

# WHERE WAS SERVICES TRADE LIBERALIZED: FTA OR WTO?

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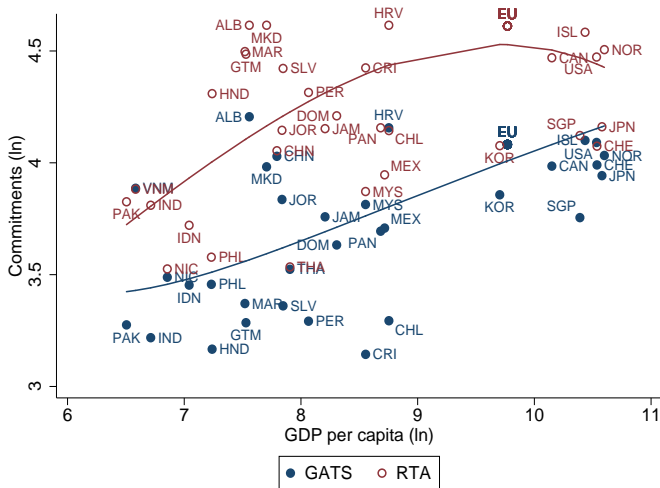
FINDINGS

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

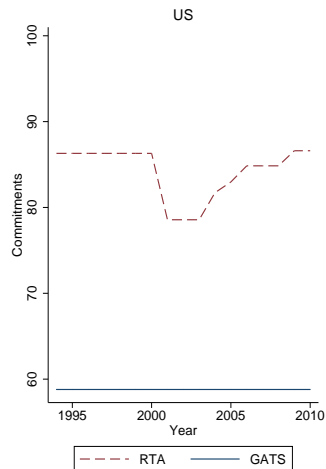
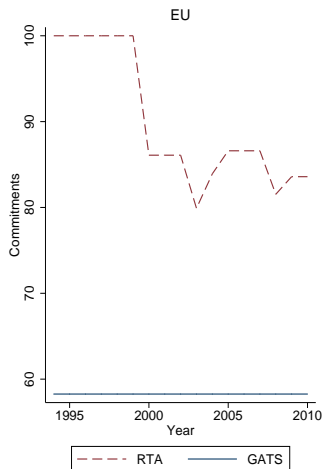
# WHAT DO WE KNOW?

- ▶ 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

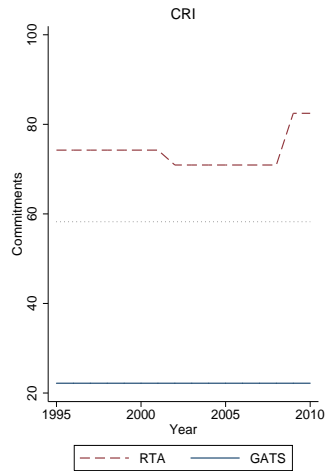
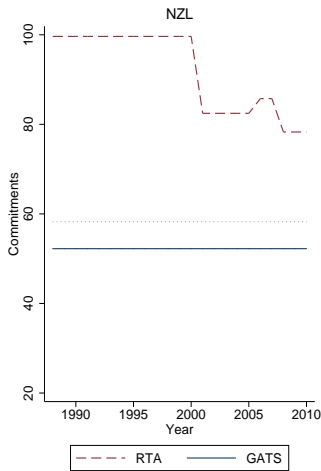
- ▶ International trade & PE literature on services
- ▶ Geography (trade costs / gravity)
- ▶ Systemic forces (role of the US)
- ▶ Economic forces (market size / labour)
- ▶ Institutions (regulators)

# 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 (transport 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