



Sectoral Issue: **Blue Services**

Blue Services in IORA

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The surge in services trade has been unprecedented in the global trade, benefitting both developed and developing countries in contributing to their growth process. Blue Services in a similar vein play an important role in the Blue Economy in steering the growth profile of littoral countries. Blue Services are omnipresent in almost all major services sectors including international, coastal and inland river shipping, tourism, port and ship building, storage and warehouse, insurance and financial services, marine ICT, engineering services, etc. among others. Several countries in the Indian Ocean Rim Association are critically dependent on Blue Services as importers and exporters.

Empirical evidence shows that trade in Blue Services has grown from \$ 53.8 billion in 2003 to \$ 179.4 billion in 2019 in IORA. It has shown a robust growth for the entire period of buoyancy, where im-

ports of Blue Services grew at the CAGR of 21.6 per cent in average for the period of 2003-07. While blue exports covered 16 per cent of the region's total services exports, the corresponding figure for blue imports stood at 21 per cent in 2003.

With the onset of the global financial crisis, growth of the Blue Services exports started falling at the rate of 4.7 per cent per annum and imports by 2.6 per cent per annum during the first phase of recession for the region.

Even though Blue Services trade growing faster than that of Blue goods trade, the region could not avert negative trade balance in the sector throughout the period of 2003-19. Trade deficit was high during the period of buoyancy to reach \$ 25.7 billion in 2007, but declined unprecedentedly to touch \$ 8 billion in 2009 with the continuation of recession.

However, during the second phase of recession, the growth of blue services im-

ports was more than that of exports, leading to doubling of the size of trade deficit to \$ 16.3 billion in 2018. The adverse impact of the prolonged recession was felt in terms of reduction of the share of services trade in total trade of the region.

The composition of trade in Blue Services has been lopsided in the IORA region. The Blue services exports are highly concentrated in three sectors, namely transport, telecommunications, computer and information services and travel, whereas more than 90 per cent of Blue services imports are in the transport services.

With various policy interventions including liberalisation of services sector, regional cooperation and capacity building initiatives among the member countries, the region will boost its intra-regional blue services trade and will enable the member countries to harness synergies of the region in the sector.