Tracing Shifts in Dependencies on Trade: The Rise of Services

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This paper explores the understudied role of services in international trade and value chains. I employ value-added and gross export based trade indicators to address the following questions: i) evaluate whether services trade is rising in importance over time, ii) consider whether services trade travels further than trade in manufactured goods, and iii) investigate recent trends in world trade and the possible impact of services. The study makes use of the World Input-Output Database (WIOD) and includes 35 countries across three regions: Europe, North America, and East Asia. I find that dependence on value-added trade in services rose faster than dependence on value-added trade in manufacturing as a share of GDP and final consumption in two of the regions. Services are also more prominent in interregional relative to intraregional value-added trade flows compared to manufactured goods. The findings suggest that trade has become more global in the period 2000 to 2014 from a value-added perspective. They help to resolve an apparent paradox on the nature of globalization in a world of international production networks.