

Services trade

6.31 Services, particularly finance (insurance) and transportation of goods, are traditional complements to goods trade. With the spread of telecommunications and computer technologies, virtually all commercial services have become tradable across borders. The trend of globalization, reinforced by liberalization policies and the removal of regulatory obstacles, has fuelled steady growth of international investment and trade in services.

World trade in services

6.32 In the US\$ 2.75 trillion world export of commercial services, the major exporters of services are the developed countries. India and China were among the top 10 exporters of commercial services in the world in 2006, the rest being the developed countries. India had the highest growth rate of 36 per cent in 2006, followed by China with 24 per cent. In commercial services imports, India moved from 15th position in 2004 to 13th position in 2005 and remained in 13th position in 2006, with 2.4 per cent share. The growth rate

of India's imports of services at 29 per cent in 2006 was the highest among the top 40 importers with Saudi Arabia at second place with 27 per cent. The United States, the European Union-15 and Japan constitute a major portion of the world market for services imports.

6.33 Among the three broad categories of commercial services, the growth in other commercial services was the most buoyant in both 2005 and 2006 compared to transport and travel (Table 6.11).

India's services exports

6.34 With a sustained high growth of export of services, including a growth of 32.1 per cent in 2006-07, export value reached US\$ 76.2 billion last year. Growth has been particularly rapid in the miscellaneous services category consisting of software services, business services, financial services and communication services. Growth of these services was 70.5 per cent in 2004-05, 37.5 per cent in 2005-06 and 36.7 per cent in 2006-07. Travel services exports grew by 16.2 per cent and

Table 6.11 World exports of commercial services trade by major category, 2006

	Value (US\$ billion)	Annual percentage change			
		2006	2000-06	2004	2005
Commercial services	2755	11	20	11	12
Transport	630	10	25	13	10
Travel	745	8	18	8	9
Other commercial services	1380	13	19	12	15

Source: WTO.

Table 6.12 Exports of services

Commodity Group	Share (per cent)					CAGR 2000-01 to 2004-05	Growth rate (per cent)*				
	2000-01		April-September				2005-06		2006-07		2006-07
	2000-01	2005-06	2006-07	2006-07	2007-08	2004-05	2005-06	2006-07	2006-07	2007-08	2007-08
Travel	21.5	13.6	12.0	10.6	12.1	19.0	17.8	16.2	15.7	23.7	
Transportation	12.6	11.0	10.6	11.3	11.9	23.1	35.1	27.3	27.1	14.9	
Insurance	1.7	1.8	1.6	1.7	2.2	34.6	21.1	13.2	-4.5	42.5	
GNIE	4.0	0.5	0.3	0.3	0.5	-0.6	-21.7	-20.4	-18.5	65.3	
Miscellaneous, of which	60.3	73.0	75.6	76.1	73.3	27.0	37.5	36.7	44.0	4.6	
Software services	39.0	40.9	41.1	42.9	45.5	35.6	33.3	32.6	37.2	15.2	
Non-software services	21.3	32.1	34.5	33.2	27.8	30.3	43.1	41.9	54.0	-9.1	
of which											
Business services	2.1	16.1	25.3	24.1	17.8	84.4	80.1	107.0	138.1	-19.8	
Financial services	2.1	2.1	3.8	2.8	4.2	25.4	136.1	140.9	56.1	61.5	
Communication services	7.0	2.7	2.8	3.2	2.5	8.5	13.8	33.3	90.3	-15.2	
Total service exports	100.0	100.0	100.0	100.0	100.0	24.1	33.3	32.1	36.9	8.6	

Source: Calculations based on RBI data.

transportation by 27.3 per cent in 2006-07 (Table 6.12).

6.35 Miscellaneous service exports constitute 75.6 per cent of India's services exports in 2006-07 (Table 6.12). While software services was the major item under miscellaneous services, since 2003-04 non-software miscellaneous services exports have grown rapidly, and now almost equal the value of software exports. The major contributors among non-software miscellaneous services are business services with 25.3 per cent share and 107 per cent growth, financial services with 11.1 per cent share and 140.9 per cent growth in 2006-07 and communications services with 8 per cent share and 33.3 per cent growth in 2006-07. The "others" category has registered a large negative growth probably reflecting the improved data classification by RBI following the recommendations of the committees to systematize the data on services.

6.36 During April-September 2007-08, the growth rate of services exports was only 8.6 per cent over the corresponding period of the previous year due to the negative growth in non-software services, particularly business and communication services. This is mainly due to the fall in exports of business and management consultancy and architectural, engineering and other technical services. India's share in world commercial services' exports increased from 2.3 per cent in 2005 to 2.7 per cent in 2006 with its ranking improving from 11 to 10. This compares with a merchandise export share of 1 per cent and a ranking improvement from 29 in 2005 to 28 in 2006. By 2006-07 commercial services exports

were around 60 per cent of merchandise exports.

6.37 India's country-wise exports of services based on other country data shows that the United States and the United Kingdom are important destinations for service exports with the rest of EU and South East Asia being relatively less important. In the EU, India has a presence in the travel services imports of France and Italy, while in South East Asia it has a presence in transportation services imports of Hong Kong.

India's services imports

6.38 Imports of commercial services have become important in recent years reaching US\$ 44.4 billion in 2006-07 with a growth of 28.7 per cent (Table 6.13).

6.39 Business services is the most important category of service in imports, followed by transportation and travel. Business services grew by 120.6 per cent in 2006-07. However, in the first half of 2007-08, there is a sharp fall in the growth rate of business services imports (as in the case of business services exports) mainly due to the fall in imports of architectural, engineering and other technical services and relatively low growth in imports of business and management consultancy services. With high growth in imports of financial services and software services both in 2006-07 and the first half of 2007-08, their shares have also increased substantially. Travel and transportation imports have also registered good growth for the above period.

Table 6.13 Imports of services

Commodity Group	Share (per cent)					CAGR 2000-01 to 2004-05	Growth rate (per cent)			
	April-September						April-September			
	2000-01	2005-06	2006-07	2006-07	2007-08		2005-06	2006-07	2006-07	2007-08
Travel	19.2	19.2	15.1	17.8	18.7	20.6	26.5	0.7	12.6	20.0
Transportation	24.4	24.2	18.2	21.5	26.4	21.1	83.7	-3.2	0.0	40.7
Insurance	1.5	3.2	1.4	1.5	2.2	47.2	54.6	-42.5	-25.3	67.8
GNI	2.2	1.5	0.9	1.1	1.2	14.9	28.7	-23.8	-13.0	21.9
Miscellaneous, of which	52.6	51.8	64.4	58.1	51.5	23.5	5.7	59.9	50.7	1.3
Software services	4.1	3.9	5.1	4.4	5.8	76.9	67.3	69.4	71.2	48.8
Non-software services	48.6	47.9	59.3	53.7	45.7	23.2	2.7	59.1	49.3	-2.6
of which										
Business services	7.0	22.5	38.5	31.9	29.3	56.8	5.9	120.6	115.8	5.0
Financial services	13.5	2.8	4.7	3.4	7.0	-7.2	16.0	116.3	25.1	135.8
Communication services	0.9	0.8	1.5	1.5	1.3	58.9	-60.8	128.0	142.3	4.5
Total Service imports	100.0	100.0	100.0	100.0	100.0	21.6	24.0	28.7	26.4	14.3

Source : Calculations based on RBI data.