

Trade in Services Sector in Pakistan

The Services sector contributes 53.8% to Pakistan's GDP. Its major sub sectors are Finance and Insurance, Transport and Storage, Wholesale and Retail Trade, Public Administration and Defense. Services contribution to our GDP is gradually increasing. During the current period of financial downturn, the services sector has been a major contributor to growth. Pakistan's GDP grew at the rate of 2.4% in 2010-11. The services sector grew at the rate of 4.1% as against 2.9% last year. The main contributors to this growth are public admn and defence (13.2%) and social services sector (7.1%). A cursory look on the composition of sub-sectors that contribute most to the services sector shows that retail trade, wholesale trade, research and educational consultancy services, restaurants and hotels, financial, construction, and some business services, such as computer and information technology (IT) services, and professional services, such as engineering, legal and accounting services, IT and related services have been most significant.

EXPORT OF SERVICE

Export of Services

Pakistan's exports of services are \$ 5,455 million in 2010-2011 as compared to \$ 5,229 million last year 2009-2010 showing a growth in it. Import figures of services for current year are \$ 7,590 million whereas in the last year 2009 – 2010 were \$ 6,911 million. Services trade in communication, computer and information services, insurance services, personnel, cultural and recreational services and government services (i.e. remittances received by foreign missions in Pakistan, military units and agencies and international organizations) stood in surplus. But trade in transport services, tourism, financial, construction, royalties and licence fees were in deficit.

The sector has emerged as the leading and the fastest growing sector in the global economy in the last two decades, contributing more than 60 per cent of the world output. Similarly, world's services trade has grown at a rapid rate over the last few years. The global trade in services grew by 12% in 2008 compared to 18% in 2007. Analysts were quick to deduce that trade in services was more resilient to the economic crisis. Recognising the export potential of the services sector, the Ministry of Commerce has set up a National Steering Committee to devise a long term strategy for improving Pakistan's export of services with following terms of reference:

- To serve as consultative body for policy formulation on services exports;
- To support development of a National Services Export Strategy;
- To oversee implementation of a National Services Export Roadmap;
- To take stock of the current state of affairs in the sector on the basis of available objective evidence and to identify research needs;
- Any other matter related to export of services

The establishment of a separate cell at the TDAP to function as a facilitator between the services sector and various arms of the government is not just a recognition of the potential the sector has, but also a step towards converting that potential into actual export. It is mandated to build capacity, assist with quality initiatives and to project case studies in local and international markets to improve access. It may also look at conducting research in the five priority areas: information technology, health/ medical services, financial services, professional services construction and architectural services. In order to support services grow and expand, a Services Export Development Fund was proposed to be established under the Trade Policy 2009-10 to provide assistance in the form of reimbursable grants to Pakistan services exporters for tendering or negotiating for international projects and for conducting prefeasibility or feasibility studies for international projects.

The International Trade Centre has also conducted two studies on services sector in Pakistan under the EU-funded Trade Related Technical Assistance Programme: "(I). Services capacity in Pakistan, (II). National Services Export Roadmap".