93.0	80.9	91.8	94.0	94.5	91.4	91.4
TTO	89.9	93.9	95.5	91.0	91.3	93.6	94.4	89.9	92.1	91.3
TZA	62.0	76.3	88.9	71.5	65.9	78.5	78.3	62.7	72.6	74.8
UGA	87.9	92.9	95.9	91.9	89.3	92.9	94.8	89.4	92.6	91.0
VUT	83.0	88.3	92.7	88.5	64.5	89.2	90.8	90.6	87.6	87.3
WSM	90.7	86.4	89.8	86.3	69.9	90.7	91.1	85.8	87.9	86.7
ZAF	85.6	90.4	94.1	94.5	90.5	87.5	90.5	88.8	90.5	91.6
ZMB	90.4	93.5	95.9	92.2	88.1	93.4	95.5	90.1	93.9	91.6
All CW	77.7	86.9	87.9	86.3	81.1	77.1	82.9	76.7	83.8	83.3
AVG	82.1	89.2	92.2	86.2	80.6	86.9	89.4	82.6	86.4	85.8
MIN	48.9	76.1	74.5	59.8	27.1	34.1	50.2	48.2	53.6	58.3
CWMS	MYS	MYS	SGP	MYS	LSO	SGP	MUS	SGP	LSO	LSO
MAX	94.7	97.1	98.6	96.8	97.4	97.3	97.9	95.4	97.4	96.2
CWMS	PAK	PAK	NGA	PAK	IND	PAK	PAK	PAK	IND	PAK

Source: EORA MRIO database; own calculations

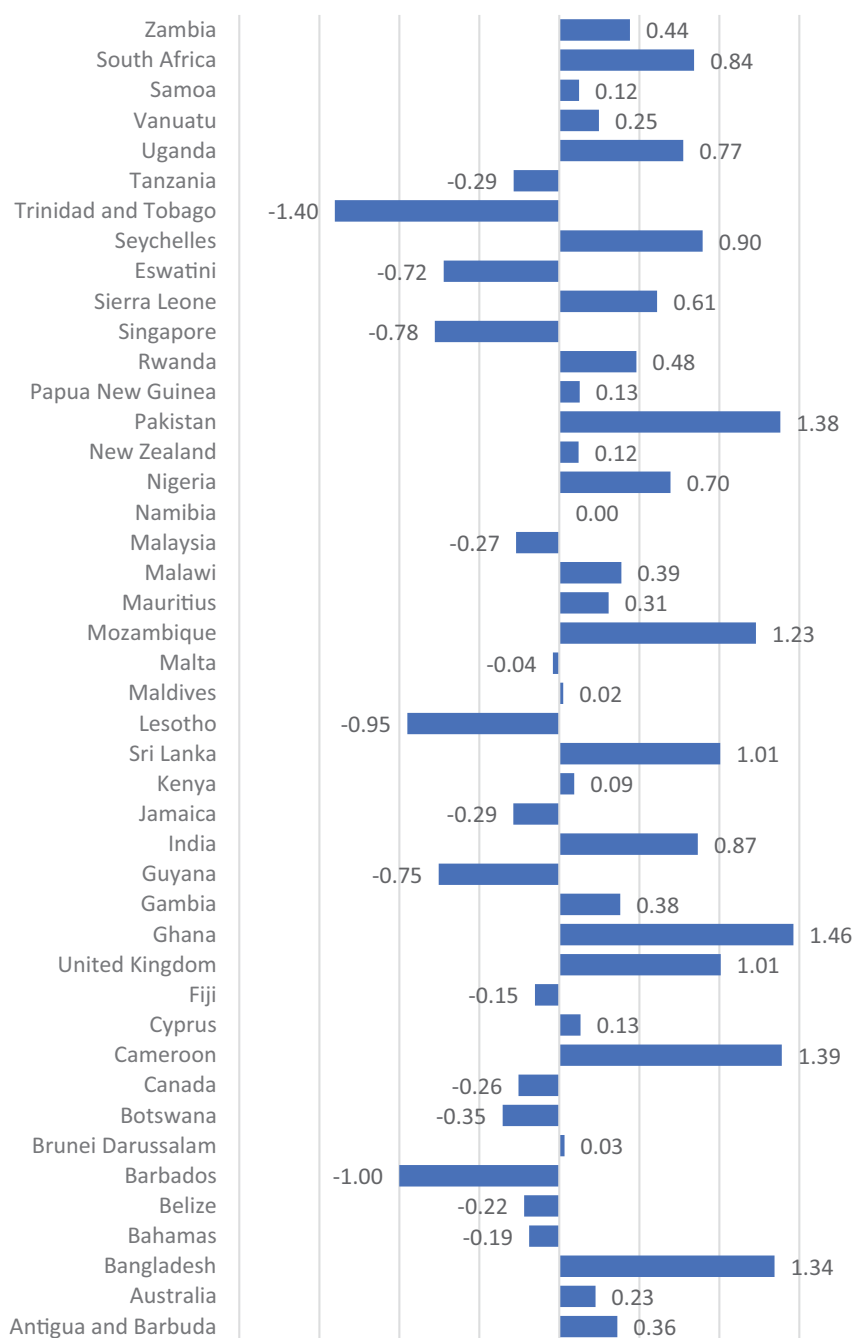
Note: H&E = Health & education; FIBS = Financial intermediation and business services; H&R = Hotels & restaurants; M&R = Maintenance & repair; P&T = Post and telecommunications.

MYS	51.1	3.8	23.9	8.2	17.5	28.6	40.2	6.6	12.7	24.1	28.8	24.4	12.7	24.1	42.5	13.1	12.7	24.1	26.9	20.3
NAM	24.5	15.8	11.9	12.6	8.1	25.6	18.6	12.7	18.7	20.1	14.7	20.3	10.4	14.0	22.3	19.4	12.9	30.8	18.2	18.2
NGA	9.3	7.8	3.4	10.9	1.4	25.5	5.4	8.9	3.9	25.9	3.2	15.7	3.2	21.8	9.2	14.5	4.9	34.0	6.9	14.9
NZL	15.6	3.4	10.1	6.5	5.6	15.6	9.9	8.0	20.2	10.6	17.2	14.9	21.4	3.7	17.7	13.2	19.1	20.7	11.1	12.7
PAK	5.3	9.4	2.9	9.8	1.9	27.2	3.2	15.4	3.2	23.2	2.7	23.8	2.1	17.3	4.6	19.3	3.6	37.1	3.8	18.2
PNG	10.7	2.0	7.5	6.9	3.8	26.4	10.0	12.0	13.9	14.8	9.0	18.5	6.4	1.6	14.5	15.9	8.1	23.9	9.6	11.0
RWA	11.9	20.8	7.9	21.9	4.7	26.5	10.8	25.2	46.5	13.1	9.7	24.5	7.8	21.8	13.2	27.6	11.5	27.9	14.1	23.4
SGP	40.0	7.6	18.4	8.0	25.5	20.8	27.6	7.8	30.8	18.6	65.9	9.7	30.8	18.6	51.8	10.1	30.8	18.6	34.4	15.3
SLE	15.3	17.3	7.8	16.5	3.6	27.3	9.5	19.7	32.6	17.6	7.4	21.4	6.6	23.0	8.9	21.9	9.5	27.8	10.9	20.9
SWZ	40.2	11.2	23.4	8.3	14.5	23.7	24.8	6.1	34.3	15.4	21.6	15.4	19.0	12.3	20.1	9.9	22.3	20.9	23.1	10.7
SYC	13.6	21.0	9.7	18.5	6.1	26.2	7.0	18.6	19.1	19.5	8.2	24.8	6.0	21.9	5.5	23.2	8.6	32.7	8.6	22.4
TTO	10.1	2.4	6.1	1.0	4.5	16.9	9.0	0.7	8.7	7.6	6.4	1.9	5.6	1.4	10.1	1.3	7.9	2.0	8.7	1.4
TZA	38.0	12.1	23.7	11.9	11.1	27.3	28.5	12.4	34.1	12.2	21.5	18.8	21.7	13.8	37.3	15.2	27.4	24.8	25.2	18.7
UGA	12.1	14.7	7.1	14.3	4.1	26.5	8.1	20.4	10.7	20.0	7.1	24.8	5.2	15.3	10.6	21.3	7.4	33.8	9.0	20.7
VUT	17.0	20.0	11.7	15.1	7.3	25.5	11.5	11.2	35.5	15.5	10.8	20.8	9.2	20.9	9.4	14.8	12.4	22.5	12.7	16.5
WSM	9.3	11.7	13.6	9.9	10.2	24.8	13.7	18.1	30.1	17.1	9.3	21.0	8.9	10.6	14.2	15.1	12.1	22.3	13.3	15.2
ZAF	14.4	10.0	9.6	3.8	5.9	24.9	5.5	11.5	9.5	26.8	12.5	21.5	9.5	26.8	11.2	17.3	9.5	26.8	8.4	20.8
ZMB	9.6	11.3	6.5	8.5	4.1	26.4	7.8	7.5	11.9	19.8	6.6	16.5	4.5	13.7	9.9	14.9	6.1	25.0	8.4	13.5
AllCW	22.3	8.2	13.1	9.2	12.1	27.0	13.7	11.4	18.9	24.2	22.9	20.1	17.1	19.5	23.3	15.8	16.2	36.2	16.7	20.3
GVC		30.5		22.2		39.1		25.1		43.1		42.9		36.6		39.1		52.4		37.1
AVG	17.9	12.7	10.8	11.7	7.8	24.9	13.8	13.2	19.4	19.6	13.1	20.1	10.6	16.7	17.4	16.4	13.6	27.6	14.2	17.0
MAX	51.1	21.5	23.9	21.9	25.5	36.0	40.2	26.0	72.9	34.9	65.9	33.7	49.8	26.8	51.8	27.6	46.4	52.3	41.7	30.7
CWMS	MYS	GMB	MYS	RWA	SGP	GBR	MYS	GHA	LSO	GBR	SGP	GHA	MUS	ZAF	SGP	RWA	LSO	GBR	LSO	GBR

Source: EORA MIRIO database; own calculations

Note: H&E = Health & education; FIBS = Financial intermediation and business services; H&R = Hotels & restaurants; M&R = Maintenance & repair; P&T = Post and telecommunications.

Figure 10. GVC position in services by Commonwealth country (2015)



Source: Author's calculations using EORA MRIO database

Note: The higher the value in the figure, the more 'upstream' is the country's services sector in GVCs.

across the different sectors are highlighted in red. The table illustrates the importance of all services as inputs into exports across Commonwealth member countries, but especially for Lesotho and Singapore in terms of backward linkages and for the UK in terms of forward linkages.

At the sector level across Commonwealth member countries, Malaysia reports the maximum use of imported inputs in its gross

exports (backward linkages) in construction, health & education, and hotels and restaurants; Singapore does the same in financial intermediation and business, post and telecoms, and transport services; and Lesotho in maintenance & repair services, and wholesale trade.

Similarly, the UK reports the maximum use of its exports used as inputs in gross exports of other countries (forward linkages) in financial intermediation and business, maintenance &

repair services and wholesale trade; Ghana in hotels & restaurants and post & telecoms; and Rwanda in health & education and transport services.

On the whole, the services sector is relatively more upstream in South Asian and African members and relatively more downstream in Caribbean members (Figure 10). Thus, South Asian and African member countries export

more services value-added as inputs into production and exports of other countries, while Caribbean members import more services inputs from the rest of the world.

In sum, delayed recovery in services trade will affect both services and manufacturing sector activity in Commonwealth member countries, given the increasing 'servicification' of economic activity and exports in all countries.

4. Recommendations

COVID-19 is here to stay, until at least a SARS-Cov-2 vaccine can be developed for mass consumption. Commonwealth member countries therefore need to undertake measures to ensure that the adverse impact on services trade can be mitigated and economic recovery expedited.

Countries must resist the temptation to impose restrictive barriers on services trade. Existing literature has already demonstrated the adverse effects of regulatory incidence and heterogeneity in regulation on services trade (Kox and Nordås, 2007; Nordås, 2016; Nordås and Rouzet, 2017; Rouzet et al. 2017), especially that delivered by commercial presence (Kox and Nordås, 2009; Andrenelli et al., 2018; De Backer et al., 2018) and on services value added in GVCs (Miroudot and Cadestin, 2017). Regulatory incidence and heterogeneity have also been shown to be significant determinants of countries' propensities to negotiate preferential services trade agreements (Sauvé and Shingal, 2016; Egger and Shingal, 2018) and of their deeper commitments in such agreements relative to their WTO GATS commitments (Shingal et al., 2018).

The need for social distancing and continued fear of the pandemic until a vaccine is available may result in all countries, including Commonwealth member countries, imposing additional barriers, especially to trade in services that require proximity between buyers and sellers. Thus, even if business and leisure travel are eventually permitted, there are likely to be significant checks on the ground for health reasons, and mandatory quarantine periods. Given the importance of services in general, countries would do well to ensure that such restrictions, while necessary in these

times, do not become prohibitive. This would be a crucial determinant of economic recovery in these countries in the pandemic's aftermath.

In fact, some Commonwealth developed countries have already relaxed lockdowns and have started introducing new measures to kick-start their economies and revive their services sector. For example, New Zealand has begun promoting domestic tourism to revive its tourism sector and related support sectors. Australia and New Zealand have also discussed the possibility of opening up borders to each other to create a travel corridor between the two countries, which could help revive their services sectors, especially tourism and related sectors. Such developments could provide models that tourism-dependent Caribbean and Pacific countries could emulate.

Existing research (for instance see Shingal and Razzaque, 2015) also suggests that the effect of services trade agreements on intra-Commonwealth services trade may be benign. At the same time, Commonwealth membership is associated with a positive effect on services trade (Commonwealth Secretariat, 2015, 2018). Thus, meaningful preferential liberalisation of services trade barriers, even within sub-regions of Commonwealth membership, may generate useful gains. In fact, preferential liberalisation of both goods and services trade while galvanising regional value chains may be an effective mechanism to counteract the macroeconomic shocks of this pandemic; illustratively, the implementation of the African Continental Free Trade Area may enhance intra-African greenfield investment by 14 per cent relative to the baseline scenario of no agreement (Shingal and Mendez-Parra, 2020).

The increasing use of digital trade and e-commerce, especially during the pandemic, also points to the need among Commonwealth members to unshackle and incentivise the e-commerce sector. Existing literature suggests that data restrictiveness has adverse effects both on the productivity of domestic firms (Ferracane et al., 2018a) and on imports of services (Ferracane and van der Marel, 2018) in countries imposing the data-restrictive policies. Results from this research suggest that imports of services could rise by 5 per cent, on average, across all countries, if these countries lifted their restrictions on the cross-border flow of data. Most of the gains are likely to be observed in data-intensive sectors such as computer services and financial and insurance services, as well as telecom and R&D services, all of which are more amenable to being delivered online. Gains in these producer services are also likely to translate into benefits for local companies and consumers, enabling access to cheaper and better online services.

Similarly, restrictions on the domestic use of data are found to have a marginally stronger adverse impact on productivity compared to policies on the cross-border movement of data (Ferracane et al., 2018a). Lifting these restrictions is expected to generate an average increase in total factor productivity of about 4.5 per cent across countries, with larger gains in data-intensive sectors such as retail and information services. Once again, this is likely to have economy-wide spill-over effects.

Governments across the world have already adopted new measures and the private sector has also co-operated to facilitate e-commerce by 'increasing network capacity, offering expanded data services at little or no cost, lowering or scrapping transaction costs on digital payments and mobile money transfers, improving delivery services and other logistics, using digital tools to enforce measures and disseminate information, promoting telehealth services, and leveraging ICT for surveillance' (WTO, 2020). But new and practical e-commerce solutions are needed to enable fast and secure cross-border movement of goods and services, and to kick-start economic activity and create jobs. One 'ambitious' suggestion would be to implement a common e-commerce and digital trade policy across CWMS

and liberalise barriers to digital trade within the Commonwealth.

At the same time, investment in ICT infrastructure is essential to provide digital access and bridge the digital divide both within and across Commonwealth member states. The existing huge investment gap across member states, and both within and across Commonwealth regions, is driven by both demand- and supply-side factors as well as regulatory issues. Factors curtailing demand for digital infrastructure investment include revenue pressures on operators that reduce the capacity to invest, a lack of awareness among digital companies, and a paucity of skilled technical personnel for constructing and operating new digital technologies and infrastructures. On the supply side, 'dearth of public investment, lack of investment from multilateral development banks, limited investor capability, lack of financial innovation and a short-term investment time frame inhibit investment' (AIIB, 2020). Finally, regulatory bottlenecks have also led to a deepening of the digital divide between rich and poor countries and between urban and rural areas within countries. 'These bottlenecks include poorly structured spectrum licensing schemes that limit market entry, foreign ownership restrictions, high tax rates for digital services and equipment, lack of investment in technical skills, and weak cybersecurity, data protection and privacy regulations' (Ibid.).

While Commonwealth countries would need to address some of these challenges internally, others would need plurilateral cooperation and/or external support/funding. The United Nations has already called for a global package of US\$2.5 trillion aimed primarily at LDCs and tourism-intensive economies. This may also be an opportune time for the Organization for Economic Cooperation and Development's Development Assistance Committee (DAC) donor countries to deliver on their official development assistance commitments. It has been found that aid for trade allocated to services sector activities enhances services exports of small value services exporting countries (Hoekman and Shingal, 2020). Thus, proper targeting and implementation of aid for trade may also contribute to faster and smoother recovery in Commonwealth LDCs.

Notes

- 1 This is the latest year for which trade in services data are available by mode of supply in the WTO TiSMoS database.
- 2 The source of these data is fDi Markets, which only reports announced, not actual, greenfield investment.

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