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Trade in Services in the Asia-Pacific: Patterns, Determinants, and Policy

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Outline

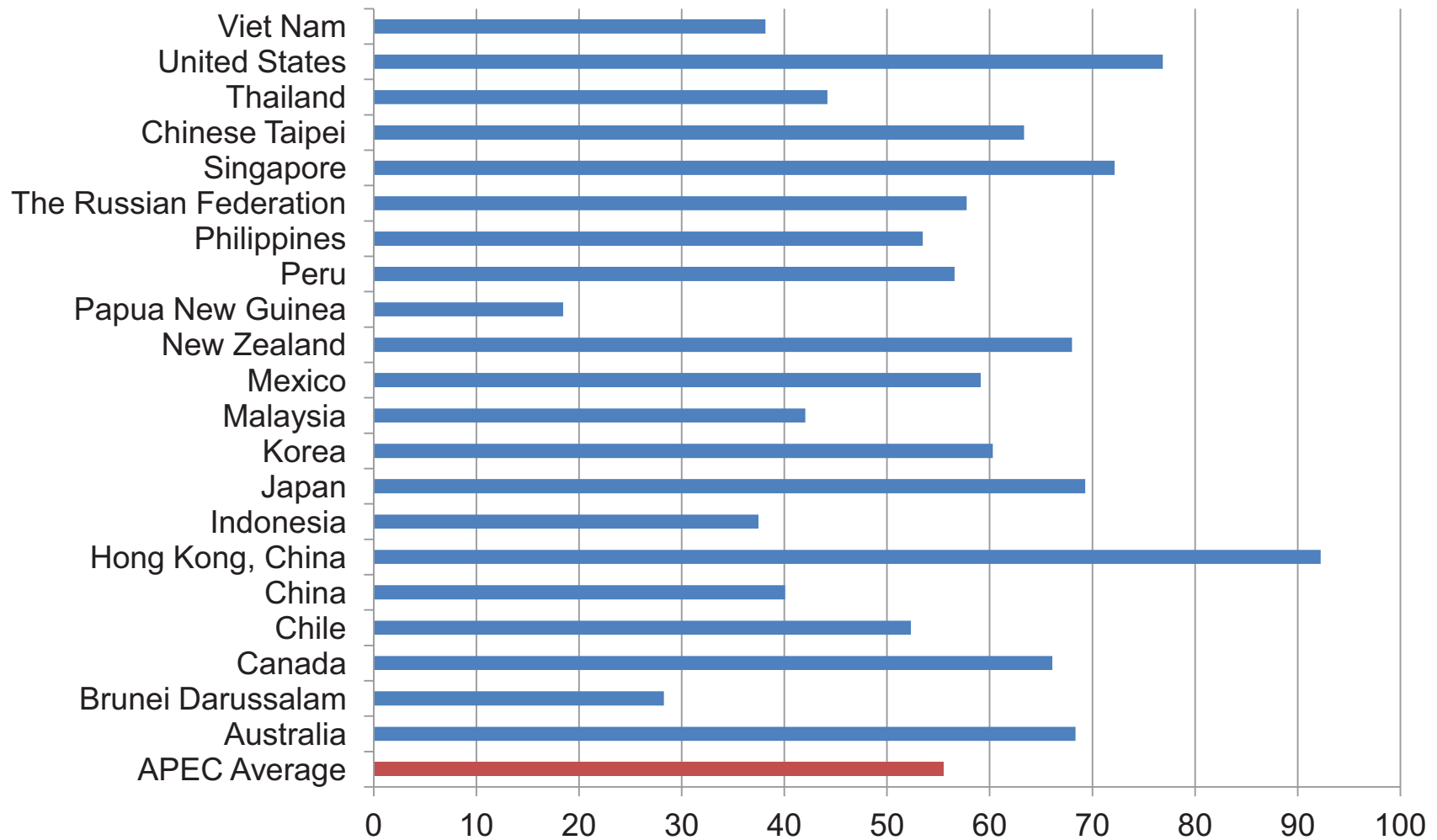
1. Services in the Asia-Pacific economy
2. Policies towards trade in services
3. A forward-looking agenda

All material based on a 2010 report for the APEC PSU by Ben Shepherd and Erik Van Der Marel.

http://publications.apec.org/publication-detail.php?pub_id=1070

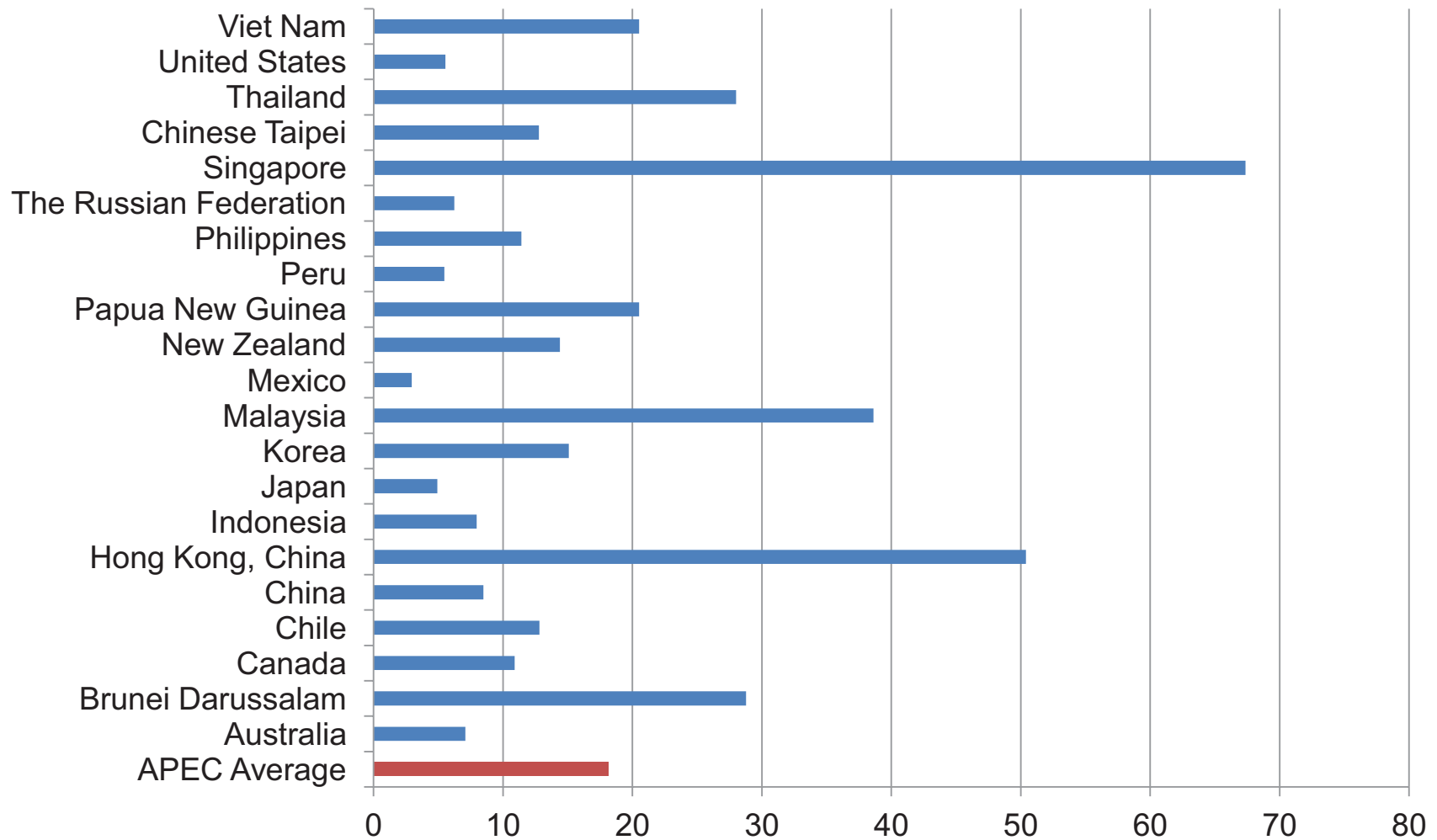
Services in the Asia-Pacific economy

Services value added % GDP (WDI 2007)



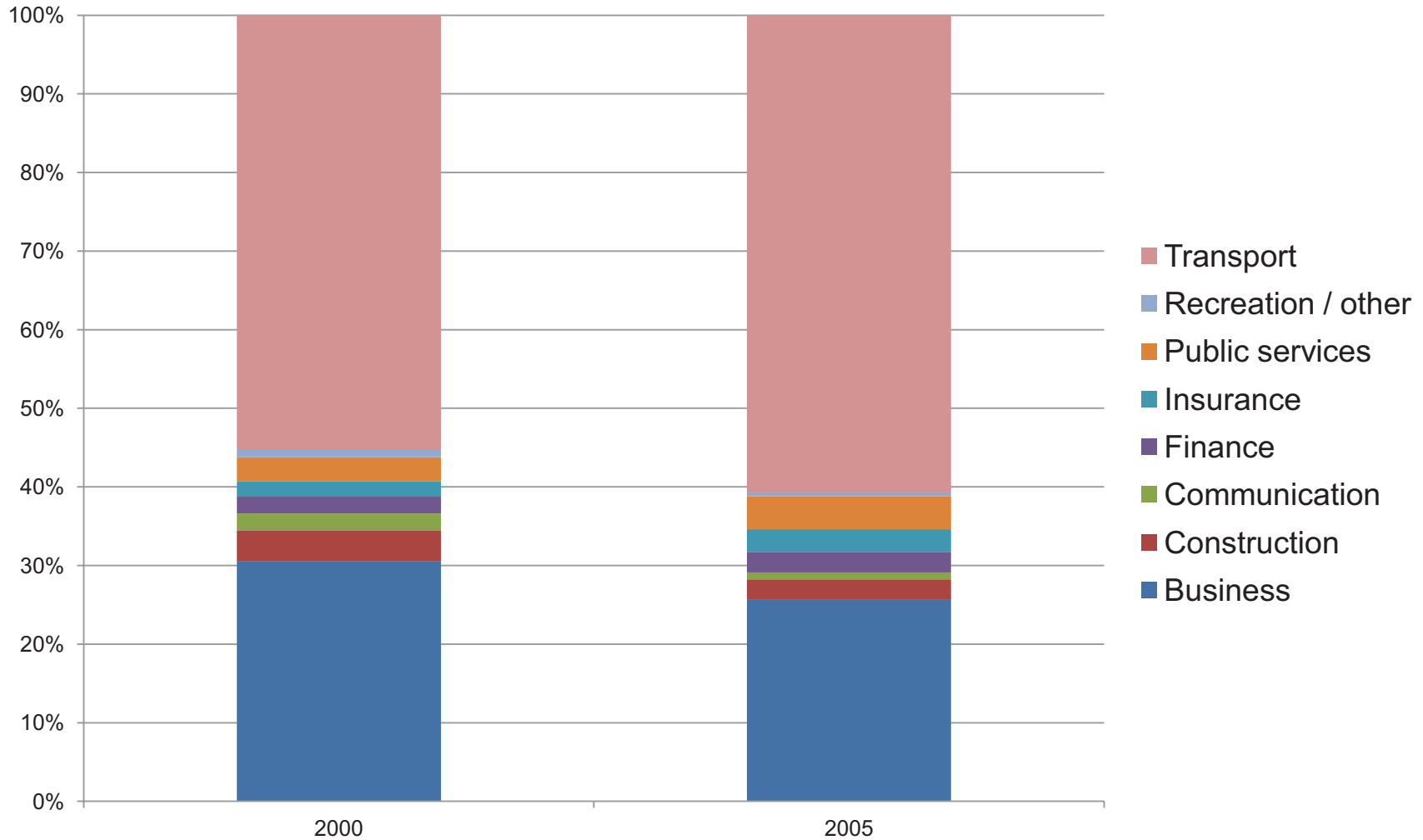
Services in the Asia-Pacific economy

Services exports % value added (WDI 2007)



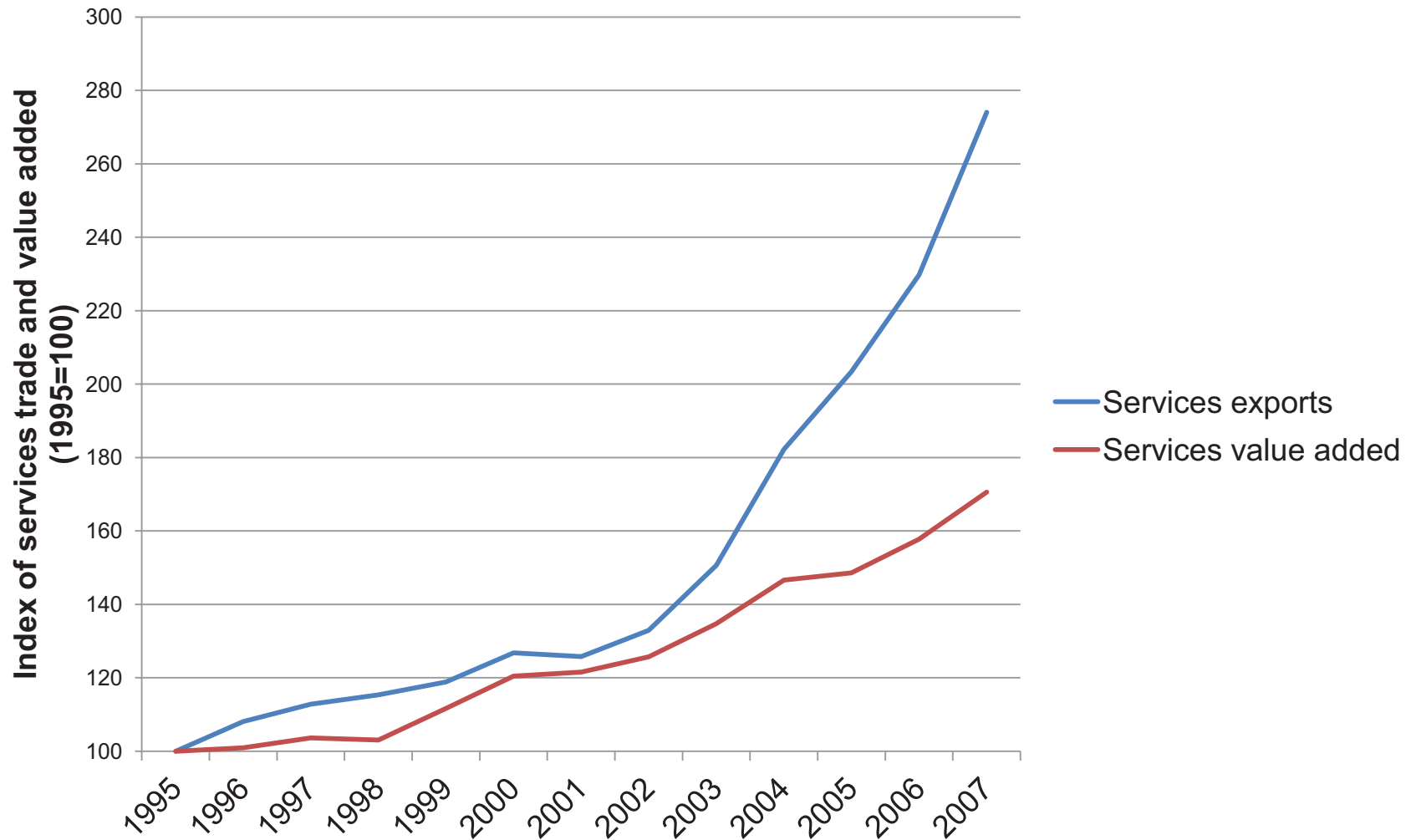
Services in the Asia-Pacific economy

Sectoral breakdown of services exports (TSD 2000-2005)



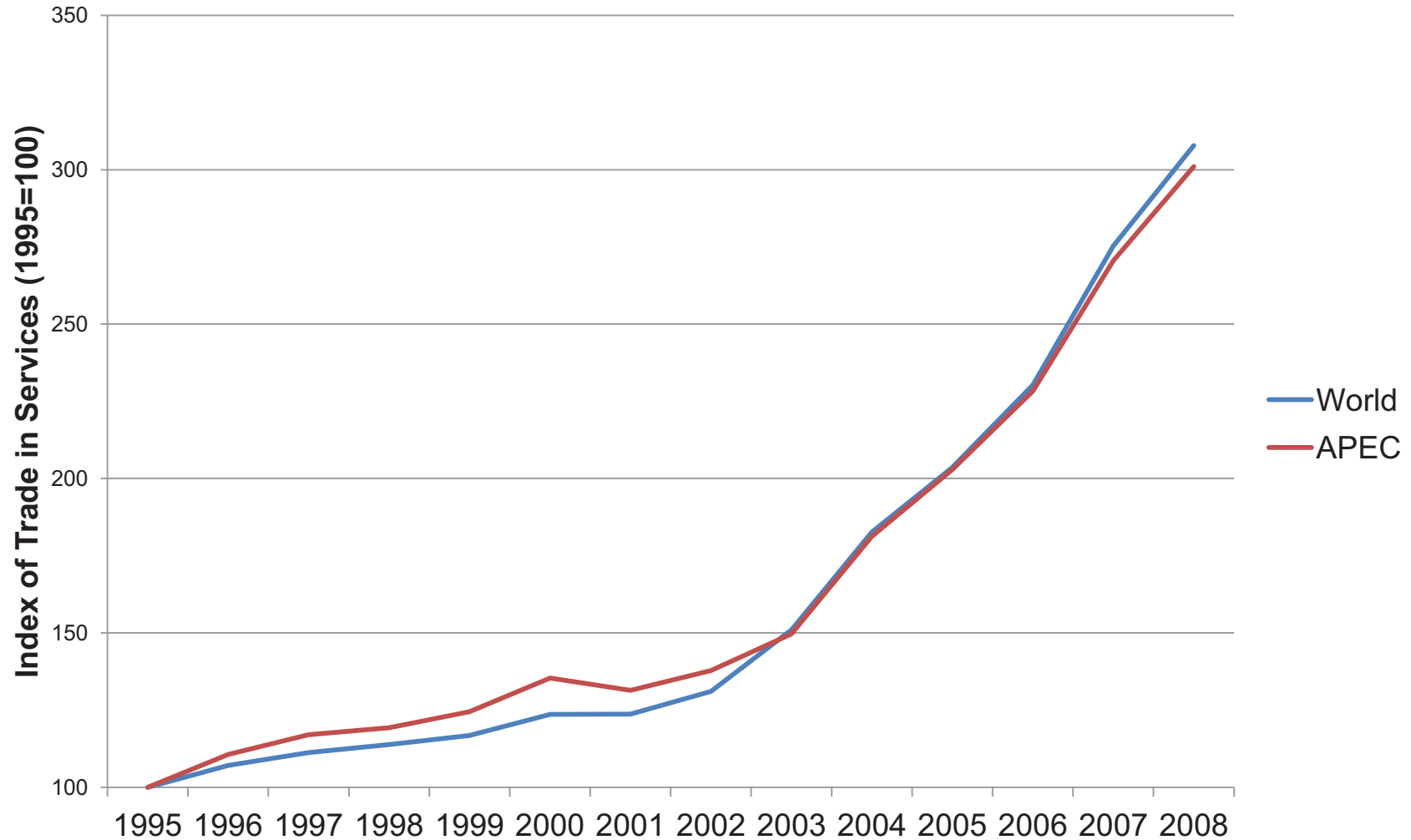
Services in the Asia-Pacific economy

Services exports vs. value added (WDI 1995-2007)



Services in the Asia-Pacific economy

Services exports in APEC vs. the world (WDI 1995-2008)

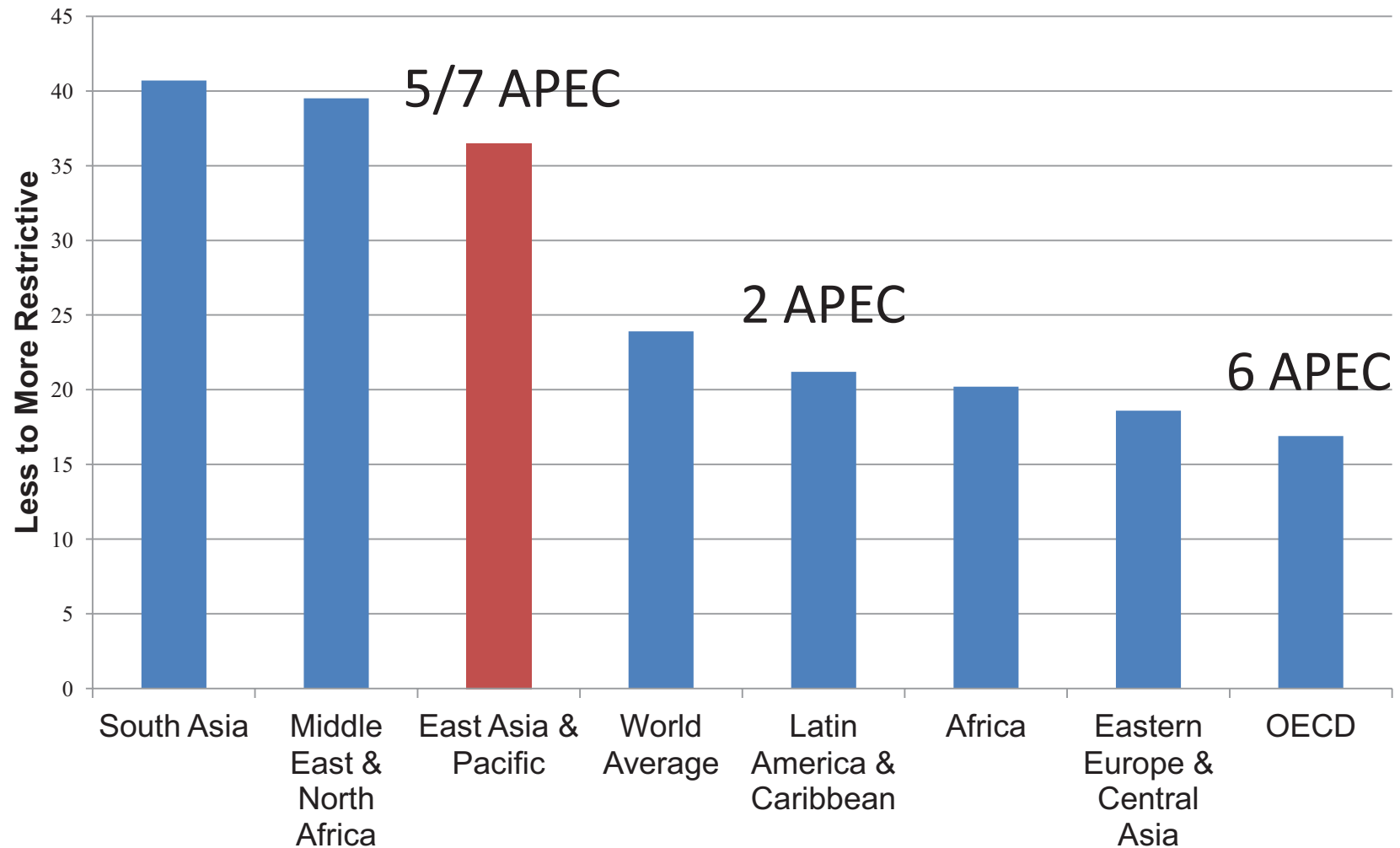


Policies towards trade in services

- ▶ Although services trade has been progressing rapidly in the Asia-Pacific, performance is not noticeably different from the world average
- ▶ Services markets have become more integrated despite evidence that policy restrictiveness remains high throughout the region
- ▶ Policymakers can boost services trade in the Asia-Pacific and take the region in front of the global curve by moving aggressively forward on services policies

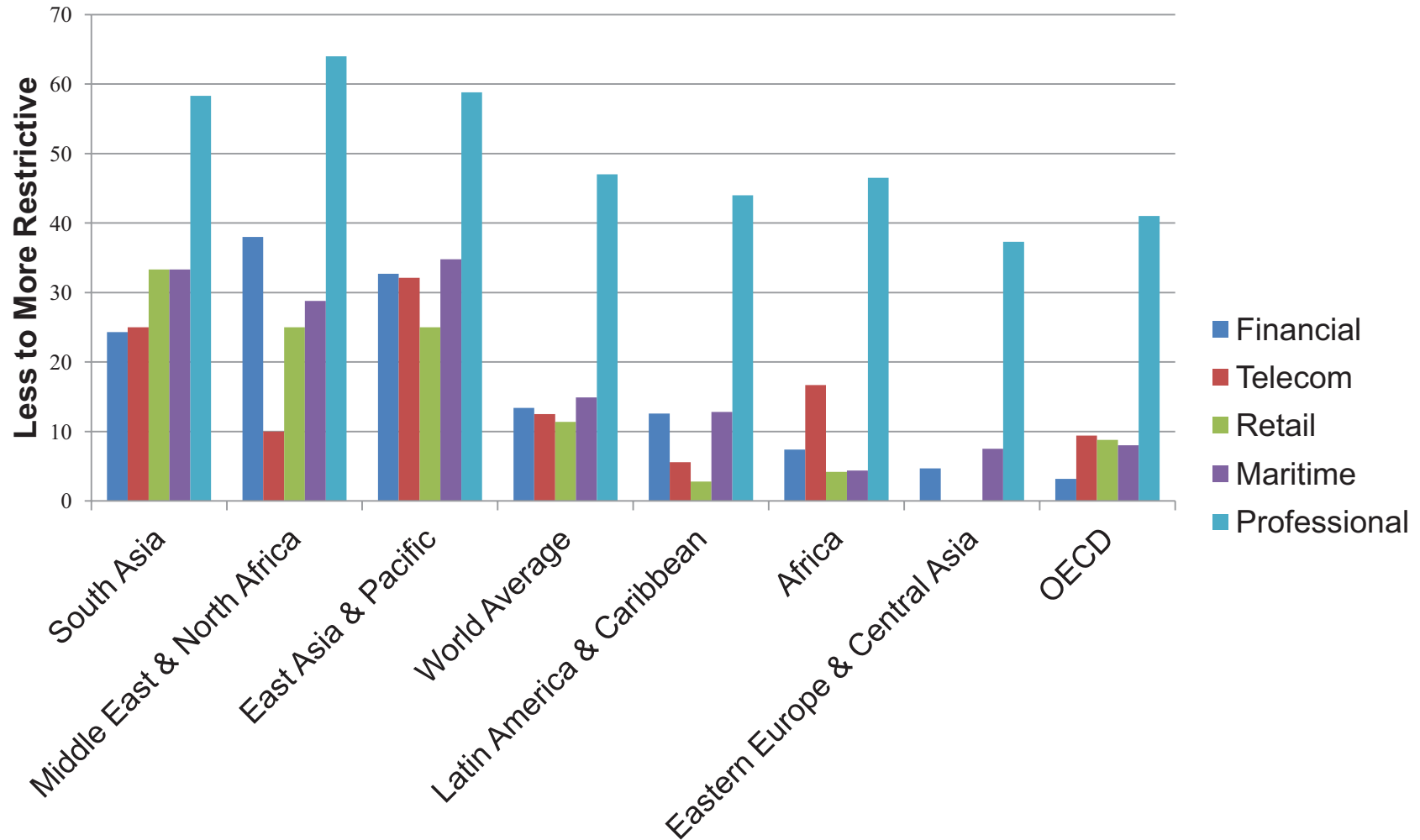
Policies towards trade in services

Services Trade Restrictiveness Index (World Bank)



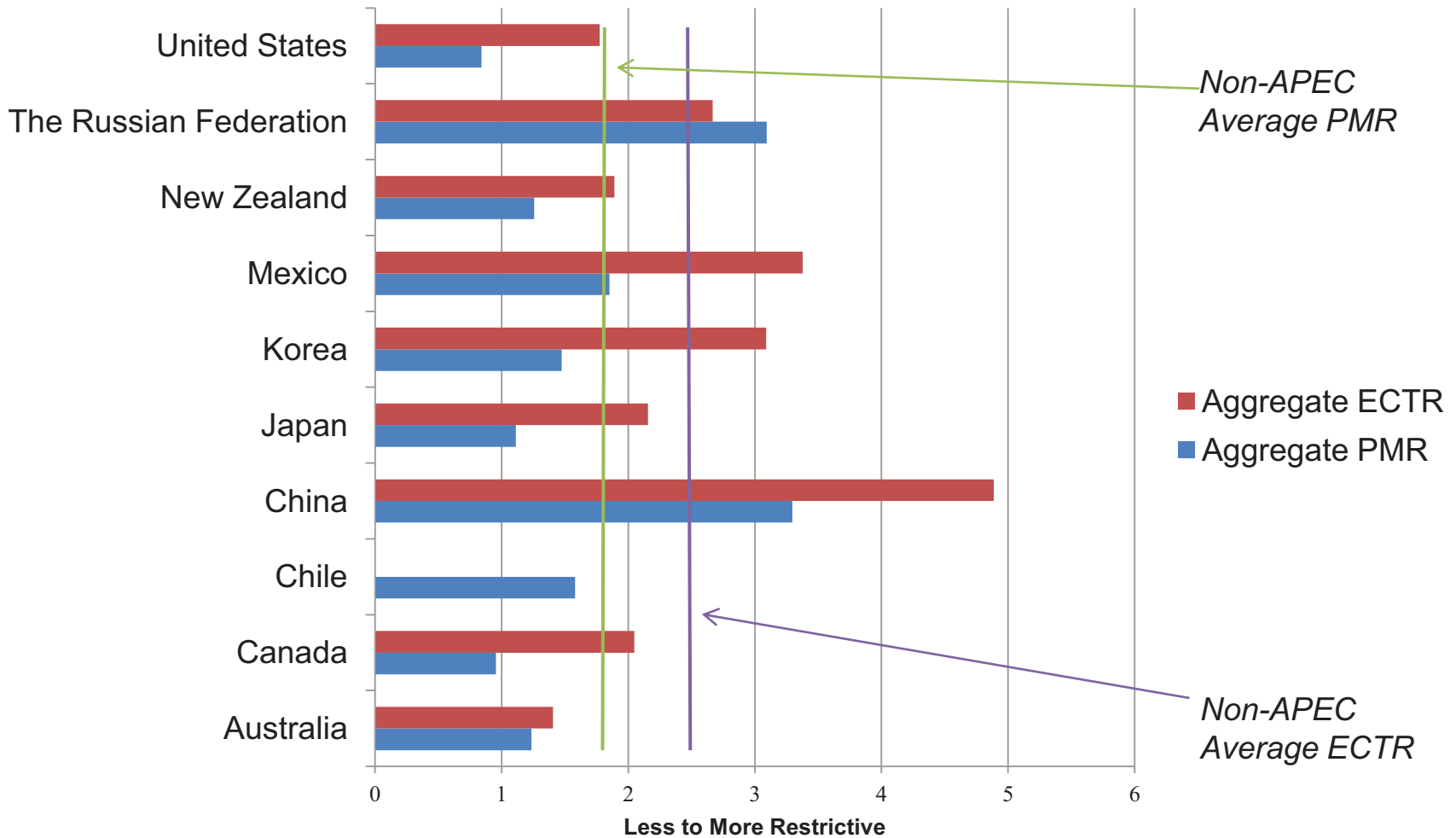
Policies towards trade in services

Services Trade Restrictiveness Index (World Bank)



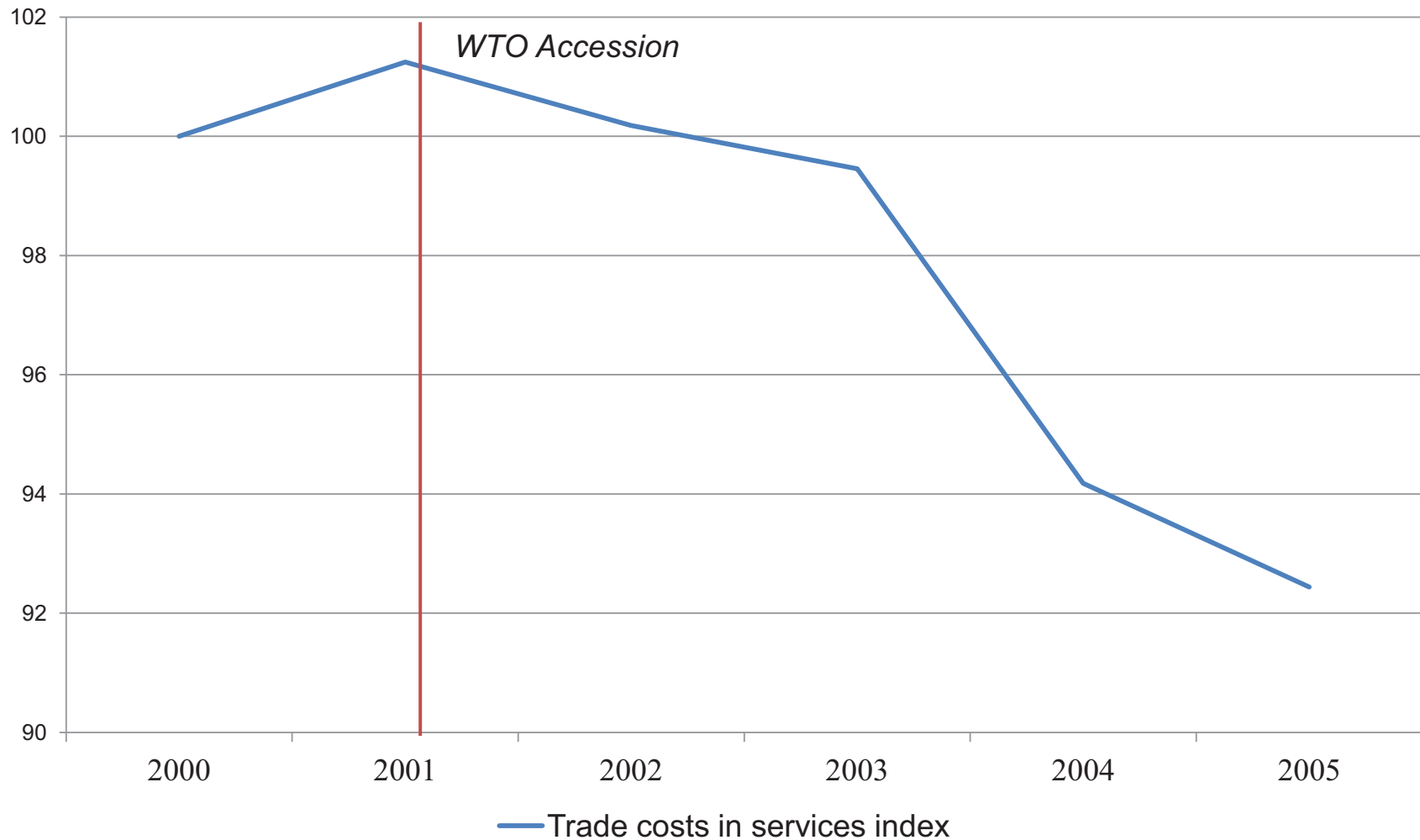
Policies towards trade in services

PMR and ECTR Indicators (OECD)



Policies towards trade in services

China's Services Trade Costs (Miroudot et al. 2010)



A forward looking agenda

- ▶ Policies are, on average, relatively restrictive across the region *but* there is considerable cross-economy and cross-sectoral heterogeneity
- ▶ An econometric simulation suggests that decreasing policy restrictiveness by 20% could increase trade by over 50%
 - ▶ Policy is a more important determinant of export flows than geographical distance
- ▶ Policies matter most in sectors like:
 - ▶ Transport
 - ▶ Retail and distribution
 - ▶ Finance

A forward looking agenda

- ▶ Policymakers should consider an agenda for trade facilitation in services:
 - ▶ Reducing the transaction costs associated with services trade: why not 5% in five years?
 - ▶ Primarily “behind-the-border” measures → Broad-based regulatory reform to address
 - ▶ Entry barriers
 - ▶ Cost-increasing measures
 - ▶ Encourage efficient regulation and good regulatory practice
 - ▶ Pay special attention to backbone sectors like transport, telecommunications, finance, and distribution