The Contribution of Trade in Services and Trade Policy to Promoting Connectivity

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Outline:
I. Economic Importance of Services and Trade
II. Relevance of Trade in Services for Connectivity
III. Contribution of Services Trade Policies and AfT
I. Economic Importance of Services

• Trade in services is growing in importance
  – Increasing tradability due to Internet and ICT revolution
  – Increasing participation of developing countries
  – Services embedded in goods exports
  – Accounts for two-thirds of world FDI
## I. Economic Importance of Services

### Growth of world exports of commercial services by main sector, 1995-2014

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Average Annual Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer and information services</td>
<td>18</td>
</tr>
<tr>
<td>Financial services</td>
<td>11</td>
</tr>
<tr>
<td>Other business services</td>
<td>10</td>
</tr>
<tr>
<td>Royalties and licence fees</td>
<td>9</td>
</tr>
<tr>
<td>Communications services</td>
<td>8</td>
</tr>
<tr>
<td>Insurance services</td>
<td>8</td>
</tr>
<tr>
<td>Travel</td>
<td>6</td>
</tr>
<tr>
<td>Transport</td>
<td>6</td>
</tr>
<tr>
<td>Personal, cultural and recreational services</td>
<td>5</td>
</tr>
<tr>
<td>Construction</td>
<td>5</td>
</tr>
</tbody>
</table>
Structure of world exports in gross terms, 2011

Structure of world exports in VA terms, 2011

Source: OECD.Stat, OECD-WTO Trade in Value Added (TiVA), May 2016.
II. Relevance of Trade in Services for Connectivity

1) Infrastructure services on which trade in goods depend
   • Port services, maritime and road transport, logistics, express delivery, wholesale and retail trade...

2) Role of services in global supply chains and ‘servicification of manufacturing’
   • + engineering, marketing, R&D services, business services, financial services...
II. Relevance of Trade in Services for Connectivity

3) Backbone services that enable digital trade and the on-line supply of services
   - Telecommunication and financial services

4) Services supplied over digital networks
   - From professional services, to computer, audiovisual, education, financial services... etc.
III. Contribution of Services Trade Policies and AfT

• Services trade costs, and services trade restrictions, are still very high. International bindings remain limited

• Restrictive policies and poor regulatory environments prevent the development of competitive services sectors and connectivity, with impacts on:
  – Goods-related infrastructure services
  – Services in GVCs
  – Digital trade enabling and enabled services
III. Contribution of Services Trade Policies and AfT

- Trade policy and AfT can contribute by helping create an enabling environment for competitive services markets:
  a) Enhance openness for services FDI and cross-border trade
  b) Adapting regulatory regimes
  - To effectively accompany increase of competition, enable digital trade, ease procedural barriers
Thank you

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