

UNCTAD Multi-year Expert Meeting on  
**TRADE, SERVICES AND DEVELOPMENT**

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**Statement**

by

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UNCTAD TRADE, SERVICES AND DEVELOPMENT EXPERT MEETING

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Thank you Chair and the UNCTAD Secretariat for inviting me to speak here this morning and to join such a distinguished panel.

It is a pleasure to discuss with you today the opportunities and challenges which lie before us to ensure that the services economy and the trade of services supports the achievement of the Sustainable Development Goals.

**THE SERVICES ECONOMY**

The Services Economy is crucially important for the United Kingdom. According to recent statistics, the UK has the highest services trade to GDP ratio of the G7 group of countries and the services sector accounted for 80 per cent of the UK's GDP.

As we've already heard this morning, we are increasingly seeing services being embedded in all areas of the global economy. My Swedish colleagues have coined the term "Servicification" of trade. While the linguistic purist in me may wonder if another term might have been used, the phenomenon that it describes is real.

Conventional trade data (including in the UK's Office of National Statistics' services exports data) underestimates the importance of services because it only captures the first two Modes of Supply (cross-border supply and consumption abroad) but does not include Modes 3 and 4.

We also face the issue of services being embedded in goods for example the design and engineering components of technology, the marketing of a product or even the after-sale maintenance which are rarely captured.

This is a fundamental problem if we are to work towards achieving the SDGs as good policymaking is dependent on being able to fully understand the challenges facing us. Without good data, the task in front of us becomes exponentially harder.

The OECD-WTO Trade in Value Added (TiVA) database as well as UNCTAD's databases on Trade in Services, Creative Services and Information and Communication Technology are all improving our understanding of the real world trade flows in these products and services.

Barriers to trade in services are often embedded in domestic regulation, rather than tariffs and customs at the border. Such regulation is often designed for other legitimate purposes. They may be deliberately or inadvertently trade-restrictive however.

Furthermore, responsibility for domestic regulation is invariably spread across different departments, creating a coordination challenge for governments everywhere.

Services also enable trade. Financial and legal services organise payments, loans and investments, and enforce commercial contracts. Telecommunication Services allow for services trade to take place over the internet or over a phonecall. Transport and logistical services allow goods to move around efficiently.

These are essential services for businesses of any size and in all commercial sectors in any country. I hope that discussions over the next few days will examine both these barriers and enablers to trade in services.

However, I urge you also to not forget, as services are embedded in goods, improving trade in services is also dependent on removing the barriers that face goods (both tariffs and non-tariff barriers).

The UK has also recognised the transformative role that the services economy can play in promoting sustainable development. In the International Economic Development Strategy published by the UK earlier this year, DFID plans to focus the UK's efforts on sectors which can propel growth including on infrastructure and financial services as well as supporting the adoption of new technologies and skills – all of these crucial for the development of the Services Economy.

This brings me to Digital Trade.

By reducing distance and transactional costs digital trade has the potential to empower entrepreneurs and businesses of all sizes, connecting them to the global economy. The challenge facing all of us is how to ensure countries at all stages of development can benefit.

The UK believes that the digital economy, digitally delivered services and e-commerce in particular, are important drivers to wider economic growth. This is especially true in the UK which UNCTAD's own statistics estimate to be the third biggest market in the world behind the US and China in some sectors.

It is critical that any digital discussions in the trade forum should keep the development and inclusiveness agenda firmly in mind.

The UK has been working, along with other delegations, to encourage the Geneva institutions to recognise the economic potential of the global digital market and to work to break down some of the silos and remove barriers to digital trade

If the international system doesn't catch up with advances being made in services and digital trade this will be harmful to economies both of developed and developing countries and stifle the real opportunities for greater prosperity and achieving the Sustainable Development Goals that the digital economy provides.

## **WTO COUNCIL FOR TRADE IN SERVICES**

If I may swap hats for the final portion of my intervention. I have recently commenced my Chairmanship of the WTO's Council for Trade in Services, in a personal capacity, and I wish to raise one matter which I feel is particularly relevant to our discussion here today.

In December 2015 at the Tenth WTO Ministerial Conference, Ministers agreed a Decision on the Implementation of the Preferential Treatment in Favour of Services and Service Suppliers of Least Developed Countries and Increasing LDC Participation in Services Trade.

Ministers also tasked the Council for Trade in Services to: continue discussing and promoting the operationalisation of the Waiver; facilitate an exchange of information on technical assistance measures undertaken to promote the increasing participation of LDCs in world services trade; and, further discuss any issues that may facilitate benefits provided under the notified preferences.

It is my intention to carry out these Ministerial instructions and hope that the discussions over the next few days will here help to inform this ongoing work just down the hill at the WTO.

Thank you.