

## 2. A new generation of services?

Services are a key contributor to economic activity, accounting for over 60 per cent of global production and employment. Over the past two decades, trade in services has become the most dynamic segment of world trade, growing more quickly than trade in goods (WTO, 2015b). The services industry has, like other industries, been affected by the rise of new technologies, in particular the internet. New business models have emerged. The advent of blockchain technology could further reshuffle the deck.

In virtually every services industry, an increasing number of applications is being developed that leverage the technology to provide better, quicker, and cheaper services on a national and transnational basis, challenging established incumbents. Besides trade finance and transportation and logistics, which have been discussed in the preceding section because of the key role they play in international trade in goods, other services of particular interest for international trade include cross-border payments, insurance services, and retail distribution.<sup>42</sup>

### (a) Financial services

Blockchain has its origins in finance, and this sector is, for many, one of the most compelling use cases for the technology. Originally developed in the wake of the 2008 global financial crisis as an alternative to centralized financial transactions, Blockchain is the technology underpinning the now famous Bitcoin cryptocurrency.

Blockchain is, however, much more than cryptocurrencies. Its potential applications go well beyond the nebulous world of digital currencies, including in the financial sector. An increasing number of banks, financial companies, stock exchanges<sup>43</sup> and startups is investigating how the blockchain technology can help them improve their operations. Banks are, in fact, some of the largest holders of patents for blockchain technology (20 per cent of total patents), behind blockchain-specific companies but ahead of traditional technology firms such as IBM (Decker and Surrane, 2018). According to McKinsey & Company, the global banking industry is expected to spend US\$ 400 million on blockchain-related projects by 2019 (McKinsey & Company, 2017). Proofs of concepts and pilot projects are flourishing, with some 70 per cent of financial organizations already experimenting with the technology, and new business models are emerging that could deeply transform the finance industry.

One of the areas where Blockchain could have a significant impact is cross-border payments, which account for about 40 per cent of global payment transactional