TRADE IN SERVICES: UNLOCKING THE POLICY POTENTIAL OF RECENT ANALYTICAL DEVELOPMENTS

Presentation by

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Quick takeaways

• Several initiatives are moving the analytical frontier in the services trade field:

• The role of GATS services, by different modes of supply
  • The crucial importance of Mode 3 (FDI-driven services)
  • The growing importance of Mode 1 (digital services)

• Future technological trends and the servicing challenges: what policy response?
  • Going beyond GATS services: the linkages between services and manufacturing competitiveness (Mode 5 services)
Modes of Supply (MoS): cornerstone for services trade

- WTO’s General Agreement on Trade in Services (GATS) defines four modes of supply
- **MoS** indicate how and where services are supplied and define the applicable trade rules
- **MoS** are critical for
  - Ongoing and future negotiations
  - better monitoring and implementation of existing trade agreements
  - ex-post evaluations
- However, for almost 25 years of services trade policy making, we had **no information** on the services trade under each MoS!
Our cooperation with WTO: the first global dataset by Mode of Supply (TiSMoS)

• Why?
  • WTO has been the guardian of the GATS for 25 years and yet we had no trade relevant services trade statistics!
  • Building on our work with Euostat, DG TRADE offered a grant to WTO to develop similar MoS data

• What?
  • We have now a global database by MoS – TISMOS
    • 200 countries (partner “World”)
    • from 2005 to 2017
    • 13 services sectors
GATS is a bigger than GATT!

Source: Eurostat
Manufacturing exports support services jobs!

And even more so for women!
FDI and Mode 3 services are equally important in the services mix!

**Brazil Services Exports by MoS, 2017**
- Mode 1: Cross-border supply (4%)
- Mode 2: Consumption abroad (36%)
- Mode 3: Commercial presence (51%)
- Mode 4: Presence of natural persons (9%)

**EU Services Exports by MoS, 2017**
- Mode 1: Cross-border supply (4%)
- Mode 2: Consumption abroad (57%)
- Mode 3: Commercial presence (7%)
- Mode 4: Presence of natural persons (32%)

Source: WTO TiSMoS
The complex interplay between goods and services: What to expect from the future technological disruptions?

Some EU figures

- Internet of things
- 3D printing
- Big data

- Autonomous driving
- Artificial intelligence
- Robotics

- 300 bn euros
- 8 million mode 5 jobs
- 1 out of 4 jobs supported by trade

Source: DG TRADE-IPTS Trade and Jobs Pocketbook
Industry 4.0 and Mode 5 services: how long are your embedded software?

- Every company becomes a software company
- Your product is as good as your embedded software
- Up to 40% of the value of electric cars is services and software-related!

Source: Coverity, www.insideev.com
Some takeways from the new services datasets

• Services hold considerable development potential and will account for a growing share of global trade flows, thanks also to new technologies and internationalization of firms from emerging economies.

• The servicification of manufacturing is not just an OECD phenomenon.

• The sheer importance of some services modes of supplies require for adequate policies aimed at supporting these key drivers.

• Trade rules may need to evolve to keep the pace with GVCs, technology and innovation.

• The GATT-GATS interface affecting technology and new services will become more important.