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INTERNATIONAL SCENARIO

The tremendous growth of service sector has resulted in its increased importance to the world economies. As early as in 1948, US service sector contributed 54% of GDP, and with the increasing trend in the use of services it now generates 80% of the GDP.

Sectoral Distribution of GDP (in %), 2002 (Estimates)

	G D P		
Country	**Services**	**Industry**	**Agriculture**
Denmark	71	26	3
France	71	26	3
Germany	68	31	1
India	50	25	25
South Korea	54	41.6	4.4
Russia	59.6	34.6	5.8
Nigeria	35	20	45
Switzerland	64	34	2
U.S.A	80	18	12

Source: **The World Fact Book 2003, www.cia.gov.**

Service sector dominates the economies of other developed nations as well. As countries develop, the role of agriculture in the economy declines **and** that of services rises. Highly developed countries all have more than 50% of **GDP** and employment derived from services. A particular characteristic of the development of service employment over time is that it is less sensitive to business cycle fluctuations than other types of employment.

The service sector comprises 80% of US employment, up from 55% in 1950. Most of the absolute growth in number of jobs in US in recent years is in service sector. According to University of Michigan study, a 113" cut in global barriers to trade in services would increase US annual income by $150 billion ($ 2,100 per American family of four). Total elimination of barriers in services

would raise US annual income gain by over $ 450 billion ($ 6,380 per family of four). Apart from US, leaders of major global service industry associations representing the EU, Australia, Hong Kong, and Japan called for urgent progress in the multilateral liberalization of trade in services.

Trade in services also benefits developing countries greatly. The infrastructure of modern and growing economies and the gains made from liberalizing trade in services and agriculture are enhanced with open service sectors. The benefits of a modem services sector reverberate

across an entire economy, touching every product, idea and consumer. Modernizing services can help developing **Role of Services in** countries jump start the economic growth necessary for reducing poverty. The service sector is the fastest growing part of the economy in many developing countries, with the World Bank reporting that services account for 54 per cent of their GDP.

In the OECD countries, services account for 69% of economic output, while agriculture accounts for 2.1%. Even in low income countries, services account for an average of nearly 50% of GDP, with agriculture representing 23%. More than half of all global flows of foreign direct investment are now in the services sector.

This investment is normally in the form of investment in local companies, often with local partners. Access to modem services (financial, professional and infrastructure services, for example) is essential to growth and development in any country. WTO commitments are vital to attracting this investment. While the value of trade in services is well below that of merchandise trade, services account for a larger portion of virtually all the world's economies; liberalization of services trade is therefore clearly in the interest of developing countries. (Source: ***h~://www.esbfe /).***

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