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

Ben Shepherd
Principal, Developing Trade Consultants
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)

Viet Nam
United States
Thailand
Chinese Taipei
Singapore
The Russian Federation
Philippines
Peru
Papua New Guinea
New Zealand
Mexico
Malaysia
Korea
Japan
Indonesia
Hong Kong, China
China
Chile
Canada
Brunei Darussalam
Australia
APEC Average
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)

Index of services trade and value added (1995=100)

- Blue line: Services exports
- Red line: Services value added

9/29/2011
Services in the Asia-Pacific economy

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

Index of Trade in Services (1995=100)

- World
- APEC
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)*

- **South Asia**: 5/7 APEC
- **Middle East & North Africa**: 5/7 APEC
- **East Asia & Pacific**: 2 APEC
- **World Average**: 2 APEC
- **Latin America & Caribbean**: 6 APEC
- **Africa**: 6 APEC
- **Eastern Europe & Central Asia**: 6 APEC
- **OECD**: 6 APEC

Graph showing the Services Trade Restrictiveness Index for different regions.
Policies towards trade in services

*Services Trade Restrictiveness Index (World Bank)*

![Graph showing the Services Trade Restrictiveness Index for various regions and sectors. The x-axis represents different regions and sectors, and the y-axis represents the restrictiveness index ranging from 0 to 70. The restrictiveness index is indicated by different colored bars: light blue for Financial, red for Telecom, green for Retail, violet for Maritime, and dark blue for Professional. The graph shows varying levels of restrictiveness across regions and sectors.]
Policies towards trade in services

PMR and ECTR Indicators (OECD)

<table>
<thead>
<tr>
<th>Country</th>
<th>Aggregate ECTR</th>
<th>Aggregate PMR</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Russian Federation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Korea</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Less to More Restrictive

Non-APEC Average PMR

Non-APEC Average ECTR
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