

ADB & PECC Conference (Hong Kong, 1-3 June 2011)

"Services Trade: New Approaches for the 21st Century"

S3-T2: At the Border – Realizing the Benefits from Services Liberalization"



*Some comments on
“Dissecting the Gains from
Services Liberalization for
Developing APEC Economies”*

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Services trade liberalization

Hoekman scores		Marchetti-Roy scores: Modes 1 and 3			
GATS, 1994		GATS		RTAs/FTAs	
US	46.1	US	55.4	PE	85.7
CA	36.2	NZ	54.2	AU	82.5
NZ	35	JP	53.2	SG	81.2
JP	34.9	AU	51.1	CL	74.3
AU	34.3	KR	48.8	KR	70.2
KR	27.3	MX	40.6	JP	69.6
MY	24.6	SG	37.6	US	68.9
SG	20.8	PE	33.6	NZ	63
MX	19.1	MY	27.7	MX	57.8
HK	10.1	CL	20.2	MY	34.8
CL	6.7	CA	n.i.	CA	n.i.
PE	5	HK	n.i.	HK	n.i.

Sources:

Hoekman [WB, 1995] scores the 1994 schedules of commitments.

Marchetti and Roy [WTO, 2009]'s 'GATS' scores include improvements through DDA offers and 'RTAs/FTAs' scores refer to a sample of 40 PTAs signed between 2000 and mid-2007.

- After a weak start (GATS-1994), PLA-APEC economies are catching-up fast, through improved DDA offers and –above all- recent FTAs with a comprehensive negative-list approach
- Mexico and Chile stand out in progress at the WTO level
- While Peru's progress through FTAs is really impressive



Some Important Potential Gains

- Taking into consideration that under
 - Scale economies, firm-specific intangible assets and agglomeration forces, the different modes of services supply are often complimentary instead of perfect substitutes , and smaller economies are less disadvantage if FDI (M3) is encouraged [Copeland & Mattoo, 2008]
 - Network economies –featured by basic infrastructure services, while larger networks’ benefits to consumers are obvious, to producers depend on operating costs [Dee & Findlay, 2008]
 - Recent growth patterns, services are key inputs/outputs by themselves and services value chains (SVC) are expanding in ways independent from manufacturing [Drake-Brockman, 2010]
- **A M1 & M3 package of negative-list liberalization and advanced facilitation FTA commitments –by means of North-South FTAs in particular, may**
 - Promote the coupling to leading SVC through a factors proportion-based “offshoring” [PSU, 2010], with positive “spillover effects” in the entire domestic economy
 - Establish the reciprocal market access incentive needed for the entry of new and more efficient service providers, as well as for “intra-service” trade among FTA parties
 - Unfold a rules-making coordination orienting the regulatory reforms aimed at ensuring that key infrastructure services also enjoy from the FTA gains, even when not directly included in it

Some Important Challenges

- **Policy coherence and sequencing**

- Unilateral measures dilute FTA commitments and increase the fixed/sunk costs gap in favour of less efficient incumbents –a reason to promote competition through new and superior FTAs
- Risks of being stuck to less efficient and/or agglomeration forces-diverting incumbents are larger in transport and related logistics and distribution services, limited covered in WTO and most FTAs –while Market Access granting is a must, the policy sequencing challenge lies in the application of the NT and MFN principles

- An emerging debate: **“Horizontal” vs. “Vertical” approaches to Supply Chains?**

- In East-Asia, the current upsurge of SVC, even though moving in its own ways independent from manufacturing, it nevertheless has as a basis the existing and also expanding web of manufacturing production networks
- In Latin America, there has not been a similar “flying geese” pattern of regional division of labour in manufacturing
- Thus, “horizontally” designed Trans-Pacific supply chains, led by carriers and retailers, may bring very different outcomes in each region