



THE IMPORTANCE OF MODERN SERVICES EXPORTS FOR THE DEVELOPING COUNTRIES:

THE CASE OF THE BRICS ECONOMIES

Şahin YAMAN

Istanbul Ticaret University, Turkey

Figen YILDIRIM

Istanbul Ticaret University, Turkey

Received: Oct 15, 2023

Accepted: Nov 24, 2023

Published: Dec 01, 2023

Abstract:

This article underscores the pivotal role of high-quality services trade in global economic performance, specifically focusing on BRIC countries and Türkiye. The services trade is itself becoming an increasingly important research topic from theoretical, empirical and practical (policy) perspectives. It is suggested that 'during the 20th century, the industrial sector was reducing its relevance and the third sector; the services becoming more and more relevant'. The services are playing an ongoing critical role in transforming international trade and investment patterns, both through enabling the development of value chains and through creating value chains in their own right. The paper highlights the positive impact of sophisticated services exports on economic growth in developing nations. The study assesses the evolution of BRICS' and Türkiye's services exports over the past two decades, using the PRODY and EXPY indices to measure sectoral productivity and export sophistication. The findings have significant implications for researchers and policymakers in developing countries, including Türkiye, as they navigate the changing global services economy. The keywords "services exports sophistication," "high-value-added services," "BRIC," and "Türkiye & Emerging Economies" capture the core themes of the research.

Keywords:

Services exports sophistication, high value-added services, BRIC, Türkiye & Emerging Economies, OECD, and Reconfiguration of the Global Services Economy

1. Introduction

The services have become a fundamental determinant of global productivity. High-quality, sophisticated services trade is positively associated with superior economic performance in the global economy. Moreover, it is suggested that the sophisticated services exports (Mishra and Gable 2011) had the potential to serve as a ladder for economic growth in developing countries (Ghani and Kharas, 2010) . Over the past two decades, upper-middle-income developing countries, including the BRICS nations, have significantly strengthened their position in international services trade (ITC, 2017, 2021). These countries have begun exporting cutting-edge, sophisticated services, contributing to a crucial factor in their economic performance.

This research specifically assesses to what extent BRIC countries have been successful in enhancing their modern services exports in general and services export sophistication in particular. The paper scrutinizes the evolution of BRICS' and Türkiye's services exports over the last two decades concerning their services export sophistication about their competitors. PRODY and Expy index which were developed by Rodrik et al(2006) was used to measure sectoral productivity and level of export sophistication. WTO services exports statistics and World Bank GDP per capita databases were used to calculate PRODY and expy figures, The article offers valuable insights for researchers and policymakers in developing countries, Türkiye, and beyond.

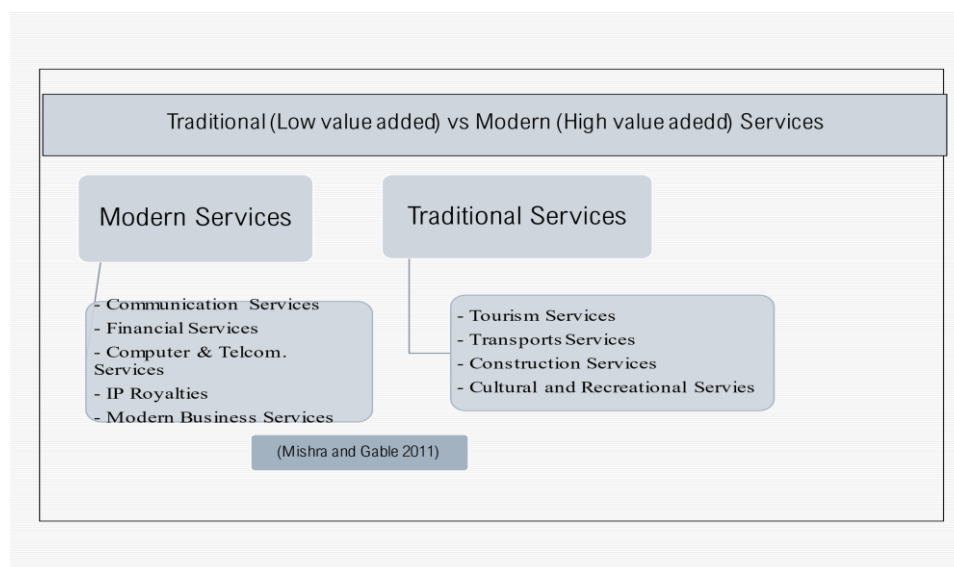
2. The BRICS as An Important Services Trade Policy Research Category

2.1. Choice of Services with an Emphasis on Developing Countries and The BRICS

The selection of the BRICS services trade as the regional topic is preferred by the increasing relevance of services and the developing country's combination. It is suggested that the BRICS itself is becoming an increasing research category for 'international commercial policy' to understand the relative power shifts in the global economy. Armijo (2007) underlines that 'although the Group members do not share domestic political institutions, international goals, or economic structures and challenges, nonetheless, the BRIC category provides insights, because of its implications for international political economy-larger system-within which it was embedded'. 'From the realist perspective of international political economy, relative material capabilities of the Group is important and the BRICS countries are a compelling set of analysis'(Ibid). Constituting the largest segment of the developing countries, the BRICS economies have not only become the driving force behind global GDP growth (Jim O'Neill, 2001), but they have also emerged as significant players in global services trade (ITC, BRICS Trade in Services Report, 2017:1, 2022:1). Thus, by excelling at sophisticated services exports, increasing their share, material power, and presence in world services trade, developing countries can change the current distribution of economic power in the global economy. Therefore, understanding the dynamics and potential of services exports from this rapidly growing developing country grouping can provide important analytical insights for researchers and policymakers seeking to understand the importance of services exports in general and more sophisticated, high-value-added services exports in particular.

2.2. Increasing Importance of Service Trade as an Important Research Topic

The other issue of concern for the methodological foundation of the research is that the services trade is itself becoming an increasingly important research topic from theoretical, empirical, and practical (policy) perspectives. It is suggested that 'during the 20th century, the industrial sector was reducing its relevance and the third sector; the services becoming more and more relevant' (Nissan et al. 2011). Secondly, another point is that 'the services are playing an ongoing critical role in the transformation of international trade and investment patterns, both through enabling the development of value chains and through creating value chains in their own right (Jenks and Person, 2013).



Graph 1 Modern vs Traditional Services

Although services account for about 20 percent of world exports if considered in gross terms, the value-added measure reveals that the contribution of services is twice as high (The WTO, WTR 2013, p.82). The third point is that, in line with the increasing role of services in global trade, developing countries are also increasingly becoming

significant players in services commerce by expanding their share in world trade. It is suggested that ‘developing countries can sustain services-led growth, given their huge room for catching up and convergence based on their comparative advantage (Ghani E. Ejaz, 2010).

3. Developments in the Structure of the Global Services Trade

The global services trade has undergone significant developments, including its increasing importance (Francois & Hoekman, 2010), its resilience against the crisis, technological advancements, integration into global value chains, and the rise of specific modern, sophisticated service sectors and shifting the sector’s composition from low value added to high value-added services (Helble and Shepherd, 2017: 1-13). These developments have transformed the services trade landscape, offering new opportunities and challenges for developing countries and the BRICS in the global services trade (ITC, 2017:8-9).

3.1. Growing Importance of Services Value Added in the World Production

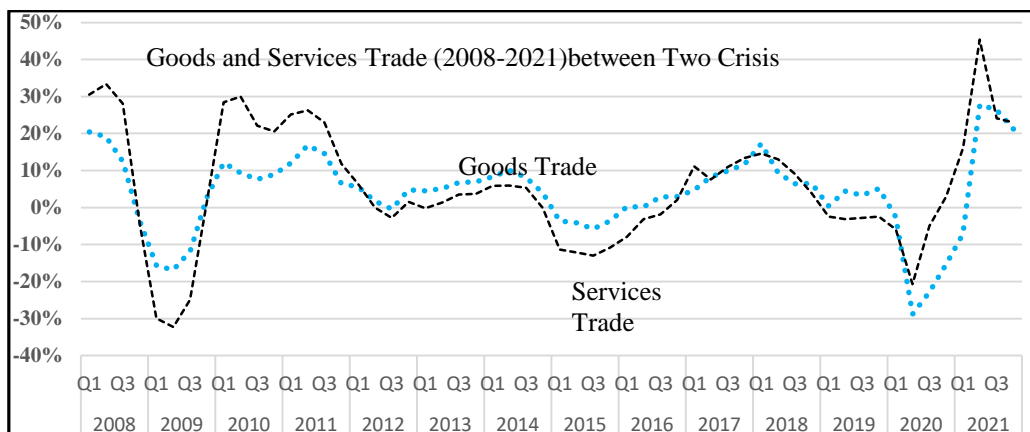
It is underlined that the countries that specialize in the production and export of more sophisticated goods or services tend to achieve higher economic growth performance and better development outcomes (Lall and Zhang, 2005, Hausmann and others, 2007) . In this angle, the ability to supply and export sophisticated products is viewed as an indicator of a country’s existing economic competitiveness. More importantly, for some developing countries, services have recently become more important than the industry in driving GDP growth performance(Mishra and Gable, 2011, Gable and Mishra, 2011).

Table 1 Services Value Added to the Global GDP

The sectoral composition of World GDP	2000	2010	2020	2021	2000/21 %
Services Value added % GDP	63.6	62.8	65.7	64.4	1.2
Manufacturing Value Added % GDP	18.2	15.9	15.9	16.6	-8.6
Agriculture Value added % GDP	3.4	3.9	4.4	4.3	27.2

During the last two decades, the services sector has increased its world GDP share from % 63.6 in 2000 to % 64.4 (1.2 % rise) whereas the manufacturing share has decreased from % 18.2 to % 16.6 indicating a radical decline (-8.6) in the industry value-added contribution to the world GDP.

3.2. The Resilience of Services World Services Trade vis-à-vis Economic Crisis



Graph 2 Goods and Services Trade (2008-2021) Between Two Crisis
(WTO Statistics)

Although the global services exports were negatively affected by the COVID crisis and showed a weaker performance compared to the goods, the Sector has been able to rapidly bounce back in the aftermath of the downturn and catch up with the goods sector.

3.3. The Sound Performance of The BRICS Exports

3.3.1. The BRICS and Türkiye's Goods Exports

Although the BRICS and Türkiye have made important progress concerning goods exports over the years, the EU, the USA, and the OECD countries still maintain substantial shares in total global goods exports between 2003 and 2022.

Table Goods Exports Comparison of the BRICS with Other Regions

Goods Exports	2003 Exports	% of the WTO Members(2003)	2022 Exports	% of the WTO Members(2022)
The WTO	7267962960	100	23550779122	100
BRICS	735652250.0	10.1	4912982846.0	20.9
<i>China</i>	438227767.0	6.0	3593601450.0	15.3
<i>Russian Federation</i>	133655685.0	1.8	501281055.0	2.1
<i>India</i>	59360659.0	0.8	360022446.0	1.5
<i>Brazil</i>	72772250.0	1.0	334463079.0	1.4
<i>South Africa</i>	31635889.0	0.4	123614816.0	0.5
Türkiye	47252564.0	0.7	254171899.0	1.1
The EU	2770852159.0	38.1	6953444297.0	29.5
The USA	724736583.0	10.0	2062937261.0	8.8
OECD	5239061163.0	72.1	13466918220.0	57.2

The BRICS members and Türkiye have demonstrated a better performance vis-à-vis the EU, and the USA between 2003 and 2022. The BRICS countries' share of total exports has grown from 10.1% in 2003 to 20.9% in 2022 within the WTO, whereas China emerged as a world-leading exporter. Türkiye has also achieved a positive goods export performance, uplifting its share from 0.7% in 2003 to 1.1% in 2022 in global markets. On the other hand, Although the EU's share has decreased from 38.1% in 2003 to 29.5% in 2022, the Union remains a major exporter and a key player in global commerce. Its exports demonstrated a slight decline from 10.0% in 2003 to 8.8% in 2022. Nonetheless, the USA remains one of the leading exporters globally (WTO/ITC Statistics).

In sum, the BRICS countries, along with Turkey, have witnessed significant growth in goods exports compared to OECD economies. Meanwhile, the European Union and the United States continue to hold significant market share and maintain a robust presence in international trade.

3.3.2. Services Exports Performance of the BRICS and Türkiye

In line with their superior performance of economic growth, (Chen and Zhang, 2010, Bell 2011, Atale 2012, Goel and Korhonen 2012, ITC, 2017, 2021) BRIC economies have also demonstrated a relatively stronger services export growth performance vis-à-vis advanced economies and many other developing countries. In fact, in terms of annual average services export growth, BRICS countries achieved dramatically higher performance since the start of the WTO Doha negotiations in 2001. Specifically, the BRIC economies have demonstrated on average 141.4 % services export growth between 2007 and 2021 largely outperforming the annual world service export growth figure of the OECD (% 56.4) over the same period.

Table 3 Regions in the World Services Exports

REGIONS	2007	2015	2019	2021	2021 Dünya %	2007/2021 artış
BRICS	303095000	475856000	610917000	731709000	12.1	141.4
EU	1435295000	1758221000	2331231000	2397939000	39.7	67.1
OECD	2739875000	3538103000	4384126000	4284479000	71.0	56.4
USMCA	585561000	877256000	1035643000	926375000	15.4	58.2
APEC	1277962000	1947601000	2381383000	2185650000	36.2	71.0
LAIA	86110000	128258000	142867000	104217000	1.7	21.0
D-8	105639000	154560000	188509000	138777000	2.3	31.4
BSECO	162981000	198829000	253614000	241712000	4.0	48.3
ACP Countries	67697000	95168000	111256000	70110000	1.2	3.6
Market Ec. Dev. Cs.	992843000	1623798000	2061337000	1932585000	32.0	94.7
Least Developed Countries (LDCs)	16942000	37469000	48590000	30954000	0.5	82.7
World Average	3629824000	5004682000	6279022000	6033030000	100	66.2

Although the growth rate of the EU's services exports, which has recorded a 67.1% increase from 2007 to 2021, is still lower than that of the BRICS. However, the EU has consistently held a larger share of global services exports compared to the BRICS and Türkiye. The USMCA region experienced a 58.2% growth in services exports from 2007 to 2021 indicating continuous expansion. While the BRICS and Turkish services exports growth generally outperformed LAIA, D-8, BSECO, and ACP countries, the Group's share of global services exports is still relatively smaller compared to the EU, OECD, and APEC(WTO/ITC Statistics).

3.3.3. Services Export Performance of the Individual BRICS Countries and Türkiye

Tabel 4: Services Exports of the BRICS and Türkiye (Calculated from the WTO statistics)

SERVICES	Years			Year to year % Increase		
	2002	2019	2021	2002- 2007	2008- 2019	2002- 2021
BRICS	87370000	610917000	731709000	246.9	65.5	737.5
China	39745000	283192000	392198000	240.5	73.4	886.8
India	19478000	214762000	240657000	344.4	102.5	1135.5
Russia	13611000	62786000	56587000	222.2	9.9	315.7
Brazil	9551000	34275000	33164000	138.1	18.7	247.2
South Africa.	4985000	15902000	9103000	193.4	15.1	82.6
Türkiye	14038000	62741000	58153000	113.7	69.1	314.3
OECD	1272338000	4384126000	4284479000	115.3	44.4	236.7

Overall, the BRICS countries, including Türkiye have experienced substantial growth in services exports from 2002 to 2021, with varying individual growth rates. Large BRICS members, such as China and India achieved the highest

overall percentage growth within the cluster. Among the BRICS, China experienced a substantial increase (886.8% from 2002 to 2021.) The other continental-size economy, India also witnessed an impressive overall increase of 1135.5% over the same period (WTO/ITC Statistics).

3.3.4. Services Imports of the BRICS and Türkiye

Tabel 5: Services Imports of the BRICS and Türkiye (Calculated from the WTO statistics)

SERVICES	Years					Year to year % Increase		
	2002	2007	2008	2019	2021	2002-2007	2008-19	2002-2021
BRICS	111077000	333637000	387014000	865360000	777032000	200.4	123.6	599.5
China	46528000	130130000	158949000	500680000	441312000	179.7	215.0	848.5
India	21039000	91036000	87955000	179430000	195956000	332.7	104.0	831.4
Russia	23497000	60578000	77556000	99000000	75902000	157.8	27.6	223.0
Brazil	14509000	35840000	45746000	69765000	50275000	147.0	52.5	246.5
South Africa.	5504000	16053000	16808000	16485000	13587000	191.7	-1.9	146.9
Türkiye	6159000	15914000	18204000	28657000	31602000	158.4	57.4	413.1
OECD	1202246000	2446463000	2717991000	3850837000	3669606000	103.5	41.7	205.2

From 2002 to 2021, services imports of the BRICS recorded an overall 599.5% increase since 2002. Compared to a 205.0 % increase in the same period. China and India were the leading importers for the underlined period recording an 848.5 % and 831.4 % increase subsequently in services imports. By recording a 413.1 % increase in service imports, Türkiye outperformed Russia, South Africa, and Brazil over the same period but lagged behind China, India, and the BRICS average.

3.3.5. World Modern Services Trade, BRICS and Türkiye

The share of modern services has increased significantly, rising from 41.6% in 2005 to 62.0% in 2021, demonstrating a clear shift towards high-value-added modern services. High value-added modern business services exports, including consulting, legal, accounting, and management services exports, have experienced substantial rises, totaling around 26.3% of the total services market in 2021, depicting their rising importance in global services trade. Modern services, intellectual property rights, and financial services have also achieved a relatively stable share in global services exports, with minor increases over the years.

Table 6: Evolution of Modern Services from 2005 to 2021

World Services Items %	2005 % of Total	2021 % of Total
Modern Business Services	20.3	26.3
Transport Services	22.5	19.3
Telecom, Computer & Information Services	4.8	14.8
Financial Services	8.8	10.5
Tourism Services	27.1	10.0
Intellectual Property Rights	5.1	7.5
Insurance and Pensions	2.5	3.0
Construction Services	2.2	1.7

Personal cultural services	1.3	1.6
Others	0.1	0.6
Total	100	100.0
Modern Services total	41.6	62.0
Traditional services total	58.4	38.0

(WTO/ITC Statistics, Trademap)

The other high-value-added modern services, telecommunication, computer, and information services have witnessed notable growth, rising from 4.8% in 2005 to 14.8% in 2021 reflecting the increasing reliance on technology and the digitalization processes. The share of transport, a traditional and relatively low value-added service declined from 22.5 % in 2005 to 19.3% in 2021. Among the low-value-added, traditional services, the share of tourism services has declined from 27.1% in 2005 to 10.0% in 2021, reflecting the impact of the COVID-19 pandemic on the travel and tourism industries.

In sum, the share of world traditional services exports in total global services trade has seen a considerable decline, changing from 58.4% in 2005 to 38.0% in 2021. This dynamics suggests a gradual shift from traditional to modern services in global commerce indicating the increasing significance of modern services in the global services economy and trade. The BRICS economies differ in comparison with import performance among the individual Group members, underlining the dynamic nature of their service sectors. the BRICS countries, in general, have witnessed expansion in modern services exports, with changing performance across the countries. The Group's traditional services exports have generally followed a gradual decline. Meanwhile, services imports have shown different results, with some members achieving expansion while others have faced declines .

Table 7 Modern and Traditional Services Exports of the BRICS

	Services Exports				Services Imports			
	2007	2019	2021	2007-21 %	2007	2019	2021	2007-21%
Brazil	2007	2019	2021	2007-21 %	2007	2019	2021	2007-21%
Modern	57.1	62.6	65.6	14.9	45.2	49.2	56.8	-53.3
<i>Traditional</i>	42.9	37.4	34.4	-19.8	54.8	50.8	43.2	-110.2
Russia	2005	2019	2021	2007-21 %	2007	2019	2021	2007-21%
Modern	27.26	33.94	43.12	58.15	29.84	37.76	49.29	65.18
<i>Traditional</i>	72.74	66.06	56.88	-21.80	70.16	62.24	50.71	-27.72
China	2005	2019	2021	2007-21 %	2007	2019	2021	2007-21%
Modern	26.62	56.50	53.21	99.91	37.62	24.99	36.88	-1.97
<i>Traditional</i>	73.38	43.50	46.79	-36.24	62.37	74.21	62.08	-0.46
India	2006		2021	2006-21 %	2006		2021	2006-21%
Modern	73.7		80.8	9.6	85.1		80.0	-6.0
<i>Traditional</i>	26.3		19.2	-26.9	14.9		20.0	34.2
South Africa	2005	2019	2021	2005/21 %	2005	2019	2021	2005/21%
Modern	15.8	28.1	56.5	100.7	25.8	39.9	51.7	29.6
<i>Traditional</i>	84.2	71.9	43.5	-39.4	74.2	60.1	48.3	-19.7

(WTO statistics)

In general, Türkiye has achieved a surge both in modern and traditional services exports. Having achieved a significant rise in modern services exports, Türkiye has exhibited a critical shift towards higher value-added services. Similarly, Türkiye has also demonstrated high-value-added services imports, depicting an increasing sectoral demand.

Table 8: Türkiye's Modern and Traditional Services Exports

Services exports of Türkiye	2005 exports	2021 exports	2005-2021 %
Transport	5076000	24949000	391.51
Travel	19191000	20827000	8.52
Other business services	194000	3069000	1481.96
Insurance and pension services	323000	2758000	753.87
Telecommunications, computer& info. services	412000	2576000	525.24
Financial services	345000	588000	70.43
Construction	882000	561000	-36.39
Personal, cultural, and recreational services	1079000	548000	-49.21
Manufacturing services on physical inputs	88000	261000	196.59
Charges for the use of intellectual property	102000	228000	123.53
Total	27692000	56365000	103.54
Traditional Services exports	26316000.000	47146000.000	79.15
Modern Services exports	1376000.000	9219000.000	569.99
% Traditional Services exports	95.03	83.64	-11.98
% Modern services exports	4.97	16.36	229.16

(Manufacturing 2011, IPR 2013)

(WTO Statistics)

The statistical developments reveal that Türkiye has been able to enhance the role of its service sector exports over the years and its emphasis shifted towards higher value-added activities in international commerce. The Country has been able to reduce the share of traditional services exports from 95.03% in 2005 to 83.64% in 2021, indicating an 11.98% total decline. On the other hand, the share of modern services exports rose from 4.97% in 2005 to 16.36% in 2021, underlining a significant change of 229.16%.

Table 9 Türkiye's Modern and Traditional Services Imports

Türkiye Services Imports	2005	2021	2005-2021 %
Transport	5146000	12174000	136.6
Other business services	538000	5658000	951.7
Insurance and pension services	891000	3183000	257.2
Telecommunications, computers & information	154000	2894000	1779.2
Charges for the use of intellectual property n.i.e.	439000	2648000	503.2
Travel	3104000	1650000	-46.8
Financial services	386000	1254000	224.9
Government goods and services n.i.e.	1194000	1026000	-14.1
Personal, cultural, and recreational services	90000	303000	236.7

Construction	8000	35000	337.5
Total Services exports	11950000	30825000	157.9
Low value-added services exports total	8348000	14162000	69.6
High value-added services exports total	2408000	15637000	549.4
Low value-added % services exports total	69.86	45.94	-34.2
High value-added % services exports total	20.15	50.73	151.7

The low-value-added services imports also recorded 69.6% growth whereas the Country's high-value-added services exports experienced a more outstanding (549.4%) surge. The share of low-value-added services imports also radically decreased from 69.86% in 2005 to 45.94% in 2021, underlining a 34.2% decline.

3.4. The Service Export Sophistication Calculation Methodology and Data

3.4.1. Calculation of the PRODY and EXPY

The Services export sophistication methodology refers to the use of two indicators, PRODY and EXPY to measure the export sophistication of services. Hausmann, Hwang ve Rodrik (2007) developed these two parameters to assess the level of sophistication in the goods sector based on the initial Works of Lall and Xhang (2005). Afterward, these parameters are now used to assess the sophistication of a trade policy unit's services exports. PRODY j is the income value associated with the service j and is constructed by using the service export (x) share of a country in the world's export of service j , divided by the sum of shares of j in world exports of j across all countries exporting that service. These calculated ratios are multiplied by each exporting country's per capita income figures (Y) and the outcome is summed up for all countries. In other words, the PRODY represents the weighted average of per capita GDPs, where the weights indicate the revealed comparative advantage in service j for each country. PRODYs figures are calculated for each service subsector, for each year, and are set up to give the same outcome for all countries

$$PRODY_j = \sum_i \frac{X_{ij}/X_i}{\sum X_{ij}/X_i} Y_i$$

Export Sophistication Index-EXPY measures the diversity and technological intensity of a country's exported services. It is calculated as the average income per capita earned from a country's exported services and compared to the world average. A higher Expy value indicates that a country's exported services are more productive, and technologically superior compared to the global average. The PRODY index is calculated as the weighted average of the per capita GDPs of countries exporting a given product or service and thus represents the income level associated with that product.

$$EXPY_i = \sum_i \frac{X_{ij}}{X_i} PRODY$$

Both Prody and Expy provide insights to analyze the relative competitiveness via the indicator of sophistication of service exports. In this research, WTO services exports statistics and World Bank World Development Indicators(WDI, GDP per capita) are used to calculate the global services prody and expy of the countries.

3.4.2. Statistical Findings on Export Sophistication in the BRICS Countries

3.4.2.1. Findings of the PRODY

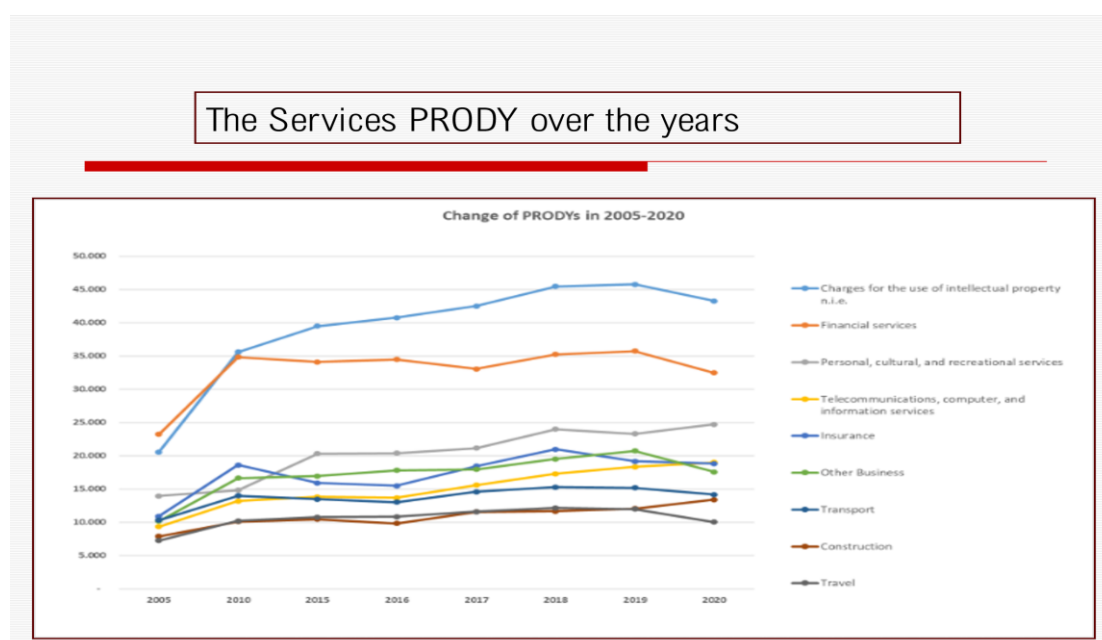
PRODY-sectoral productivity of various service sectors from 2005 to 2020 was calculated to examine the BRICS services export developments and general orientation.

Table 10 Services Sector Global PRODY Figures (Calculated from the WTO statistics)

PROD Y	Transport Services	Travel Services	Construction Services	Personal Services	Financial Services	Insurance Services	IPR Services	Telecom+ Computer	Business Services
2005	10,304.5	7,273.0	7,881.2	13,962.9	23,436.9	12,287.7	20,554.3	9,335.0	10,186.5

2010	13,996.3	10,196.1	10,104.1	14,813.8	33,810.4	19,941.8	35,593.6	13,206.2	16,645.2
2015	13,466.6	10,776.5	10,469.5	20,300.0	34,095.1	15,897.9	39,467.2	13,826.1	16,942.2
2016	13,034.7	10,833.5	9,818.8	20,388.7	34,463.2	15,487.3	40,772.8	13,697.6	17,797.4
2017	14,572.8	11,600.2	11,565.1	21,136.9	33,059.6	18,450.4	42,502.9	15,583.4	17,960.7
2018	15,266.8	12,163.8	11,670.4	23,980.6	35,232.5	20,974.6	45,430.3	17,283.0	19,507.0
2019	15,160.9	11,965.9	12,063.8	23,309.9	35,739.5	19,154.8	45,764.1	18,345.5	20,725.4
2020	14,176.8	10,053.1	13,419.9	24,725.3	32,463.3	18,806.7	43,256.2	18,990.5	17,579.1

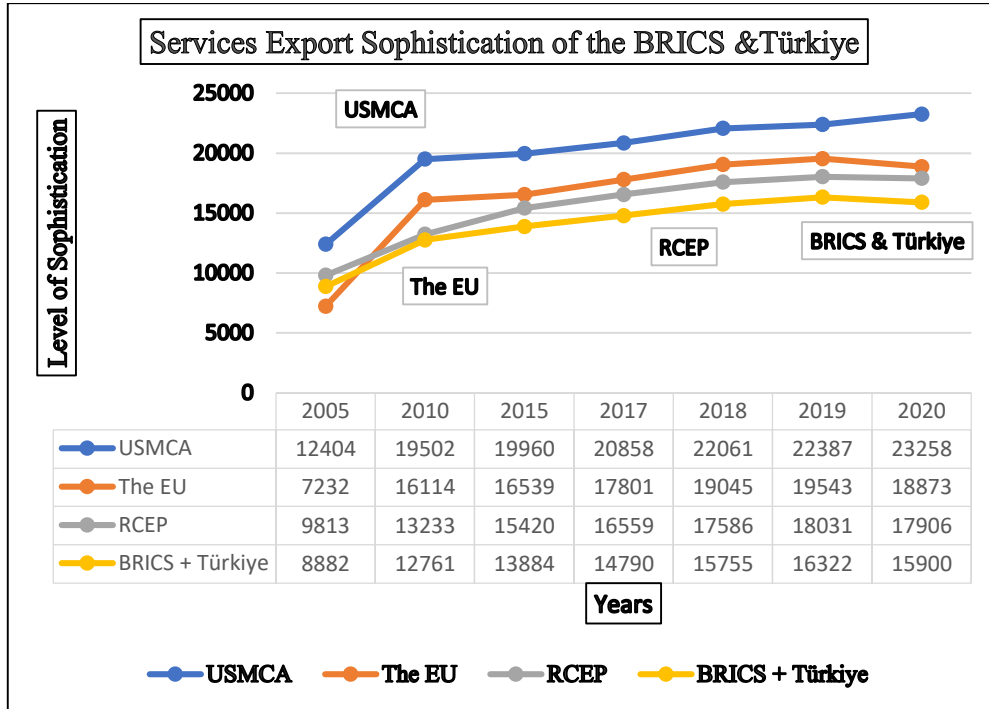
In general, the PRODY value of world service sectors remained stable or increased over time between 2005 and 2020. Sectors such as financial services, intellectual property rights (IPR) services, and personal services emerged at higher levels of sophistication. In contrast, transport and travel services produced a modest level of sophistication.



Graph 2 Services PRODY Figures Over the Years
(Calculated with the WTO and IBRD statistics)

Overall, the statistics suggest differing trends in the PRODY values for different service categories. Some services sectors experienced steady productivity growth, such as construction, financial, and IPR services. Others, like travel services, showed stability with minor fluctuations. It is important to underline that the Covid pandemic to a certain extent may have influenced these values.

3.4.2.2. Findings of the EXPY



Graph 3: Services Exports Sophistication Figures
(Calculated with the WTO and IBRD statistics)

Concerning services export sophistication among the regions, while there is an overall upward trend, the services export sophistication values of the BRICS remained lower compared to the USMCA and EU regions. Within the Group, Brazil, China, India, Russia, and South Africa, have achieved different outcomes concerning the levels of sophistication in services exports. With large members, China and India demonstrated significant growth and a relatively high level of service sophistication, while Brazil, Russia, and South Africa remained behind China and India. Türkiye exhibited a moderate level of service export sophistication, with a gradual increase over the years except for a slight decrease in 2020.

Although there has been a generally upward orientation in services export sophistication over the years, the overall level of export sophistication of all BRICS countries remained low compared to the USMCA and EU region. The USMCA region performed a continuous increase in service export sophistication from 2005 to 2020. The North American region has achieved a relatively high level of sophistication compared to other regions. Another developed economy grouping, the EU has also reached a persistent increase from 2005 to 2019 with a slight decline in 2020.

4. Conclusions

The BRIC countries and Türkiye have made significant strides in enhancing their services export sophistication, positioning themselves as critical players in the world services trade. However, the share of the global services exports of these rising emerging countries is still modest compared to more advanced regions such as the EU, OECD, USMCA, and RCEP. Still, these rich economies maintain a stronger presence in global services exports. Regions like the USMCA and EU have reached higher levels of service export sophistication than the BRICS countries, Türkiye, and RCEP. Within the BRICS grouping, China and India demonstrate higher levels of sophistication compared to Brazil, Russia, and South Africa. Türkiye, on the other hand, possesses a limited level of service export sophistication and lags behind the EU and North American regions. However, there is still room for further progress to catch up with the same level of sophistication as the EU and USMCA regions.

In summary, despite the BRICS countries and Türkiye have made significant progress in enhancing the level of sophistication of their services exports, it is still early to argue whether the Group significantly changed the reconfiguration of the global services economy, given the fact that the OECD economies still maintain both higher share in a deeper level of sophistication in world services exports. Further research is needed to have a deeper understanding of the BRICS and other developing countries' services export dynamics to uncover the factors driving the varying levels of services export sophistication among different regions.

References

- Armijo, Leslie Elliott, (2007) "The BRICS Countries as Analytical Category: Insight or Mirage?" Asian Perspective, 31:4, December 2007, pp. 1-42
- Atale, Nikhil, A Decade of BRICS: Prospects and Challenges for Next Decade (July 30, 2012). Indian Journal of Management
- Bell, Holly A. (2011), Status of the BRICS: An Analysis of Growth Factors, International Research Journal of Finance and Economics, Issue 69, ISSN 1450-2887
- Bracuhy, Braz (2012), The Geopolitics of Multilateralism: The WTO Doha Round Deadlocks, The BRICS, and the Challenges of Institutionalized Power Transitions, Working Paper No.4, Center for Rising Powers,
- Brütsch, Christian and Mihaela Papa (2012) Deconstructing the BRICS: Bargaining coalition, imagined community or geopolitical fad? CRP Working Paper Series, Working Paper No. 5, <http://www.polis.cam.ac.uk/CRP/research/workingpapers/>,
- Chen, Jiagui and Xiaojing Zang,(2010) Shared Economic growth, BRICS Have Different Development Modes, China Economist, Vol. 5. No.1, available at SSRN: <http://ssrn.com/abstract=1538749>
- Clark, E. Victor (2013), The Political Economy of New World Order: BRICS The Emerging Economies, IJSST, International Journal of Social Science for tomorrow, Vol. 2, No.2
- Cohen, Benjamin,(2012) Robert Gilpin, and the Early Development of International Political Economy, Ed.
- Daniels, P. W. (2013) Reconfiguring the global service economy? The case of the BRICS, in Cuadrado-Roura, J. R. (ed.) Service Industries and Regions. Berlin: Springer-Verlag, 135-155. DOI10.1007/978-3-642-35801-2
- Darel, E. Paul (2006), Teaching Political Economy in Political Science: A Review of International and Comparative Political Economy, review Essay, December 2006, vol.4, No.4729-734
- Francois, J., & Hoekman, B. (2010). Services Trade and Policy. Journal of Economic Literature, 48(3), 642–692. <http://www.jstor.org/stable/20778764>
- Gable, Susanna Lundstrom & Mishra, Saurabh, 2011. "Service Export sophistication and Europe's new growth model," Policy Research Working Paper Series 5793, The World Bank.
- Ghani, E and H. Kharas 2010, The Service Revolution in South Asia, Oxford University Press.
- Ghani, Ejaz (2010) The Services Revolution, Project Syndicate, <https://www.project-syndicate.org/commentary/the-service-revolution>
- Ghani, Ejaz, Arti Grover and Homi Kharas(2012), 'Services with a Smile', Economic Premise, The World Bank, November 2012 No.96
- Gilpin, R. (1987) The Political Economy of International Relations. Princeton University Press, Princeton.
- Goel, R.K., and I. Korhonen(2012), Economic Growth in BRIC Countries and Comparison with Rest of the World, International Economic-Economia Internazionale, The Journal of the Institute for International Economics, Volume LXVI No.3
- ITC, (2017, 2022), BRICS Trade in Services Report, <https://intracen.org/resources/publications/brics-trade-in-services-report-2022>
- James, Harold, (2008) The Rise of the BRICS and The New Logic of International Politics, The International Economy, 41, Summer 2008
- Jenks, Andrew and Sofia Persson,(2013), Global Value Chains and Services: An Introduction Kommerskollegium 2013:1, National Board of Trade, Sweden, <http://www.kommers.se/Documents/dokumentarkiv/publikationer/2013/rapporter/report-global-value-chains-and-services-an-introduction.pdf>

- Lall, S., Weiss, J., Zhang, J. (2005). The ‘sophistication’ of exports: A new measure of product characteristics. Queen Elisabeth House Working Paper Series 123, Oxford University.
- Lin, Yueqin, (2010), ‘The Rise of Emerging Powers and the BRICs’ Chase to Catch Up’, *China Economist*, Vol. 5, No. 2, 2010. Available at SSRN: <http://ssrn.com/abstract=>
- Malawer, Stuart S.(1988) ‘The Political Economy of International Relations, by Robert Gilpin, 12 Md. J. Int’l L. 307. Available at: <http://digitalcommons.law.umaryland.edu/mjil/vol12/iss2/6>
- Matthias Helble and Ben Shepherd eds., (2019) *Leveraging Services for Development: Prospects and Policies* © 2019 Asian Development Bank Institute
- Mishra, Saurabh and Lundstrom Gable, Susanna and Anand, Rahul, *Service Export Sophistication and Economic Growth* (March 1, 2011). World Bank Policy Research Working Paper No. 5606, Available at SSRN: <https://ssrn.com/abstract=1793019>
- Nath, H. K., & Liu, L. (2017). Information and communications technology (ICT) and services trade. *Information Economics and Policy*, 41, 81-87.
- Nissan, Edward, Miguel-Angel Galindo & Maria Teresa Mendez, *The Future of Services in a Globalized Economy* , *The Services Industries Journal*, Vol. 31, No.1, 59-78
- O’Neill, J. (2001). *Building Better Global Economic BRICs*. Goldman Sachs Global Economic Paper No. 66.
- Quah, Danny (2011), "The global economy's shifting center of gravity", *Global Policy*, vol.2 Issue 1, January
- Rashmi Banga,(2013) *Measuring Value in Global Value chains*, Background Paper N0. RVC-8, UNCTAD, http://unctad.org/en/PublicationsLibrary/ecidc2013misc1_bp8.pdf
- Ravenhill, John(2011), *The Global Political Economy*, third edition, Oxford University Press, Oxford
- Renard, Thomas(2009), *A BRIC in the World: Emerging Powers, Europe, and the Coming Order*, Royal Institute for International Relations, Egmont Paper 31
- Ricardo Hausmann, Jason Hwang and Dani Rodrik(2007) *What You Export Matters*, *Journal of Economic Growth*, Vol. 12, No. 1 (Mar., 2007), pp. 1-25 (25 pages)
- Śledzik, Karol, *BRICS, MIST (MIKT) or G5 - Which ‘Club’ of Economies Has the Biggest Growth Potential?* (December 20, 2012). Available at SSRN: <http://ssrn.com/abstract=2192004> or <http://dx.doi.org/10.2139/ssrn.2192004>
- The WTO(2013), *World Trade Report*
- Van der Marel, E. and S. Miroudot (2012). “The Economics and Political Economy of Going beyond the GATS,” London School of Economics, mimeo.
- Wilson, D. Kamaksha Tirevidi, Stacy Carlson, and Jose Ursua, (2011), *The BRICs Ten Years On Halfway Through the Great Transformation*, *Global Economics Paper No: 208*
- Wohlforth, William C. (2011) *Gilpinian Realism and International Relations*, *International Relations*, 25(4), 499-511