

**Book Review: Elżbieta Bombińska, *Modele świadczenia usług w handlu międzynarodowym* (Models of Service Provision in International Trade), Publishing House of the Cracow University of Economics, Cracow 2021**

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It is vital to recognise the author's selection of subject matter as appropriate and significant as it pertains to a crucial aspect within the two foremost global economic megatrends: globalisation and regional integration. As is commonly known, generally speaking, these megatrends revolve around the notable growth in economic connections between nations around the world and in various regions. In addition, with the dynamic and non-linear growth in the flow of goods, capital, technology, knowledge and the mobility of people, services play a crucial role as an integral component that contributes to these evolving dynamics. According to the author (p. 12), the growth rate of trade in services has far exceeded that of trade in goods in the past three decades. For instance, while the volume of trade in goods increased fourfold between 1995 and 2018, the value of global trade in services witnessed a fivefold increase. The reasons behind this phenomenon can be attributed to both internal and external factors. Internally, rapid economic development in several market-oriented countries after World War II resulted in increased prosperity, shifting consumption patterns, and a rise in the demand for services. This demand was also driven by the need to manage leisure time and address the ageing populations. Externally, a combination of technical, technological, economic, political, and socioeconomic conditions contributed to the complex landscape of exogenous factors influencing this trend. However, despite societies becoming more focused on providing services internally, the share of services in international trade has not increased. In 2018, the service sector accounted for two-thirds of global GDP and almost 60% of jobs, but according to balance of payments statistics, it only generated about 24% of the value of global trade. The author of the paper highlights this paradox, pointing to reasons such as the development of invisible IT services in cross-border trade and official restrictions on them, and argues that the fundamental issue lies in the underestimation of global trade in services, which is a result of how it is defined and measured.

Consequently, the main aim of this study was to reassess the significance of services in international trade and redefine their share. To achieve this objective, three research hypotheses were formulated:

1. The discrepancy between the dominant role of the service sector in national economies and its relatively low share in economic flows can be attributed to the underestimation of international trade in services. This underestimation arises from the adopted definition and measurement methodology.
2. The current approach to capturing international trade in services, as outlined in the General Agreement on Trade in Services (GATS), does not encompass all forms of cross-border service provision.
3. The measurement of international trade in services based on balance of payments statistics leads to a significant underestimation.

To test these hypotheses, the author employed the theoretical-empirical method, which is briefly mentioned in the introduction without any further elaboration. Typically, this approach involves desk research, encompassing literature studies and critical analysis to synthesise various perspectives and statements from relevant sources. The author extensively used primary source documents from institutions such as the WTO and IMF. In the empirical part of the study, the author employed methods including comparative index analysis and input-output analysis. These research methods and techniques are deemed appropriate, suitable for the objectives of the work, and skillfully employed to validate the formulated hypotheses. The empirical part of the study posed significant challenges due to the limited availability of statistical data. The data that were available were published at a highly aggregated level, had incomplete time series, and some of the data were confidential. Additionally, the use of surveys from different institutions raised concerns about the consistency of the data over time and the methodology used by national statistical institutions. These statistical limitations became evident in the author's statistical analyses. However, it is important to acknowledge that the author skillfully navigated these challenges by supplementing the data with her own research findings and incorporating studies conducted by other authors.

The work is structured into an introduction, five chapters, a conclusion, and an extensive bibliography, demonstrating a logical and coherent approach. The author progresses from theoretical discussions presented in the initial four chapters towards presenting the findings of her own research in the fifth and final chapter. Following this logical sequence, the first chapter serves as an introduction to the topic at hand. It begins by describing the concepts and classifications of service activities, as well as providing definitions for international trade in services. These various perspectives and fields of study provide valuable insights into this economic category, which is of significant cognitive importance. However, for practical purposes, particularly in relation to economic policy, the GATS models hold greater importance. These models include:

- cross-border trade: this pertains to the transfer of services without the physical movement of the service provider or recipient;
- foreign consumption of services: this involves the movement of the service recipient to the country where the service provider is located in order to consume the services;
- commercial presence: this refers to the establishment of a presence by the service provider in the country of the service recipient. This can take the form of a subsidiary, branch, or representative office;
- presence of individuals providing services: this encompasses self-employment, temporary employment, or posting of individuals who provide services in the country of the service recipient.

However, the author highlights the fact that these models do not encompass all forms of international trade in services, leading to the introduction of a fifth model – indirect trade in services – in the fourth chapter of the work. The chapter concludes with a detailed account of the assessment of international regulations concerning trade in services.

In the second chapter of the study, the author demonstrates a creative utilisation of international trade and foreign direct investment theories to elucidate on the economic mechanisms underlying cross-border trade in services. By exploring factors such as comparative differences, economic, geographic, cultural, and technological disparities between countries, as well as investment motives, the author discerns their significant influence on this trade. However, it could be beneficial to complement these considerations with insights into reshoring (or nearshoring) and its potential impact on the subject matter under investigation. The advancements of Industrial Revolution 4.0, including the Internet of Things, automation, cyber-physical devices, 3D printing, blockchain, and artificial intelligence, have led to a potential shift from the traditional model of global value creation. This traditional model relied heavily on developing countries as locations for Foreign Direct investment (FDI) due to the use of cheap labour. However, the unexpected disruption caused by the COVID-19 pandemic has further accelerated this potential shift.

The third chapter focuses on the methodology outlined in the Balance of Payments Manual (BPM) published by the International Monetary Fund, specifically in relation to measuring trade in services. As suggested by the title, "Measuring World Trade in Services in Light of the Recommendations of the Manual on Statistics of International Trade in Services" (pol. Mierzenie obrotów światowej wymiany usług w świetle rekomendacji), this chapter presents crucial recommendations for statistical services and other stakeholders engaged in the analysis of international trade in services. The primary data sources for capturing services are balance of payments and foreign affiliate statistics, following the model proposed by GATS. Complementary sources such as FDI statistics, international tourism, and international migration data can also be employed, however, the practical effects of using these statistics, as assessed by the author, are not satisfactory. One of the main challenges is the inability to accurately identify the trade model through the Extended Balance of Payments Services Classification (EBOPS) classification. Additionally, relying on the classification of economic activities in the Foreign Affiliates Trade in Services Statistics (FATS) poses limitations, and the use of a product-based classification could potentially enhance measurement precision and facilitate comparisons with other statistical data. Additionally, one of the major limitations of statistics on international trade in services is the inherent incompleteness of time series data, rendering cross-comparisons unfeasible. Consequently, the assessment of the value and composition of international trade in services can only be approximated through estimations.

As GATS fails to encompass all forms of international trade in services, particularly the indirect provision of services through the accompanying flow of goods, the literature has developed a distinct model known as Model 5 – indirect trade in services. The author addressed these concerns in the fourth chapter, initiating the discussion by examining the underlying reasons that led to the development of Model 5, specifically focusing on the phenomenon of 'servitisation' within industrial production. Servitisation is defined as a process where the significance of services in the economy increases, not only through the expansion of the tertiary sector but also through the integration of various service functions within the industry and agriculture sectors. To capture the components of servitisation within industrial production, the author points to the importance of measuring services bought and sold. This necessitates applying different measurement methods within the framework of Model 5, specifically the input-output method was employed, which involves the use of international branch flow tables and international supply and use tables to measure the services bought and sold. Conversely, the determination of service values, which act as internal inputs for manufacturers, is generally derived from factors such as the number of personnel employed in service departments and their corresponding salaries. Nonetheless, it is important to acknowledge that the outcomes obtained through this calculation method can only be considered as approximate estimates.

Chapter five serves as the culmination of the author's theoretical deliberations, presenting the findings from the empirical research. The primary goal was to ascertain the value of international trade in services encompassing all five forms of service provision, namely the four models of direct trade emphasized in GATS, and the additional model of indirect trade in services. Each of these models was allocated a separate subsection within the chapter's structure. Furthermore, this chapter also includes a dedicated section that examines the context of international trade in services, specifically within Poland. The author relied on secondary research, conducted by other authors, to study direct trade in services. In contrast, the analysis of indirect trade in services examined its three components: external inputs, internal inputs, and services sold by manufacturing enterprises. However, the limited availability of statistics and secondary sources restrained the depth of analysis for this aspect of the study. The empirical research findings demonstrate that indirect cross-border trade in services, as represented by Model 5, is the primary means through which services are delivered to foreign markets. The author reached this conclusion by conducting research on major export countries and also examining the case of Poland. While this finding can potentially be applicable to global trade in services, further research is undoubtedly necessary to verify its generalisability. Regarding direct trade in services, Model 3, which involves trade in the country where the services are provided, emerged as the most significant, accounting for 60% of global trade in services. Model 5, which focuses on indirect cross-border trade

in services, surpassed the significance of other models, such as model 1, which solely involves cross-border movement of services. Models 2 and 4, which are associated with the international movement of people, hold considerably less importance in comparison to Model 5.

Upon thorough examination of the research, it becomes evident that the main objective of the work along with its specific aims, were successfully accomplished. Through both theoretical and empirical analysis, the author effectively validated the formulated hypotheses, and furthermore, skillfully identified an existing research gap pertaining to the disparity between the significance of services in terms of global GDP and employment, and their relatively smaller share in international trade. The author provided an explanation for this finding and successfully assessed the true significance of direct trade models (M1-4) versus the indirect trade model (M5), including their relevance to Poland. It is noteworthy that the study presented a comprehensive approach to studying the subject, considering it from the theoretical, measurement methodology, and the empirical research perspectives. This thorough examination of the topic contributes to a more holistic understanding of the issue at hand. The incorporation of service trade models into the existing theories of international trade and foreign direct investment, and the explanation of the measurement methodology for all five models (particularly Model 5), represents a significant advancement in the understanding of cross-border trade in services. Additionally, the pioneering effort to estimate the value of Poland's international trade in services across the discussed five models of service provision should be recognised as a valuable contribution to the field of science. The research problem addressed by the author holds significance for both the advancement of the theory of international trade in services and practical applications. The identification and understanding of different trade models are crucial for evaluating the economic impact of services trade and for making informed decisions that promote its growth and facilitate competitive advantages in this domain. Without adequately programming future regional and global development directions, the formulation of effective economic policies becomes impractical. It is undeniable that these policies will be closely intertwined with the growing significance of services, driven by the blurring of boundaries between products and services due to the advent of Industrial Revolution 4.0 and the advancement of the sharing economy. The author of the paper accurately highlights these conditions, offering valuable theoretical and empirical insights that can be applied effectively by economic policymakers in practice.

In summary, I believe that the publication by Elżbieta Bombińska, „Modele świadczenia usług w handlu międzynarodowym” (Models of Service Provision in International Trade), is an exceptionally valuable dissertation that tackles pertinent issues of both scientific and practical significance. With its original and innovative approach, the book offers a significant contribution to advancing knowledge about international trade in services, providing scientific interpretations and valuable guidance for economic policymakers.