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Services Trade of Commonwealth Member Countries: Response to the COVID-19 Pandemic

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Abstract

In most Commonwealth member countries, services account for at least half of total economic activity in terms of gross domestic product. Levels are particularly high in high-income countries but also in some small island states, where activities like tourism and finance – both services – are important in the overall economy. This paper analyses services exports of Commonwealth countries and develops a conceptual framework about the impacts of COVID-19 on services exports. It presents a set of case studies from Commonwealth countries to identify the challenges posed by the COVID-19 pandemic for services trade, and the responses by governments and private sector actors, including the possibilities for cross-modal substitution in services supply due to digital technologies. The case studies cover a wide range of sectors, namely education, information technology, health, tourism and finance. The available evidence, which is scarce, suggests that country experiences have varied depending on the pre-existing pattern of sectoral specialisation, as well as the level of online connectivity.

JEL Classifications: F10, L80, O14
Keywords: services trade, servicification, Commonwealth, trade, COVID-19

Contents

Abbreviations and Acronyms

ADB	Asian Development Bank
BATIS	Balanced Trade in Services
BEST	Barbados Employment & Sustainable Transformation
BPO	business process outsourcing
DoT	Department of Telecommunications (India)
EU	European Union
FCA	Financial Conduct Authority
FSCM	Financial Services Commission Mauritius
GATS	General Agreement on Trade in Services
GDP	gross domestic product
ICT	information and communication technology
ILO	International Labour Organization
IMF	International Monetary Fund
IT	information technology
ITA	International Trade Administration
ITES	IT-enabled services
KEPSA	Kenya Private Sector Alliance
KNBS	Kenya National Bureau of Statistics
MSMEs	micro, small and medium enterprises
OECD	Organisation for Economic Co-operation and Development
ONS	Office of National Statistics
OSP	Other Service Provider
NASSCOM	National Association of Software and Service Companies (India)
RBI	Reserve Bank of India
SMEs	small and medium enterprises
TiSMoS	Trade in Services by Mode of Supply
TiVA	Trade in Value Added
UK	United Kingdom
UNDP	United Nations Development Programme
USA	United States of America
VDI	virtual desktop infrastructure
VPN	virtual private network
WDI	World Development Indicators
WTO	World Trade Organization

Executive summary

Expansion of services is a key dynamic in the global economy, extending to all regions and income groups. This process of servicification has two main components. On the one hand, changes in consumption patterns as a result of increasing per capita incomes tend to shift demand and therefore production towards services. But, at the same time, technological change means that more and more activities within industrial firms are in fact services.

Commonwealth countries are no strangers to this emerging feature of the global economy. In most member countries, services account for at least half of total economic activity in terms of gross domestic product (GDP). On average, services account for 57.7 per cent of GDP in the Commonwealth. Levels are particularly high in high-income countries but also in some small island states, where activities like tourism and finance – both services – are important in the overall economy.

Intra-Commonwealth trade is substantial in absolute terms, amounting to US$214.06 billion in 2019, but it accounts for only a modest proportion of world trade in services (around 4 per cent). More significant in percentage terms is extra-Commonwealth trade, which makes up 30 per cent of world services exports. The overall picture that emerges is that Commonwealth countries are active participants in the global services economy, but that, while intra-Commonwealth trade is not negligible, on an aggregate basis Commonwealth countries tend to be more heavily engaged in services trade with non-Commonwealth countries.

The General Agreement on Trade in Services (GATS) recognises four modes of supply for services trade, depending on how they move across borders. Modes 2 and 4, which directly involve movement of individuals, account for around 15 per cent of the value of Commonwealth exports. The largest aggregate, however, is Mode 3 sales by foreign affiliates. Finally, Mode 1 accounts for 35 per cent of the value of Commonwealth services exports.

Against this background, there is clear vulnerability to the economic effects of the COVID-19 pandemic, which has made in-person interactions more difficult or impossible. While there is substantial evidence of a shift towards increased Mode 1 trade through online interactions, the ability to trade in this way is dependent on infrastructure, technological capacity, human capital and connectivity, and is not always an option for service providers in low- and middle-income countries.

Among Commonwealth countries, 10 report monthly trade in services data to the World Trade Organization (WTO). These high frequency data make it possible to provide some indicative analysis of the impact of the COVID-19 pandemic on services trade, although the information available is necessarily very partial in terms of country experiences.

The extent of the declines in services exports is very striking. Tanzania and Uganda, for example, have seen their services exports collapse: in June 2020, Tanzania's exports were only 19 per cent of the level seen in December 2019; for Uganda in September 2020 the figure was 29 per cent. These economic shocks are massive, and suggest that substitution of activities towards Mode 1 (see further below) has proved difficult, perhaps because of infrastructure and connectivity issues or perhaps as a result of the nature of the services being traded. Large declines are not limited to developing countries: Australia's services exports in September 2020 were only 58 per cent of their level in December 2019.

Dynamic patterns are of particular interest. Whereas Uganda and Tanzania have seen a major negative shock and no sign of recovery yet, Bangladesh saw its services exports fall by as much as 43 per cent but by July 2020 they had already recovered to 87 per cent of their December 2019 level. Even more strikingly, Malta's exports fell by 19 per cent but in September 2020 were 10 per cent higher than in December 2019. These results suggest that, while all countries have been subject to shocks from the COVID-19 pandemic, extents and recovery paths have varied substantially. There is no clear pattern according to development level, so it is likely, though it is impossible to be sure based on currently available data, that it is sectoral specialisation that is key. This issue looms large in relation to cross-modal substitution.

Against this background, this paper presents a set of case studies from Commonwealth

countries. The aim is to distil the available information – which is typically qualitative – to identify the challenges posed by the COVID-19 pandemic for services trade, and the responses by governments and private sector actors. The case studies cover a wide range of sectors and countries, as follows:

- Education: Australia and Canada
- Information technology: India and Kenya
- Health: South Africa and Singapore
- Tourism: Rwanda, Vanuatu and Barbados
- Finance: Mauritius and the UK

While experiences are heterogeneous in terms of baselines and experiences, a number of key points arise from taking them together.

The available evidence, which is scarce, suggests that country experiences have varied depending on the pre-existing pattern of sectoral specialisation, as well as the level of online connectivity. Countries with large tourism and travel sectors have been hard hit, as the global tourist economy has contracted substantially. Similarly, countries with limited internet connectivity have had apparent difficulty moving other types of activities online. While most countries do not report monthly trade in services data to the WTO, the available information suggests that, among Commonwealth countries, the pandemic may have hit African members particularly hard from a services trade perspective. But high-income countries have not been spared, with Australia standing out as having seen a significant decline in its services exports.

While the data paint a generally worrying picture of Commonwealth services trade during the pandemic, evidence from the case studies shows that industry and governments in member countries have been active in taking measures to sustain economic activity during the pandemic, and lay the groundwork for a successful recovery once the emergency has passed. On the one hand, Canada has managed the risks inherent in travel for educational purposes by requiring educational institutions to have an approved pandemic action plan before their foreign students can be authorised to enter or re-enter. As a result, industry projections for the education sector in Canada are not as strongly negative as those in Australia, where international students have not been exempted from entry restrictions.

Encouraging news also comes from countries with established capacity in IT-enabled services, such as India and Kenya. The pandemic has provided these countries with an opportunity to capitalise on this capacity as more and more services activities move online. Ultimately, the data will likely show some degree of cross-modal substitution in services trade, away from Modes 2 and 4 and towards Mode 1, although country experiences will of course vary. It remains unclear as to whether or not this type of substitution will compensate for the huge demand shock that services markets have seen, as GDP growth has turned negative in much of the world as a result of the combined effect of the pandemic and the measures required to contain its spread. The most likely scenario is that cross-modal substitution offsets the negative impact of this shock less than fully, so an overall contraction in services trade, likely still a substantial one, will be seen as a result of the pandemic, even after accounting for differences across the four GATS modes of supply.

Tourism is a sector that the crisis has hit particularly hard, as it relies almost exclusively on consumer movements (Mode 2 trade). But countries have been active in adopting measures to try and support both businesses and workers, so as to avoid the very worst social consequences of the economic shock, and also to facilitate tourism and travel within the confines of what is considered safe and prudent from the point of view of managing the pandemic. Rwanda has made intelligent use of testing protocols in an effort to both reassure inward travellers and avoid imported contagion. Barbados has proved particularly innovative, looking to take advantage of a new market in "work from home" travel – a long-term stay on the continuum between short-term tourism and long-term residency. While the pain from the combined public health and economic shocks is very real in this sector in particular, the case studies show that creative and concerted action can nonetheless provide some degree of cushion to those most directly affected.

Health services are at the very centre of the pandemic and governmental responses to it. Health tourism has been a growing sector for regional high performers, like Singapore and South Africa. But, as with tourism, trade in this sector is almost exclusively in Mode 2, and

technological means for shifting to Mode 1 are still limited in scope and availability. Singapore has adopted a risk-based entry protocol, with facilitated procedures for countries, mostly in the region, identified as carrying relatively limited risk of COVID-19 transmission. South Africa has adopted an approach similar to Rwanda's in the case of tourism, by allowing entry from all countries but with a requirement for negative testing. Both approaches have broader aims than just supporting the health services sector, but part of their effect is to make it possible for some amount of health tourism to continue.

Financial services represent an interesting example because, like IT services, there is a significant amount of activity that can be conducted online. Moreover, financial sector innovation, such as contactless payments, can even help control the spread of COVID-19. But, even with the ability to innovate and move activity online, governments have recognised the need to deal with a major economic shock, given that many countries are moving to slower or negative GDP growth as a result of both the pandemic itself and the measures taken to control it.

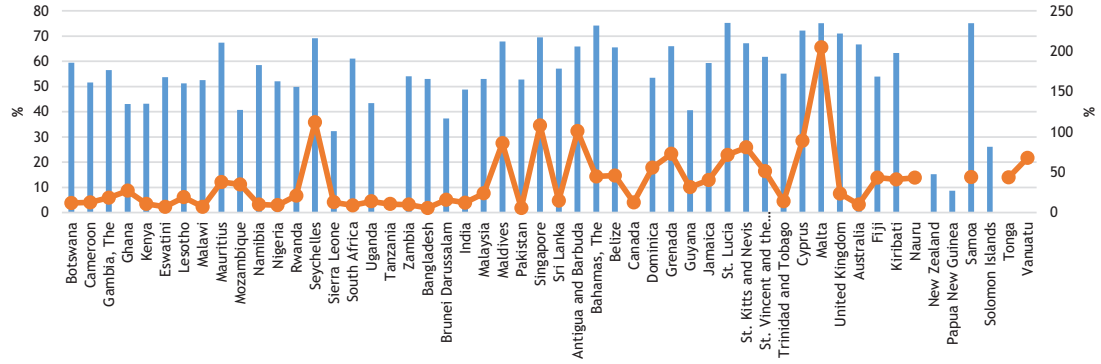
Taking these country and sectoral experiences together, it is clear that the services sector, including traded services, has been hit with a major economic shock, potentially one with little precedent in terms of size, scope and nature. It is important for governments to work together with affected industries to support employees and others who suffer very direct negative consequences, but to do so in a way that maintains an open trading environment. Intelligent use of regulatory measures to allow for low-risk interactions or movements of individuals is another way that governments can try and cushion the impact of the pandemic for the most affected sectors, but this approach necessarily runs up against hard boundaries in terms of the primary need to manage public health risks in the short term. Given recent approvals of vaccines in some countries, there is room to hope that 2021 will see the beginnings of economic recoveries, though primarily in the developed world first. Nonetheless, developing countries can potentially benefit from increased demand for their output, provided that countries work together in the interim to preserve a relatively open trading system.

1. Introduction

Expansion of services is a key dynamic in the global economy, extending to all regions and income groups (Hoekman and Shepherd, forthcoming). The process of servicification, as it is known, has two main components. On the one hand, changes in consumption patterns as a result of increasing per capita incomes tend to shift demand and therefore production towards services. However, at the same time, technological change means that more and more activities within industrial firms are in fact services. For instance, car manufacturers rely on service providers ranging from engineers and computer scientists to post-sales representatives and janitorial staff to produce their output, with fewer workers engaged in core manufacturing tasks on increasingly automated production lines (e.g. Miroudot, 2019). Taking India as an example, data for 2015 from the Organisation for Economic Co-operation and Development (OECD)-World Trade Organization (WTO) Trade in Value Added (TiVA) database show that 25 per cent of its gross exports of manufactured goods is actually embodied services value added. In other words, manufacturing firms not only employ large numbers of workers performing services-oriented tasks but also source significant proportions of their intermediate inputs from services firms. Thus, services are increasingly embodied in global goods trade.

Figure 1 shows that Commonwealth countries are no strangers to this emerging feature of the global economy; the figure is based on 2018 data, the most recent year for which data are widely available. In most countries, services accounts for at least half of total economic activity in terms of gross domestic product (GDP). Taking the simple average across countries shows that services account for 57.7 per cent of GDP in the Commonwealth. Levels are particularly high in high-income countries but also in some small island states, where activities

Figure 1. Services as a percentage of GDP (left axis) and services trade relative to GDP (right axis), Commonwealth countries, 2018 (%)



Note: Data not available for all countries. Bars indicate services as a percentage of GDP; line indicates services trade relative to GDP.
Source: WDI.

like tourism and finance – both services – are important in the overall economy. By contrast, the figure also shows that services are traded relatively less in most countries. Trade data are the sum of exports and imports, and are recorded on a gross shipments basis, whereas national accounts data like GDP take net exports (exports less imports) and are recorded on a value added basis that subtracts the value of intermediate inputs. As a result, it is possible for trade to be greater than 100 per cent relative to GDP in some cases. GDP is simply used here to provide a baseline by which to scale services trade integration. In most countries, services trade is not insignificant, but it is only in the high-income countries and in particular some of the small island economies that it stands out as a major part of their overall trade integration. Taking the simple average across countries, the ratio of services trade to GDP is 37.4 per cent.

Historically, services have been seen as requiring physical proximity between producer and consumer. While that requirement has been steadily breaking down over time, thanks to changes in technology that make remote transactions more feasible, it remains true in some sectors that are of particular importance to some Commonwealth countries, such as tourism. As such, the COVID-19 pandemic has posed huge problems to services firms and workers around the world, including in the Commonwealth. The inability to engage in person-to-person interactions as a result of health restrictions, combined with a shift in consumer preferences away from such activities, has meant that many countries have seen substantial drops in economic activity and employment in services sectors, leading to hardship. It is not going too far to say that the economic impacts of the COVID-19 pandemic are being felt most acutely in those services sectors that require in-person interactions, from personal services like hairdressing and personal care, to higher education, to tourism and travel. This said, digital divides and limitations in access to relevant technologies hamper the ability of some Commonwealth countries to engage in trade in even those services for which remote transactions are more feasible. It is likely that existing divides have been exacerbated by COVID-19, and the extent to which it has accelerated reliance on digital technologies, in turn impacting the process of servicification in Commonwealth countries.

Against this background, the purpose of this report is to look at the ways in which Commonwealth countries have responded to these challenges with the aims of safeguarding incomes and wellbeing. The next section delves further into the available data to provide a baseline picture of Commonwealth services trade, although limited availability of such data means that the exercise is subject to numerous caveats. Section 3 then discusses from a conceptual point of view the types of economic challenges that the pandemic has posed for the services sector. The core of the report is Section 4, which presents a set of case studies from all around the Commonwealth, focusing on both the challenges faced and the innovative responses adopted by governments and the private sector. Section 5 concludes by discussing the policy implications of our findings.

2. Commonwealth services trade: What do the data say?

While services trade has been an important item on the global trade agenda since the 1980s, when the General Agreement on Trade in Services (GATS) was negotiated during the Uruguay Round, quantitative analysis remains challenging. The reason is that many countries do not collect comprehensive data on international trade in services, in the sense of data that are disaggregated by sector and by partner country. While almost all countries have some limited data on services trade in their balance of payments statistics, in most cases these only identify trade with an aggregate "world" partner. As such, it is not possible for most countries to identify the proportion of their services trade that takes place with a particular group of partners. This finding applies just as much to intra-Commonwealth services trade as it does to trade within other groupings. Kumar and Shepherd (2019) look at the case of the Pacific Islands Forum countries and conclude that, among them, only Australia has fully disaggregated trade in services data. This conclusion is striking in light of the dependence of some of these countries on their services sectors, as discussed above.

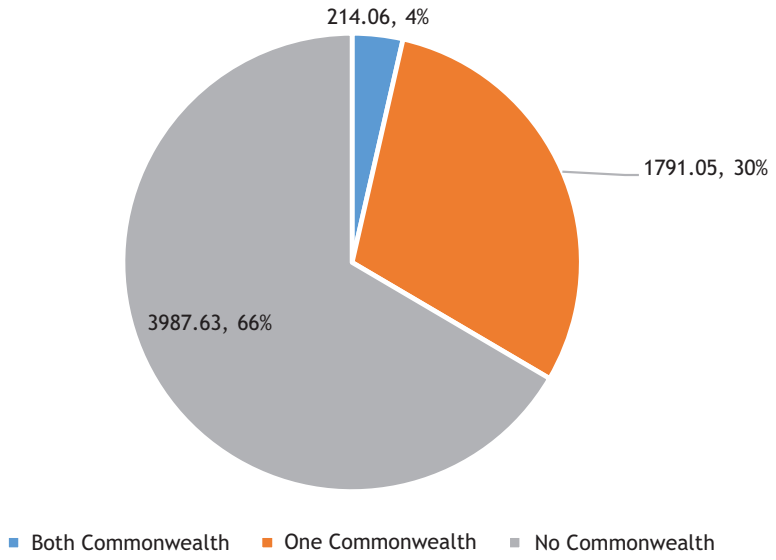
Against this background, this section attempts to say as much as possible about the services trade of Commonwealth member countries, including intra-Commonwealth trade. Given the lack of directly reported data in many cases, the analysis is necessarily subject to extensive caveats. But, if these are kept in mind, the results can be understood as providing an indication of the baseline situation (Section 2.1). Section 2.2 looks at a small number of countries that report high-frequency services data to the WTO, in an effort to consider the changes that have taken place during the COVID-19 pandemic.

2.1 Establishing a baseline

Any attempt to talk systematically about intra-Commonwealth services trade necessarily involves statistical operations designed to approximate the huge amount of missing data owing to lack of country collection and reporting. The WTO Secretariat has produced an experimental Balanced Trade in Services (BATIS) dataset that does exactly this in the most rigorous way of any currently available source, with data now available up to 2019.

Figure 2 shows total world services exports for 2019. The chart distinguishes three types of trade relationship: where both partners are Commonwealth countries (intra-Commonwealth trade); where one partner is a Commonwealth country but the other is not

Figure 2. Breakdown of world services exports by group, 2019 (US$ billion and %)

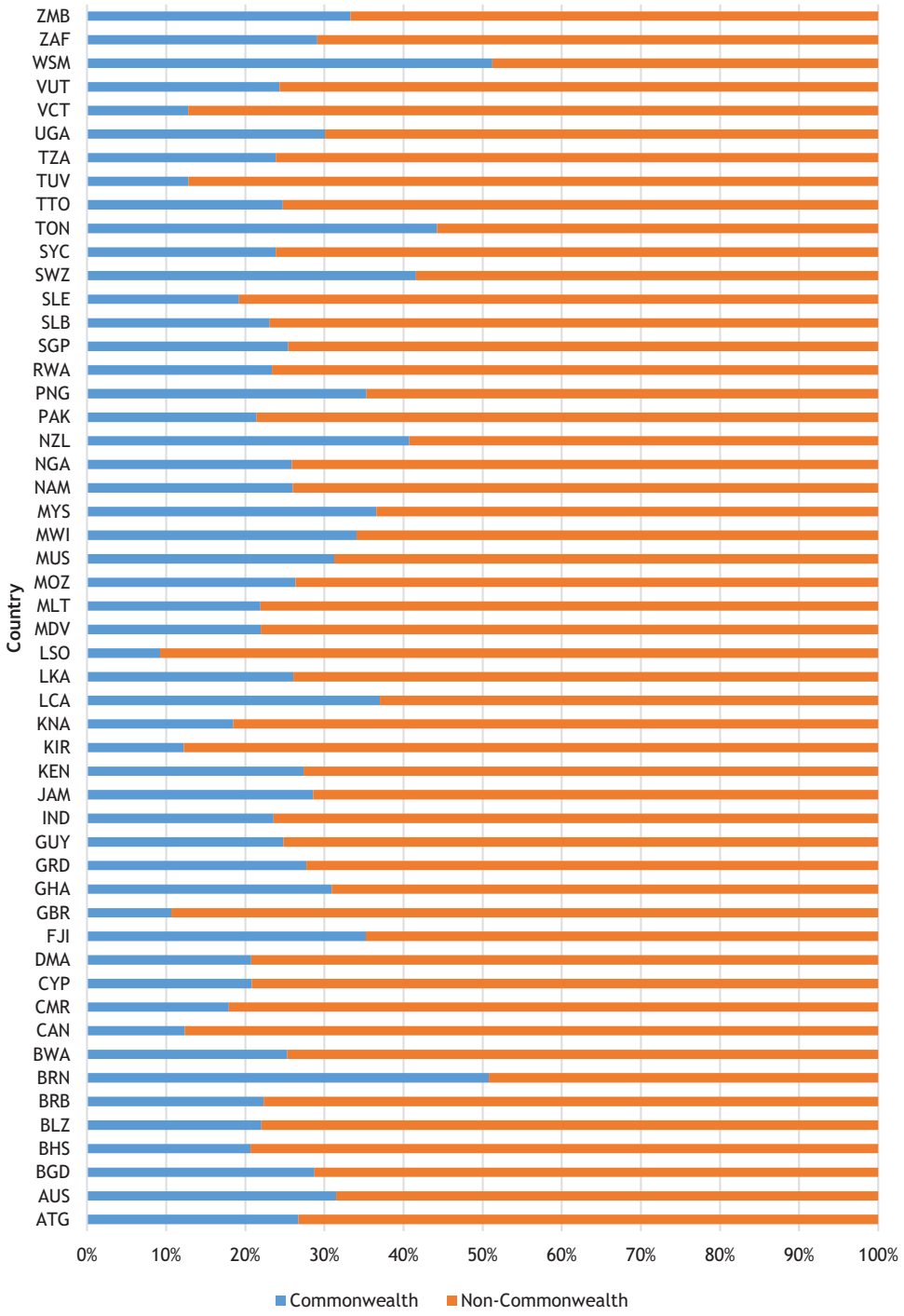


Source: WTO BATIS database.

(extra-Commonwealth trade); and where neither partner is a Commonwealth country (non-Commonwealth trade). The data show that intra-Commonwealth trade is substantial in absolute terms, amounting to US$214.06 billion, but that it accounts for only a modest proportion of world trade in services (around 4 per cent). More significant in percentage terms is extra-Commonwealth trade, which makes up 30 per cent of world services exports. The overall picture that emerges is that Commonwealth countries are active participants in the global services economy, but that, while intra-Commonwealth trade is not negligible, on an aggregate basis Commonwealth countries tend to be more heavily engaged in services trade with non-Commonwealth countries.

Figure 3 reinforces this impression by presenting the data at the level of individual

Figure 3. Services exports by Commonwealth countries, by partner, 2019 (%)



Source: WTO BATIS database.

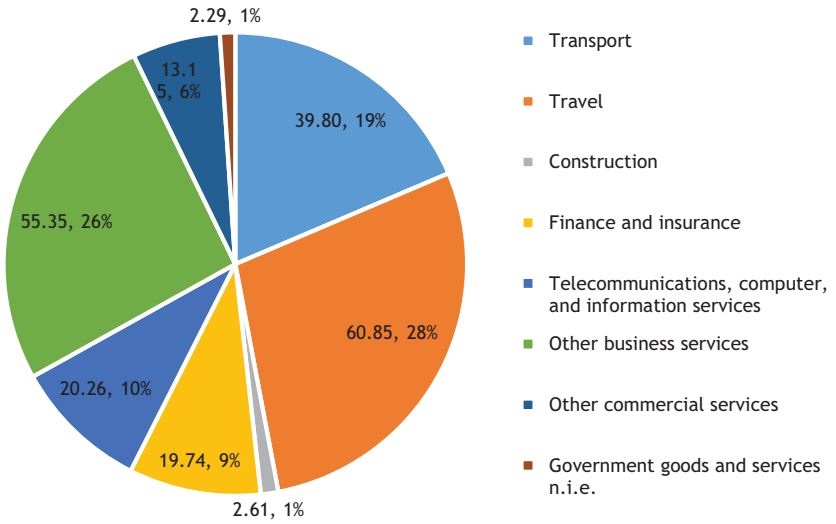
countries. For most members, non-Commonwealth markets are more important outlets than Commonwealth markets for their services exports. Intra-Commonwealth trade is relatively more important in some African countries and in the Pacific, though the proportion in total trade is higher than 50 per cent in only two cases.

Figure 4 shows the sectoral composition of intra-Commonwealth trade in 2019. Three sectors account for the lion's share of trade: transportation, travel and other business services. Transportation is linked in large part to merchandise trade: moving goods from one country to another requires transport services, whether the mode is sea, air or land. Travel is an aggregate of tourism and business travel. Finally, other business services is a broad aggregate that includes a wide range of services activities, from professional services, to back office services, to consulting. Also significant, though smaller than these three sectors, is the finance and insurance aggregate as well as telecommunications. Clearly, given the importance of tourism in intra-Commonwealth services trade, it is likely that the COVID-19 pandemic, which has made in-person travel both more difficult and less appealing to consumers, has had a major depressive effect on intra-Commonwealth trade; the next subsection investigates the mechanisms in more detail. Other business services and telecommunications, by contrast, could see different dynamics at play: in-person interactions have become more difficult but there has also been some shift towards online service provision. The key takeaway, however, is that the pre-crisis baseline of intra-Commonwealth services trade displays significant vulnerabilities to a shock like the COVID-19 pandemic, based on its sectoral composition.

Thus far, the analysis has focused on "services trade" as it is recorded in the balance of payments. But the WTO's GATS, which provides the legal framework for international services trade, recognises four ways in which services can be provided internationally, not all of which are fully captured by the balance of payments. Mode 1 refers to pure cross-border supply, for example when a lawyer in Saint Lucia advises a client in Canada by email, without either party moving from their home location. Mode 2 involves movement of the consumer, for example when the Canadian client flies to Saint Lucia to receive legal advice then returns to Canada. Mode 3 is sales by foreign affiliates, which captures the case of a law firm in Saint Lucia establishing an office in Canada and using it to provide services to Canadian individuals and firms. Finally, Mode 4 involves temporary movement of the service provider, for example when the lawyer travels from Saint Lucia to Canada to advise their client then returns home.

An additional mechanism not dealt with under the GATS is trade in embodied services – that is, services used as inputs in the production of goods. Under WTO law and standard statistical practice, these services are effectively

Figure 4. Sectoral breakdown of intra-Commonwealth services trade, 2019 (US$ billion and %)



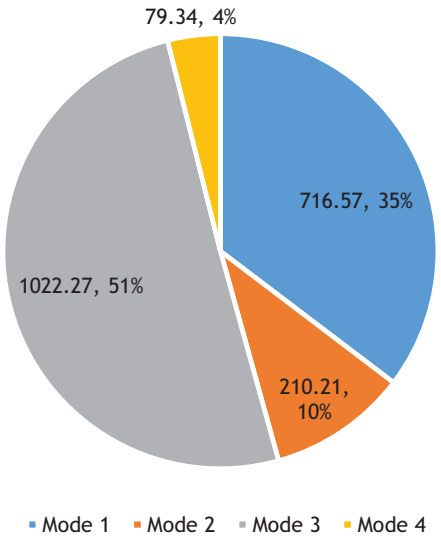
Source: WTO BATIS database.

counted as part of goods trade, as they make up part of the gross value of shipped goods, and do not move across borders other than through their physical form embodied in goods. While methods exist to identify the proportion of goods trade that embodied services inputs account for, they are difficult to apply in many Commonwealth countries, owing to lack of data. This paper therefore focuses on the four GATS modes of supply, which are better understood, though still subject to data issues.

Although the four modes of supply have been part of the trade landscape since the WTO's establishment in 1995, countries do not systematically collect data according to these categories. An analysis in these terms is important for present purposes, however, as different modes of supply involve different levels of in-person contact, and therefore are more or less susceptible to disruption from the COVID-19 pandemic.

Using the available data, the WTO Secretariat and its partners have prepared an experimental dataset on Trade in Services by Mode of Supply (TiSMoS). Unlike BATIS, this does not disaggregate flows bilaterally but only provides data with an aggregate "world" partner. It is therefore impossible to identify intra-Commonwealth trade flows by mode of supply. However, the dataset does allow us to analyse Commonwealth exports to all partners together in that way. Figure 5 presents results, using the latest year for which data are available (2017).

Figure 5. Commonwealth services exports by mode of supply, 2017 (US$ billion and %)



Source: WTO TiSMoS database.

Modes 2 and 4, which directly involve movement of individuals, account for around 15 per cent of the value of Commonwealth exports. This 15 per cent can expect to be significantly adversely affected by the pandemic, and covers activities like tourism and travel. The largest aggregate, however, is Mode 3 sales by foreign affiliates. The impact of COVID-19 in this case is unclear, because it depends on the extent to which services sold in local markets still require personal interactions. Finally, Mode 1 accounts for 35 per cent of the value of Commonwealth services exports. As set out in more detail below, it is likely that Mode 1 has seen some growth in relative terms during the pandemic, as activities have increasingly shifted online.

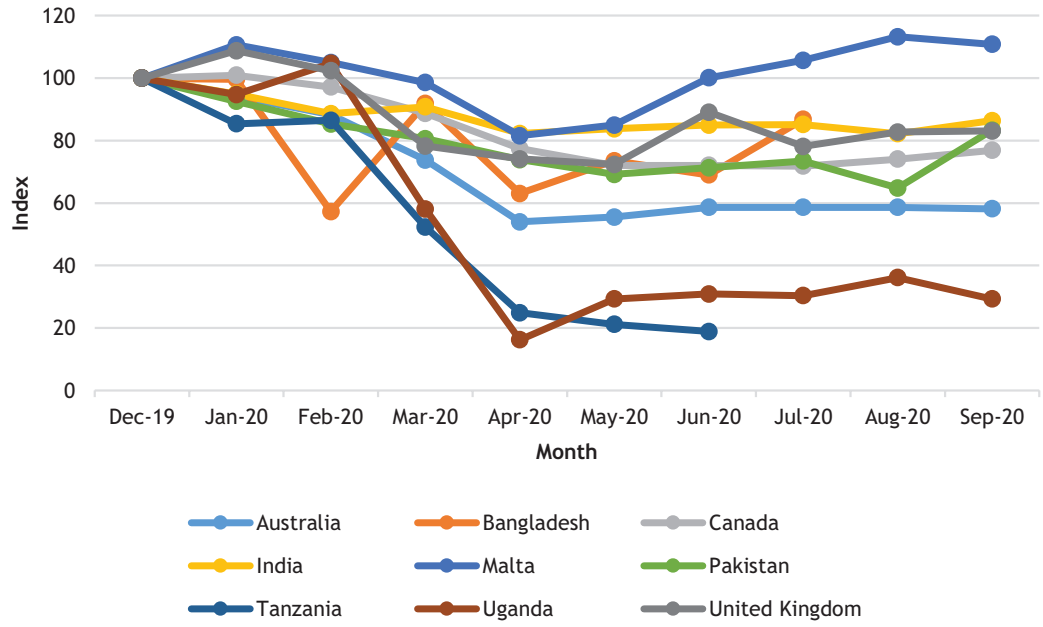
2.2 Recent developments

Among Commonwealth countries, 10 report monthly trade in services data to WTO.[1] These high-frequency data make it possible to provide some indicative analysis of the impact of the pandemic on services trade. Figure 6 shows that most countries reporting data have seen major reductions in services exports from early 2020. The figure is presented in index terms, so 80 indicates a decrease of 20 per cent from January 2019, where all countries are set equal to 100. The figure thus does not take account of absolute differences in country size.

The extent of the declines in services exports is striking. Tanzania and Uganda have seen their services exports collapse: in June 2020, Tanzania's exports were only 19 per cent of the level seen in December 2019; for Uganda in September 2020 the figure was 29 per cent. These economic shocks are massive, and suggest that substitution of activities towards Mode 1 (see further below) has proved difficult, perhaps because of infrastructure and connectivity issues, or perhaps as a result of the nature of the services being traded. Large declines are not limited to developing countries: Australia's services exports in September 2020 were only 58 per cent of their level in December 2019.

Dynamic patterns are of particular interest. Whereas Uganda and Tanzania have seen a major negative shock and no sign of recovery yet, Bangladesh saw its services exports fall by as much as 43 per cent but by July 2020 they had already recovered to 87 per cent of their December 2019 level. Even more strikingly, Malta's exports fell by 19 per cent but in

Figure 6. Monthly exports of services, Commonwealth countries, 2019–2020 (December 2019 = 100)



Source: WTO.

September 2020 were 10 per cent higher than in December 2019. These results suggest that, while all countries have been subject to shocks from the COVID-19 pandemic, extents and recovery paths have varied substantially. There is no clear pattern according to development level, so it is likely, though it is impossible to be sure based on currently available data, that it is sectoral specialisation that is key. This issue looms large in relation to cross-modal substitution, discussed below.

The picture provided here is necessarily partial, based on data reported to the WTO. Economies that are highly dependent on services trade that requires in-person interactions, such as tourism, have likely seen steep and sustained declines in their exports. Examples include the Caribbean countries, as well as the Pacific Islands. The key result is that the COVID-19 pandemic, while a global phenomenon, has played out differently across countries when it comes to services trade. Part of this effect owes to pre-existing patterns of specialisation, but it is likely that government responses are also part of the story. The case studies in Section 4 provide more detailed evidence on this point.

3. COVID-19 and services trade: Conceptual framework

Reasoning from first principles, there are two sets of effects of the COVID-19 pandemic on services trade, but they act in opposite directions. As a result, the overall impact is ambiguous, and we will need to await the release of data in the future before being able to make a full empirical assessment of the impact of the crisis.

On the one hand, the pandemic constitutes a clear drag on some types of services trade, specifically those that require in-person contact. The pandemic has given rise to two shocks that affect that propensity of producers and consumers to meet in person. The first is that preferences have clearly changed in response to the increased risk profile of in-person interactions, so parties have increasingly preferred to refrain from them when possible. The second aspect is regulatory: many countries have restricted the ability of people to meet physically, and in particular

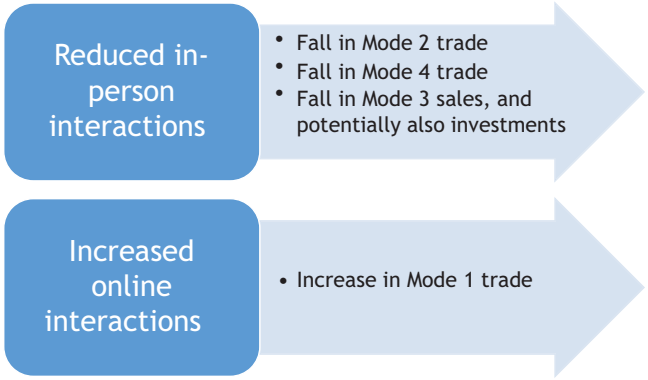
to travel across borders for that purpose. While regimes differ across countries and through time, a fair summary is that in-person meetings have become both less desirable, because of the perception of increased risk, and more difficult from a regulatory compliance standpoint.

Against the background of the GATS modes of supply discussed above, these kinds of shocks have clear implications for Modes 2 and 4. In the case of Mode 2, it is consumers whose movements are impeded, with a corresponding reduction in trade. For Mode 4 it is service suppliers, again with a consequent reduction in trade. The case of Mode 3 is more ambiguous. The investment transactions at the base of Mode 3 can, in principle, take place without in-person interactions, although they have traditionally been an important part of large-scale investment decisions. But, for statistical purposes, the value of Mode 3 trade is not the value of investment in an overseas services business but the value of sales by that business. So the twin shocks referred to above again play a role. To the extent that in-person interactions have become less desirable or less feasible, one effect may be to reduce the sales of foreign owned firms in sectors where such interactions are important. Examples include hotels and restaurants, as well as distribution (although some parts of the retail sector have been exempted from restrictions in order to facilitate the supply of essential goods). In any case, for Modes 2 and 4 in particular, but also potentially for Mode 3, it seems highly likely that an effect of the pandemic has been to reduce trade. Given the unprecedented scale and scope of the emergency, it is likely, as suggested by the partial data reviewed above, that the extent of that reduction is large.

The case of Mode 1 is quite different, however. Since it focuses on pure cross-border supply, it captures trade in services taking place through online means. Anecdotally, there has been a substantial movement online of some types of in-person interactions, to take account of the changes noted above. Business meetings, negotiations and information exchanges have systematically moved online in many parts of the world, subject to having access to the necessary infrastructure and services. As such, in some sectors, there is a countervailing force in the direction of increased services trade in Mode 1 specifically, as substitution across modes takes place in response to the pandemic. The strength of this positive effect relative to the negative one discussed above is an empirical question, which cannot be answered definitively given the data currently available. It will surely vary substantially from one sector to another, as well as across countries, and at the regional level within countries. The interaction between those two variables – namely, country patterns of specialisation – will be a major determinant of the size of the overall economic shock to which national economies are subjected as a result of the pandemic, at least through the trade vector (Figure 7).

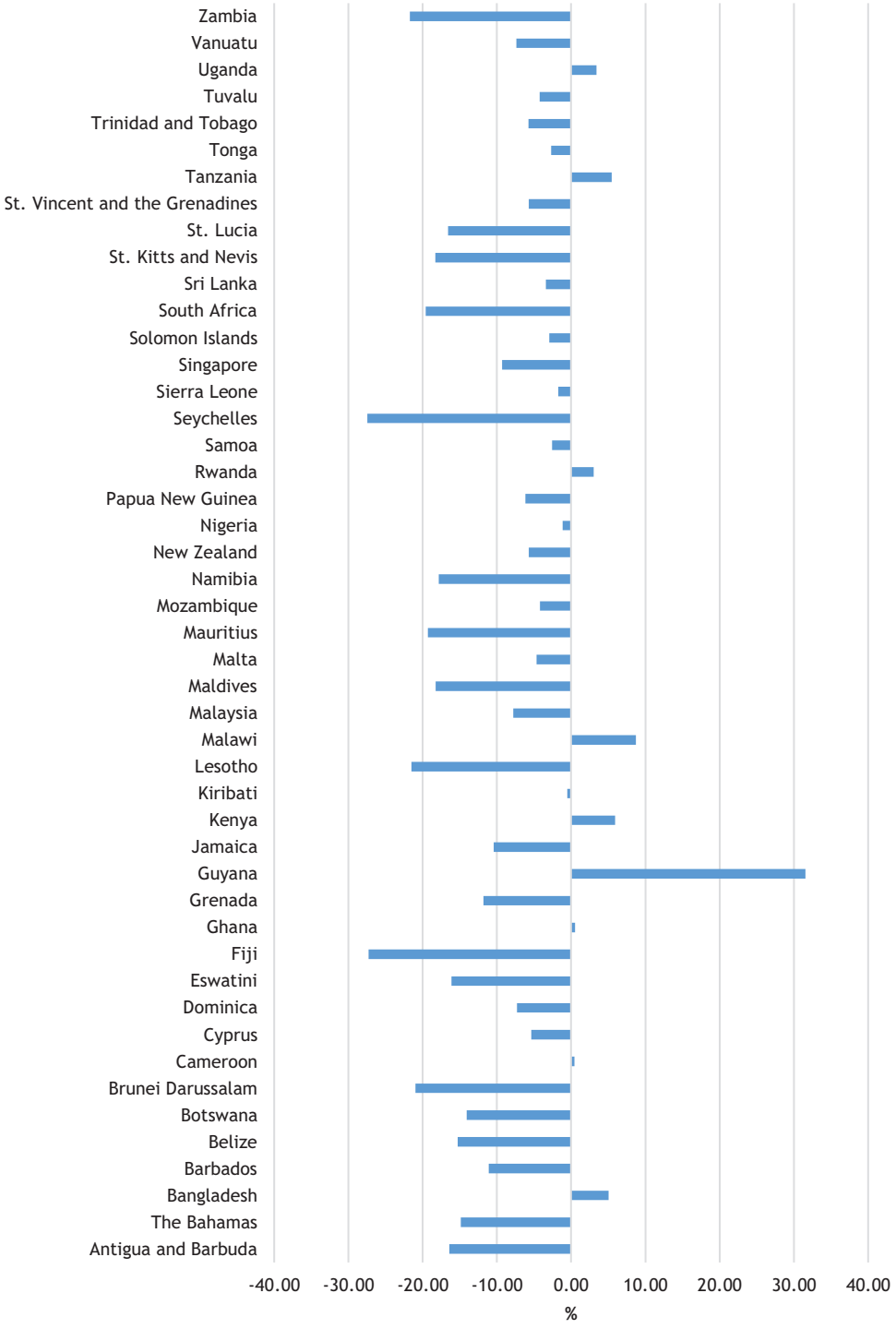
On top of these issues specific to services, with the possibility of substitution effects that they open up, there is also the more general issue of the massive economic shock resulting from the pandemic itself, as well as the measures taken to limit its spread. Trade is highly responsive to changes in market size (GDP), and Figure 8 shows that the best information currently available suggests that GDP will contract markedly across the Commonwealth as a result of the COVID-19 pandemic. The figure shows actual GDP for 2019 less International Monetary Fund (IMF) forecasts as at October 2020 for 2020 GDP. All but nine Commonwealth countries for which data are available have a

Figure 7. Summary of pandemic effects on services trade



forecast of negative GDP growth for 2020. For 19 countries, the forecast fall in GDP is 10 per cent or greater. While there is much to be learnt from the experiences and policies of those countries – including Bangladesh, Guyana, Malawi, Rwanda, Tanzania and Uganda – that have maintained substantially positive growth forecasts, the overwhelming picture for the Commonwealth is one of economic contraction, in many cases to a severe extent. Against this backdrop, it is unlikely that any increase in Mode 1 trade would offset the fall in trade coming from decreased trade in Modes 2 and 4, and possibly also Mode 3, as well as the general negative shock to demand associated with these very large falls in GDP.

Figure 8. Forecast change in GDP, 2019–2020 (current US$)



Source: IMF World Economic Outlook database.

4. Case studies

As the above discussion demonstrates, the COVID-19 pandemic represents a major shock to economies all around the world. As part of this, there are particular challenges for services sectors and services trade in Commonwealth countries, including intra-Commonwealth transactions. While the challenges are significant and real, it is important to highlight the ways in which governments in countries in all regions and at all income levels have taken steps to mitigate the damage flowing from the shock, and to take advantage of any opportunities they may perceive to try and cushion the impact of a major global economic contraction. This section therefore presents a set of sectoral case studies, looking at five sectors in 11 Commonwealth countries. The objective is to provide an overview of the types of measures governments and industries have adopted in response to the pandemic, with the aim of informing the Commonwealth membership more broadly so that instances of best practice can be readily identified, and adapted to individual contexts. An ancillary objective is to highlight (mostly qualitatively) the impacts of COVID-19 on different services sectors, which is an important contribution given the absence of suitably disaggregated and up-to-date data to demonstrate these impacts quantitatively.

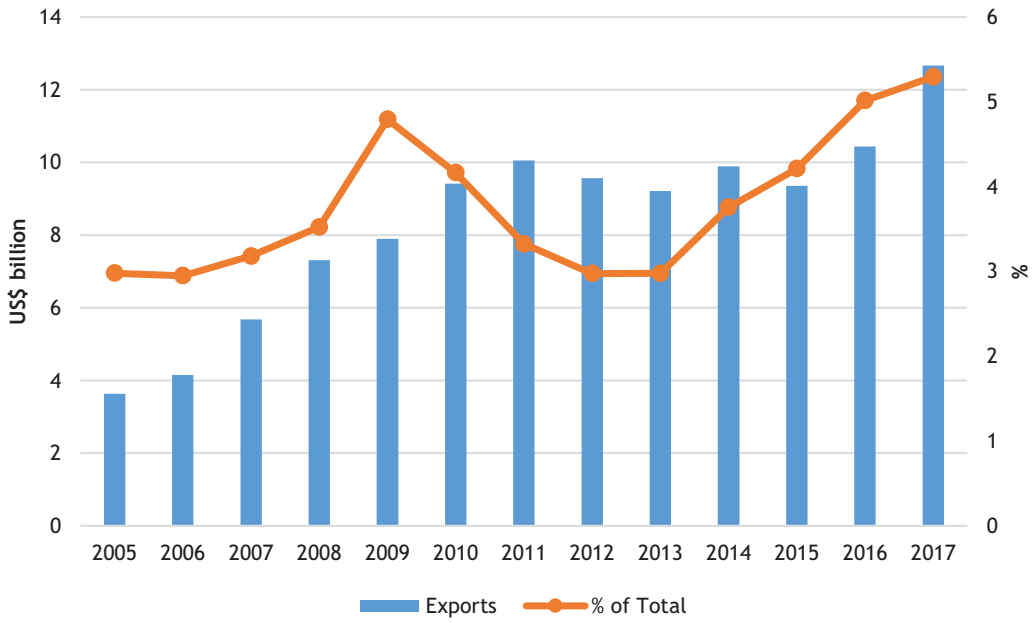
4.1 Education services

4.1.1 Australia

Australia has a large and competitive higher education sector, drawing students from around the world but in particular from geographically close countries in East and Southeast Asia. Education services are Australia's third largest export, amounting to AU$18.8 billion in 2014–2015 (Deloitte Access Economics, 2015). In addition, spending by students, as well as other knock-on effects, makes a further contribution to the Australian economy. Deloitte Access Economics (2015) estimates that 1.3 per cent of the country's total employment is supported by education exports.

Figure 9 shows that the sector has been undergoing rapid growth in terms of exports over recent years. Total exports approximately tripled between 2005 and 2017, the latest year for which TiSMoS data are available. The same source shows that the sector's exports were accounted for nearly exclusively (99.4 per cent in 2017) by Mode 2 transactions – that is, the physical movement of students from their

Figure 9. Australia's education services exports, 2005–2017 (US$ billion, left axis, and % of total services exports, right axis)



Source: WTO TiSMoS database.

home country to Australia in order to follow a course of study.

Traditionally, delivery of education services has relied on extensive in-person contact, given the need for close interactions between educators and students, as well as among students completing group work. As such, the COVID-19 pandemic has posed particular challenges. Australia's response to the pandemic has been very robust, involving an almost complete shutdown of inward international travel. In September 2020, the entire country recorded only 3,720 international arrivals, a decrease of 99.5 per cent compared with the same month in 2019 (Australian Bureau of Statistics, 2020).

As noted above, Australia has seen a substantial decline in its services exports during the COVID-19 pandemic. The case of education is somewhat particular, however. Unlike tourists, who arrive, stay for a short period and then leave, students can be present within the country for much longer periods, corresponding with academic years. As such, when the pandemic crisis hit, many students were already present within Australia and were not directly affected by the restrictions on international arrivals. Nonetheless, industry forecasts suggest that, if strict restrictions are maintained, the number of foreign students in Australia could decline by as much as 50 per cent, which would obviously have major implications for export revenues and jobs, given the sector's relative size (Hurley, 2020). So far, the decline in international student numbers has been much more muted, at around 8 per cent compared with 2019 (Department of Education, Skills and Employment, 2020). However, the Australian academic year follows the calendar year, so it is likely that numbers in 2021 will see a larger effect, as entries will be greatly limited.

As these data indicate, the education sector in Australia has been relatively resilient in the face of major disruptions caused by the COVID-19 pandemic. As government measures limited in-person interactions, universities moved rapidly to provide online instruction (Ross, 2020). While the shift to online learning has required major changes from educators and students alike, the fact that international student numbers have not witnessed a precipitous decline suggests that, at least as an interim measure, the change in delivery mode has been acceptable to those most closely involved in the sector. A key issue for educators is the need to maintain quality in online instruction models, which were previously unfamiliar to many.

The federal government has recognised the disruption the pandemic has caused for the sector. It has therefore decided to make changes to the rules governing student visas, with the aim of facilitating post-study work for students already in Australia, as well as rapidly allowing for entry by new and returning students currently outside the country (Universities Australia, 2020). An open question is whether the sector will durably transition to greater use of online platforms, which could potentially see some shift from a nearly exclusive reliance on Mode 2 trade to increased reliance on Mode 1 trade. Under that scenario, some students would remain in their home countries and follow online courses of study at Australian institutions. There is as yet no concrete indication that such a shift is taking place in more than a temporary way, as a result of pandemic-related travel restrictions. Given that there is still some level of uncertainty as to how and when the pandemic will abate sufficiently for travel to resume normalcy, the question must remain an open one.

Overall, the Australian education sector has shown considerable resilience in the face of a major shock owing to the COVID-19 pandemic. The response has been led by industry but the government has also taken steps to facilitate continued access to the Australian market for foreign students. Experience to date shows evidence of a substantial but not catastrophic loss of students, but, while government and industry have both laid the foundations for recovery, its time, path and extent will depend on broader developments, in relation to both management of the pandemic itself and the growth path of the world economy in the medium term.

4.1.2 Canada

The international education sector is also an important one for Canada, which has been ranked sixth in terms of the most popular destinations for inward students in higher education (Gera, nd). Between 2004 and 2015, the international student population at Canadian institutions of higher learning more than doubled, with substantial numbers coming from Commonwealth partners, especially India (ibid.). In part, Canada is appealing as an

international education destination because it has a relatively liberal approach to subsequently granting residency to graduates.

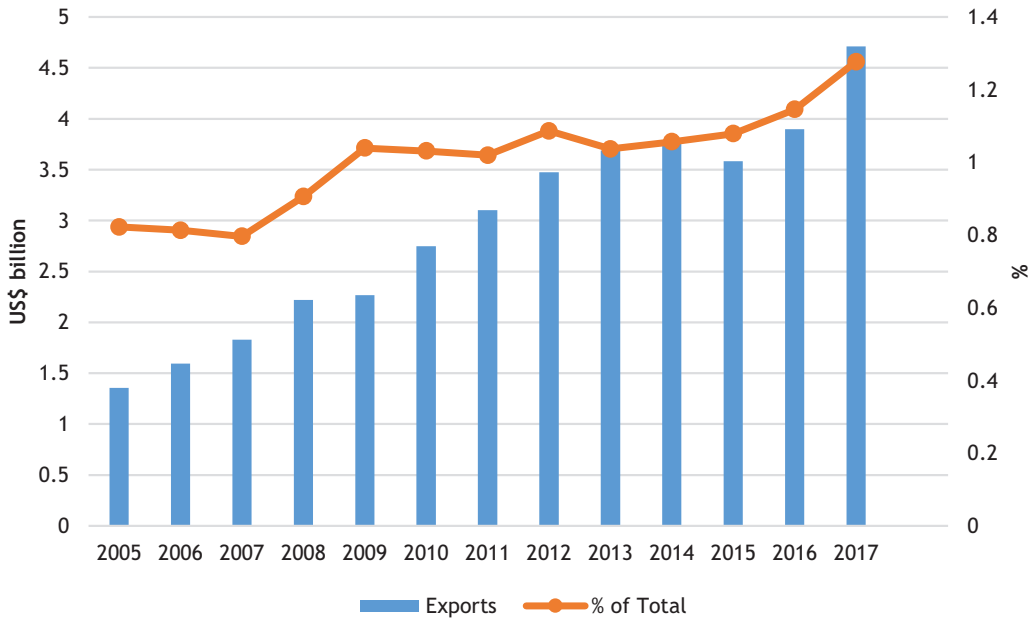
Figure 10 shows that exports of education services have been increasing faster than overall services imports since 2005. In 2017, the sector accounted for just over 1.2 per cent of total services exports, which reflects Canada's relatively diversified economy. As in the Australian case, this figure is a lower bound for the true importance of the sector to the Canadian economy, as students also inject purchasing power, and relatives similarly import tourism and travel services when they come to visit students in Canada.

Like Australia, Canada adopted extensive travel restrictions in light of the COVID-19 pandemic. Given that education services are largely exported via Mode 2, this step had obvious implications for foreign students seeking to enter Canada for study purposes. Given the difficulty of safely ensuring in-person interactions, the sector has undergone an extensive transition to online learning (Study International, 2020). Students already in Canada have therefore been able to undertake online courses in the same way as their Canadian counterparts, while those outside have also used online resources and have thereby effectively shifted their trade from Mode 2 to Mode 1.

A notable difference from the Australian case relates to the way in which travel restrictions affect international students. In Australia, as discussed above, inward movements of non-Australian citizens have been reduced to close to zero, with no special exemption for students. Canada, by contrast, has continued to allow entry to registered students provided that their institution has a COVID-19 readiness plan that the relevant province of territory has approved.[2]

Partly as a result of this approach, industry estimates suggest that Canada's universities may see only a modest decline in revenue as a result of the COVID-19 pandemic, on the order of 1.4 per cent in 2020 (IbisWorld, 2020). The Canadian case study shows that combined action by industry and government can help deal with the negative effects of the COVID-19 pandemic, although the medium-term outlook for the sector is still unknown. As in the Australian case, there is an ongoing question as to the level of future international student arrivals, assuming that travel restrictions are eased further. In the Canadian case, inward travel is still possible for registered students, but, as consumer preferences for travel have changed markedly as a result of the pandemic (McKinsey, 2020), it is possible that some are opting to remain in their home countries and pursue online learning. It is unclear whether this will continue in the future.

Figure 10. Canada's exports of education services, 2005–2017 (US$ billion, left axis, and % of total services exports, right axis)



Source: WTO TiSMoS database.

4.2 Information technology and IT-enabled services

4.2.1 India

According to data from the latest available survey on software and IT-enabled services (ITES) exports by the Reserve Bank of India (RBI, 2019), IT and IT-related services accounted for 40 per cent of India's total services exports in financial years 2017/18 and 2018/19. India's total exports of IT and IT-related services, delivered by Modes 1, 2 and 4, during 2018/19 were US$117.9 billion. This was an 8.8 per cent increase over the corresponding value in 2017/18 (see Table 1). The bulk of these exports comprised IT services (65 per cent share) followed by business process outsourcing (BPO) services (25 per cent share).

While most of these non-Mode 3 exports were destined for the USA and Canada (combined 61 per cent share), according to data from the RBI Survey, 12 per cent went to the UK, 6 per cent to East and South Asia, and 3.3 per cent to Australia and New Zealand during fiscal year 2018/19. Thus, more than a quarter of India's total IT services exports delivered by Modes 1, 2 and 4 on average may be destined for other Commonwealth members. Meanwhile, the distribution of India's Mode 3 IT/ITES exports by destination during 2018/19 suggests that at least a fifth of the business by foreign affiliates of Indian firms may be within the Commonwealth (UK 11 per cent, Canada 5 per cent, Singapore 3.5 per cent).

In terms of delivery, nearly three-fourths of India's IT/ITES exports were delivered by Mode 1 in 2018/19 (registering 9 per cent growth relative to 2017/18, see Table 2). This suggests that the bulk of India's exports in this sector may be relatively insulated from the adverse effects generated by the pandemic.

However, data security, client confidentiality, access to information and communications technology (ICT) and related issues render even remotely deliverable Mode 1 services activities infeasible (Shingal, A., 2020). Of course, the most immediate fallout of the nationwide lockdown imposed in India in mid-March was the inability of IT and ITES employees to get to the office (Heyes, 2020). The most immediate response to the pandemic, thus, was the implementation of remote working solutions. For instance, one survey shows that the IT/business

Table 1. Distribution of India's IT and IT-related services exports by sub-sector

Sector	2017/18 ($ billion)	Share (%)	2018/19 ($ billion)	Share (%)	Growth (%)
Computer services	74	68.2	79.8	67.7	7.8
IT services	70.3	64.9	76.2	64.6	8.4
Software product development	3.7	3.3	3.6	3.1	–2.7
ITES	34.4	31.8	38.1	32.3	10.8
BPO	26.7	24.7	29.3	24.8	9.7
Engineering services	7.7	7.1	8.8	7.5	14.3
Total (M1+M2+M4)	**108.4**	**100**	**117.9**	**100**	**8.8**

Note: Computer services and ITES sum to 100 per cent; other sectors are parts of those two aggregates.
Source: RBI Survey on Computer Software and ITES Exports, 2018/19.

Table 2. Distribution of India's IT and IT-related services exports by mode of delivery

Mode	2017/18 ($ billion)	Share (%)	2018/19 ($ billion)	Share (%)	Growth (%)
Mode 1	91.3	69.5	99.5	74.0	9.0
Mode 2	0.1	0.1	0.0	0.0	–67.7
Mode 3	22.8	17.4	16.7	12.4	–27.1
Mode 4	17.0	13.0	18.3	13.6	7.3
Total (M1-M4)	**131.3**	**100.0**	**134.5**	**100.0**	**2.4**

Source: RBI Survey on Computer Software and ITES Exports, 2018/19.

process management industry enabled 77 per cent of its workforce to work from home within weeks of the nationwide lockdown imposed in March (Shingal, R., 2020).

Initial concerns around security of data (Flinders, 2020) and potential impacts on productivity, owing either to infrastructure quality or to lack of supervision/control, were promptly addressed through newer solutions. These included (i) setting up virtual private network (VPN)/virtual desktop infrastructure (VDI) solutions at the homes of the employees; (ii) enabling network access, including client networks, as well as examining bandwidth infrastructure and availability in areas where employees reside; and (iii) addressing challenges related to device tracking, and deployment, leveraging and installing virtual environments to support a secured remote working environment. In other instances, industry-specific requirements for processes that needed call-recording or processing of data posed a bigger challenge that necessitated additional controls, given the sensitivity of information involved (Shingal, R., 2020).

These solutions would not have been possible had the government not streamlined its policies by granting much-needed relaxations. In a bid to keep employees safe and to implement work from home, India's software services body, the National Association of Software and Service Companies (NASSCOM), approached the government's Department of Telecommunications (DoT) to waive the Other Service Providers (OSPs) requirements pertaining to work from home for IT/ITES employees, as an interim emergency measure. The DoT initially relaxed these restrictions up to 30 April 2020, thus lifting the connectivity restrictions to enable employees to work from home. This deadline was then extended to 31 December 2020. The restrictions that have been relaxed include (i) the mandatory security deposit of INR 10 million per office location to enable work from home for employees; (ii) the requirement to go through an authorised Provider Provisioned VPN for the work from home facility (OSPs were permitted to use a secure VPN configured using a static IP address by themselves to connect to the client/enterprise server). At the same time, the DoT prescribed penalties for any violation of the terms and conditions of the work from home facility by any agent/employee or OSP during the relaxation period of up to INR 500,000 per work from home location, along with the threat of cancellation of OSP registration (Phadnis, 2020).

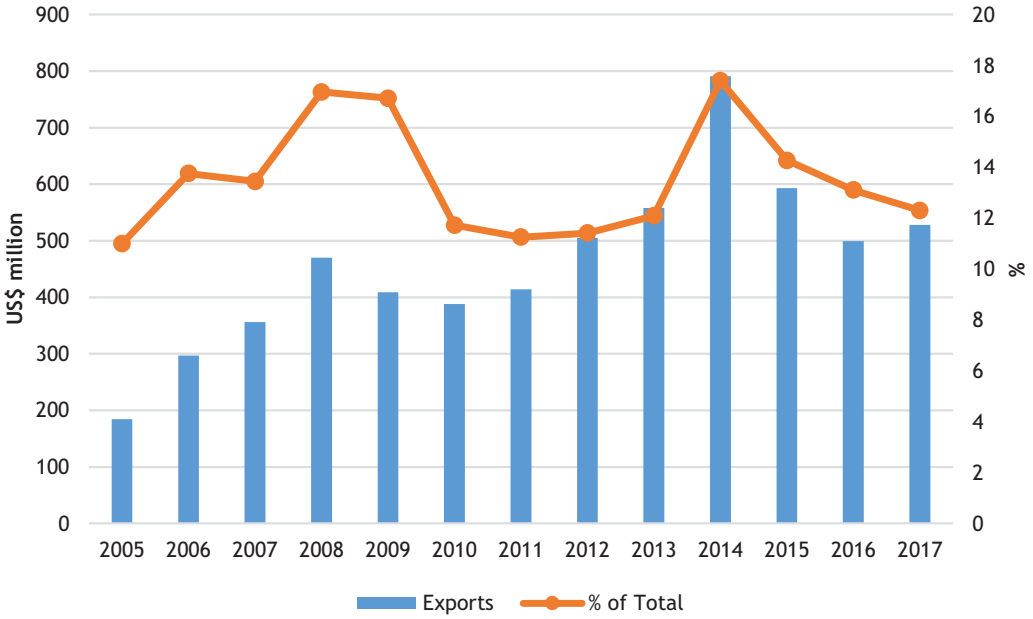
Innovative business solutions and government support have enabled over 90 per cent of the country's IT workforce to work from home; this figure surpasses the country's average of 70 per cent. On the whole, facilitating a digital framework for virtual collaborations, maintaining regular communication with clients and revisiting business continuity plans helped in promptly responding to concerns around implementation of an effective work from home solution. The result is that, according to the RBI's provisional estimates,[3] India has continued to export services worth US$17 billion every month since April 2020 despite the pandemic and lockdown, which is only $1 billion less than what the country was exporting, on average, in the first quarter of 2020.

4.2.2 Kenya

Known as the Silicon Savannah of Africa, the ICT sector of Kenya contributed 1.3 per cent of the country's GDP in 2018, according to the Kenya Economic Survey of 2019. The sector grew at 11.4 per cent in 2018 as a result of the continued expansion of e-commerce and the telecommunications sector, including mobile phone connectivity and internet expansion, and contributed 7.3 per cent to Kenya's economic growth in 2018 (KNBS, 2019). It employed 131,200 people in 2018, of 4.7 per cent of the country's total employment. According to the latest data from the IMF's Balance of Payments database, ICT services comprised 11.2 per cent of Kenya's total services exports in 2019, valued at US$478.4 million (Figure 11, based on TiSMoS data), around 90 per cent of which was delivered via Mode 1 "cross-border" and 10 per cent by Mode 3 "commercial presence" (Figure 12). In 2018, the State Department for Trade (2018) reported that Kenya had been exporting software development services to global companies located in India, the USA, South Africa, Spain and Germany and was a pioneer in ICT services in Africa, exporting ICT services to its neighbours in the region (Kenya Investment Authority, 2016).

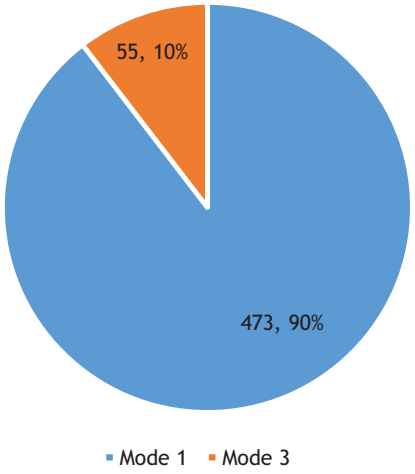
While the Kenyan IT sector has grown tremendously over the past decade, it is estimated that it will contract by 13.8 per cent as a result

Figure 11. Kenyan exports of ICT services, 2005–2017 (US$ million, left axis, and % of total services exports, right axis)



Source: IMF Balance of Payments database.

Figure 12. Mode-wise Kenyan exports of ICT services, 2017 (US$ million and %)



Source: WTO TiSMoS database.

of COVID-19.[4] The pandemic has affected business in the ICT industry in Kenya but these have been able to recover quickly. The government has marked the sector as key to recovery from the pandemic and appointed a COVID-19 ICT Advisory Committee to coordinate ICT-specific responses. The ICT Authority of Kenya (2020) has issued a primary set of guidelines and provided network and internet support to maintain business continuity, while declaring ICT services to be essential services during the pandemic, critical through the supply of electronic health interventions (e-health and telemedicine services). Meanwhile, application of the Ministry of Health's e-Health Strategy 2016–2030 has been accelerated as a response to the pandemic through the development of m-health, e-learning and telemedicine services (ITA, 2020).

The government has also encouraged use of cashless transactions through mobile money solutions to maintain social distancing norms and cross-border supply of services through Mode 1. Additionally, ICT platforms have been used extensively to deliver e-learning tools through the engagement of edu-tech services, a sector highly disrupted by the crisis (KEPSA, 2020). ICT platforms have also been encouraged to help deliver essential goods, by means of e-commerce websites. The National ICT Survey of 2016 established that 39 per cent of private firms were engaged in e-commerce in Kenya, and these firms have become the backbone of the economy during this pandemic. The ICT sector has also extended financial and infrastructural support to innovators and start-ups in the tech community to continue business as usual during the disruption. This initiative also invites private sector partnerships to provide tech-based solutions to help in the recovery of other sectors of the economy.

The Communications Authority of Kenya has commissioned service providers to undertake

capacity-building to meet increased demand for high-speed broadband services resulting from the work from home format, by offering additional spectrum. It further aims to rapidly develop a skilled cyber-security workforce to increase Kenya's cyber-readiness and resilience, with the goal of becoming a digitally transformed nation (Communications Authority of Kenya, 2020). These initiatives have kept the ICT sector afloat despite the pandemic.

However, notwithstanding this plethora of measures to contain the pandemic and maintain business continuity in trade in IT services, there is scope for further investment to increase digital literacy and internet connectivity and to encourage usage of online services across different verticals, including health, education and financial services. Being a regional leader in supplying ICT services to the African continent, Kenya can further promote harmonisation of rules and standards across borders, including unified taxation and a regional online payment system that can also facilitate cross-border trade through e-commerce portals.

Recent quarterly estimates released by the National Treasury of Kenya[5] spark hope for the country's ICT industry. Although the overall services sector as well as the economy slumped in the second quarter of 2020 as a result of substantial contractions in the education, tourism and transportation service sectors, its further deterioration was cushioned by the robustness displayed by the ICT sector, which grew by 4.3 per cent year on year in the second quarter of 2020 despite the pandemic.

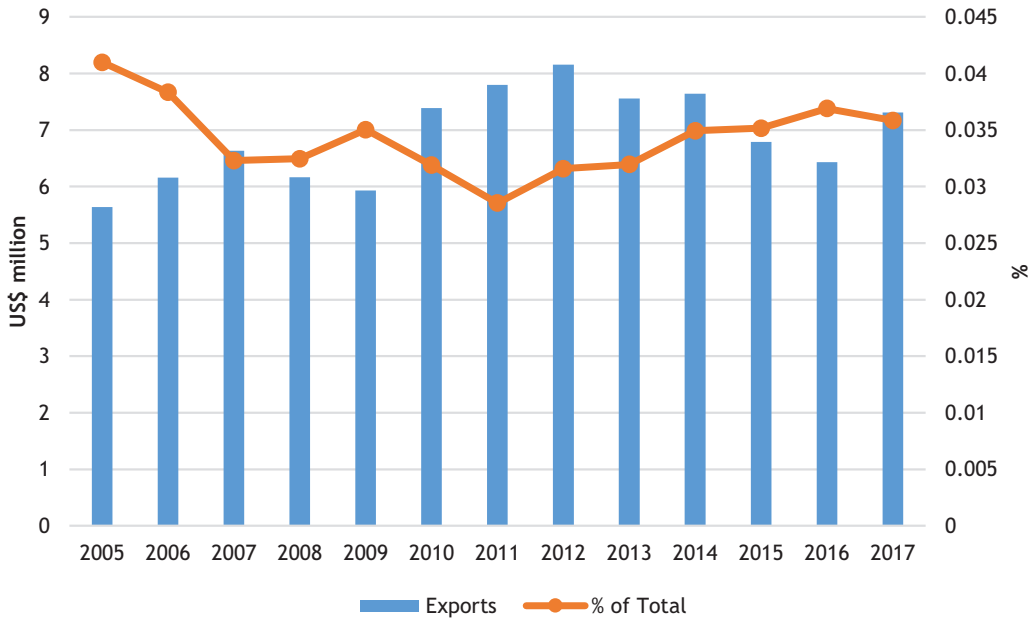
4.3 Health services

4.3.1 South Africa

South Africa is a regional health care hub. It has higher capacity for diagnosis and treatment than many neighbouring countries, and thus attracts a significant number of health care visitors from other African countries. In addition, visitors from further afield target higher-end activities, combining health care with the country's high quality tourist offerings (Crush and Chikanda, 2015).

Figure 13 shows that South Africa's exports of health services have been growing over the past decade or so. However, given the size and level of diversification of the South African economy, they account for only a small proportion of total services exports (0.04 per cent). WTO TiSMoS data show that Mode 2 predominates, accounting for around 89 per cent of total sectoral exports. However, Mode 1 is also significant, amounting to just over 6 per cent of exports. The data therefore suggest that, in addition to its established position as a provider of health services for visitors, South Africa is also developing capacity in the emerging

Figure 13. South Africa's exports of health services, 2005–2017 (US$ million, left axis, and % of total services exports, right axis)



Source: WTO TiSMoS database.

field of telehealth, where services are provided remotely.

Although inward movements of international travellers were heavily restricted during much of the pandemic period, conditions on the ground in November 2020 had improved to the point where the government was able to move forward with a reopening of international travel links.[6] International visitors, including those arriving for the purpose of receiving health services, must have a negative COVID-19 test prior to departure; if they do not, they will undergo mandatory quarantine upon arrival. Similarly, visitors are screened upon entry, and if necessary directed to quarantine and testing, even if they had a previous negative test. An innovative use of technology is the requirement that all international visitors must download the country's contact tracing mobile app.

As in the case of non-medical tourism (see below), exports of health services typically require in-person interactions. As such, the pandemic has made it necessary for governments to balance the need to protect public health with the desirability of maintaining open trade. The recent changes in South Africa's approach to the authorisation of international visitors represent recognition that, as risk factors on the ground change, it is appropriate for government measures to take account of any improvements and facilitate trade where possible.

An addition dimension of health tourism in the case of South Africa is that the pandemic itself puts stress on national health systems. Even high-income countries have found themselves in the position of rationing urgent care on a triage basis. As such, in middle-income countries like South Africa, it is important for governments to balance the need to provide essential health care services for citizens and residents with the desirability of promoting export earnings from the treatment of visitors. The South African approach is, in effect, to use public means to provide essential health care for citizens, with private clinics providing services to medical tourists. While the balance between the two systems is potentially a delicate one, the current size of the medical visitor segment in South Africa is not such as to pose a serious challenge to broader public health and access objectives.

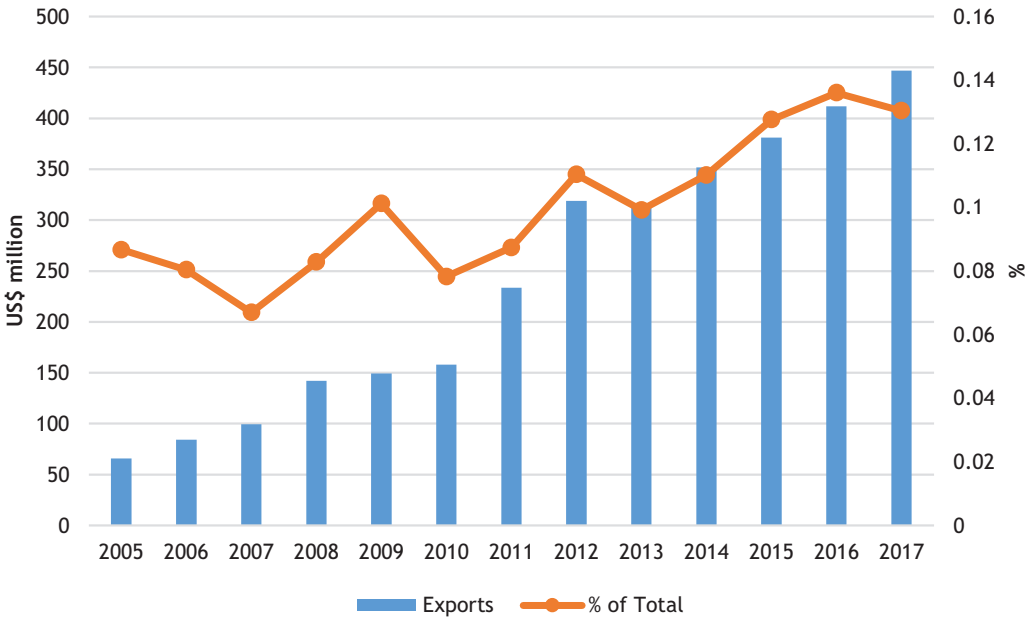
No data are available on the numbers of medical tourists who arrived in South Africa during 2020. However, it is likely that the size of pandemic-related economic shocks in sending countries, combined with South Africa's own entry restrictions, has led to a substantial reduction in export earnings. The health care sector is different from other sectors like tourism, however, in that workers and firms are typically not fully dependent on export earnings to maintain viability. South Africa has a robust domestic health care system, and the overwhelming majority of private service suppliers have a far superior income cushion to that of workers in the general tourism industry. As such, the case for specific sectoral support is generally weaker than for other sectors. Health care is one sector that has seen additional demand, sometimes even overwhelming demand, during the pandemic, unlike other sectors, which have seen demand collapse. There is therefore a much lesser risk of substantial ill effects for providers in this case.

4.3.2 Singapore

Figure 14 shows that Singapore's exports of health services have been growing rapidly over recent years. Between 2005 and 2017, they saw an average annual growth rate of 17 per cent, which is extremely rapid. Singapore has emerged as a health tourism hub, primarily serving countries in the region, including Commonwealth countries such as India. However, the sector is still small in Singapore's total services exports, given the important role played by other sectors like financial and business services. In 2017, health services accounted for 0.13 per cent of Singapore's total services exports.

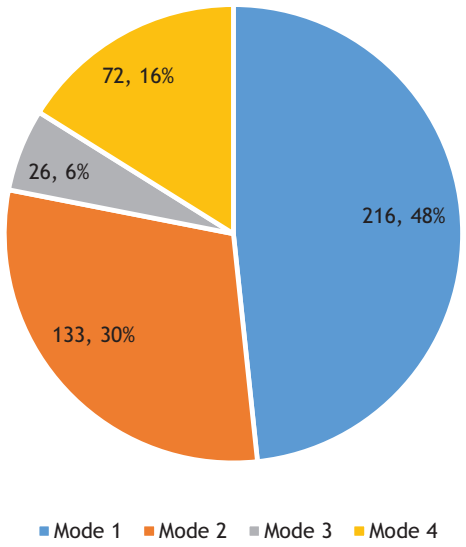
Singapore's pattern of exports by mode of supply suggests a very different relationship with travel to that of South Africa (Figure 15). Mode 1 accounts for nearly half of total exports, which suggests that, even prior to the pandemic, telehealth services were an important part of Singapore's export mix in this sector. Also of interest is that Mode 4 accounts for 16 per cent of total sectoral exports; as such, the data suggest that Singaporean health professionals also travel to other countries to deliver services. While Mode 2, movement of patients, is highly significant, at 30 per cent of the total, it does not account for the overwhelming majority of trade as in the case of South Africa.

Figure 14. Singapore's exports of health services, 2005–2017 (US$ million, left axis, and % of total services exports, right axis)



Source: WTO TiSMoS database.

Figure 15. Singapore's exports of health services by mode of supply, 2017 (US$ million and %)



Source: WTO TiSMoS database.

Lee et al. (2020) look at the case of telehealth in Singapore, based largely on survey data. They find significant willingness among Singaporeans to embrace the technology, although attitudes differ according to personal characteristics such as age. This finding suggests that internal demand for telehealth has supported the emergence of tailored services in this area, which can then naturally be extended to overseas markets using the same technology. An important innovation in this regard is Singapore's regulatory sandbox for telemedicine, which has included specific applications for COVID-19. A regulatory sandbox allows for controlled experimentation of new technologies and business models, prior to full-scale regulatory approval (Baker McKenzie, 2018).

As a high-income country with well-developed infrastructure and a robust budgetary position, Singapore was able to move rapidly to put in place support programmes for sectors affected by the COVID-19 pandemic, focusing on support to businesses and workers. The government has followed up its initial action with a total of four rounds of economic stimulus (KPMG, 2020a).

In terms of entry restrictions, Singapore has, like many countries, restricted access by international travellers, including those seeking medical treatment. However, it has established a risk-based regime of continued access for visitors from a number of countries, including important regional partners in terms of trade in health services, such as China and Indonesia.[7] In combination with a regime of declaration and testing, the government is attempting to strike an appropriate balance between managing public health risks and facilitating international movements of people.

Although data for 2020 trade in health services are not yet available, it is likely that

Singapore will have seen some shift from Modes 2 and 4 to Mode 1, given that there is already established capacity in telehealth. Given the size of the economic shock around the world, trade figures will likely be down, but this substitution across modes should contribute towards lessening the fall somewhat. As in the case of South Africa, domestic demand for health care services remains robust, so the sector is not in the same state of difficulty as tourism (see below), which is highly dependent on international links. The Singaporean experience shows that proactive investment in new technologies and innovative regulatory approaches can help countries deal with unforeseen events such as the COVID-19 pandemic.

4.4 Tourism services

4.4.1 Rwanda

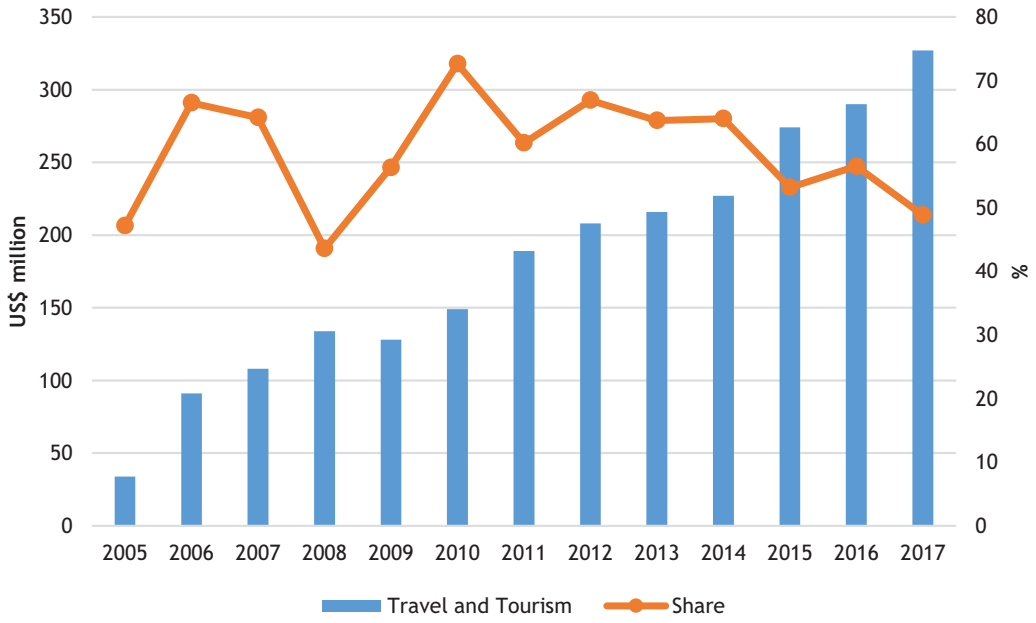
Taking advantage of its unique natural attractions, including the presence of mountain gorillas, Rwanda has seen its exports of tourism and travel services undergo rapid growth, to account for around 50 per cent of total services exports (Figure 16). Trade takes place almost exclusively via Mode 2. Rwanda has consistently focused on high-end market segments, including through direct government involvement, at least initially, in key investments such as international standard hotels in the capital, Kigali (Nielsen and Spencely, 2011).

Like most governments, Rwanda's responded robustly to the COVID-19 pandemic, including through the imposition of travel restrictions. Kigali Airport was entirely closed to normal commercial traffic, although charter flights were still permitted.[8] Many tourism and travel activities were effectively banned, so the sector largely ground to a halt during the worst of the initial phase of the pandemic (Tasamba, 2020).

As understanding of COVID-19 improved, however, Rwanda's government took innovative steps to reopen the country to international tourism. Commercial flights resumed on 1 August 2020, although land borders remain closed. As such, the country is effectively open to international tourists, most of whom arrive by air. However, conscious of the need to control the spread of COVID-19, Rwanda's government has imposed a testing and quarantine regime for international visitors. Travellers must have a negative COVID-19 test prior to departure. Upon arrival, they are quarantined in a hotel of their choice, and an additional test is administered. Results from that test are available typically within 24 hours. If the second test is negative, they can then undertake usual tourist activities within the country, subject, of course, to curfew restrictions.[9]

Data on 2020 tourist arrivals are currently unavailable. While numbers have likely sharply declined from 2019, the Rwandan government's

Figure 16. Rwanda's exports of tourism services, 2005–2017 (US$ million, left axis, and % of total services exports, right axis)



Source: WTO TiSMoS database.

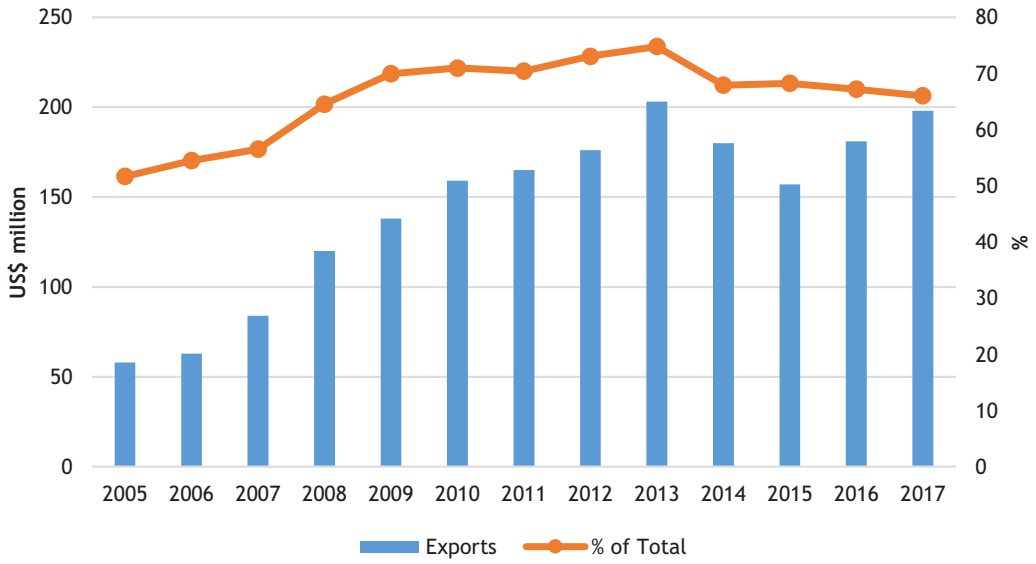
response to the crisis lays the groundwork for a recovery as conditions improve, and in particular as spread is controlled in other parts of the world that act as sources for tourists to Rwanda, in particular the EU. In the meantime, the government's testing and quarantine regime strikes a balance between the need to protect public health and the desirability of cushioning a large and important economic sector from the very worst commercial fallout. Whereas other countries (see elsewhere in this section) have used approaches like "travel bubbles" to establish safe corridors for travel, Rwanda's approach, in line with its pre-existing visa policy, is to remain open to travellers of all nationalities provided they can provide proof that they are COVID-19 negative.

The government's response builds on its relatively high capacity in public health (Dhillon and Phillips, 2015). Compared with neighbouring countries, as well as countries at similar income levels, Rwanda has seen major successes in improving key public health indicators. This outcome owes to a mix of high state capacity, donor support and a strong culture of service delivery. As a result, the country was better placed than comparators to deal with the extreme challenges posed by the COVID-19 pandemic. The government's balancing of public health and support for tourism depends very directly on this pre-existing capacity in public health: without the factors indicated above, it would be impossible to properly implement an effective testing and quarantine regime, which in turn would likely mean longer-term reliance on a complete shutdown of arrivals.

4.4.2 Vanuatu

The travel and tourism sector of Vanuatu contributed 48 per cent of the country's GDP in 2019, as a result of a sharp increase in tourist arrivals by air and cruise ships (Department of Tourism and Vanuatu Tourism Office, 2020). The Asian Development Bank (ADB) estimated in 2019 that over 50 per cent of tourists arrived from Australia, 13 per cent from New Caledonia and 12 per cent from New Zealand (ADB, 2019). The WTO's TiSMoS database shows that travel services made up 66 per cent of total services exports in 2017 (Figure 17),[10] while the World Travel and Tourism Council and Oxford Economics (2020) report that the international visitor impact stood at US$286.9 million in 2019, contributing 63.3 per cent of total exports and 41 per cent of total employment in the country. The Vanuatu tourism sector is central to the goal of poverty reduction as it is a key generator of employment and income in the country. In recognition of this, the government's Shared Vision 2030 aims to increase tourist arrivals, backed by infrastructural development and a rise in flight frequency to the remote island. Historically, over a fifth of the country's exports of travel services were

Figure 17. Vanuatu's exports of tourism services, 2005–2017 (US$ million, left axis, and % of total services exports, right axis)



Source: WTO TiSMoS database.

destined for Commonwealth members, with the UK alone accounting for nearly a quarter of this.

The closing of borders as a result of the COVID-19 pandemic has sparked an economic emergency in Vanuatu. The tourism sector in the country is labour-intensive and also indirectly employs thousands in ancillary sectors. A recent WTO report highlights the experience of Vanuatu's tourism sector during the COVID-19 pandemic; it reports a 70 per cent loss in tourism-related jobs since mid-March as a result of the pandemic and weather-related disturbances in April 2020 (WTO, 2020). Another survey-based study, conducted by the Department of Tourism and the Vanuatu Tourism Office, contacted tourism operators in April 2020 to provide a holistic understanding of how the crisis had affected the industry. Of those contacted, 62 per cent were providers of accommodation and 36 per cent offered tour services; the rest were engaged in gourmet or cultural activities. The findings reveal a fall in revenue, productivity and workforce as a result of the pandemic. They also highlight a need to promote marketing, product development and financial management among those affected.

Given the significant share of micro, small and medium enterprises (MSMEs) in the tourism sector, Vanuatu, jointly with a number of other countries, released a statement to the WTO highlighting the negative impact of the pandemic on these,[11] while promising to promote and protect their interests for a full recovery. The government announced an economic stimulus package to fight the pandemic, under which it provided VT 30,000 (US$278) for each registered employee for a period of four months. The Department of Tourism provided further support to this package, permitting the extension of old business permits or licences until 2021 and granting zero-interest loans to targeted businesses through state-owned banks. The Vanuatu Chamber of Commerce and Industry, along with the Vanuatu Business Resilience Council, also vowed to assist businesses in crisis management and business continuity.

Subsequently, the Department of Tourism introduced the Immediate Safety, Response and Economic Recovery Plan targeting response activities up to December 2020, with the aim of restoring normalcy. This plan was formulated based on consultations with the private sector and the government and highlights the need to reconnect with international neighbours and resume tourist activity. In the medium to long term, the plan aims to build a sustainable, resilient and green industry, in partnership with the Vanuatu Sustainable Tourism Policy of 2019 and the Vanuatu National Sustainable Development Plan (Department of Tourism, 2020).

The government has also expressed an interest in joining the trans-Tasman travel bubble with its main partners, Australia and New Zealand, while promoting Vanuatu as an international tourist destination. Given that the tourism sector supports other sectors of the economy, including accommodation, food services and transportation, the Department of Tourism has also implemented measures to restore access to airlines and aviation and cruise companies, including higher frequency of flights with its neighbours. This move would also require increased investment in and funding for the airline industry to increase fleet readiness and capacity, in addition to greater collaboration with the national airline Air Vanuatu, as well as other overseas airlines, including Qantas Group, Air New Zealand, Fiji Airways and Solomon Airlines. The Department of Tourism has also offered financial support to rural tourism-based businesses and handicraft retailers to address issues related to inclusiveness in the sector. Meanwhile, given that Vanuatu has generally been COVID-19-free, it may be worth considering adopting the Rwandan approach of negative COVID-19 certificates to travel to Vanuatu and testing upon arrival, to restart tourist activities.

The Ministry of Health has also engaged with the Department of Tourism to ensure adherence to health protocols through this crisis and to protect workers as well as incoming tourists. This includes setting up local testing units, surveillance, hospital facilities, contact tracing, screening facilities and enhanced hygiene guidelines. Furthermore, the government aims to provide a range of training resources for all workers and businesses in the industry, including a digital platform to access health and safety information. This will be followed up with monitoring and compliance procedures to ensure adherence.

Overall, the government of Vanuatu has laid down extensive measures and protocols to protect the tourism sector from the pandemic

and ensure its speedy recovery. Given the dependence of the economy on the sector, the plethora of assistive measures implemented by the government instils confidence that the country will experience an upturn in its tourist arrivals and the sector will remain resilient to future health shocks. In a recent speech, the director of the Department of Tourism reiterated that the impressive marketing and brand development work undertaken by the Vanuatu Tourism Office was likely to support this positive outlook (Drekeni, 2020).

4.4.3 Barbados

According to a recent study by the International Labour Organization (ILO) (2020), the tourism sector of Barbados contributed 30.9 per cent of the country's GDP in 2019 and 43.5 per cent of its total exports in 2018. Another estimate, by the WTO, shows an annual growth rate of 11.4 per cent in exports from the tourism sector in 2018, a rise from US$1.14 billion in 2018 to $1.27 billion in 2019. Figure 18 shows that TiSMoS data are consistent with a high absolute level and relative share of travel exports in total services exports.

The sector also contributed 13.4 per cent of total employment through direct employment and 19.9 per cent through indirect employment in 2019. Meanwhile, a third of all visitors arrive from the UK, another 31 per cent from the USA, 12 per cent from Canada and the bulk of the rest from other European countries (Central Bank of Barbados, 2019). Barbados is also heavily dependent on its tourism sector for earning foreign exchange (UNDP, 2020). However, the seasonal nature of the tourism industry in the country – which peaks between November and April – lends itself to frequent unemployment throughout the rest of the year. Historically, over 40 per cent of the country's exports of travel services have been destined for other Commonwealth countries, with the UK alone accounting for 22 per cent of the total.

The COVID-19 pandemic reduced tourist arrivals by 49.5 per cent in March 2020 (Central Bank of Barbados, 2020), resulting in overall closure of the industry and creating widespread unemployment and uncertainty in air travel as a result of travel restrictions imposed by other countries.[12] This crisis is likely to disproportionately affect employment in the sector; in 2019, 62 per cent of those employed in tourism were females, who already were paid only 68 per cent of male wages, who were thus more vulnerable and prone to poverty in the wake of the pandemic (UNDP, 2020). Job losses have been severe as a result of the pandemic, thus raising government expenditure on unemployment benefits. The decline in the tourism industry is also linked to a slowdown in other industries in the country. An estimate of spillovers based on historical data suggests that an 8.5 per cent decline in the tourist industry in 2000–2002 depressed the non-tourism sector by 2 per cent (UNDP, 2020). However, the

Figure 18. Barbados's exports of tourism services, 2005–2017 (US$ million, left axis, and % of total services exports, right axis)

Source: WTO TiSMoS database.

impact of the pandemic is likely to be more severe, leading to large and unprecedented negative spill-overs in ancillary sectors including hotels, transportation and restaurants (Central Bank of Barbados, 2020).

To counter the impact of this inordinate external shock, the government has launched the Barbados Employment & Sustainable Transformation (BEST) Programme[13] for the tourism sector. This plans to rebuild businesses and improve the lives of workers in the industry by reducing dependence on tourist arrivals and repurposing hotels and other tourist facilities to help recover their incomes. This programme will be supported by the US$200 million Tourism Fund Facility established by the government to offer urgent working capital and low-cost loans to upgrade hotels and other businesses (Pilé, 2020). Moreover, through the BEST plan, the government aims to invest in transformation of the tourism sector through refurbishment, digitisation and greater use of renewable energy in the sector, supported by the Green and Digital Investment Fund (to digitise tourism-related payment processes in the country). Another element of the BEST plan is to provide tourism-specific training and up-skilling of employees under the National Transformation Initiative, to raise their employability in the future and incorporate COVID-19 protocols.

The tourism sector, in association with the Ministry of Health and Wellness, has also devised "return to work plans" that comply with COVID-19-related operating procedures to meet the statutory health requirements, promising to re-employ the workforce at 80 per cent of wages received in December 2019 before the onset of the pandemic. In addition, the government has launched unemployment benefits that are not limited to employees but also include self-employed business owners, to help create entrepreneurship during the pandemic and drive recovery. This measure directly affects small businesses dependent on the tourism sector and aims to reduce their pandemic-induced vulnerability.

Apart from domestic measures to restart the tourism sector, the government has also launched a special long-term visa category called the Work from Paradise 12-Month Welcome Stamp, which incentivises visitors to relocate to Barbados for up to a year during the pandemic and to work remotely with their offices back home.[14] Passengers must take a coronavirus test 72 hours before arriving and must quarantine for four to five days, declaring where they will be quarantining in Barbados, and then take another test on the fifth day to enable their release. Under this scheme, the government has also offered a wide range of professional services to assist long-term visitors, including wellbeing and spa services. Several hotels and serviced accommodations also offer special rates and recreational facilities for extended stays. Such visitors are not permitted to engage in any occupation or accept any employment during the period of their stay. Moreover, the stamp can be renewed annually to extend the stay.

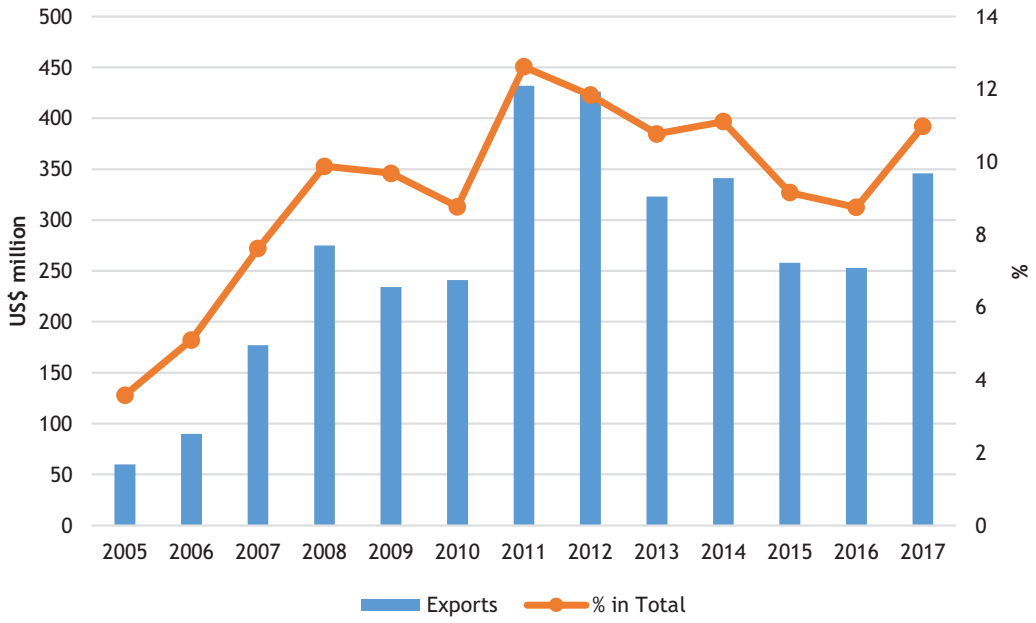
The programmes and incentives undertaken by the government of Barbados have helped the tourism sector prepare for pre-pandemic levels of tourist arrivals through upgrading of services, digitisation and green initiatives. Tourist officials remain optimistic of a recovery in 2021, since the country displayed resilience through the worst six months of the pandemic, when cruise arrivals declined by 34.1 per cent compared with the same period in 2019 (Caribbean Tourism Organization, 2020). At the same time, the government continues to seek greater private sector investment to facilitate a rebound for the tourism sector and help support small and medium enterprises (SMEs) through greater access to credit and technology.

4.5 Financial services

4.5.1 Mauritius

The services sector in Mauritius contributed 75 per cent of the country's GDP and over 25 per cent of its total exports in 2019. As the second largest services sector in the country, after tourism, financial services contributed 11.7 per cent to GDP in 2018/19 (FSCM, 2020) as well as 11 per cent of Mauritius's overall services exports in 2017, valued at US$350 million as per WTO TiSMoS data (Figure 19). According to the same source, Mauritius' financial services exports were delivered mainly by means of Mode 3 (63.3 per cent in 2017) followed by Mode 1 (36.7 per cent in 2017). Traditionally, over 40 per cent of the country's exports of financial services have been destined for Commonwealth member countries, with the UK alone accounting for 26 per cent of Mauritius's financial services exports.

Figure 19. Mauritian exports of finance and insurance services, 2005–2017 (US$ million, left axis, and % of total services exports, right axis)



Source: WTO TiSMoS database.

The COVID-19 pandemic has had a profound impact on the export-oriented financial services sector in Mauritius, especially given the dominance of commercial presence as a mode of delivery: in particular, greenfield investment in the sector is adversely affected by economic lockdowns, travel restrictions and social distancing. The sector has faced two other issues. First, although the financial sector is one of the most developed in Africa, it remains highly reliant on cash transactions. Consequently, the pandemic has disrupted its functioning, owing to the lack of an electronic or mobile payments ecosystem. Second, the sector is dependent on international cooperation for a majority of its operations and has seen severe impacts as a result of financial stress spurred by the pandemic around the world (Benefo and Ryder, 2020).

Evidence points to an acute need to invest in digital money and mobile banking services in Mauritius. Amid the pandemic, Mauritius Commercial Bank announced an SME-centred mobile app to remotely cater to the growing needs of SMEs in the country and to equip them with digital tools, thus accelerating the digital transformation of the banking sector (SME Finance Forum, 2020). The Bank of Mauritius also reported an overall adoption of mobile banking services during the pandemic, marked by a rise in mobile payments (Mauritius Africa FinTech Hub, 2020). However, there is scope to further embrace digital banking solutions and financial technology (Fintech) through interventions by the Financial Services Commission, as well as to attract clients from the African continent to reduce reliance on a few key partners, and promote resilience to future external shocks and crises. Thus, Mauritius can position itself as an efficient and cost-competitive financial hub on the African continent, with over 23 investment promotion and protection agreements and 21 double taxation avoidance agreements signed with other African countries.

The government of Mauritius has also responded positively to this crisis by creating an enabling environment to help the financial sector transition seamlessly. For example, the Financial Services Commission eased the regulatory burden on financial institutions and adopted a flexible approach to monitoring of compliance and administrative fees. Simultaneously, the Bank of Mauritius announced additional relief funding to assist the commercial banking system. Meanwhile, under the newly adopted COVID-19 Act, which waived certain regulatory requirements, the Mauritian government proposed the Data Protection Act for processing of personal information related to accessing any financial services (Baurhoo and Leclezio, 2020); the Act incorporates international best practices in data protection to comply with requirements in the importing countries, thereby facilitating the use

of Mode 1 in delivering financial services abroad. The government has also set up the Mauritius Investment Corporation Ltd to alleviate the impact of the pandemic on the banking sector and accelerate post-pandemic growth (IMF, 2020; Seegolam, 2020a). The latest (2020/21) budget also announced plans to consolidate the financial sector after its exposure to the pandemic and introduced enhanced financial products to increase its resilience (KPMG, 2020b).

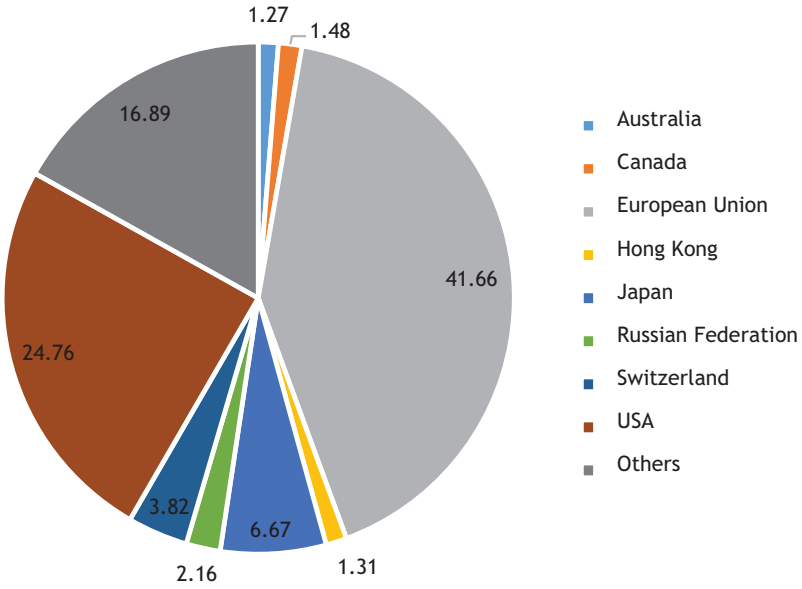
During a recent speech, the governor of the Bank of Mauritius commended the strong commitment displayed by the bank in promoting orderly economic development as well as ensuring the stability of the country's financial services sector. The governor emphasised the role of the Task Force on Banking Resilience in monitoring the impact of the pandemic and encouraged the public to make use of electronic payment channels to maintain continuity in the delivery of financial services (Seegolam, 2020b). This optimism displayed by the central bank suggests that the financial services sector in Mauritius is well placed to recover strongly and become more resilient to future shocks.

4.5.2 United Kingdom

Financial and insurance services have grown to be significant contributors to the UK's total service exports, valued at US$75.6 billion in 2019, making up a share of 18.6 per cent of total service exports, but down from 20.1 per cent in 2018. According to Office of National Statistics (ONS) data, the majority of these service exports were delivered via Mode 3 (68.9 per cent), followed by Mode 1 (26.8 per cent) and Mode 4 (4.3 per cent) in 2019. Destination-wise analysis of these exports reveals that the EU, followed by the USA, Japan and Switzerland, absorbed 78 per cent of the UK's financial services exports in 2019 (Figure 20). Notably, this distribution has remained unchanged since 2016 and shows that at least 6 per cent of the UK's financial services exports may be destined for Commonwealth member countries, with Canada alone accounting for 30 per cent of this share. The financial services sector also contributed 6.9 per cent of the UK's total economic output, with a year-on-year growth rate of 0.5 per cent, in 2019. The sector is geographically concentrated in London, where 49 per cent of the output was generated in 2018.[15] The sector employed 1.1 million people in 2019, making up 7 per cent of total UK employment.

Understandably, the pandemic has disrupted the financial services sector in the UK, leading to job losses and reductions in revenue. For example, corporate lending has plummeted as a result of higher restraint by banks that fuelled a rise in credit and liquidity risks in the economy. Banks were greatly affected as a result of forgone revenue in the form of delayed mortgage or loan payments, while non-bank lending facilities were worse-off as a result of the sheer lack

Figure 20. Distribution of the UK's financial services exports by destination, 2019 (%)



Source: WTO TiSMoS database.

of government support for them during this crisis (Deloitte Financial Institutions Group, 2020). At the same time, internal bank operations were affected by the need to shift to a work from home model, while international linkages were affected by similar changes in partner countries. Stress on financial markets was considerable in the early days of the pandemic.

One subdivision of the financial services sector is the financial technology, or Fintech, sector. The UK is seen as a global leader in Fintech services, with the value of the sector estimated at US$9 billion, employing over 60,000 people. This sector has positioned the UK at the forefront of financial innovation and remains vital to the economic recovery in the post-pandemic period (Hall, 2020). The Fintech ecosystem has revolutionised the overall delivery of financial services in the country (Zachariadis et al., 2020). Moreover, anecdotal evidence suggests that the pandemic has led to a long-term societal shift in the adoption of digital Fintech solutions by creating a start-up environment backed by a surge in investment in the Fintech industry (Finn, 2020). However, many Fintech companies rely on cross-border transactions that have been disrupted as a result of COVID-19.

Since the onset of the crisis, the government has implemented a package of measures to limit the spread of the disease and alleviate the damage to people's lives and businesses in the country. Some of the noteworthy measures include the Coronavirus Job Retention Scheme, an employment support scheme to assist employers and employees alike, and the Bounce Back Loan Scheme and the Coronavirus Business Interruption Loan Scheme, to inject funds into businesses affected by the pandemic (HM Treasury, 2020). It is believed that these schemes will also hasten the recovery of Fintech companies by allowing them to cater to credit requests and provide monetary assistance to affected businesses, especially SMEs, which the traditional banking system usually excludes because of their lack of collateral (Zachariadis et al., 2020).

Earlier this year, the Bank of England put in place numerous measures to keep the financial system safe and stable during the pandemic. These included a reduction in interest rates and injection of additional liquidity to help banks expand their lending facilities to businesses and households through refinancing of existing loans and extending new loans (Bank of England, 2020). The central bank has also incentivised lending to SMEs through these measures. In collaboration with central banks from Canada, Japan, the Euro Area, the USA and Switzerland, it also enhanced liquidity provisions in the economy through standing US dollar liquidity swap line arrangements (IMF, 2020).

Subsequently, the Financial Conduct Authority (FCA) also responded to the financial implications of the pandemic through collaboration with the government, the Bank of England and the Payment Systems Regulator to maintain the integrity of the sector (FCA, 2020). These actors implemented cross-border payments regulations to preserve the stability of online payment systems and increase transparency. Next, they extended the deadline and waived administrative fees for submission of regulatory returns by businesses, especially SMEs; deferred payments on credit cards and overdrafts by firms to a later date; raised cash withdrawal limits to assist consumers; prioritised information security in line with increased work from home to protect the financial system from cyber fraud; provided guidance to strengthen e-money platforms; and granted extra time to meet strong customer authentication under the European Banking Authority for e-commerce card transactions and online banking through third-party providers (ibid.).

In a recent speech on the financial services sector in the UK, a member of parliament stressed the need to maintain cross-border financial activity with the EU through increased cooperation as well as to build deeper financial relations with countries outside the EU, including Switzerland, India and Japan, and to promote private sector financial innovation, including the introduction of digital currencies. In line with these announcements, the government also recognised financial services as essential to fight the COVID-19 pandemic and keep businesses afloat (Sunak, 2020).

The finalisation of the EU exit deal has added complications to the recovery of the UK's financial sector. Notably, those dependent on cross-border remote working within the financial services sector were forced to relocate to the EU as a result of Brexit, and the lockdown restrictions of the pandemic added physical barriers to the existing strategic challenges (Graham, 2020). Moreover, lack of clarity on equivalence between businesses and professional qualifications in the UK and the EU will lead to additional compliance costs to firms and

individuals already reeling under the pressure from the pandemic. The overall disruption to businesses and the workforce of this double-whammy situation could delay recovery for the UK's financial services that are more heavily reliant on cross-border expertise.

While there is scope for increased digitisation of financial services, greater formalisation of Fintech and greater investment to ensure a quick recovery and increased resilience, the measures taken have borne fruit. Recent domestic estimates released by the UK Treasury show that banks have supported the government's recovery schemes and have responded with greater lending to businesses, with total lending forecast to grow by 11 per cent year on year at the end of 2020. This bounce bank in the domestic sector is likely to renew overall growth in the financial services sector as well and help the UK regain its leading position in the global supply of financial services.

5. Conclusion and policy implications

Commonwealth countries are active in the global services economy, which means that international trade in services, including intra-Commonwealth flows, are becoming increasingly important as a source of export earnings and employment. Country experiences vary considerably depending on factors like geography and per capita income, but the general trend towards increasing servicification of economic activity is widespread.

Against this background, the COVID-19 pandemic has posed specific challenges. Services were historically regarded as "non-tradable" because they required personal proximity between the service provider and the consumer. That position is no longer tenable but, even under the four modes of supply recognised by the GATS, personal contact remains crucial to two. As such, the change in individual preferences regarding travel during the pandemic, as well as restrictions imposed by many countries in order to contain its spread, have meant that countries have seen their services exports severely disrupted. The available evidence, which is scarce, suggests that country experiences have varied depending on the pre-existing pattern of sectoral specialisation, as well as the level of online connectivity. Countries with large tourism and travel sectors have been hard hit, as the global tourist economy has contracted substantially. Similarly, countries with limited internet connectivity have had apparent difficulty moving other types of activities online. While most countries do not report monthly trade in services data to the WTO, the available information suggests that, among Commonwealth countries, African members may have been particularly hard hit by the pandemic from a services trade perspective. But high-income countries have not been spared, with Australia standing out as having seen a significant decline in its services exports.

While the data paint a generally worrying picture of Commonwealth services trade during the pandemic, evidence from the case studies shows that industry and governments in member countries have been active in taking measures to sustain economic activity and lay the groundwork for a successful recovery once the emergency has passed. On the one hand, Canada has managed the risks inherent in travel for educational purposes by requiring educational institutions to have an approved pandemic action plan before their foreign students can be authorised to enter or re-enter. As a result, industry projections for the education sector in Canada are not as strongly negative as those in Australia, where international students have not been exempted from entry restrictions.

Encouraging news also comes from countries with established capacity in ITES, such as India and Kenya. The pandemic has provided them with an opportunity to capitalise on this capacity as more and more services activities move online. Ultimately, the data will likely show some degree of cross-modal substitution in services trade, away from Modes 2 and 4 and towards Mode 1, although country experiences will of course vary. It remains unclear as to whether or not this type of substitution will compensate for the huge demand shock that services markets have seen, as GDP growth has turned negative in much of the world as a result of the combined effect of the pandemic and the measures required to contain its spread. The most likely scenario is that cross-modal substitution offsets

the negative impact of this shock less than fully, so an overall contraction in services trade, likely still a substantial one, will be seen as a result of the pandemic, even after accounting for differences across the four GATS modes of supply.

Tourism is a sector that the crisis has hit particularly hard, as it relies almost exclusively on consumer movements (Mode 2 trade). But countries have been active in adopting measures to try and support both businesses and workers, so as to avoid the very worst social consequences of the economic shock, and also to facilitate tourism and travel within the confines of what is considered safe and prudent from the point of view of managing the pandemic. Rwanda has made intelligent use of testing protocols in an effort to both reassure inward travellers and avoid imported contagion. Barbados has proved particularly innovative, looking to take advantage of a new market in work from home travel – a long-term stay on the continuum between short-term tourism and long-term residency. While the pain from the combined public health and economic shocks is very real in this sector in particular, the case studies show that creative and concerted action can nonetheless provide some degree of cushion to those most directly affected.

Health services are at the very centre of the pandemic and governmental responses to it. Health tourism has been a growing sector for regional high performers like Singapore and South Africa. But, as with tourism, trade in this sector is almost exclusively in Mode 2, and technological means for shifting to Mode 1 are still limited in scope and availability. Singapore has adopted a risk-based entry protocol, with facilitated procedures for countries, mostly in the region, that have been identified as carrying relatively limited risk of COVID-19 transmission. South Africa has adopted an approach similar to Rwanda's in the case of tourism, by allowing entry from all countries but with a requirement for negative testing. Both approaches have broader aims than just supporting the health services sector, but part of their effect is to make it possible for some amount of health tourism to continue.

Financial services represent an interesting example because, like IT services, there is a significant amount of activity that can be conducted online. Moreover, financial sector innovation, such as contactless payments, can even help control the spread of COVID-19. But, even with the ability to innovate and move activity online, governments have recognised the need to deal with a major economic shock, with many countries moving to slower or negative GDP growth as a result of the combination of the pandemic itself and the measures taken to control it.

Taking these country and sectoral experiences together, it is clear that the services sector, including traded services, has been hit with a major economic shock, potentially one with little precedent in terms of size, scope and nature. It is important for governments to work together with affected industries to support employees and others who suffer very direct negative consequences from this shock, but to do so in a way that maintains an open trading environment. Intelligent use of regulatory measures to allow for low-risk interactions or movements of individuals is another way that governments can try and cushion the impact of the pandemic for the most affected sectors, but this approach necessarily runs up against hard boundaries in terms of the primary need to manage public health risks in the short term. Given recent approvals of vaccines in some countries, there is room to hope that 2021 will see the beginnings of economic recoveries, though primarily in the developed world first. Nonetheless, developing countries can potentially benefit from increased demand for their output, provided that countries work together in the interim to preserve a relatively open trading system.

Notes

1 Kenya is excluded from this analysis because data are until June 2019 only.

2 https://www.canada.ca/en/immigration-refugees-citizenship/services/coronavirus-COVID19/students.html

3 https://www.rbi.org.in/Scripts/Pr_DataRelease.aspx?SectionID=352&DateFilter=Year

4 https://www.trade.gov/knowledge-product/kenya-information-communications-and-technology-ict

5 https://www.treasury.go.ke/32-departments/information-technology-services/119-information-technology-services.html
6 https://za.usembassy.gov/COVID-19-information-2/
7 https://safetravel.ica.gov.sg/arriving/overview
8 https://www.osac.gov/Content/Report/01f52ef6-d0dd-4604-9c41-18f4419f116a
9 https://rw.usembassy.gov/health-alert-COVID-19-information/#:~:text=Rwanda%20has%20resumed%20international%20air,coverings%20are%20required%20in%20public
10 http://data.wto.org/
11 Full statement available at https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=263935,263735&CurrentCatalogueIdIndex=0&FullTextHash=371857150&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True
12 Barbados's borders are not explicitly closed but travel restrictions put in place by most countries around the world have reduced travel and tourism to zero levels in the past few months.
13 Detailed report on the programme can be found at https://gisbarbados.gov.bb/download/barbados-employment-sustainable-transformation-programme/
14 More information can be found at https://barbadoswelcomestamp.bb/
15 https://www.ons.gov.uk

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