

## **Promoting Trade in Services to Advance Global Development Cooperation**

As early as in 1969, French sociologist Alain Tourain highlighted the growing weight of services in the economy and job creation. His book was titled *La Société Post-industrielle*. This term was popularized a few years later by American sociologist Daniel Bell with his book, [The Coming of Post-Industrial Society: A Venture in Social Forecasting](#), published in 1973.

These academics essentially analysed developments at the domestic level. It was soon realized that there was an international dimension as the supply of services was not limited to national borders. The launch of negotiations on trade in services in the Uruguay Round in 1986 confirmed their growing role in international trade.

Although the subject is not new, we are now living through a trade services boom. World services exports surpassed 9.5 trillion USD in 2025, growing at 8.2% annually, the fastest pace in a decade.

A key question is whether all countries are equally benefitting from this expansion. A close look at this issue reveals a sobering picture. Services accounted for 27% of global trade in 2024. Developed countries roughly controlled 70% of services exports according to United Nations Trade and Development (UNCTAD) data, while their share in trade in goods is around 54%.

Regarding developing countries' participation in services exports, five of them capture 56% of all developing-country services exports, while the share of Least Developing Countries (LDCs) shrank from 0.7% in 2019 to 0.5% in 2024. Under Sustainable Development Goal 17.11 we had committed to doubling LDCs exports but are moving in the opposite direction.

The expansion of cross-border trade in services has been dramatically facilitated by the rapid evolution and dissemination of digital technologies. Services delivered through digital technologies account for 56% of total services exports globally. This has allowed new business models to emerge and small and medium enterprises to become services exporters. But it has also increased dependence on digital technologies and accentuated global asymmetries.

The global digital services divide is widening, and it will require active policies and sustained international cooperation to address the growing gap. As noted in the Statement by the Group of 77 (G77) + China submitted to the 12th session of the UNCTAD *Multi-year expert meeting on trade, services and development*, last April, “many developing countries risk being left behind in the expansion of digitally deliverable services due to persistent gaps in infrastructure, skills, and regulatory frameworks...Evidence indicates that skills deficits and uneven Information and Communication Technologies (ICT) uptake continue to constrain firms in developing countries from engaging in higher value-added activities”.

The South Centre has produced several studies in the last years that address key issues relating to the digital transformation in the Global South, including taxation of digital services and what it actually takes for developing countries to close the digital gap. Three main conclusions may be drawn from those studies.

First, there is a major fragmentation in digital governance and a lack of convergence to build rules for the digital economy, as shown by the protracted negotiations in the World Trade Organization (WTO) and the absence of multilaterally agreed instruments. This poses a structural problem. To address it developing countries need to move from recipients of norms to active shapers of them.

Second, given the growing dependence of services trade on digital technologies, the export capacity of developing countries can only be strengthened through investment in digital infrastructure and skill development. International cooperation, including South-South Cooperation will be essential to improve their capacity. We should not overlook, however, that although Mode 4 accounts for a small fraction of world trade in services, for most developing countries this is where the welfare gains are greatest. Yet the cost of sending remittances remains extremely high. The South Centre will continue to support work in the WTO to bring remittances costs onto the multilateral agenda.

Third, to generate the resources for their digital transformation and addressing other needs, a fair taxation system needs to be put in place. A 2024 South Centre’s study showed that Organisation for Economic Co-operation and Development (OECD)-model tax treaties have constrained the ability of developing countries to tax cross-border service delivery at source. Hence, particular attention needs to be given to Protocol 1 of the proposed United Nations (UN) Framework

Convention on International Tax Cooperation, which must address Automated Digital Services, the primary revenue base of the world's largest digital firms. It is also to be noted that South Centre research calculated that developing countries and LDCs had lost US\$56 billion in tariff revenue between 2017 and 2020 alone due to the moratorium on customs duties on electronic transmissions, which lapsed on 31 March 2026.

As also noted in the G77+China submission mentioned before, services may improve productivity and promote development in all countries. The importation of services can make a significant contribution to the economy. But developing countries need to benefit from trade in services not merely as recipients but through a growing participation in services exports. Our efforts must address this critical dimension through multilateral rules that take into account current gaps and imbalances. The rules we write now will determine who benefits from trade in services for a generation.