

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

# **THE TRADABILITY OF CONSULTING SERVICES**

and its implications  
for developing countries



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## NOTE

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## Preface

International commerce in services has historically been constrained by the fact that buyers and sellers had to be close to one another. While goods could be transported between countries, most services could be delivered to foreign customers only by affiliates in foreign locations, or through the temporary movement of individuals across national borders. This has meant not only that the expansion of international trade in services lagged behind that of trade in goods, but also that transnational corporations had fewer opportunities to exploit differences in locational advantages by geographically dispersing activities along their production chains and relying on intra-firm trade for integrating them into final products.

Thanks to use of new telecommunication and information technologies, all this is changing. These new technologies greatly enhance the tradability – the ability to engage in trade through arm's length delivery over a distance – of services, giving rise to electronic commerce. This is likely to have a significant impact on trade and foreign direct investment in services, and on the role of transnational corporations in the services sector. The implications are important for developing countries interested in taking advantage of the opportunities for increased trade in services in order to build up their indigenous service industries, strengthen their competitiveness and increase their exports.

An improved understanding of the extent to which various services are becoming tradable can assist in assessing the possible impact and implications and in formulating policies and programmes to enable developing countries to benefit from trade and foreign direct investment. This study is a part of UNCTAD's efforts to contribute such an improved understanding. It represents a continuation of previous work in the area of foreign direct investment and transnational corporations in services, both generally and with respect to the increasing importance of transborder data flows in particular.

The present study focuses on the tradability of consulting services. It covers three major areas: accounting, management consultancy and engineering consultancy. It is the result of a research project funded by Danish International Assistance (DANIDA), following an earlier pilot study that focused on banking.

A core component of this study is an examination of the characteristics of each of the principal individual service products in the industries covered, in order to shed light on the factors that limit or strengthen the ability to deliver each product electronically to a foreign customer. It must be noted that this product-specific examination is based on information and analysis provided by individual industry experts and thus represents a starting point for further empirical study rather than a definitive basis for generalization. Such a detailed technical examination seems appropriate at the present juncture. While services are becoming tradable, it is unclear whether tradability is increasing across the board. Not surprisingly, the findings suggest that many service products within each of the three groups are potential candidates for electronic commerce, but a sizeable number are not. At the same time, things are changing rapidly. Developing countries will need to consider whether this phenomenon offers them new opportunities and, if so, how best to seize them.

Geneva, May 2002

Rubens Ricupero  
Secretary-General of UNCTAD

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