



ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

SERVICES TRADE RESEARCH: *What are we studying and what do our clients want to know?*

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Outline of presentation

- **I. Overview of factors differentiating services trade and why it receives less attention**
- **II. Various entry points to services analysis**
- **III. Services research and stakeholders' needs**

Services are different...

Services are :

- **intangible, invisible, non-storable, non-transportable, etc.**
- **involve direct interaction between Producers and Consumers**
- **extremely disparate in nature:**
 - *brain surgery, maritime transport, tourism and insurance*



Wider concept of “trade” in services

Interacting producers and consumers implies:

- **Service moves (blueprint faxed to consumer)**
- **Service stays put but consumer moves abroad (studying at foreign university)**
- **Service provider (firm) moves (bank establishes its presence, a branch, abroad)**
- **Service provider (individual) delivers by moving abroad temporarily (independent software engineer)**



Why do services have relatively low profile?

- **still relatively new and unknown**
- **direct interaction and varying movement of either producer or consumer means factors of production often less concentrated**
- **intangible = invisible ?**
- **regulatory failures in high profile public services (eg water, electricity and accounting)**

Arthur Andersen & Co

Multiple regulatory failures





Why do services have relatively low profile?

- **uncertainty of legal commitments**
 - recent legal decisions in WTO
- **complexity of regulatory impacts and difficulty in assessing gains from liberalisation means their importance often not well understood**
 - even if generally recognised as greater than those from manufacturing and agriculture



II. Entry points for studying services

**Determinants of services trade

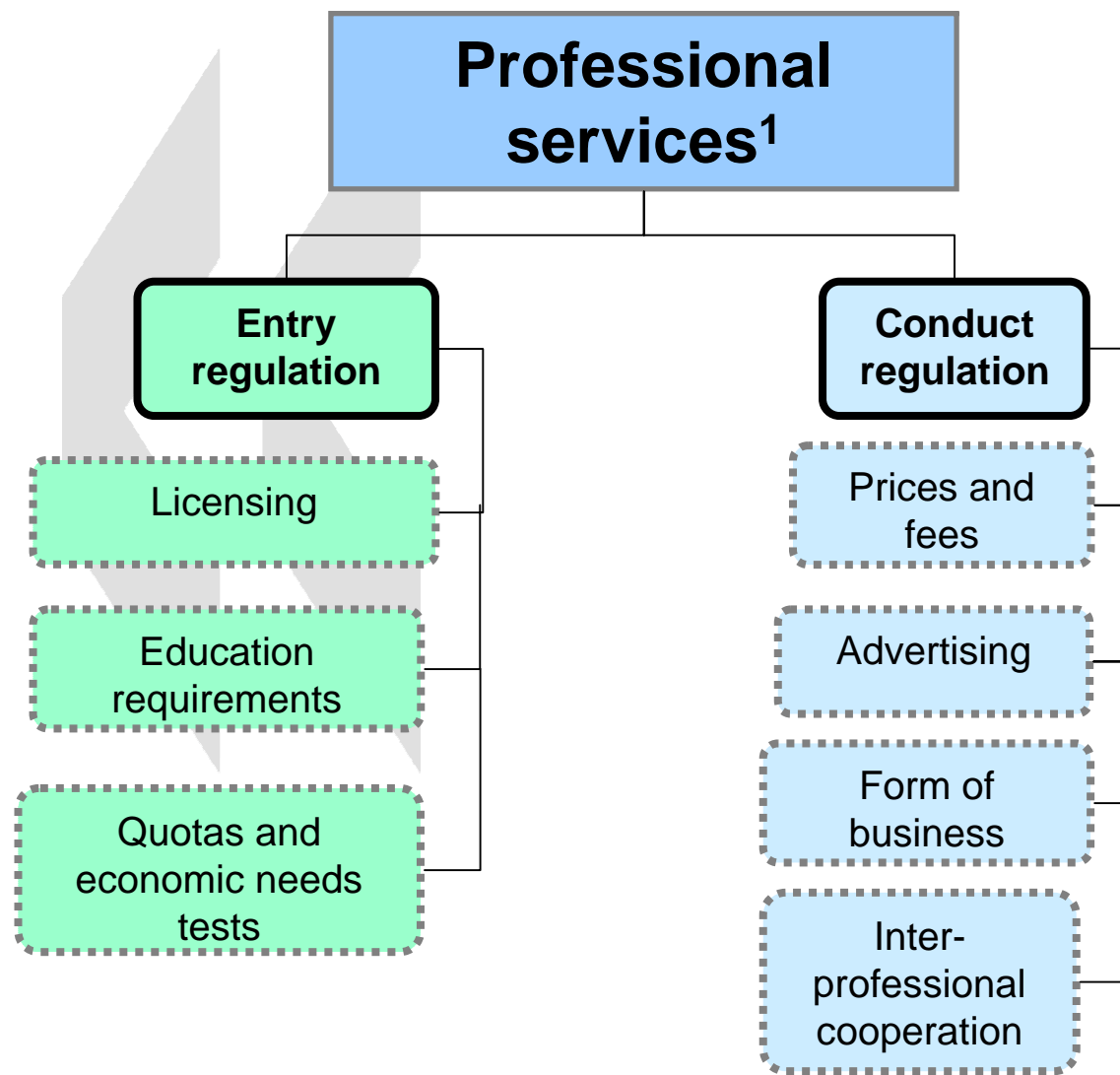
Regulations or “behind-the-border” measures are the primary instrument affecting services trade. To analyse their trade effects various typologies can help:

- **Do they affect all service providers domestic and foreign (MA) or discriminate against foreigners (NT) ?**
- **If non-discriminatory in intention (apply de jure to all), do they in fact become discriminatory due to nature of the service ? (e.g. reaccreditation of professionals)**



Analysing behind-the-border measures for effects on trade

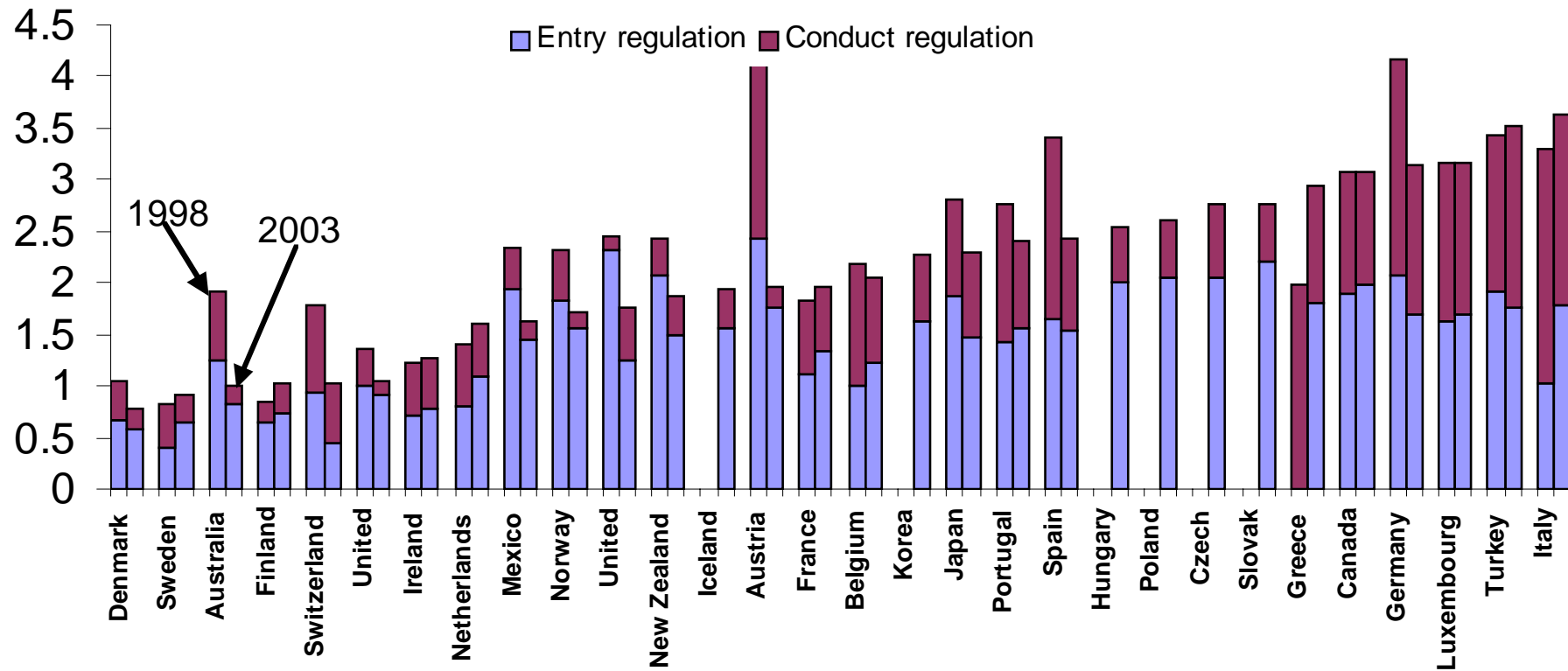
- Do they affect entry / establishment or ongoing operations?



1, The indicator covers the engineering, legal, accounting, and architectural professions

The PS indicator results

Regulation in the professional services, average of 4 services





Analysing behind-the-border measures for effects on trade

- **If designed to address market imperfections and public policy objectives**
 - **Asymmetry of information** (banking, professional)
 - **Network externalities** (telecoms)
 - **Public policy objectives** (consumer protection eg medical services)

To what degree are they in fact trade enhancing?



Analysing behind-the-border measures for effects on trade

- **Governments and other regulatory bodies take different paths to meet economic and non-economic goals. Thus the *heterogeneity* of regulations, variation between jurisdictions, may affect trade.**



Effects on trade via mode of supply

Regulations may influence firms' choice to provide services via one mode or another

- Restrictions on one mode may be *indifferent*, or *significant* determinants of how the service is traded.
- Firm may need >1 mode to supply the service *or*
- Modes may be substitutes: will trade flow via least restrictive mode?

**** Impacts of liberalisation?**

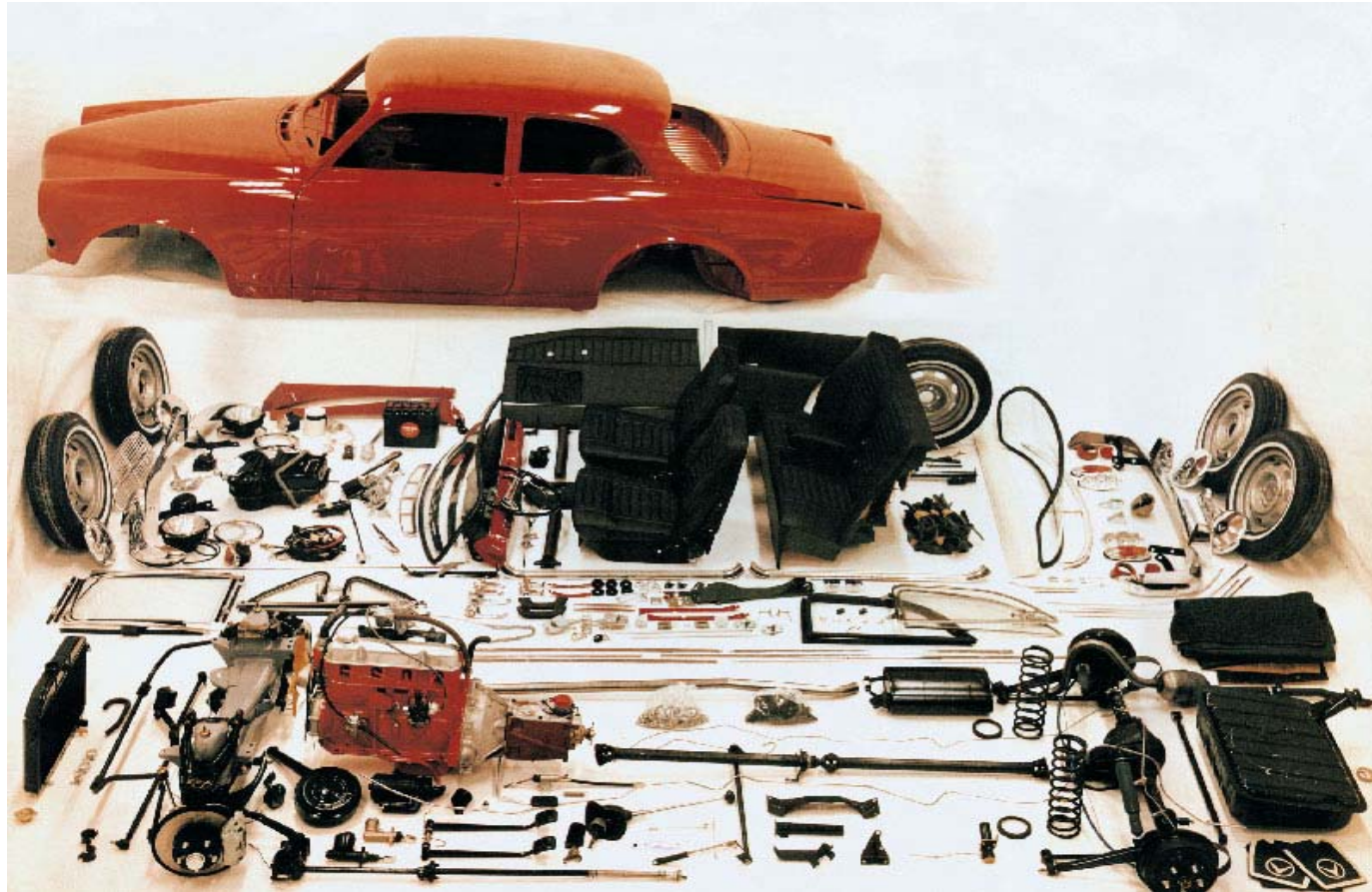
- **Welfare impact of liberalisation has not always been unambiguous:**
 - depends on adopted market structure & economy specificities
 - in-depth evaluation of liberalisation of finance, tourism, air transport in Zambia
 - Design and implementation crucial



Using models to assess impacts of liberalisation

How to model contributions of increasing services content in goods and other services?

- **Producer services as inputs: quality, variety as factors for productivity increases**
- **Overall level rising with economic growth: R&D, finance, design, marketing, distribution product/brand management**



Modelling services

- Like fragmentation of goods, services are increasingly broken down into components and then outsourced :
 - which ones? how can this “trade in tasks” be characterised? Are they only finite , routine tasks?



** Research by services sector

- **Due to disparateness, research clearly needs to focus sectorally – but at what level of detail?**
- **12 large sectors , the 155 sub-sectors?**

Research by sector

- **Intermediation across space: Distribution; international maritime transport; telecoms :**
- **Intermediation across time: Financial**
- **Network or “backbone” services: telecoms, transport, environmental (water and sewage);**
- **Business support services: professional (legal, accounting); ICT; insurance;**

Research by sector

- **Services to support manufacturing and exports:**
 - those linked directly to export of goods
 - logistics, including transport;
- **Social and basic services:**
 - education; health; water and sanitation



**Role of multilateral & regional trade negotiations

Multilateral :

Political economy of negotiations :

- How to calculate value of offers & trade-offs
- What is value for the national economy

RTAs:

- Are they WTO+ for services?
- If so on paper, what is actual experience with implementation



****Development strategies & development co-operation**

- **Role of services to address bottlenecks**
 - ports, marketing, transport → Trade Facilitation
 - In developing national plans, which services should receive focus
 - Aid For Trade;
- **Should banking, telecoms, transport , or business services receive priority support?**
 - Aid for *Services* trade?

****Firms' strategies**

Role of services to improve competitiveness?

- availability of new, cheaper services**
- expanding product variety more generally**
- diversifying export bundle of countries**

What is appropriate role of government to support firms?



III. Services research and stakeholders' needs

Concluding Remarks

OECD members have generally understood that:

- Services contribute more to growth in employment and productivity
- Services reform has been providing the key path to overall prosperity
- Good regulatory design & governance crucial

However, a disconnect persists in general understanding of how *services trade* contributes to jobs, growth and productivity



Websites

- www.oecd.org/trade
– Services trade

www.cepii.fr