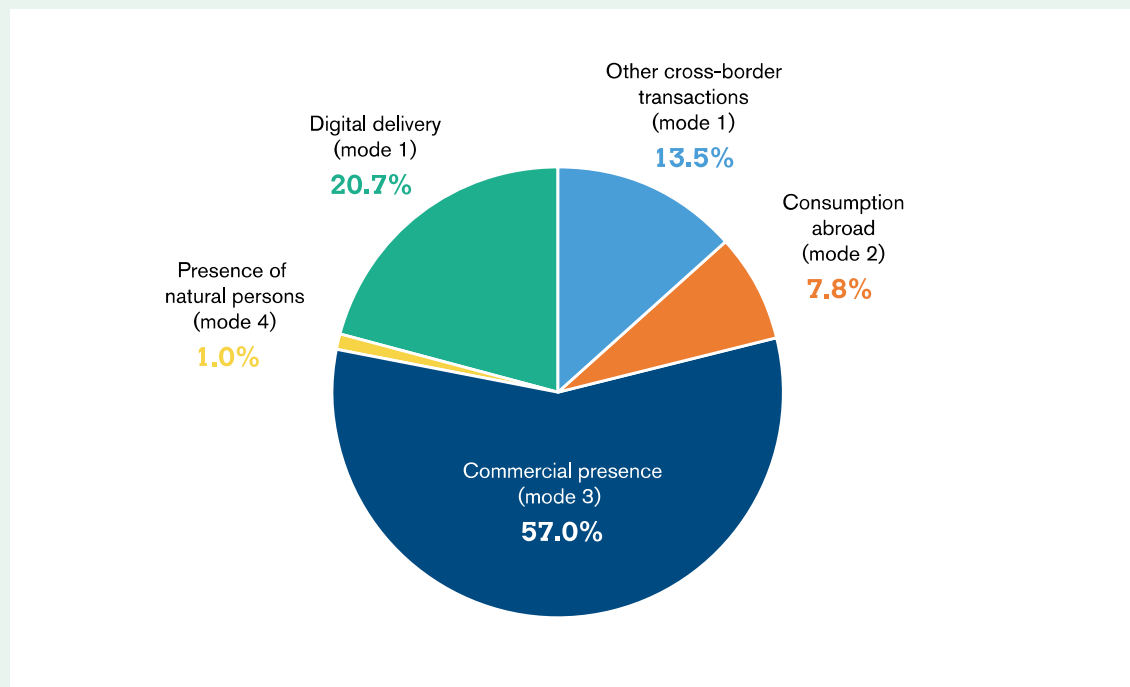


Chart 24: Structure of world services trade by mode of supply, 2022

% shares



Source: WTO estimates.

Increased services digitalization, cross-border mobility restrictions during the COVID-19 pandemic, and cost-cutting efforts by businesses due to high inflation have modified the way services are traded internationally.

The share of cross-border transactions (mode 1) rose to 34.2% in 2022, up from 26.6% in 2005. Cross-border trade is widespread across different sectors, such as transport, professional and business services, distribution services or computer services. Digital delivery through the Internet, apps, emails, voice and video calls, and digital intermediation platforms is the most dynamic segment of cross-border services trade. When all four modes of services supply are considered, the share of digitally delivered services has increased to 20.7% from 14.0% in 2005.

Services consumed in other economies (mode 2) accounted on average for US\$ 1.4 trillion and 7.8% of total trade in services in 2022, with tourism forming more than half of the value. Only US\$ 0.2 trillion or 1.0% of services were traded through the presence of persons abroad (mode 4) in 2022, down from a peak of 3.1% in 2019 prior to the pandemic.

The complete dataset on trade in services by mode of supply, by sector, country and region for 2005-2022 can be accessed via the WTO Global Services Trade Data Hub (www.wto.org/services_hub).

Global value chains and evidence of fragmentation

The global economy has been hit by several economic shocks in recent years while geopolitical tensions have been rising. In response to these and other concerns, some governments have become more sceptical about the benefits of trade and have taken steps aimed at re-shoring production and shifting trade towards friendly nations. These actions have had some impact on trade patterns, but evidence of a sustained trend toward de-globalization remains scant.

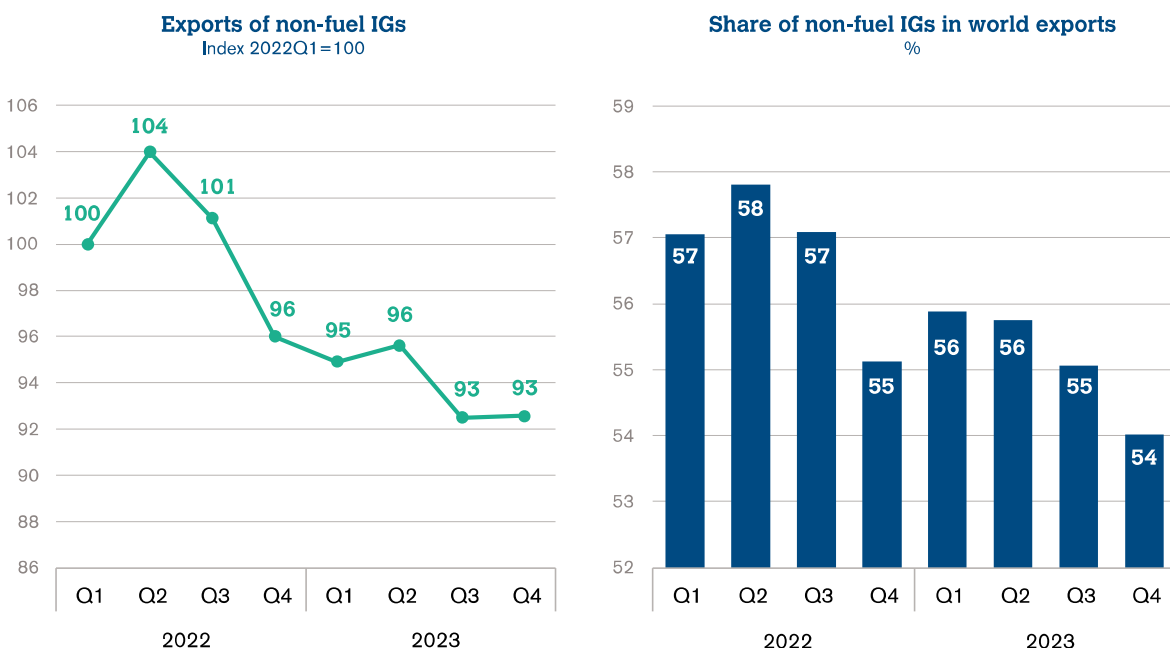
Trade in intermediate goods provides a useful gauge of the status of global value chains (GVCs). This is illustrated by Chart 25, which shows non-fuel intermediate goods exports in US dollar terms (left panel) as well as their share in world trade (right panel). Fuels are excluded from both calculations to minimize distortions due to price volatility. However, fluctuation in prices of other commodities have also been quite

strong over the last three years and might still be reflected in the graphs.

Between the second quarter of 2022 and the fourth quarter of 2023, the value of world trade in intermediate goods fell nearly 11%. For the whole of 2023, intermediate goods trade was down 6% while trade in non-intermediates was flat. Over the same period, the share of intermediate goods in world merchandise trade dropped from 58% in the second quarter of 2022 to 54% in the fourth quarter of 2023. Changes in product classifications prevent the calculation of shares prior to 2022, since a number of new products have been designated as intermediate goods. This change has raised the share of intermediate goods in world merchandise trade above 50%, whereas earlier estimates indicated that it had fallen below 50% in 2022. It is difficult to come to any firm conclusion about the meaning of the declining share of intermediate goods given the short time period available and the volatility of prices in the last two years. Historically, the intermediate goods share remained steady for many years at just over 50%, so the current level would appear to be a reversion to the previous norm.

Chart 25: World exports of non-fuel intermediate goods, 2022Q1-2023Q4

Index of US dollar values 2022Q1=100 and % share



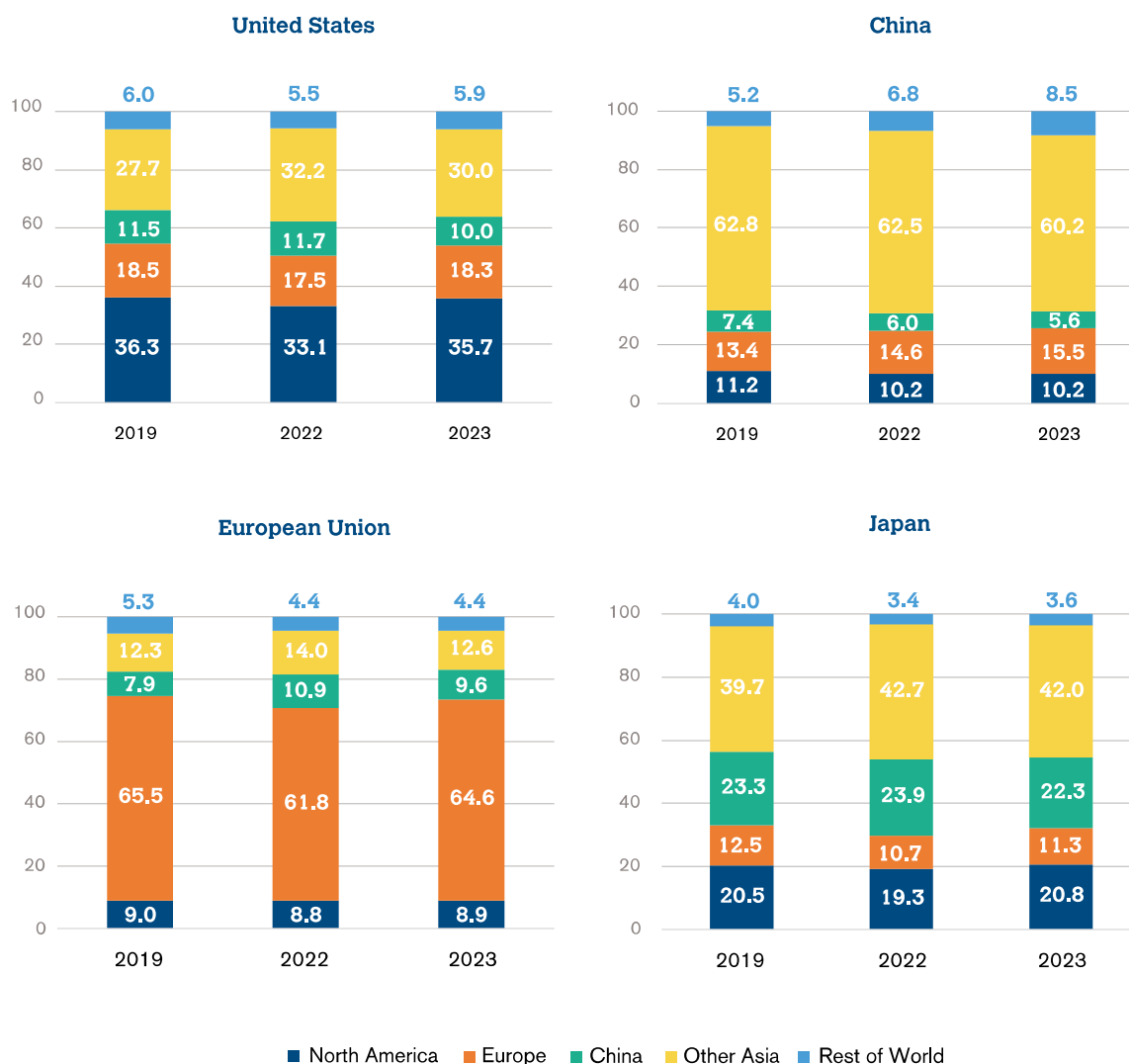
Trade in parts and accessories – a subset of intermediate goods representing components of electronics, transport equipment, and other machinery – illustrates how geopolitical tensions may be influencing supply chains in globalized manufacturing industries. This is illustrated by Chart 26, which shows shares of partner regions in total bilateral trade (exports + imports) in parts and accessories for selected economies. While trade patterns have shifted slightly since before the pandemic, the changes are not dramatic.

The share of North American trading partners in total parts and accessories trade of the United

States has changed little since the pre-pandemic period, dipping to 35.7% in 2023 from 36.3% in 2019. China's share also dropped slightly, falling from 11.5% in 2019 to 10.0% in 2023. Over the same period, the collective share of other Asian trading partners increased from 27.7% to 30.0%, leaving parts and accessories trade with all of Asia stable at around 40%. The rise in the share of "Other Asia" was driven mainly by increased trade with Viet Nam, Thailand, Chinese Taipei, and India. In 2023, the dollar value of bilateral trade with these economies was up 136%, 103%, 82%, and 76%, respectively, compared to pre-pandemic levels.

Chart 26: Total bilateral trade in BEC Parts and Accessories, 2019-2023

% share



Note: Parts and accessories are defined in terms of the Broad Economic Categories (BEC) trade classification as the sum of codes 42 and 53.