



# TRAINING COURSE ON TRADE IN SERVICES NEGOTIATIONS 31 March-1 April 2016

Session 5: Trade in services and global value chains: opportunities, challenges and stakes Dr. Witada Anukoonwattaka, TPAS, TIID, ESCAP (presented by Mia Mikic, Chief, TPAS, TIID, ESCAP) mikic@un.org

## Outline

- Roles of services in GVCs
- Tracking servicification
- Servicification in exports by Asia and the Pacific
- Policy implications

## **Roles of services in GVCs**

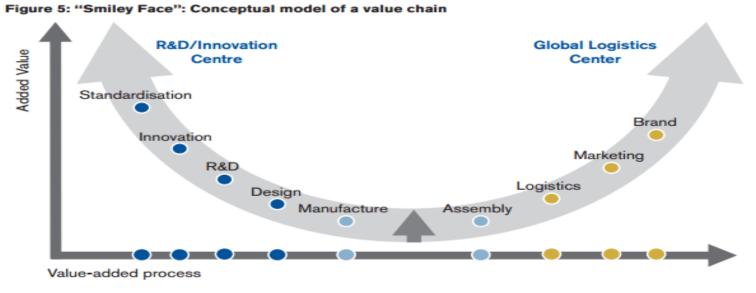
#### **Dual roles of services in GVCs** "Embodied" and "embedded" services

Primary Resources	AN INTEGRATED REGIONAL GOODS SUPPLY CHAIN The Pathway to Market							Markets and Consumers	
Land Water Oceans Minerals Forests etc	Discovery and Innovation	Primary Production	Processing	Secondary Processing	Finished Product Manufacture	Storage and Handling	Freight and Logistics	Marketing and Distribution	Automotive Chemicals Electronics Pharmaceutical Food etc
Primary Services	AN INTEGRATED REGIONAL SERVICES SUPPLY CHAIN/NETWORK The 'Pathway' to Market								Markets and Customers
Legal Financial Engineering Architecture Accounting etc	Diagnostics Imagination Innovation	Planning Design	Evaluation Selection team formation	Sourcing people movement	Contracting, outsourcing	Quality control	Re-engineering	Execution After sales service	Financial professional, technical telecoms, IT, audiovisua transport/logistics business services, tourism, health, education etc

Source: Adapted from ABAC (2011)

## Why do services matter for development?

- Efficiency and availability of services is an important factor for competitiveness and the opportunity to enter to GVCs
  - Communications, insurance, finance, logistics, etc.
  - GVCs increase the demand for "coordination services"
- Services tasks are often the links in GVCs that create high value-added.
  - A path for upgrading GVC participation





• "Servicification" is most simply defined as a rapidly increased use of services in manufacturing process.

- Manufacturing firms *always* need services as integrated or accompanying parts of their goods.
- Their importance appears to have grown due to GVCs (specialization, outsourcing and off-shoring, global market integration) and more sophisticated customer demand.

### **Hidden service exports**

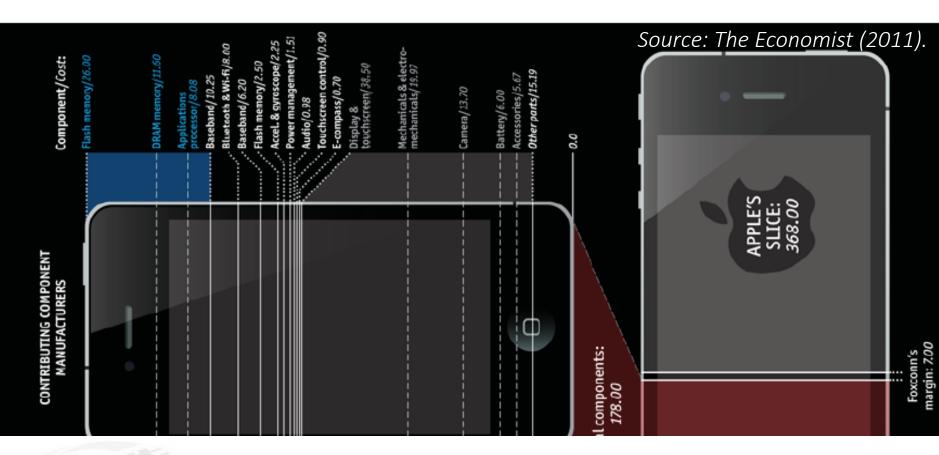
 Service exports can be invisible since many services are sold in a package with a good – thereby regarded as a good in trade statistics

Ex1.Automotive GVCs

Value added of a typical US car (services are highlighted)

1. R&D (Japan)	17.5%			
2. Design (US)	about 3%			
3. Assembly (ROK)	30%			
4. Assembly (US)	37%			
5.Supply of minor parts (TW)	4%	of services =		
6. Advertising & marketing (UK)	2.5%	30%		
7. Data processing (Ireland & Barbados)	2%			
8. Transport and insurance (US)	about 4%			

#### i-phone 4 cost breakdown



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https://www.yunbaogao.cn/report/index/report?reportId=5\_3375

