



Ministry for Foreign Affairs

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International Trade Policy Department

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"Innovation and the Digital Economy: Enabling Service Sector Growth Worldwide"

Ladies and Gentlemen,

I am most pleased to represent the Swedish presidency of the European Union at this very timely Global Services Summit. It is timely because trade in services is important for the global economic recovery but also because we are approaching a crucial phase in the Doha round. Progress in services would increase the prospects of concluding the DDA in 2010.

(Point of departure; impact of the economic crisis and how it relates to the digital economy)

The current economic crisis is the first of this severity to hit the world since the shift to knowledge-based service economies. Today investment in intangible assets is of equal importance to investment in machinery and real estate. In recent years, various policies have been integrated into broader strategies to use ICTs (information and communication technologies) to achieve growth, employment and wider socio-economic objectives. It is evident that the ICT services revolution has only begun.

Efforts to stimulate the economy in the present crisis need to reflect the current drivers of economic growth. We should take advantage of the situation to accelerate structural shifts, including through innovation, towards a stronger and more sustainable economic future. In short, we need to develop strategic responses to restore long-term growth. ICT services have an important role to play in this context. The recovery in global production and trade of ICT services may be a harbinger of renewed economic growth.

It is evident that economic stimulus packages affect the ICT sector both directly and indirectly. At this stage, we must therefore seek to

optimize impacts of the crisis packages on the ICT sector and on the use of ICTs services across the economy.

(The role of services in the digital economy)

Services in general play an increasingly important role in the digital economy. It is characterized by the shift in employment from the primary and traditional manufacturing industries towards business and professional services in knowledge-intensive sectors. This is brought about by economic restructuring, as well as by overlapping circles in the divide between the manufacturing and services sectors. Traditional manufacturing companies are gradually gaining higher proportions of their turnover by selling services, which add value to their manufactured products. Many services also constitute essential inputs into the production of goods as well as other services.

The digital economy is one of the backbones of profound economic and societal transformation. ICT services enable innovation and improved productivity across all sectors of the economy and the globe. For the first time in history, ICT services allow knowledge, innovation and new technologies reach developing and developed countries simultaneously. These technologies and services deepen and speed up collaboration, innovation and global integration. They contribute to complex business processes, which create global supply chains across developed and developing countries.

One concrete example is the strong technology adaptation and commercialization of mobile phones and broadband which have paved the way for a high teledensity to reach even the most remote villages in developing countries. This provides access to important services such as education and health care, which were previously not available there. Furthermore, these new chains of supply create new opportunities for SMEs.

ICT services are a critical factor for competitiveness. In times such as these, liberalisation of these services present a great potential for promoting economic recovery and growth. With an advanced ICT infrastructure, many different knowledge-based services can be delivered electronically, thereby opening up new avenues for trade, as well as increasing the range of tradable services.

(The role of trade policy)

Trade policy can play an important role in promoting the digital economy, taking into account the economic, social and development needs of both developed and developing countries. The use of information technology promotes the

integration of developing countries in the multilateral trading system. It also enhances the participation of developing countries in e-commerce, in particular as exporters of electronically delivered services, as well as through improved access to infrastructure and technology.

Given the growing importance of the digital economy in support of economic growth all trade agreements should promote e-commerce and electronically delivered services. Agreements should be defined broadly in order to cater for the rapid technological development in the ICT sector and the inter-relationship between different service sectors. More and more services will be delivered electronically. Trade agreements should thus be designed to allow for technological change, as well as new ways to deliver services. We must avoid to “lock in” the technological development when negotiating trade agreements, as they otherwise quickly risk to become obsolete and lose their purpose.

The digital economy is spreading quickly. But foreign investors and service providers need legal security to be able to invest in the long term development of local markets. Countries which do not take action to remove barriers for trade and foreign investment in ITC-related sectors risk missing an opportunity to develop the digital economy.

The Doha round can play a role to promote the digital economy. It deals with essential building blocks such as are:

- * Telecommunications services
- * Computer and related services
- * Cross-border trade in ICT-enabled services
- * E-commerce
- * Customs duties on IT products, the most important being a broader Information Technology Agreement, covering more countries and more products.

So far the progress in the negotiations has been limited. However, at the same time unilateral and autonomous reform efforts are being undertaken in these services sectors by numerous countries. The challenge is how to fit these into the GATS negotiating framework.

(Stable and predictable conditions – trade agreements)

I believe there is a strong case for that all trade agreements - whether multilateral, regional or bilateral - should address the particular challenges of the digital economy. As the digital economy provides opportunities for both developed and developing countries, there should in fact be a good basis for

countries to come together to find a common ground for trade agreements in this area.

However, we need to act *now*. It is very encouraging indeed that services have moved up the priority ladder in the DDA.

Let me finish by summarizing my main message here today: ICT services hold tremendous opportunities for growth and innovation for developed as well as developing countries. The potential of trade agreements and the trade policy to promote trade in the ICT services as well as in all other sectors linked to the digital economy should be fully exploited.

Thank you.