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UNCTAD

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Trade, Services and Development

Leveraging services, including infrastructure services, to achieve the Sustainable Development Goals

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Segment 1. Services, resilience to economic shocks and economic recovery

country presentation from Hungary

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The importance of services in agro-food exports

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Services represent an important source of value-added in total trade

- **Statistics based on trade in value-added** capture the **importance of services as inputs to all sectors in the economy** and measures the sectoral value-added of services in exports.
- In value-added terms, **services play a much bigger role in international trade than gross statistics suggest**.

  →The **services value-added** that is contained in international goods and services exports **accounts for close to half of world exports**.
- Services **provide important inputs** to manufacturing, services and agro-food GVCs
- Services are **important tools in upgrading**: increasing the share in value added generated in GVCs

OECD-WTO Trade in Value Added (TiVA) database

- Splits traditional gross trade flows into **value added components** (domestic vs foreign Value Added content of exports)
- Highlight the **actual contribution of trade/services to an economy** (domestic Value Added content) → growth, employment, tax revenue
- It **estimates furthermore** the **trade** taking place **within global value chains** (both direct and indirect linkages).

Importance of services in agro-food exports

- **I will show the importance of services in agro-food exports**
- ISIC definition for "agro-industry": the production, processing and preservation of food products and beverages as well as tobacco products.
- My paper **first** evaluates the **services value added content of the gross exports of TOP20 agro-food exporters and secondly**, it analyses, **what kind of services the exports of the top 6 food exporter countries contain**.

Food industry: Services value added in gross export

TOP20 agro-food exporters	Domestic value added (%)	Foreign value added (%)	Total value added by services (%)
EU28: European Union (28 countries)	34,8	5,3	40,1
USA: United States	36,7	4,0	40,7
CHN: China	18,8	2,9	21,7
DEU: Germany	26,3	11,8	38,0
FRA: France	31,4	11,0	42,3
NLD: Netherlands	28,3	18,0	46,2
BRA: Brazil	30,6	5,1	35,7
IDN: Indonesia	14,3	2,9	17,2
IRL: Ireland	8,8	21,4	30,1
ESP: Spain	31,1	10,1	41,2
THA: Thailand	18,8	6,6	25,4
ITA: Italy	34,4	9,7	44,1
VNM: Viet Nam	12,0	15,3	27,3
BEL: Belgium	23,4	23,0	46,4
GBR: United Kingdom	28,1	9,9	38,1
CAN: Canada	24,0	10,3	34,3
IND: India	19,4	2,3	21,8
AUS: Australia	31,2	4,7	35,9
ARG: Argentina	14,3	2,4	16,7
MYS: Malaysia	13,9	11,0	24,9
NZL: New Zealand	27,3	7,0	34,3
Average TOP 20	24,0	9,4	33,4 (trade weighted: 35)

Findings 1

- **Share of services value added in agro-food gross exports is 35%.** (trade weighted)
- **Developed countries' exports contain almost two times higher services value added (39%) than the exports of developing countries (24%).** All developing countries (INDON, THA, VIET, ARG, MAL) in the Top20 agro food exporters have below average (35%) services value added except for Brazil.
- Developing countries: **Brazil higher** services domestic value added (31%) **than DE, NL or UK**!

→ **ROOM FOR IMPROVEMENT especially in developing countries to add services value to their food exports**

Findings 2

- **US and EU are core suppliers** to agro GVCs (due to predominance of US and EU multinational enterprises).
  - Above 40% services value added.
  - NL and BE has highest services value added in food export (46% services VA)
- Agro industry value chains are mainly organized **at regional level**.
  - At country level in EU it contains considerable foreign value added (especially IR, NL)
  - BUT at EU (regional) level few foreign value added (services trade takes place within EU), same for US
- Overall agricultural production less globally spread compared to industry
  - trade barriers (tariffs, TRQs, NTBs, trade distorting subsidies)
  - **and domestic infrastructure constraints: institutional and infrastructural services: transport, storage, roads, education…**

TOP6 food exporters

Exporting industry	D10T12: Food products, beverages and tobacco							
Source country	WLD: World							
Time	2015							
Unit	US Dollar, Millions							
Exporting country	USA: United States	BRA: Brazil	CHN: China (People's Republic of)	IDN: Indonesia	THA: Thailand	EU28: European Union (28 countries)	Total	
D45T47: Wholesale and retail trade; repair of motor vehicles	10 452,3	4 106,4	4 614,0	2 881,5	3 663,4	19 013,4	**44 730,9**	**43%**
D69T82: Other business sector services	6 417,6	3 393,1	981,9	215,1	261,8	9 755,0	**21 024,4**	**20%**
D49T53: Transportation and storage	2 780,1	1 487,0	1 360,4	733,4	546,9	4 331,4	**11 239,3**	**11%**
D64T66: Financial and insurance activities	2 725,4	1 139,5	1 535,2	499,3	500,4	4 342,1	**10 741,9**	**10%**
D68: Real estate activities	2 028,1	483,9	275,0	120,5	158,0	2 280,0	**5 345,5**	**5%**
D86T88: Human health and social work	76,9	60,5	163,2	21,7	84,3	2 827,9	**3 234,5**	**3%**
D58T60: Publishing, audiovisual and broadcasting activities	445,6	108,9	33,0	33,5	38,2	1 073,7	**1 732,9**	**2%**
D62T63: IT and other information services	381,1	245,7	56,3	22,1	21,7	975,3	**1 702,1**	**2%**
D61: Telecommunications	378,6	173,5	187,7	131,2	28,4	623,5	**1 522,9**	**1%**
D55T56: Accommodation and food services	202,6	205,3	220,2	112,8	55,3	671,2	**1 467,3**	**1%**
D85: Education	761,7	38,8	25,6	8,4	11,9	182,7	**1 029,0**	**1%**
D84: Public admin. and defence; compulsory social security	471,9	131,9	24,5	7,8	12,0	314,5	**962,6**	**1%**
Source industry	**27 121,8**	**11 574,3**	**9 477,1**	**4 787,1**	**5 382,2**	**46 390,7**	**104 733,3**	**100%**

Most important services contained in TOP6 food export

Wholesale and retail trade; repair of motor vehicles	**43%**
Other business sector services	**20%**
Transportation and storage	**11%**
Financial and insurance activities	**10%**
Real estate activities	**5%**

No 2: **Other business sector services**

- **Professional, scientific and technical activities:**
  - incl. legal, management consultancy, technical testing, scientific research, veterinary,
- **Administrative and support service activities**
  - incl. renting and leasing of machinery, packaging

BUT trade costs in services are double those in goods

- **Policy barriers** to trade in services are **much more complex** than in goods trade:
  - **regulatory /behind the border** type of measures
    (which pursue public policy objectives, ensure competence of service providers, consumer protection etc.)
- **Reducing these burdens and allowing greater access to foreign services**

→ **MORE OPEN AND ENABLING NATIONAL POLICIES/REGULATORY ENVIRONMENT**

- empirical evidence: openness in key services sectors**: better quality service at lower cost, greater efficiency and faster GDP growth**
- Good regulatory framework
- Negative impacts from restrictions to services trade

→ Domestic regulation negotiations in WTO

Quality of institutions in the importing country is of greater importance to services trade than to goods trade

- **Service providers must often be present** in the area where service is supplied.
- **Mode 3** is the dominant mode for trading services globally (according to WTO TISMOS data).

  (Mode3: services is supplied by a supplier of one member through commercial presence in territory of other member)
- QUALITY OF INSTITUTIONS are important
  - in the **decision of enterprises to invest**
  - (once investment is undertaken) **in the operation/profitability of firms**

→ Investment facilitation negotiations in WTO

Thank you!