**OPENING REMARKS FOR FMG SESSION ON SERVICIFICATION**

**Sherry M. Stephenson**

Thank you so much, Hamid, for opening this session. Welcome to all present who joined us to discuss the recently-published UNCTAD report this past month on ***Measuring servicification and impacts of services trade and policy.*** It is great to have you. Thank you in advance to Luz Maria de la Mora, Director of the Division on International Trade and Commodities at the UNCTAD who will be presenting its main findings – and to our discussants – Bernard Hoekman, Director of Global Economics at the European University Institute, and Christian Volpe, Principal Economist at the Integration and Trade Sector of the Inter-American Development Bank - for sharing with us the highlights of the report and their insights on its contribution.

Before turning the floor to Luz Ma, please allow me to make a few introductory remarks. First, it is very welcome that the FMG has organized this session to discuss the phenomenon of servicification and the content and recommendations of the UNCTAD report. As we all know, but just a reminder -– servicification is the increasing role of services in our economies, and particularly as inputs into the production process of both manufacturing goods and services. So it's about **delivering value through services**, particularly intermediate services inputs.

Trade in services has been **more resilient** than trade in goods, as we observed during the Covid-19 pandemic. It has also been **more dynamic** than trade in goods over the past two decades, and digitally deliverable services now account for over 56% of global services exports.

Despite these impressive facts, there is less than full appreciation of the importance of services in global trade by most people and even by many trade officials. That is changing. But it does not help that much of the

way in which services contribute to our lives through being incorporated or embodied as inputs into traded goods and services – rather than being delivered in final form to consumers, means that effectively services are "hidden" from view. And the value they add is not captured on paper. As a result, official figures such as the balance of payments statistics, based on cross-border trade flows, understate the true contribution of services to trade, productivity and export performance. And because the way that governments protect services is not very visible to the public given that protective measures are imposed in the form of discriminatory regulations, mostly applied behind the border, there is a lack of appreciation and understanding about the costs of protecting services markets, resulting in high effective levels of protection for the services that are driving our economic growth and trade.

Services now account for 71% of global intermediate inputs. This is huge. But none of this appears in our trade statistics so we do not see this concretely. Therefore, much about the role services play in our productive processes and trade is lost, and the result is that much about the importance of services is misunderstood – by firms themselves, by governments, and by trade officials and policy makers.

The recent UNCTAD report that we are going to discuss highlights this important and growing phenomenon of the indirect contribution services make to our economies and to trade. So let's hear from the author and the discussants on the report's contents, analysis and recommendations. Please, the floor is yours, Luz Ma.

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Thank you very much Luz Ma, Bernard, and Christian. It is notable that you emphasized how the UNCTAD servicification report goes beyond analysis of the importance of intermediate services to raise important questions about

the role of these services in economic development - and also how policies towards intermediate services can affect labor markets and productivity. As well as the question of what statistical data already exist that can be collected to overcome the current gaps in our knowledge of the indirect contribution of services to output and trade. Though we still are missing the big question of whom will do this data collection and how it will be carried out in a way that will make it comparable and interoperable between countries.