

Services Trade Reform

Making Sense of It

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Services Trade Reform

Making Sense of It

Philippa Dee

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Preface

With the Doha Round of multilateral trade negotiations moribund, it is time to reconsider the future of trade negotiations as an impetus for reform. Services trade is a leading-edge behind-the-border issue, so a services perspective offers critical insights into the future of trade negotiations more generally. My own thinking on these issues results from a long sequence of analytical, empirical and policy-related work on services issues, from both academic and government perspectives. The purpose of this book is to trace my thinking on how to make sense of services trade reform, and what this means for the future of trade negotiations more generally.

I would like to thank, without implication, my fellow travellers on this intellectual journey. I would like to start with ‘the services team’ who worked with me at the Australian Productivity Commission in the 1990s. Some of them are listed as co-authors of particular chapters — Alexis Hardin, Leanne Holmes, Kevin Hanslow and Tien Phamduc. Others appear in the bibliography, the stalwarts being Greg McGuire, Duc Nguyen-Hong and the irrepressible ‘KK’ Kalirajan (the latter two sadly died too young), along with Richard Adams, Samantha Doove, Owen Gabbitas, Joe Owen, Mick Schuele and Tina Smith. During our pioneering work on measuring barriers to services trade, I used to joke that like all seminal researchers, they could look forward to being famous for getting it not quite right the first time around. I am grateful that they embraced the chance of possible infamy with such enthusiasm, and brought their professionalism in the area of microeconomic reform to bear in this new area.

I would also like to thank the academics with whom we collaborated in those early endeavours. The first joint research project between the Productivity Commission, the University of Adelaide and the Australian National University was headed by Christopher Findlay, who also led two subsequent services projects. Christopher has been a valued collaborator — he co-authored two chapters in this volume and appears prominently in the bibliography. Other early collaborators were Alexandra Sidorenko, who also co-authored a chapter here, and Tony Warren. It was with these researchers that I began to explore the general policy implications of our early analytical and empirical work.

I would like to thank the researchers who helped me to test my understanding of services issues in particular contexts. Three appear as co-authors here — Ndiame Diop of the World Bank, Hildegunn Nordås of the OECD and Anne McNaughton of the Law Faculty at the Australian National University. Peter Drysdale, also of the Australian National University, encouraged me to understand the political economy of any given situation and its implications for institution-building. Working with the Economic Research Institute for ASEAN and East Asia in Jakarta has allowed me to develop an even deeper understanding of the links between services trade policy and domestic reform — thanks to Ponciano Intal and Dionisius Narjoko for facilitating that ongoing collaboration.

Much of the material in this book is reproduced with the permission of the original publishers, and I thank them accordingly. Some chapters have been edited to remove major repetition, such as descriptions of model frameworks or previous research. In the interests of keeping the chapters self-contained, some minor repetition of arguments remains.

I would like to dedicate this book to the late, great Richard Snape. Ever the gentleman, Richard was one of a generation of Australian trade economists who eschewed narrow specialization. He understood theory, policy, and institution-building, and saw his role as spanning all three. He encouraged our early efforts at the Productivity Commission. Were he alive today, I hope he would see this contribution as following in his footsteps.

Philippa Dee
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Abbreviations

ABARE	Australian Bureau of Agricultural and Resource Economics
ADB	Asian Development Bank Institute
AFAS	ASEAN Framework Agreement on Services
APEC	Asia-Pacific Economic Cooperation
ARF	ASEAN Regional Forum
ASEAN	Association of South East Asian Nations
ASEAN+3	A group of countries comprising the ten members ASEAN plus China, Japan and the Republic of Korea
ASEAN+6	A group of countries comprising the ten members ASEAN plus Australia, China, India, Japan, the Republic of Korea and New Zealand
AUSFTA	Australia–US Free Trade Agreement
B2B	Business-to-business
BAPPENAS	<i>Badan Perencanaan dan Pembangunan Nasional</i> (National Development Planning Agency)
BEP	Baltagi, Egger and Pfaffermayr
BOD	Board of Directors
BOP	Balance of payments
CACM	Central American Common Market
CAFTA	Central America Free Trade Agreement
CARICOM	Caribbean Community
CARIFORUM	Forum of the Caribbean Group of African, Caribbean and Pacific (ACP) States
CEFTA	Central European Free Trade Agreement
CEPII	<i>Centre D'études Prospectives Et D'informations Internationales</i>
CER	Closer Economic Relations
CES	Constant elasticity of substitution
CET	Constant elasticity of transformation
CGE	Computable general equilibrium
cif	cost, insurance and freight
COMESA	Common Market for Eastern and Southern Africa
CSI	Coalition of Service Industries

CUSTA	Canada–US Free Trade Agreement
DFAT	Department of Foreign Affairs and Trade
EAS	East Asian Summit
EC	European Commission
EEA	European Economic Area
EEC	European Economic Community
EFTA	European Free Trade Association
ERIA	Economic Research Institute for ASEAN and East Asia
ESCAP	Economic and Social Commission for Asia and the Pacific
EU	European Union
EV	Equivalent variation
FATS	Foreign affiliate trade statistics
FDI	Foreign direct investment
fob	free on board
FTA	Free Trade Agreement
FTAP	GTAP with foreign direct investment
G20	Group of Twenty (Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, the Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States and the European Union)
GAFTA	Greater Arab Free Trade Area
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GEMPACK	General Equilibrium Modelling Package
GNP	Gross national product
GTAP	Global Trade Analysis Project
HO	Heckscher–Ohlin
IC	Industry Commission
ICAO	International Civil Aviation Organization
ICT	Information and communications technology
IMF	International Monetary Fund
INS	<i>Institut National de la Statistique</i>
ITU	International Telecommunications Union
KLEMS	Capital, Labour, Energy, Materials, Services Database
LAIA	Latin American Integration Association
LDCs	Least developed countries
MA	Market access
Mercosur	<i>Mercado Común del Sur</i> (Southern Common Market)
MFN	Most-favoured nation
MIT	Massachusetts Institute of Technology
NAFTA	North American Free Trade Agreement

NBER	National Bureau of Economic Research
NEDA	National Economic and Development Authority
NPER	National Professional Engineers Register
NT	National treatment
OECD	Organization for Economic Co-operation and Development
ONH	<i>Office des Huiles</i>
PC	Productivity Commission
PDR	People's Democratic Republic
PSTN	Public switched telephone network
PTA	Preferential Trade Agreement
QR	Quantitative restriction
SAPTA	South Asian Preferential Trade Agreement
s.d.	standard deviation
SPARTECA	South Pacific Regional Trade and Economic Cooperation Agreement
STAN	Structural Analysis Database
TRIMS	Agreement on Trade Related Investment Measures
UNCTAD	United Nations Conference on Trade and Development
US	United States
USTR	United States Trade Representative
VSAT	Very small aperture terminal
WTO	World Trade Organization