

Public-Private Dialogue on Services
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Servicing the World towards Economic Recovery: The Role of Services in Driving Global Trade towards Economic Recovery

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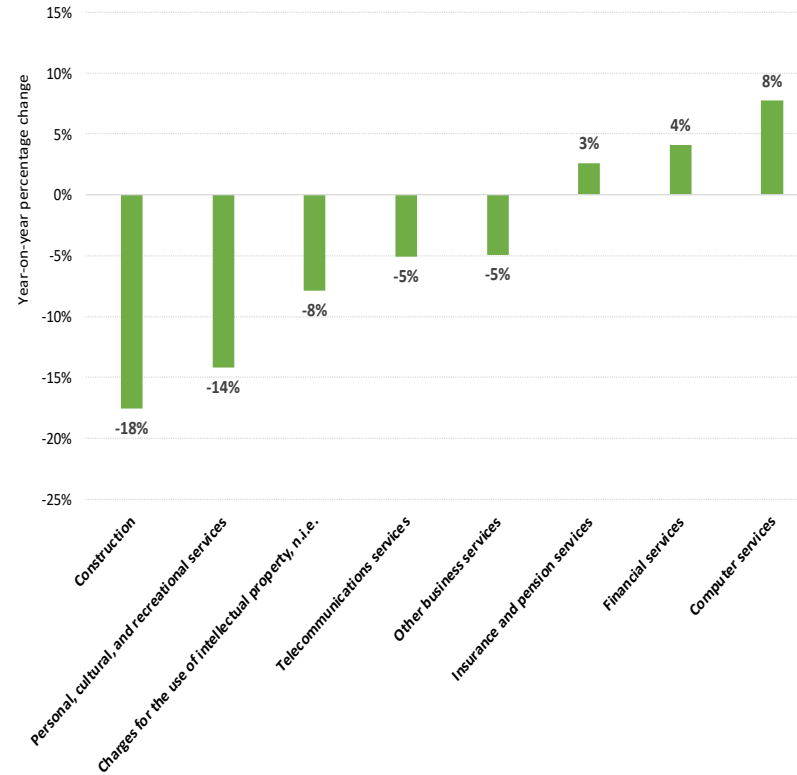
1. COVID-19 shocks on services

- COVID-19 forced us to impose restrictions on people's movements.
 - Services sector was hit harder than the tradable sector.
- At the sub-sectoral level, three kinds of shocks on services sector came.
 - Negative supply shocks
 - Particularly face-to-face services such as restaurants, tourism, ...
 - Negative demand shocks
 - Transportation
 - Weak demand due to the slowdown of the whole economy
 - However, the negative effects are lighter than expected due to bold mitigation policies.
 - Positive demand shocks
 - Delivery services, digitalized services, digital support services, government services...
- The introduction of digital technology was accelerated.
 - Services sector expands its scope [digitalized services].
 - Services sector helps traditional industries be digitalized [digital support services].
- The importance of services sector will be enhanced in an irreversible way.

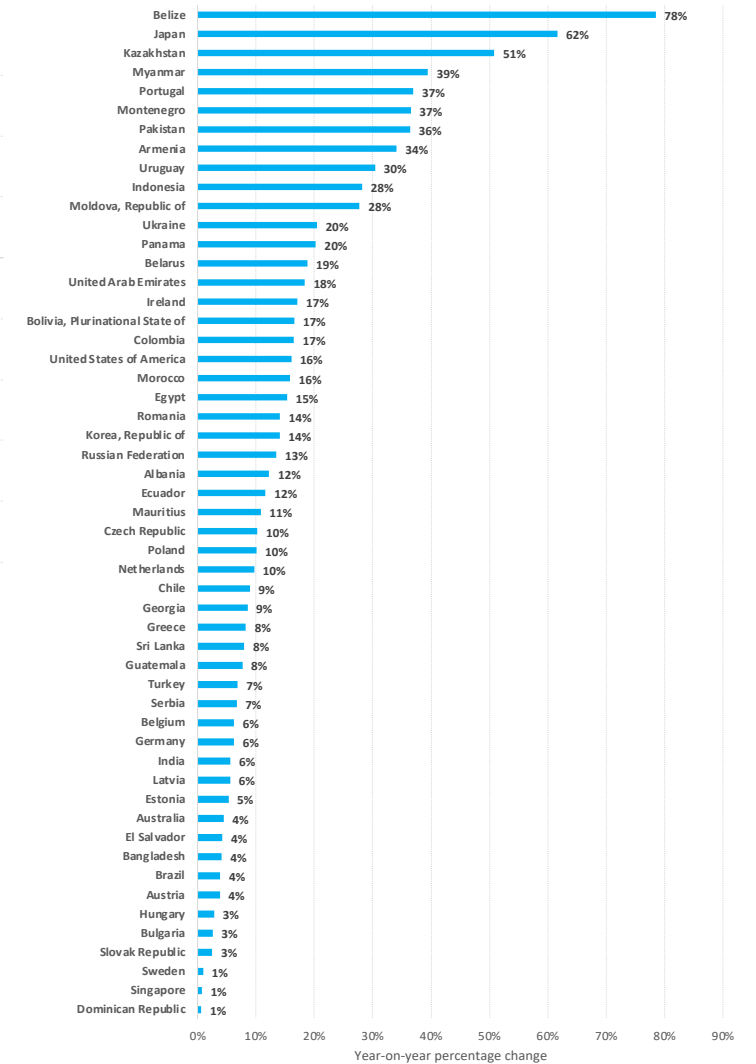
World trade in goods and commercial services, 2008-2020, quarterly (year-on-year percentage change)



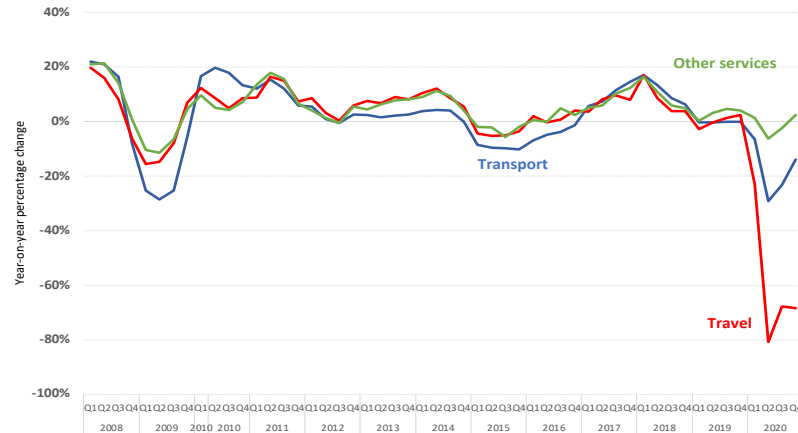
Other commercial services exports by subsector, 2020 (year-on-year percentage change)



Exports of computer services, selected economies, 2020 (year-on-year percentage change)



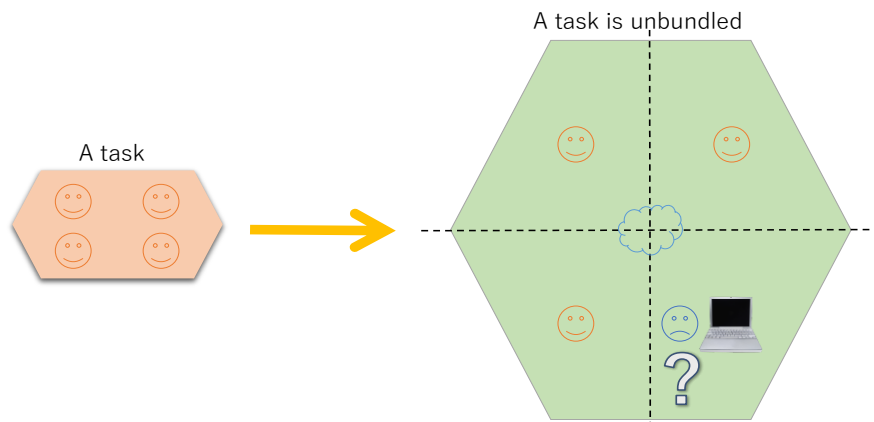
World trade commercial services by sectors, 2008-2020, quarterly (year-on-year percentage change)



Source: World Trade Organization (2021)
World Trade Statistical Review 2021.

2. Digitalized services

- Motivated by COVID-19, many services become digitally deliverable; most of them will stay even after COVID-19.
 - E-commerce, both domestic and cross-border, grows rapidly.
 - Delivery services expand the scope.
 - E-payments penetrate.
- “Remote work” lowers a threshold for service outsourcing, both domestic and cross-border.
 - “The third unbundling (Baldwin 2016)” or the international division of labor at the individual level becomes substantial (e.g., online English conversation classes).



3. Digital support services

- Digital support services help traditional industries be digitalized.
 - Agriculture, fishery: information, communication, remote sensing, drone
 - Logistics: IOT
 - Transportation: super application
 - Medical and educational services: e-medical, e-education
 - Wholesale/retail: expansion of scope in matching platforms
 - Finance: e-payment, fintech
 - Government services: e-government, digital ID, CBDC
- Manufacturing and international production networks (IPNs) also enhance the usage of communications technology (CT).
 - It strengthens dispersion forces, rather than concentration forces, working against “reshoring.”

4. Leap-frogging opportunities

- Newly developed and developing countries may enjoy “advantages of backwardness” in deployment.
 - Research & Development and “Deployment”
 - Due to
 - Many “inconveniences”
 - Less complicated regulatory framework
 - Non-existence of old system and vested interest
- Need to shift weights in innovation policies
 - From an old model of massive national innovation system with huge R&D to the acceleration of deployment for young entrepreneurs and disruptive innovation.
- Room for catching-up and leap-frogging

5. Implication for inclusiveness

- Digital divide
 - Urban vs. rural, gender
 - To be reduced by improving internet/smartphone connectivity with universal coverage and affordability as well as enhancing digital literacy.
- Inclusive aspects of communications technology (CT)
 - CT expands the scope of possible consumption of goods and services and business opportunities.
- Policies for giant platformers
 - The proper design of competition policy and taxation is needed.
- Overall implication for job creation and income distribution
 - We are not sure yet.
 - Simple substitution for unskilled labor? Impact on middle-level human resources? Spillover effects for other industries/sectors?

6. Concluding remarks

- Services sector was hit hard by COVID-19.
- However, services sector expands the scope with digital technology as well as help other industries be digitalized.
 - Services sector will become even more important after COVID-19.
- Services increasingly become domestically and internationally mobile with digital technology, and thus the policy framework must be substantially modernized.
 - A link with digital and data-related policies will be the key.