SERVICES TRADE - THE POTENTIAL FOR INCLUSIVE GROWTH AND DEVELOPMENT

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SERVICES ARE AT THE HEART OF THE WORLD ECONOMY

Share of Services Value Added in GDP, 2017, selected countries

- World
- High income
- Middle income
- Low income
- United States
- European Union
- Brazil
- Japan
- Russian Federation
- India
- China
- Indonesia

Agriculture  Industry  Services
But rather neglected in trade

- Many services require a face-to-face interaction between the supplier and the consumer
  - Trade in services is more costly
- Services are intangible, they do not go through customs
  - Trade in services is difficult to measure
- Obstacles to trade in services are more complex than in goods trade
  - International cooperation is more challenging
Yet, trade in services matters

- It is **big** and it is **growing**:
  - USD 13.3 trillion in 2017
  - Rising faster than trade in goods
  - Developing countries increasingly partake

- Services trade creates **welfare gains** through:
  - a more efficient allocation of resources
  - greater economies of scale
  - increase in the variety of services available
  - Expansion and growth of more productive firms

Goods  Services
(Average annual growth since 2005)

4.6%  5.4%
Beyond the usual gains from trade, services have unique features that amplify these gains:

• **Infrastructural** services play a critical role in the competitiveness the economy:
  – Efficiency-enhancing competition in services
  – Increased productivity economy-wide
  – Product differentiation when bundled with goods

• The quality of services like health and education have an outsized impact on **human capital development** and the productivity of labour
HOW THE GAINS ARE DISTRIBUTED

• **Aggregate** employment effects seem to be small, but a growing number of jobs is supported by services trade, also in developing countries

• Services are on average more *skill-intensive*

• Services firms tend to be much more *clustered*

• Services employ on average more *women* and are less capital-intensive, leading to lower gender gaps and greater opportunities for *SMEs*
CONCLUSIONS

→ Increasingly important economic role
→ Services trade: an essential part of global trade
→ New pathways needed to seize the opportunities they offer - Simultaneous focus on market opening and regulatory governance?
→ It is time to make services a central element of trade policy and the global trade debate
THANK YOU