WORLD TRADE CENTRE® MUMBAI

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M. Visvesvaraya Industrial Research and Development Centre

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All India Association of Industries

GES

8ᵗʰ **Global Economic Summit**

Services: Enabler of Growth for Trade and Industry

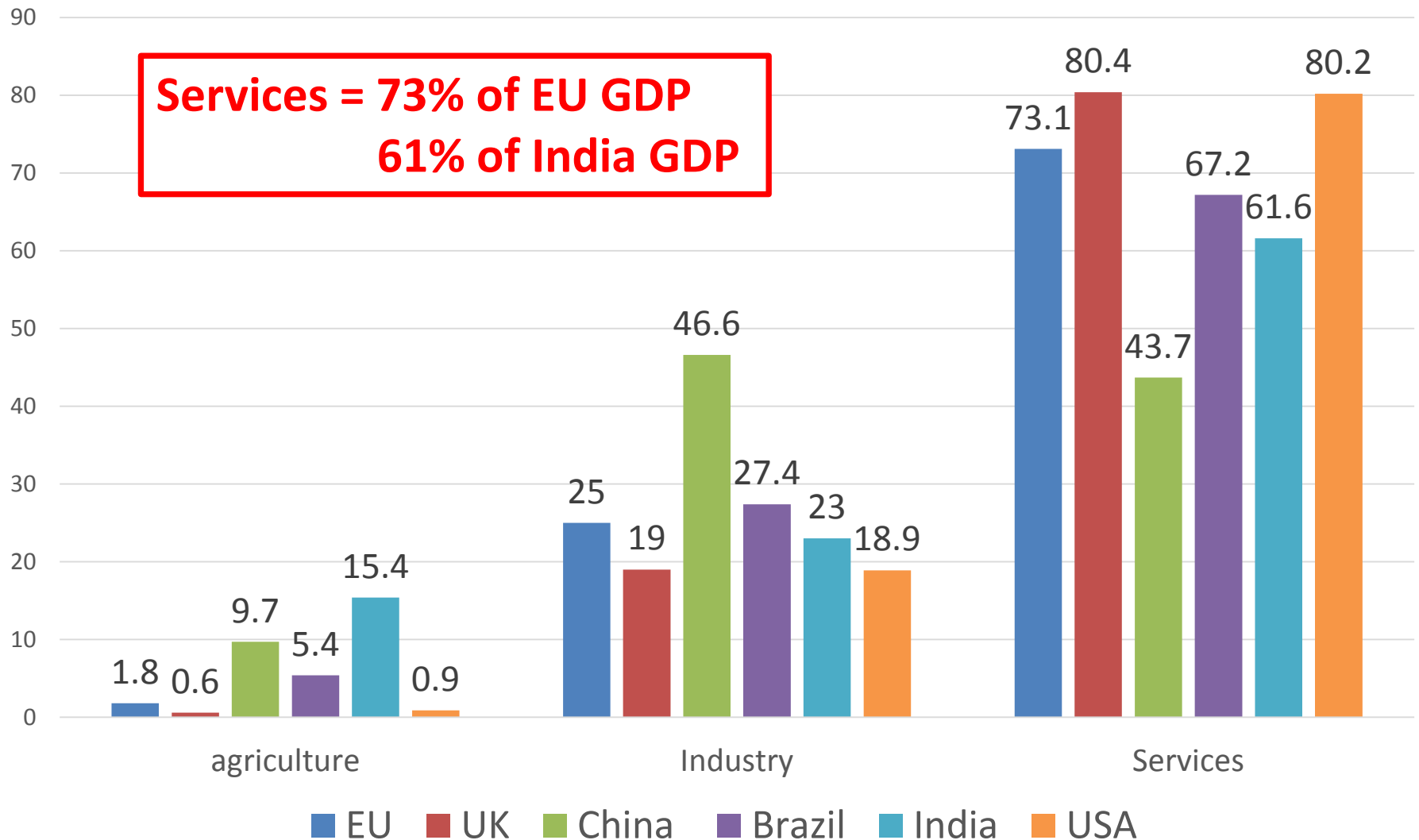March 6-8, 2019 | MVIRDC World Trade Centre Mumbai

Session 1

Panel Discussion: Importance of Services in supporting Agriculture and Manufacturing Sectors
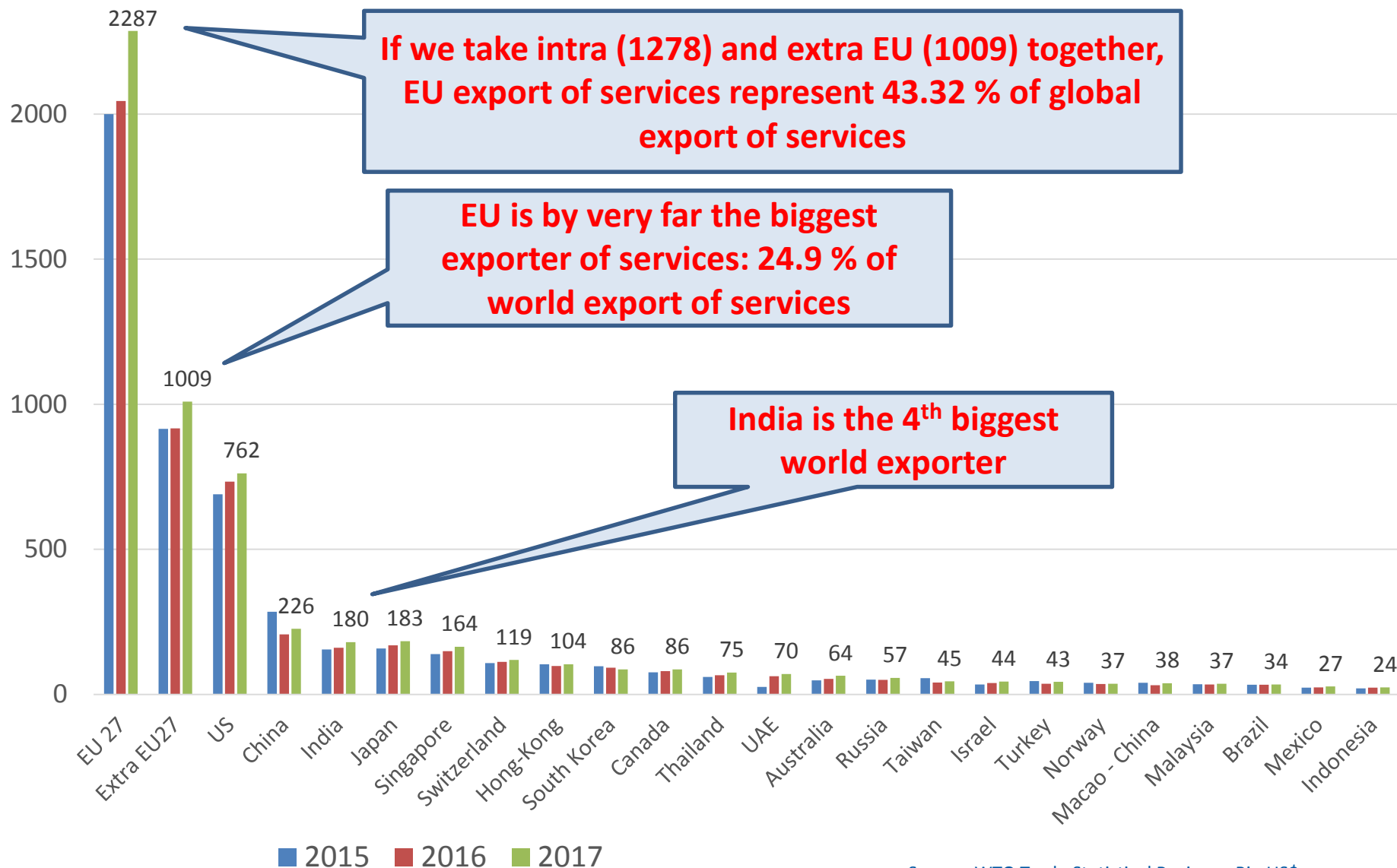
"Importance of Trade in Services in supporting Trade in Agriculture

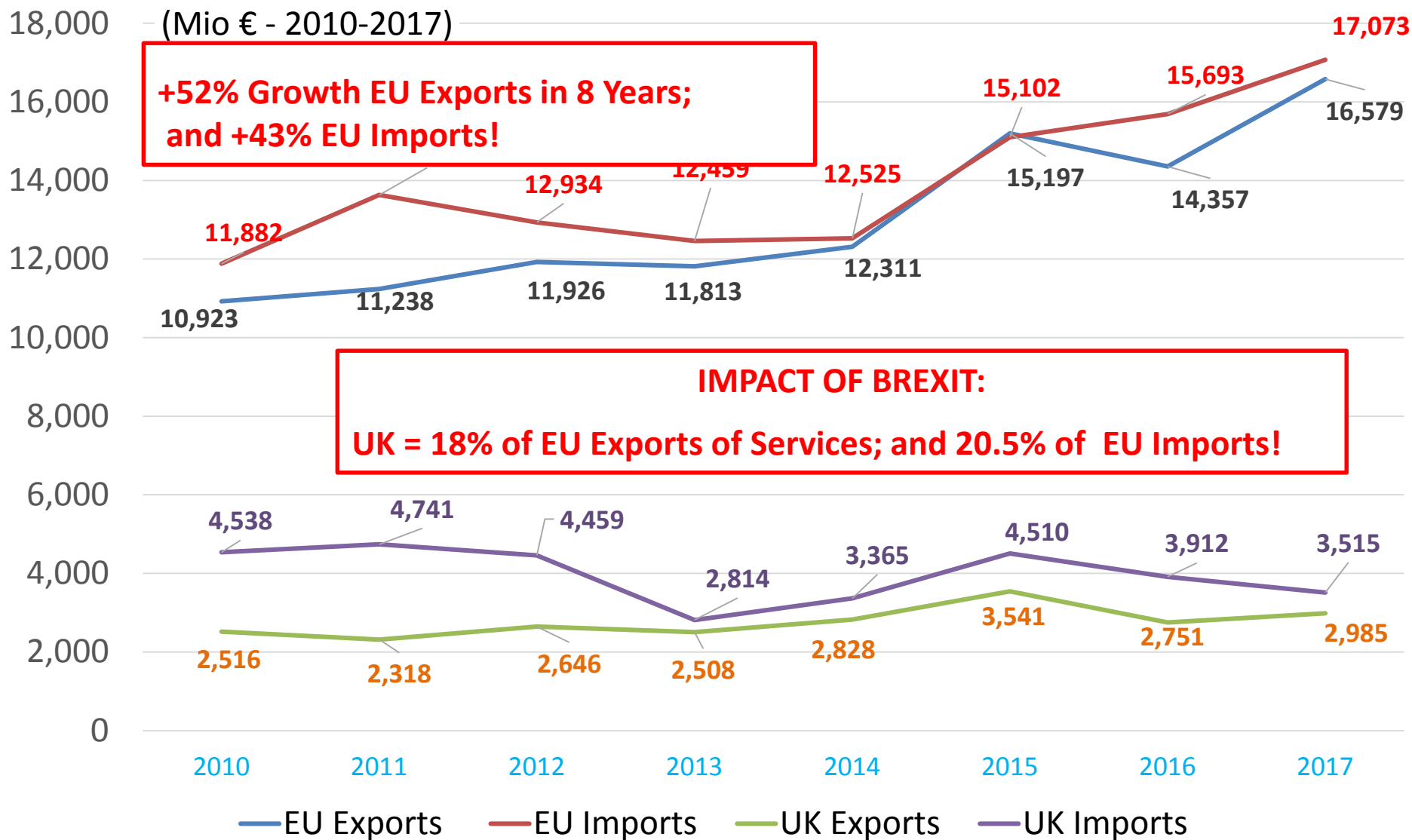**and Manufacturing Sectors"**

Pascal Kerneis – ESF Managing Director

EUROPEAN SERVICES FORUM

EU Economy per sectors – GDP - 2017

Services = 73% of EU GDP
61% of India GDP

Legend: EU, UK, China, Brazil, India, USA

Sector	EU	UK	China	Brazil	India	USA
agriculture	1.8	0.6	9.7	5.4	15.4	0.9
Industry	25	19	46.6	27.4	23	18.9
Services	73.1	80.4	43.7	67.2	61.6	80.2

ESF

THE EU IS BY FAR THE WORLD BIGGEST EXPORTER OF TRADE IN SERVICES

If we take intra (1278) and extra EU (1009) together, EU export of services represent 43.32 % of global export of services

EU is by very far the biggest exporter of services: 24.9 % of world export of services

India is the 4th biggest world exporter

Values (Bio US$): EU 27: 2287; Extra EU27: 1009; US: 762; China: 226; India: 180; Japan: 183; Singapore: 164; Switzerland: 119; Hong-Kong: 104; South Korea: 86; Canada: 86; Thailand: 75; UAE: 70; Australia: 64; Russia: 57; Taiwan: 45; Israel: 44; Turkey: 43; Norway: 37; Macao - China: 38; Malaysia: 37; Brazil: 34; Mexico: 27; Indonesia: 24

Legend: ■ 2015 ■ 2016 ■ 2017

Source: WTO Trade Statistical Review - Bio US$

EU and UK Trade in Services with India

« The voice of the European Service Industries for International Trade Negotiations in Services »

(Mio € - 2010-2017)

+52% Growth EU Exports in 8 Years; and +43% EU Imports!

IMPACT OF BREXIT:

UK = 18% of EU Exports of Services; and 20.5% of EU Imports!

EU Imports: 11,882 · 12,934 · 12,459 · 12,525 · 15,102 · 15,693 · 17,073
EU Exports: 10,923 · 11,238 · 11,926 · 11,813 · 12,311 · 15,197 · 14,357 · 16,579
UK Imports: 4,538 · 4,741 · 4,459 · 2,814 · 3,365 · 4,510 · 3,912 · 3,515
UK Exports: 2,516 · 2,318 · 2,646 · 2,508 · 2,828 · 3,541 · 2,751 · 2,985

Years: 2010 · 2011 · 2012 · 2013 · 2014 · 2015 · 2016 · 2017

Legend: — EU Exports — EU Imports — UK Exports — UK Imports

Source: Eurostat bop_its6_det.

V-A Attribution: Smiley Face

(Source: Stan Shih, Business Week International online extra, 16/5/2005)

Value Added

Many steps in the global value chain of processing goods are services

Standardization
(Certification & Testing)

Innovation
(Engineering)

R&D

Design

Manufacture **Assembly**

Logistics

Marketing

Brand

Customer services

(After sales services, Maintenance & Repair, etc.)

(Advertising)

(Distribution services)

(Transport services: sea, air, road, etc.)

← **Services** →   ← **Goods and services** →   ← **Services** →

Standardization · Innovation · R&D · Design · Manufacture · Assembly · Logistics · Marketing · Brand · Customer services

Production process

Legal services	Security services	Insurances
Accounting, book-keeping etc.	Packaging	Health related services
Taxation services	Printing, publishing	Hotels and restaurants
Medical services	Design	Travel agency services
Computer services	Building-cleaning services	Maritime transport - freight
Research and development	Photographic services	Inland waterways - freight
Rental/Leasing	Courier services	Air transport - freight/passenger
Advertising	Logistic services	Road transport - freight/passenger
Market research	Postal services	Cargo-handling services
Services incidental to manufacturing	Telecommunications	Storage and warehouse services
Placement of personnel	Audio-Visual services	Freight transport agency service
Maintenance and repair	Educational services	Feeder services
Convention services	Environmental services	Energy services
	Banking services	

Embodied services ➔ Essential components of the supply chain of trade in goods (manufactured products) : Here is the example of a Swedish Company Skanska, producing heaving machinery tools (caterpillar)

Picture 2: Examples of services needed at different parts of the supply chain

Picture 3: Services delivered to the customer

Embedded Services in the products➔ Essential elements of creation of value added and benefits for the production and export of goods !

Computer services
Research and development
Rental/leasing
Maintenance and repair
Management consulting

Technical testing and analysis services
Services incidental to manufacturing
Design
Environmental services

Financial services
Logistics
Warehouse services

Figure 1: Services input in the food sector (Sweden, 2008)

Legend:
- Legal, accounting, management consulting and headquarter services (7%)
- Architect, engineering, testing and analysis services (2%)
- Research and other professional services (8%)
- Security and other business services (4%)
- Computer and information services (1%)
- Distribution and repair (24%)
- Transport and storage (31%)
- Post and telecommunications (2%)
- Finance, insurance and rental/leasing (4%)
- Other services (17%)

Source: National Board of Trade (2012)

Share of Services value added in EU & India **_Goods_** Exports
Share of Domestic & Foreign Services in Goods Exports - %

EU27 = 39.1%

49.1%

19.9

19.2

50.9%
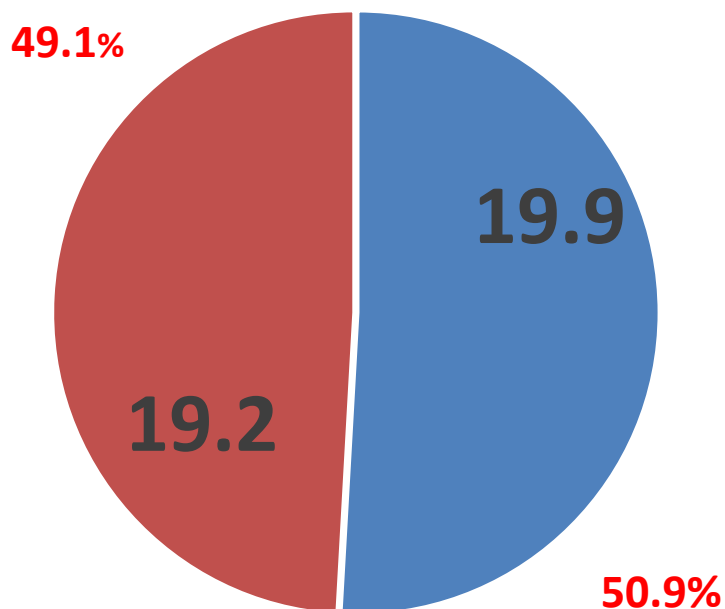
■ Domestic Services

■ Foreign Services

India = 25.1%

29%

7.2

17.9

71%

■ Domestic Services

■ Foreign Services
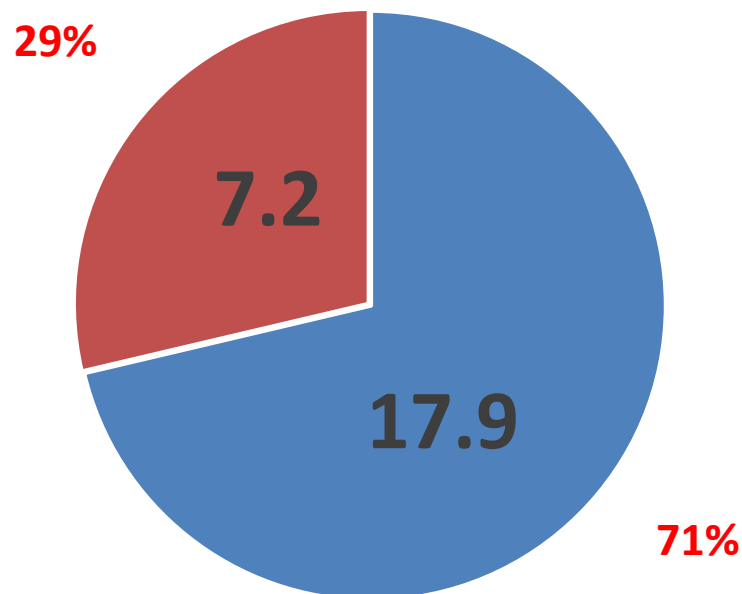
« The voice of the European Service Industries for International Trade Negotiations in Services »

EU Services Value Added across industries – 2016 - %
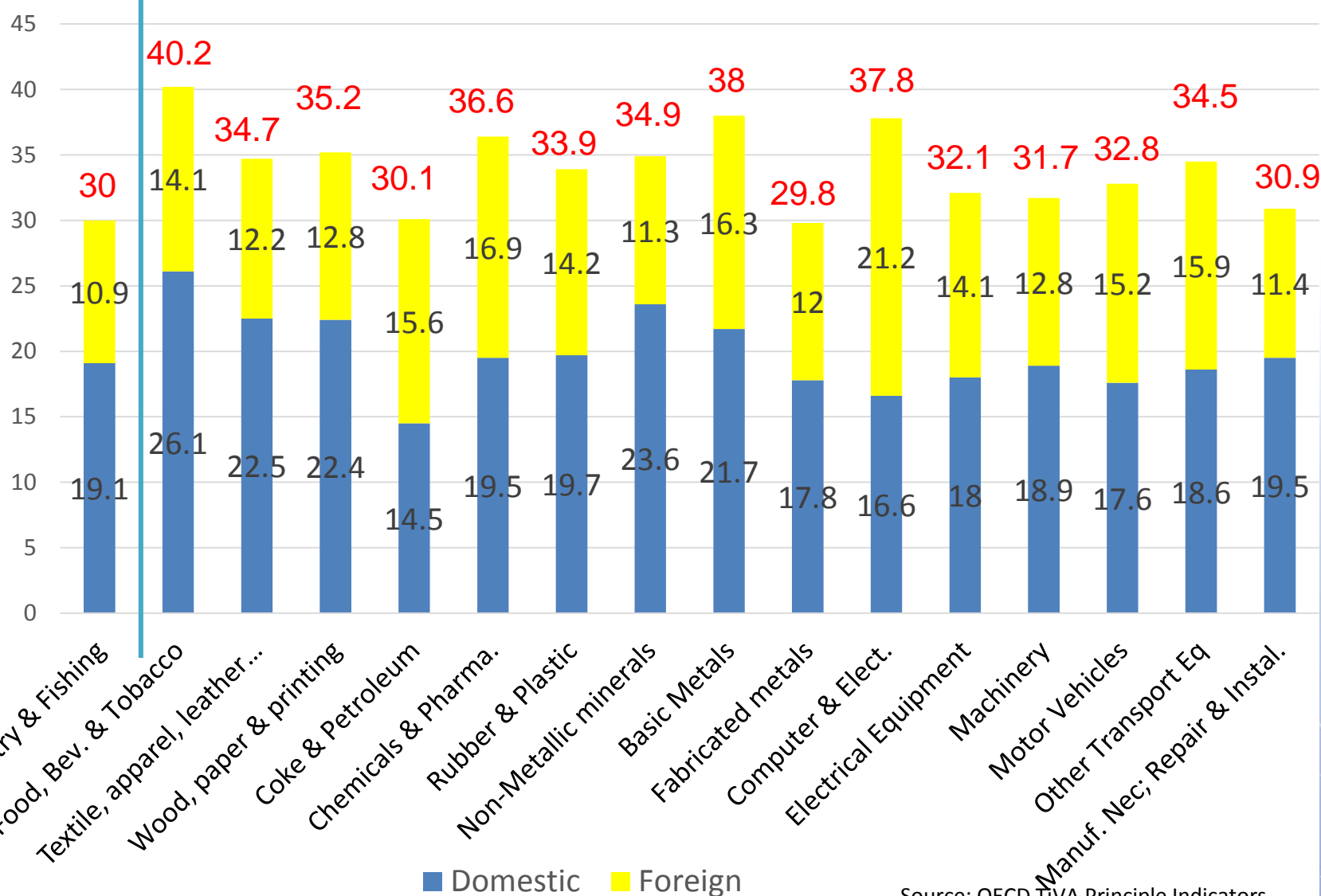
Source: OECD TiVA Principle Indicators

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INDIA Services Value Added across industries – 2016 - %
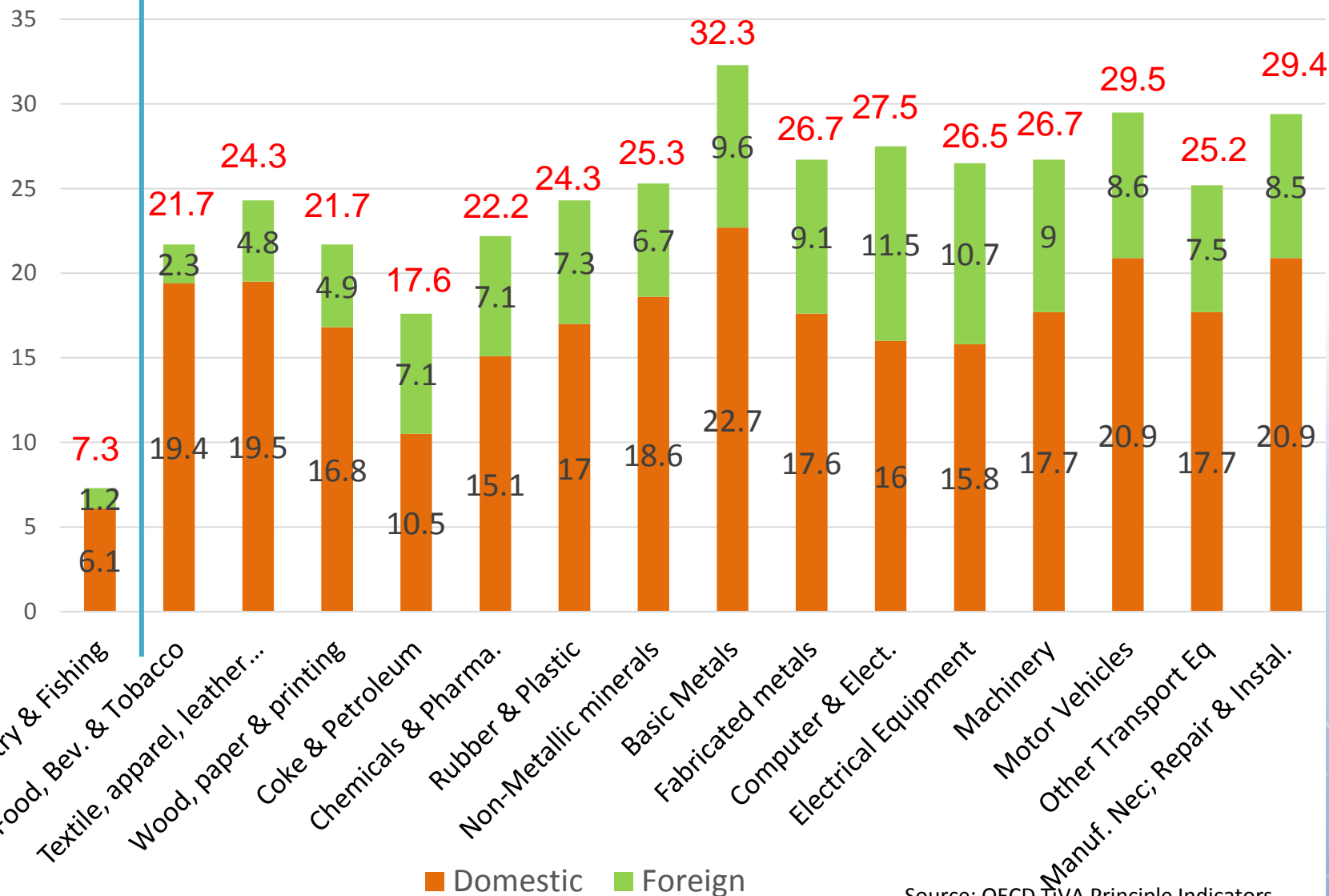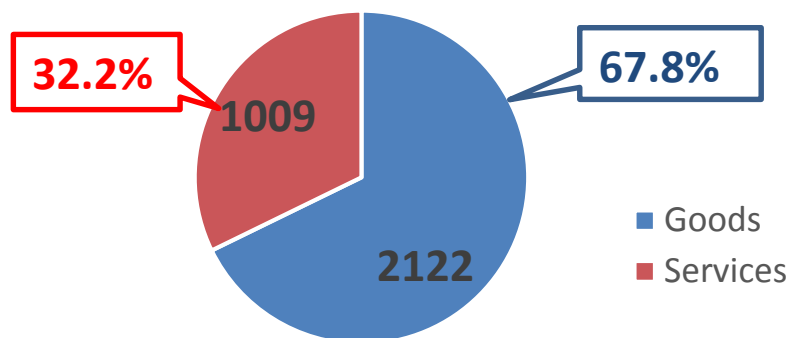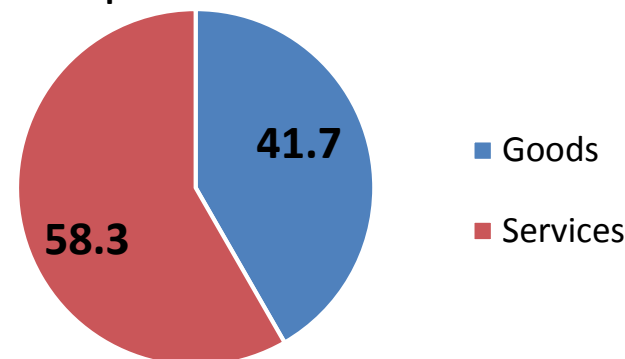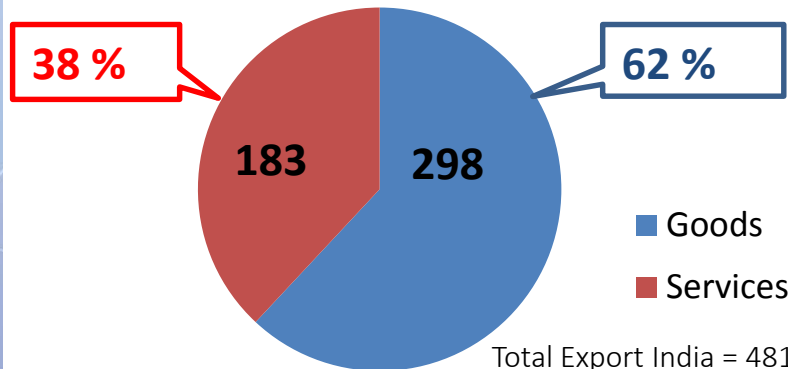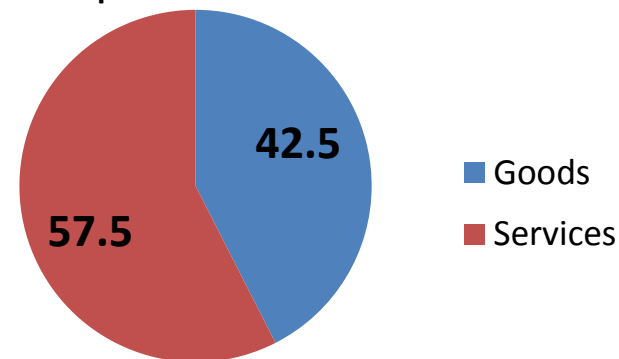
Negotiations under "Services chapters" of Trade Agreements cover the whole economy!

- Mode 1 = Cross border trade in services, but in fact it covers any activities. Critical for the Digital transformation of the economy! All Machine-to-Machine communications, All international activities of "Internet of Things" "IoT", "Industry 4.0", "3D Printing" do require cross border data flows!

➔ Need clear banning of local server and local presence requirement to be able to take profit of economy of scale!

- Mode 3 = Commercial presence abroad, covers not only services companies, but all sectors (agriculture, aquaculture, fisheries, mining and quarrying, all manufacturing sectors, incl. "Manufacture of food products and beverages".)

- Mode 4 = Temporary Movement of natural persons, include mobility of consultants, lawyers and auditors, but also the technicians and engineers of manufacturing companies who travel for maintenance and repair & after sales "services"!

Thank you for ATTENTION !

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