

Statement by Mr. Peter Popovics

Promoting international cooperation to enhance trade in services for energy transition: Global Services Forum special session.

Climate change is creating an urgent need for both advanced and developing countries to collaborate in order to mitigate harmful environmental impacts. This is particularly important in light of the commitments made under the Paris Agreement. Here, the Sustainability Development Goals play a significant role in establishing a roadmap for collaboration around targets that are related to both private and public stakeholders. Addressing the climate crisis requires new forms of international cooperation that promote the well-being of people, while ensuring environmentally sustainable development.

The SDGs offer the potential to focus efforts on economic and social sustainable development. This aligns with the “Bridgetown Covenant: From inequality and vulnerability to prosperity for all”, which aims to enhance future economic growth opportunities. Here, services are seen as a crucial sector for developing economies to progress along their development path. This is especially important to avoid the “middle-income trap” faced by many developing countries, where competition from low-cost countries and difficulties in mastering high-end segments of global value-chains present challenges.

Examples exist of how new forms of international collaboration can facilitate change that benefits both advanced and developing countries. The relatively recent Strategic Partnership Agreement (SPA) between the EU and Japan can serve as a framework for collaboration that includes developing countries worldwide. This legally binding agreement emphasises the importance of collaborating with developing countries to foster economic growth, social impact, and a more sustainable and green development trajectory. While the agreement encompasses 40 different areas, certain key areas have emerged in recent years, including connectivity, digitalisation, climate change, energy, and security. All of these areas are intertwined in the transition towards a green economy.

Energy is particularly crucial for achieving a more sustainable economy and addressing climate change, as it affects both advanced and developing countries. The energy sector encompasses not only energy generation, but also the vital aspect of energy distribution through enhanced power grids. To capitalise on opportunities within global value chains and production networks, smart energy generation and smart grids are indispensable for industrial upgrading. Facilitating a transition to a green economy would prove to be difficult without the implementation of intelligent energy generation and grids. This is an area where the Strategic Partnership Agreement could serve as a new framework for advancing international collaboration.

Overall, connectivity and digitalisation will also play central roles in transforming society and industry towards sustainability. Enhanced connectivity builds upon existing trade agreements and can facilitate further trade and economic integration, particularly within the rapidly growing service industry, which is a key component of the development path for low- and middle-income countries. However, achieving connectivity requires international collaboration in digitalisation. Such collaboration can have at least two potential impacts on developing countries. Firstly, it can enable the development of smart grids and smart cities, which would not be possible without international collaboration and open markets through trade and foreign direct investment. This will also indirectly facilitate the institutional readiness of countries at

different levels of economic development. Secondly, it can create opportunities for developing countries to integrate into global value chains or global production networks, thereby enabling industrial upgrading and helping them escape the middle-income trap. To achieve positive outcomes, international collaboration needs to support service trade and development. Directed green finance is an example that can play a vital role in this regard, as it enables infrastructure development and digitalisation, thereby enhancing connectivity. By leveraging the strategic partnership agreement between the EU and Japan as a new framework for development, such forms of international collaboration can be made feasible.