



# INTERNATIONAL MEETING ON SERVICES VALUE-ADDED IN EXPORTS

Services and trade policies  
for diversification and upgrading

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

Presentation by

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ECONOMIA





# Trade in services: Unlocking the policy potential of recent analytical developments

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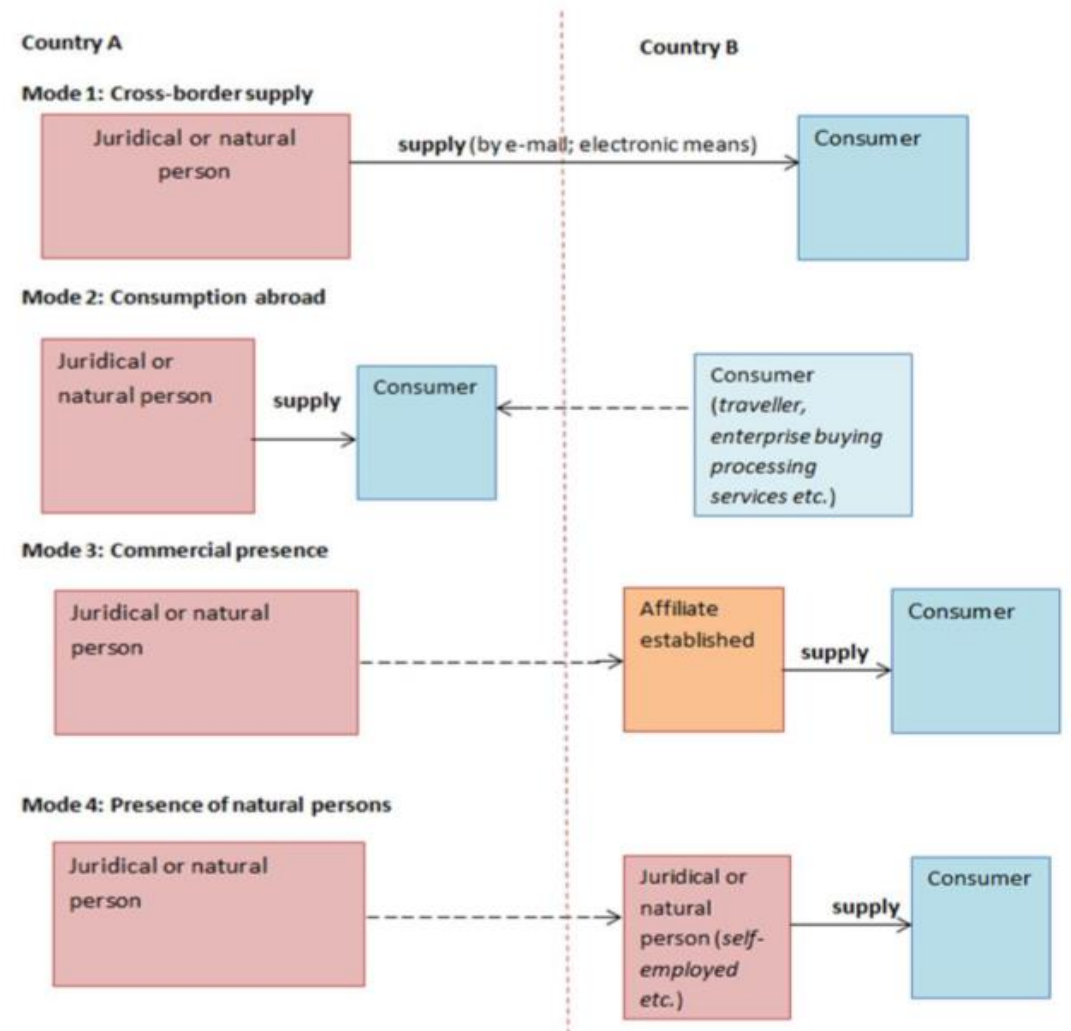
European Commission

# 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 **servicification 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)

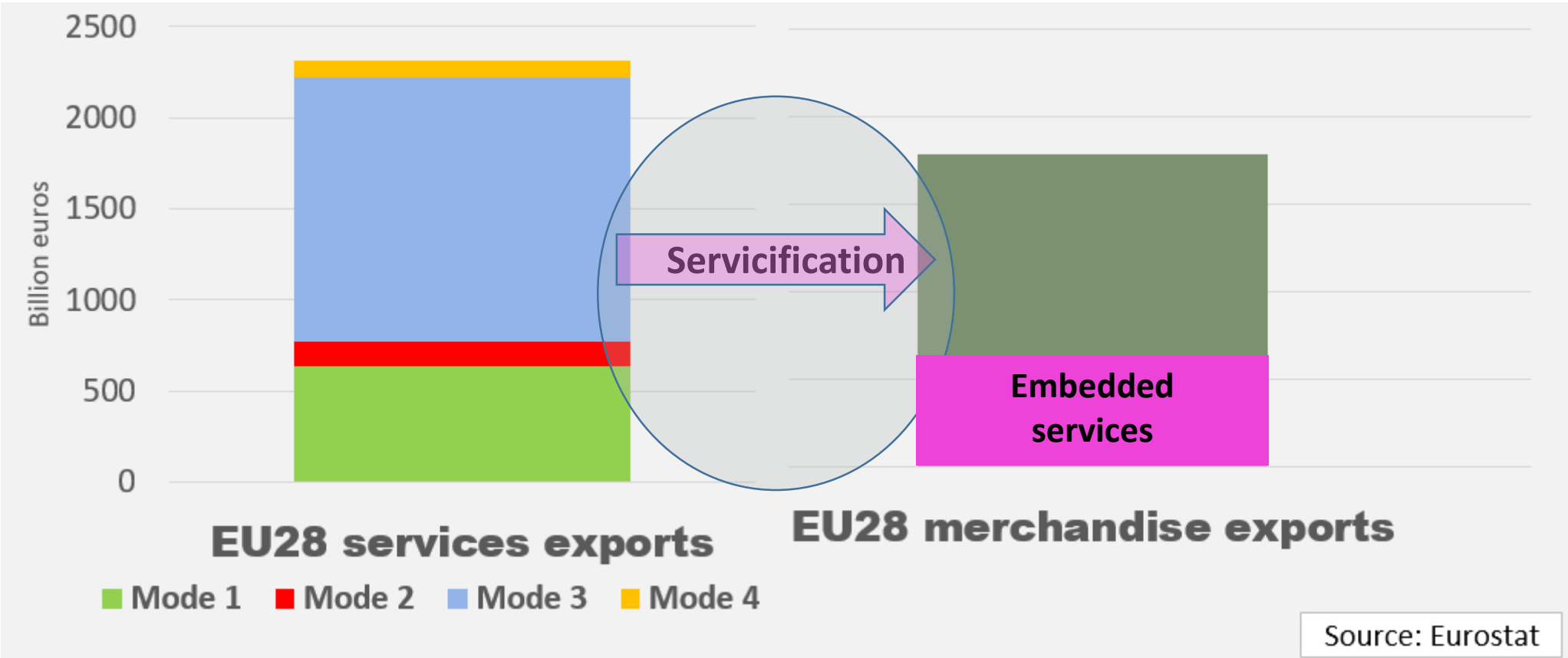
- Why?

- 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

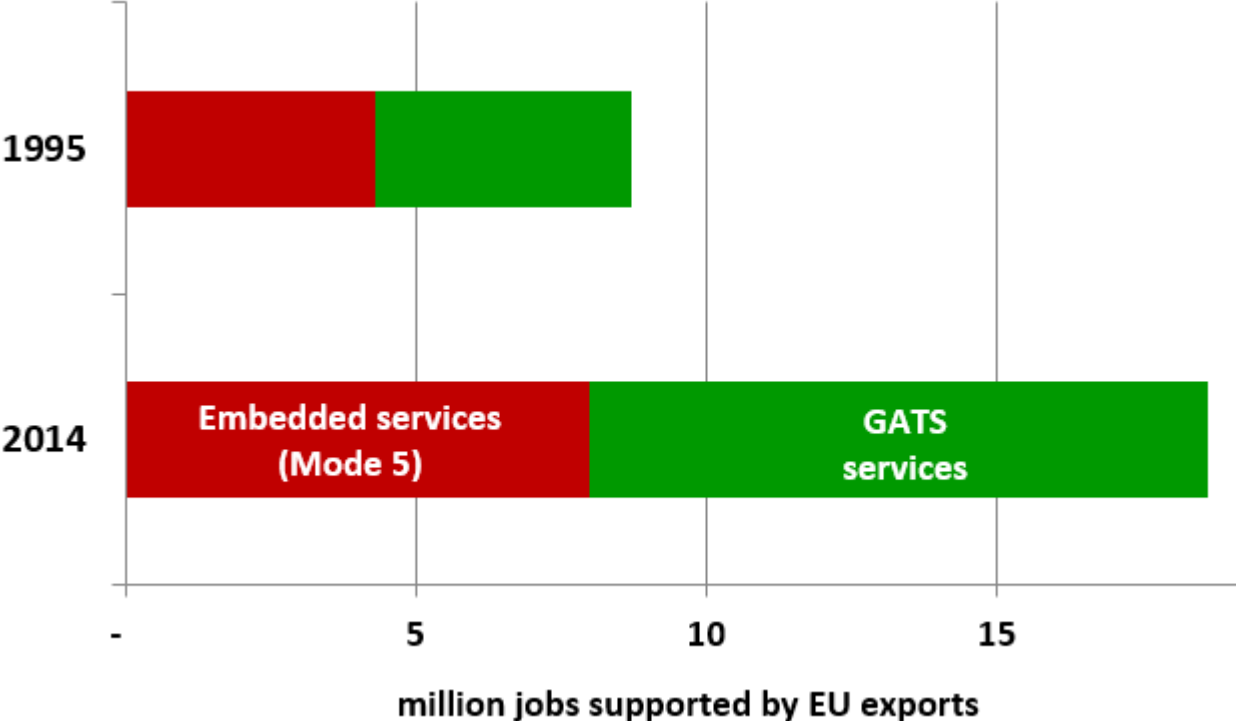
- What?

- We have now a global database by MoS – TISMOS
  - 200 countries (partner “World”)
  - from 2005 to 2017
  - 13 services sectors

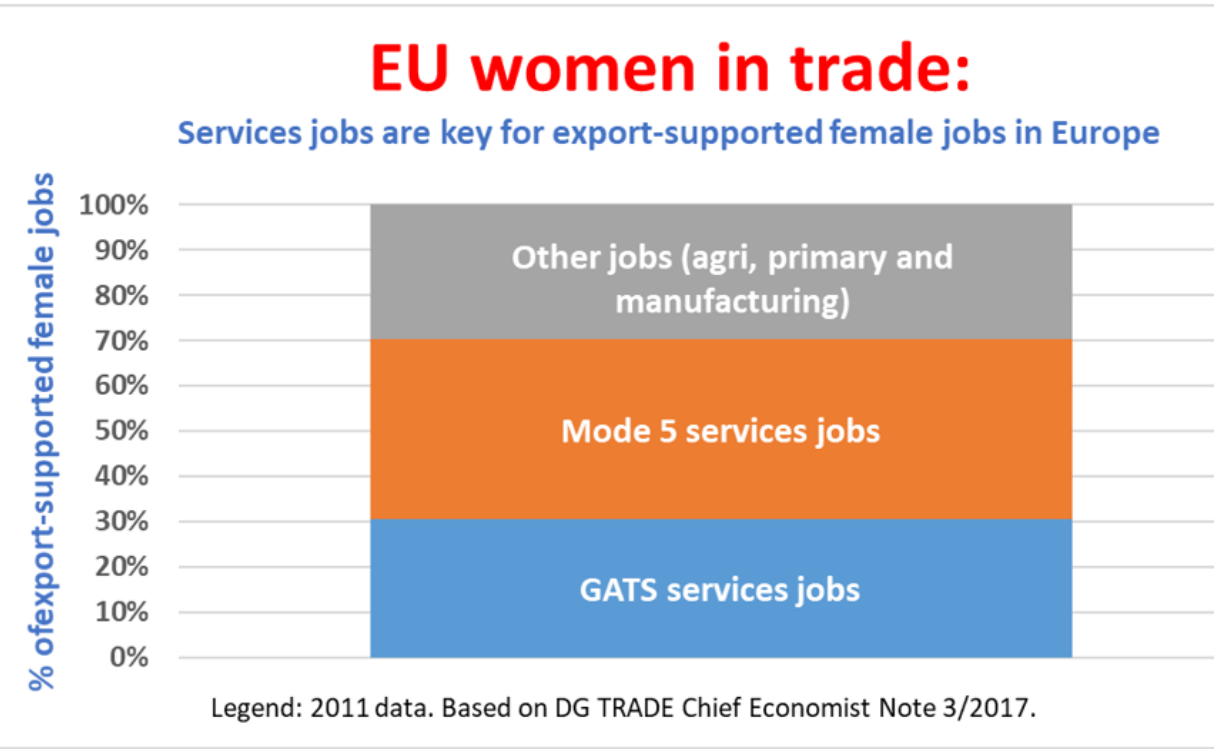
# GATS is a bigger than GATT!



# Manufacturing exports support services jobs!

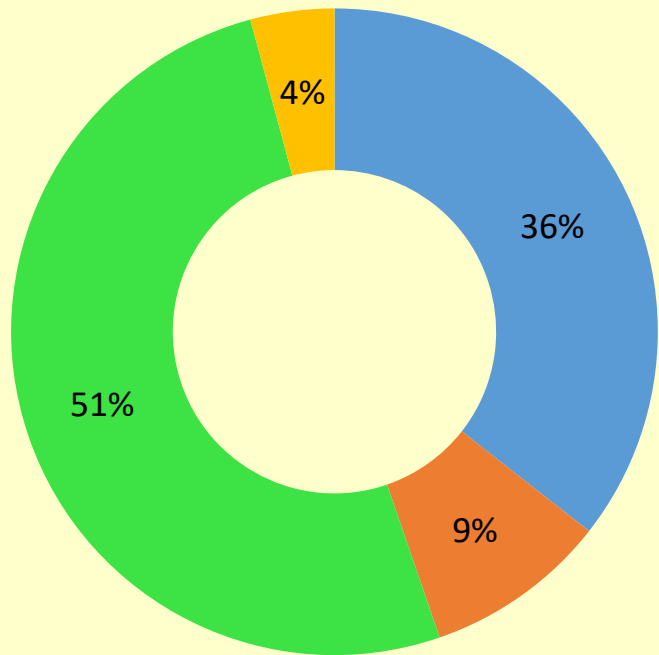


And even more so for women!



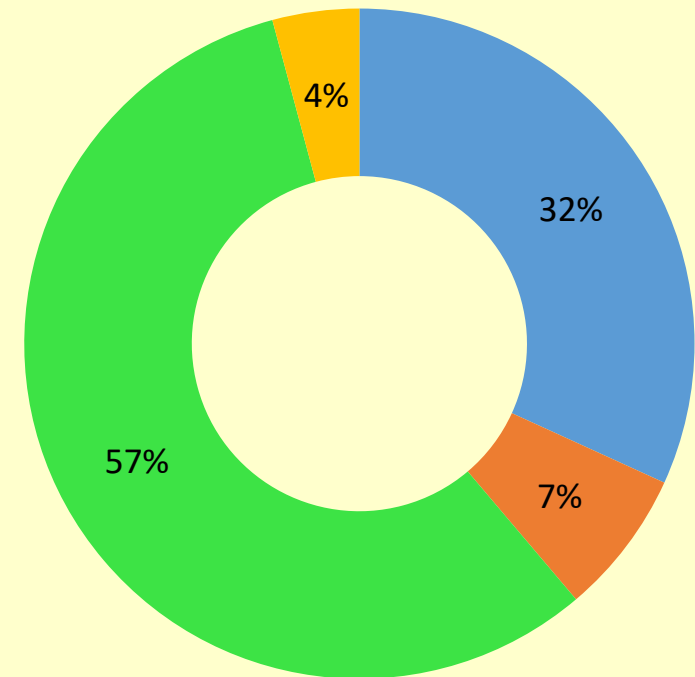
# FDI and Mode 3 services are equally important in the services mix!

**Brazil Services Exports by MoS, 2017**



- Mode 1: Cross-border supply
- Mode 2: Consumption abroad
- Mode 3: Commercial presence
- Mode 4: Presence of natural persons

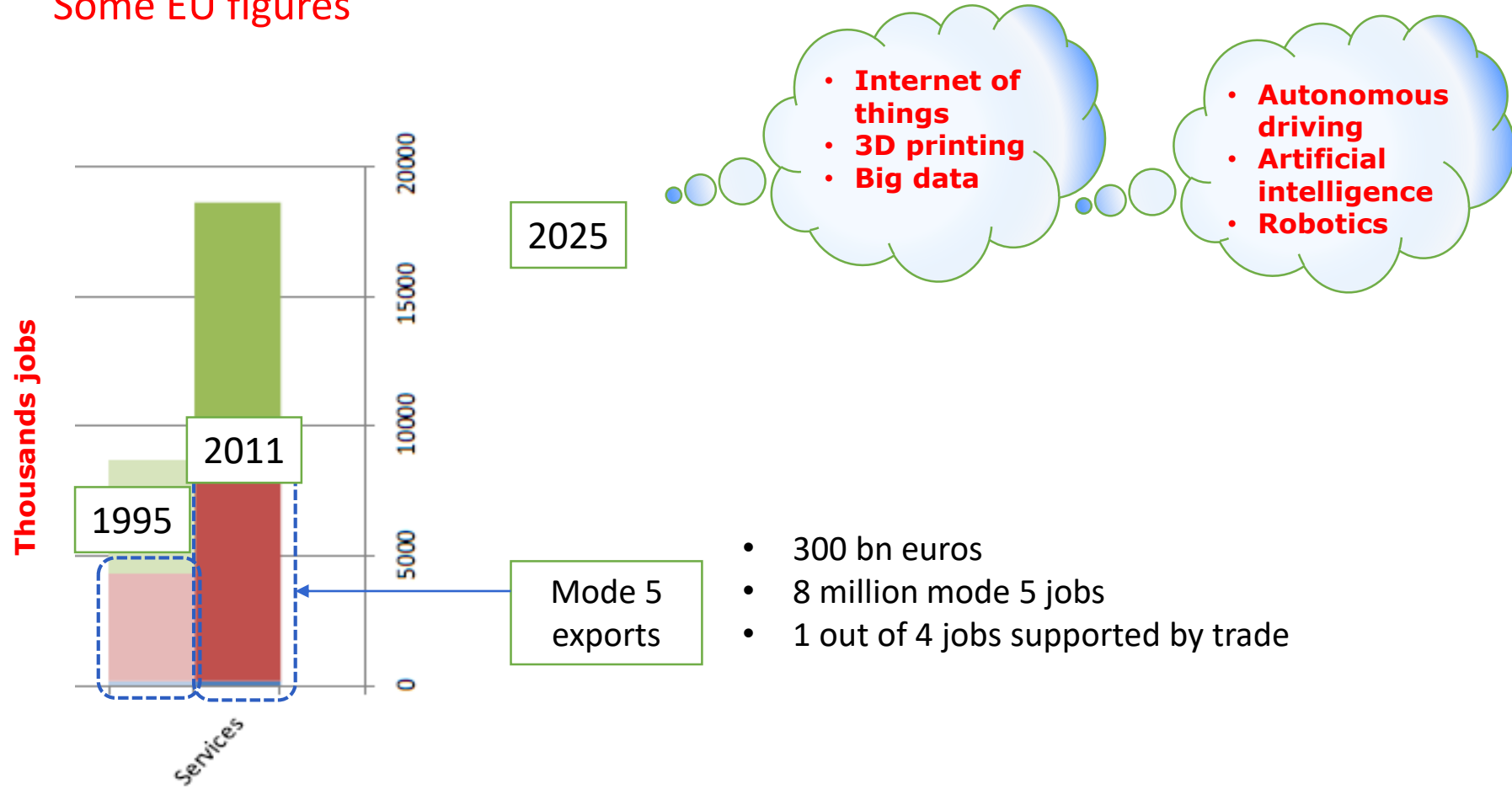
**EU Services Exports by MoS, 2017**





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

## Some EU figures



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!

# Some takeaways 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