



Servicification & Services in Trade

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Servicification of manufacturing in India (first paper)

- Very interesting study – India a good example (comparative advantage in services) + firm level
- Focus on intermediate consumption of services
- OECD TiVA database: you can find the services content of manufacturing exports (India = 19% in 2016 as compared to 13% in 2011; OECD average = 28%)
- Communication services inputs have the highest impact on GVC participation (but also a positive and significant impact for R&D, outsourced professional services and selling & distribution services)
- Higher coefficients for the servicification of SMEs –but is it because large firms may have insourced (in-house) services?
- It may not be part of the firm-level data but controlling for the in-house provision of services would be useful (unless this is included in services expenditures of firms in the dataset)
- Endogeneity is an important concern for the interpretation of results (i.e. servicification increases the participation of firms in GVCs). It is addressed in the robustness checks.



Upstream integration in global markets and productivity of firms in Pakistan (second paper)

- The analysis covers goods inputs and not only services but the research question shares similarities with the other papers: are there productivity gains from upstream integration into global markets?
 - Lower tariffs on intermediate inputs and fewer FDI restrictions (with separate results for upstream services)
- The paper takes into account tariff exemptions on intermediate inputs that are common and not always accounted for in the analysis of tariffs in the trade literature
 - ... and the fact that not all firms benefit from these tariff exemptions
- Relatively small sample of firms (322) and limited to listed firms (larger and more sophisticated)
- Endogeneity also addressed
- Foreign-owned firms and exporting firms are more productive (consistent with the literature)
- Quite a strong effect for upstream tariffs on inputs: a 0.2 percentage points increase leads to a 1.3% decrease in productivity
- FDI presence in services upstream is also associated with a positive productivity effect (+1.5% => +0.2% increase in productivity) –not significant for upstream manufacturing
- Additional results to suggest that lower tariffs lead to higher imports of intermediate inputs and then higher productivity downstream
- And more FDI in upstream services leads to more innovative activities



Impact of tradable services on employment in non-tradable services in India (third paper)

- Interesting gender angle as non-tradable services employ more women
- This time, not an input-output link but maybe more an income effect (employment increases more in non-tradable services without an input-output linkage)
- All services may be tradable (different modes of supply) but there is certainly a difference in ‘tradability’ (related to higher or lower trade costs)
 - One issue may be to not account for commercial presence (Mode 3) if there are foreign firms established in some of the non-tradable activities (but maybe these sectors are quite restrictive for FDI in India)
- While non-tradable services have more employment when employment increases in tradable services, the paper does not address the issue of productivity
 - But more women employment and more employment in education may still be seen as positive outcomes
- The message that in addition to spillovers through input-output linkages, you can also expect spillovers from trade in services through income and consumption effects is nice



Concluding remarks

- The literature on the servicification of manufacturing and more generally trade in services is often limited to high-income countries
 - A nice set of papers looking at these issues from the perspective of middle income countries
- Important messages for trade (and other) policymakers in terms of not neglecting the role of services for growth, productivity and employment
- The constraint when doing research on trade in services is that data are limited and too aggregated
 - Still these papers illustrate that it is possible to carry out such research, using firm-level data in particular
- Some remaining challenges:
 - Encompassing all modes of supply (cross-border trade but also trade through commercial presence)
 - In the case of the servicification: disentangling the role of services inputs, in-house services and services bundled with goods (produced by manufacturing firms)
- Further research on these topics is welcome!