

Services Trade – New Approaches for the 21st Century

Determinants of Competitiveness and Factors affecting Productivity in Services

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The paper sets out the evidence for the importance of services in both developing and developed economies, and the factors underlying services productivity.

After many years of being ignored as the 'residual sector' services are now recognised as being central to national competitiveness. The stronger understanding of services and services markets also raises the prospects, once unthinkable, that rapid gains in productivity in services themselves might be possible.

The paper outlines a policy toolkit to accelerate services productivity growth. There are many policy challenges to overcome, including those related to the information asymmetries that are common to many services markets and those related to competition policy questions. The policy toolkit therefore includes: institutional and regulatory measures; international engagement by services business via trade and investment; services innovation; and workforce development.

Particular services sectors may rank higher than others in the sequence of the implementation of the toolkit. For example, financial and legal services are not just important for their share of the economy, in Australia's case larger than manufacturing, but also for their role as the foundation on which a dynamic and productive services economy is built. Another sector of focus may be telecommunications and information technologies.