

WHERE WAS SERVICES TRADE LIBERALIZED: FTA OR WTO?

Erik van der Marel
London School of Economics

ECIPE, 11 April 2013

TABLE OF CONTENTS

INTRODUCTION

MOTIVATION

FRAMEWORK

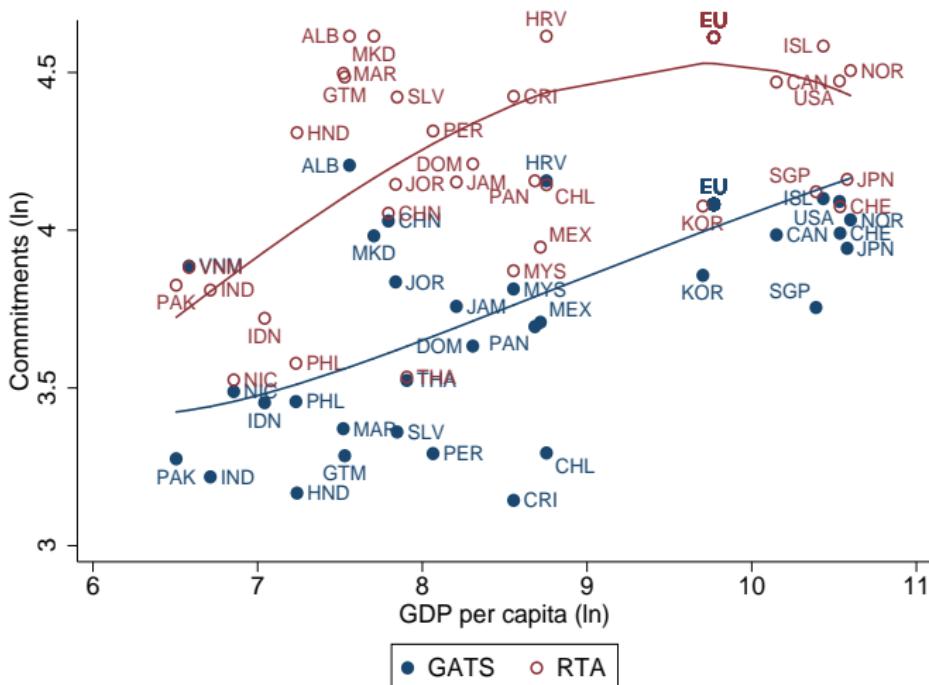
FINDINGS

POLICY

BEFORE STARTING..

- ▶ Joint work with Sébastien Miroudot (OECD)
- ▶ “The Economics and PE of going beyond the GATS”
- ▶ About political economy of commitments \neq provisions!
- ▶ Based on detailed quantification for each W120 sector

COMMITMENTS GAP



MOTIVATION

- ▶ Commitments in services beyond GATS
- ▶ Multilateral liberalization greater gains
- ▶ As with goods RTAs, goes against theory
- ▶ Why this pattern then? Political economy

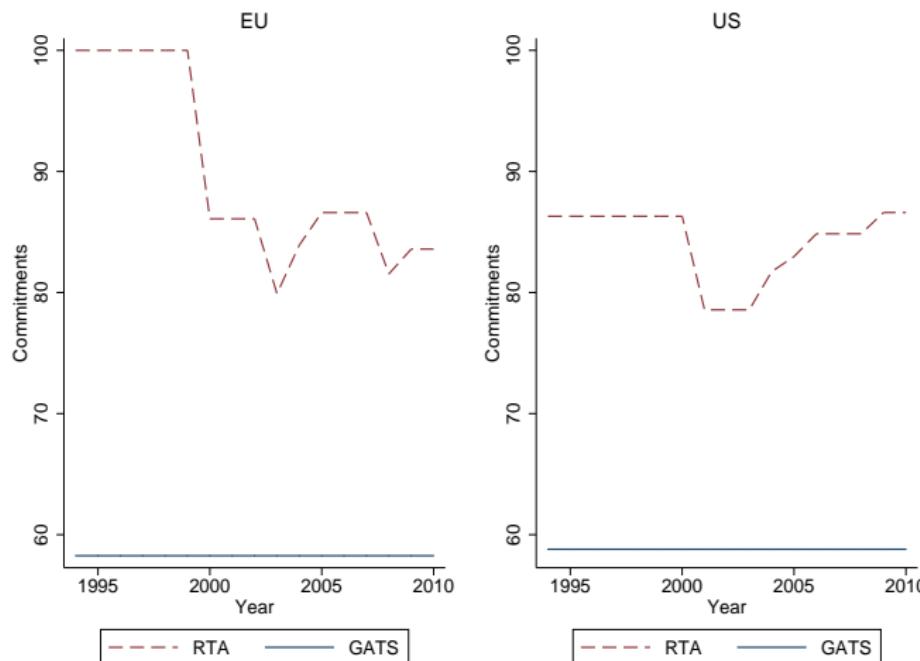
WHAT DO WE KNOW?

- ▶ High-skilled labour abundance is important
Roy (2009), Eggar & Lanz (2008)
- ▶ International bargaining considerations (FIN)
Harms *et al.* (2003)
- ▶ Services RTA: role of OECD countries, CA
VanGrasstek (2011)

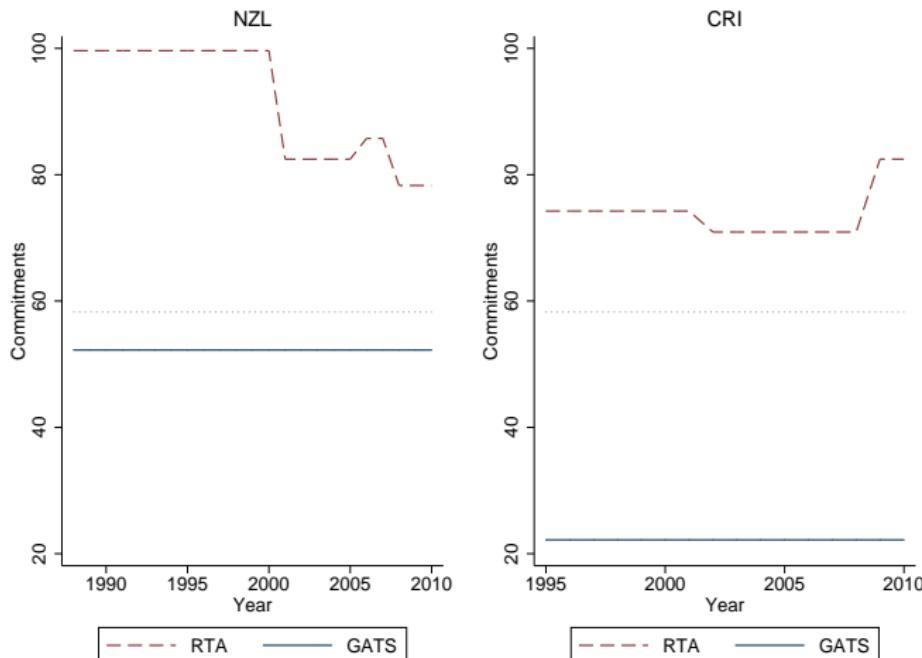
OUR FRAMEWORK

- ▶ International trade & PE literature on services
- ▶ Geography (trade costs / gravity)
- ▶ Systemic forces (role of the US)
- ▶ Economic forces (market size / labour)
- ▶ Institutions (regulators)

EU & US



OTHERS



GEOGRAPHY

- ▶ Greater distance between countries sharing FTA, ↓ gap
Transportation costs as factor
- ▶ Neighboring countries sharing FTA, ↓ gap
Countries inclined to commit with further-away countries

SYSTEMIC

- ▶ Once EU or US as trading partner in FTA, ↓ gap (\neq FIN!)
Shared responsibility to keep up world trading system?
- ▶ Growing role of US in world economy induces others to ↑ gap
Hegemonic role? Especially in TRNS and BUS, plus DISTR

ECONOMIC

- ▶ Some evidence richer countries, on the whole, ↑ gap
Role of market size, especially in FIN and CNSTR
- ▶ Some evidence for high-skilled labour share, ↑ gap
- ▶ More important: greater mid-skilled labour share, ↓ gap
- ▶ Also, smaller differences between countries in high-skilled labour share and GDP, ↑ gap

INSTITUTIONS

- ▶ Higher degree of democracies, ↓ gap
Factor-owners-as-consumer concern for services lib? E.g. EU
- ▶ Stronger quality of (national) regulators or gov, ↑ gap
Ability to provide post-liberalization templates
Capacity to deal with universal service supply

POLICY CONCLUSIONS

- ▶ Geography (transpor costs) and market size
Contingent on logistics and infrastructure in goods (GVC)
- ▶ Systemic forces (EU & US) difficult to neglect
- ▶ Mid-skilled labour regressing determinant
North-South agreements mid-skilled labour real concern
- ▶ Role of strong regulators (and high-skilled)
Competition policy, regulatory efficiency
- ▶ North-North agreements higher commitments → (T)ISA