OPINION PIECE

By Matteo Fiorini, European University Institute, Florence **and Bernard Hoekman,** European University Institute, Florence and

Centre for Economic Policy Research

Services trade policy and the United Nations Sustainable Development Goals (SDGs)

The 2030 Agenda for Sustainable Development is encapsulated in 17 Sustainable Development Goals (SDGs). These span 17 broad objectives, ranging from reducing poverty to improving public health and protecting the environment. They pertain to all countries, both highincome and developing.

Services can contribute to the realization of the SDGs through at least two channels (Helble and Shepherd, 2019). One channel is economic growth. Achieving many SDGs will require raising per capita incomes. Given that services account for two-thirds or more of total GDP in most economies, increasing per capita incomes requires improving productivity of services activities. Another channel is more direct. Many of the specific targets that are associated with the SDGs call for better access to services or for higher quality services. Indeed, many SDGs and their associated targets mention specific services. For instance, financial services are mentioned in the context of SDG 1 ("End poverty in all its forms everywhere"), with better "access to [...] financial services, including microfinance" identified as a specific target. Access to financial services is mentioned as a means to "End hunger, achieve food security and

improved nutrition and promote sustainable agriculture" (SDG 2); to "Ensure healthy lives and promote well-being for all at all ages" (SDG 3); to "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all" (SDG 8); and to "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation" (SDG 9).⁷

Trade and investment are channels to improve access to higher-guality, more varied and cheaper services, and can potentially improve the performance of domestic services sectors through competitive pressures and knowledge spillovers. As a result, services trade and investment policies have a role to play in efforts to achieve many SDGs. Fiorini and Hoekman (2018a) show that more open services trade policies are associated with a greater availability of (access to) several services that figure prominently in several SDGs and related targets, including not just financial services, but also information and communications technology (ICT) and transport services. Because of the intangible nature of services, foreign providers must generate at least part - and often much - of the value-added of their economic

activity in the importing (consuming) country. That is, there will often be an investment-related dimension to increasing access to services. An implication is that foreign providers will be affected by the local business environment, so that the magnitude of the potential positive effects of a more open trade and investment regime may be conditional on the quality of institutions in the importing economy (Beverelli et al., 2017).

That trade and trade policy are a means of implementation for sustainable development has long been understood. However, the wording of the SDGs tends to put the emphasis on measures to facilitate or promote developing-country merchandise exports. This is too limited. The focus should extend to policies affecting trade in services and inward investment by service suppliers, as these can affect the availability and quality of a range of services that are relevant for specific SDGs. It is just as important to complement greater attention for services trade policy with efforts to improve the quality of sectoral regulation and economic governance. These will help determine the extent to which trade and investment in services can contribute to making progress to achieve the SDGs.