

International Services Agreement

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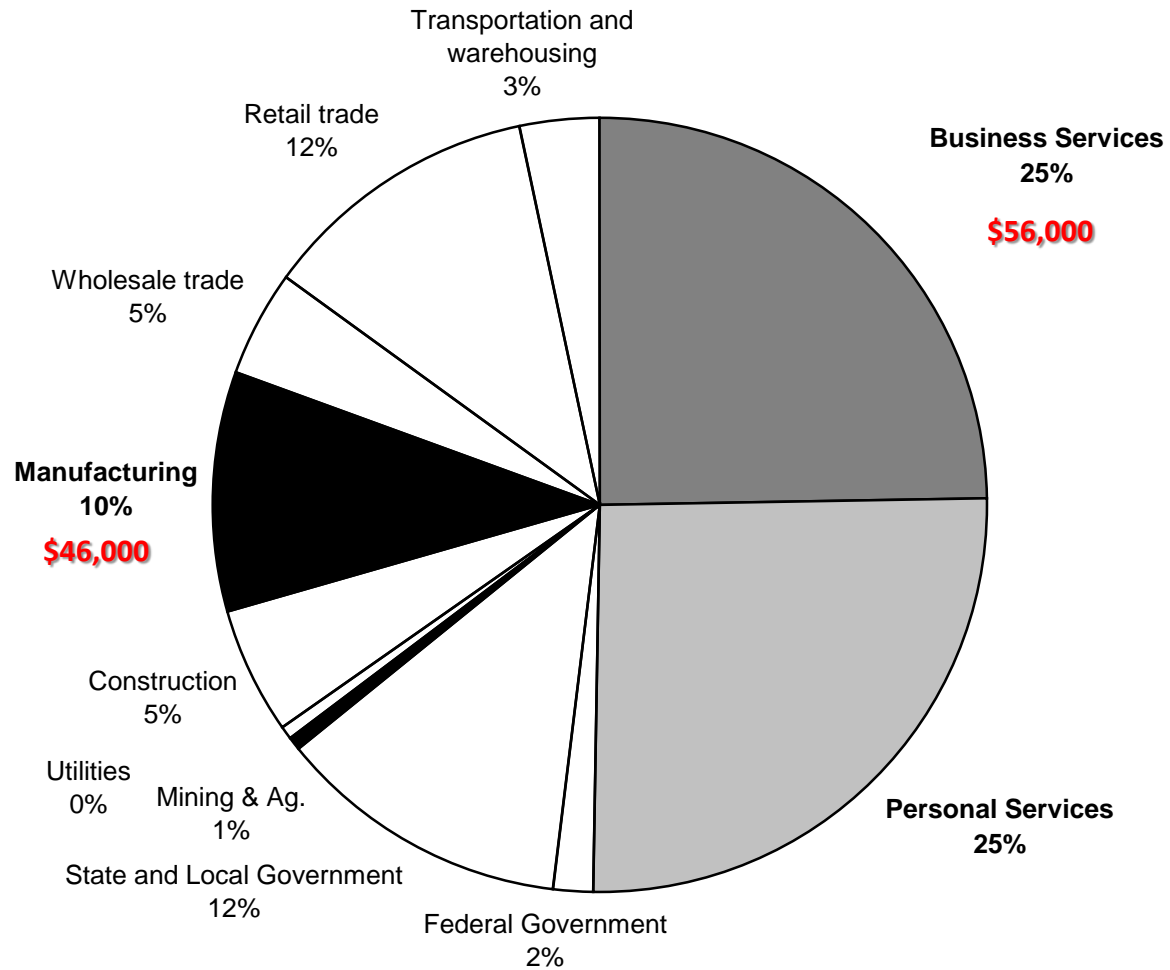
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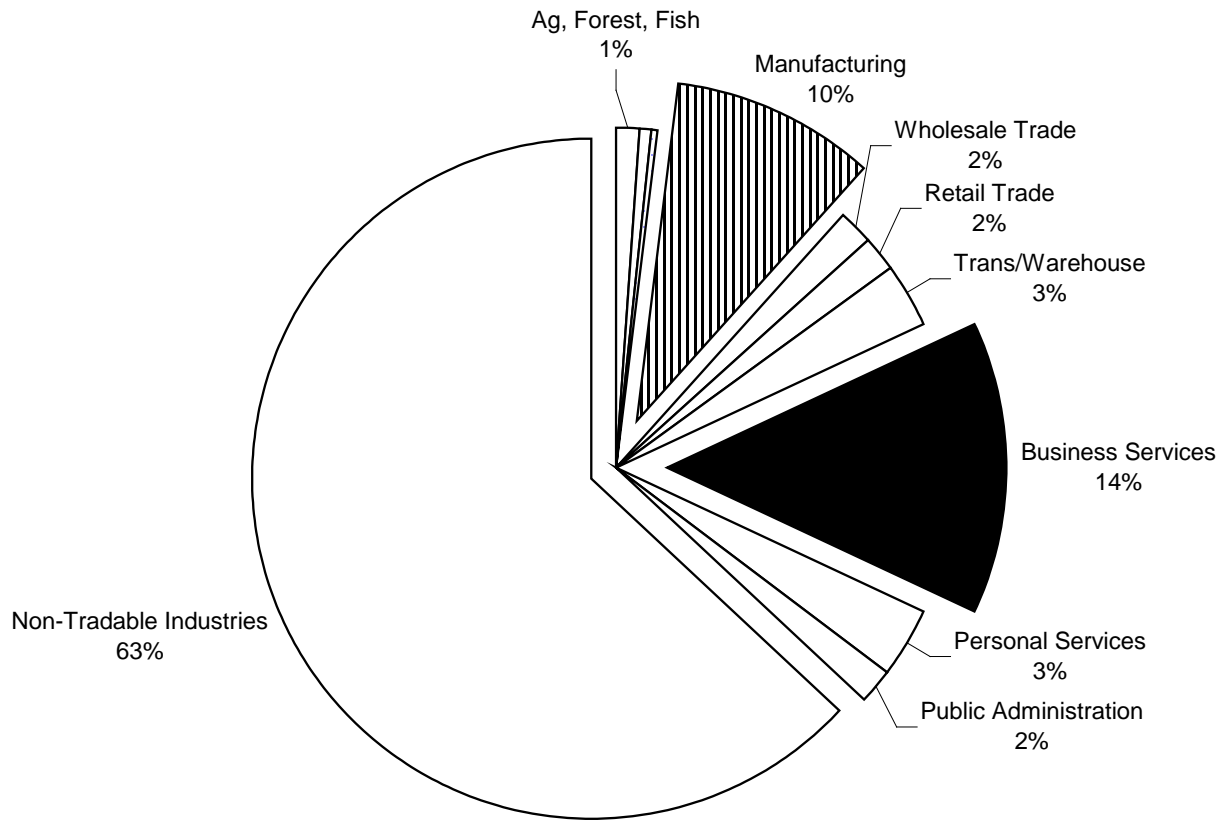
NBER

Why?



Source: 2007 Economic Census, Census of Governments and 2006 Occupational Employment Survey

Employment Shares for Tradable Industries



Source: Author's calculations, 2007 American Community Survey

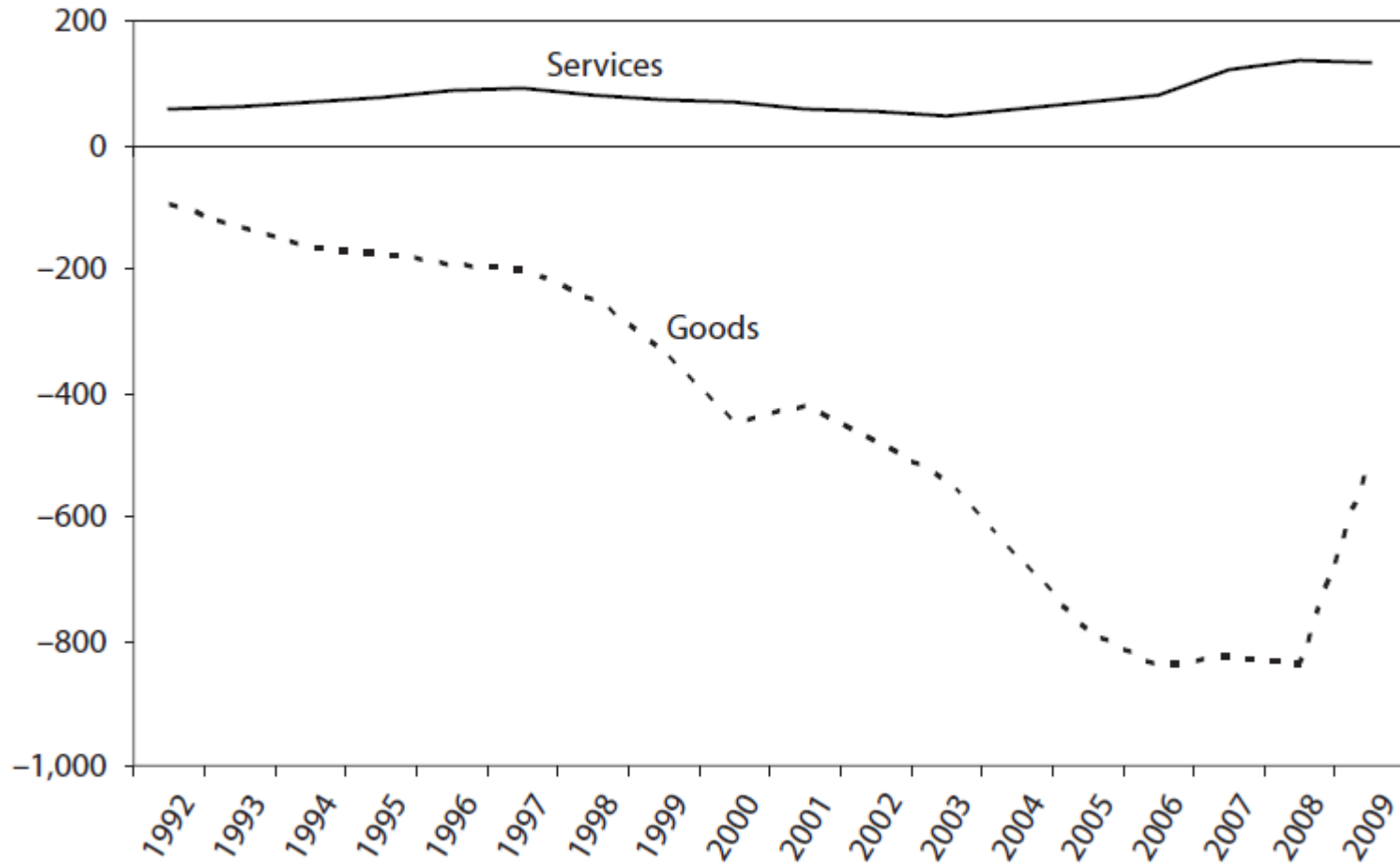
Tradable Services are Different

Worker Characteristics for Select Industries		
Manufacturing (NAICS 30s)		
	Non-tradable Industry	Tradable Industry
Number of Workers	2,235,432	12,994,490
Average Earnings	\$44,014	\$49,952
Share with B.A.	16%	24%
Share with Advanced Degree	3%	7%
Share in Tradable Occupations	26%	34%
Professional Services (NAICS 50s)		
	Non-tradable Industry	Tradable Industry
Number of Workers	8,038,246	18,430,199
Average Earnings	\$42,226	\$66,454
Share with B.A.	29%	50%
Share with Advanced Degree	7%	17%
Share in Tradable Occupations	31%	60%
Source: Author's calculations, 2007 American Community Survey		

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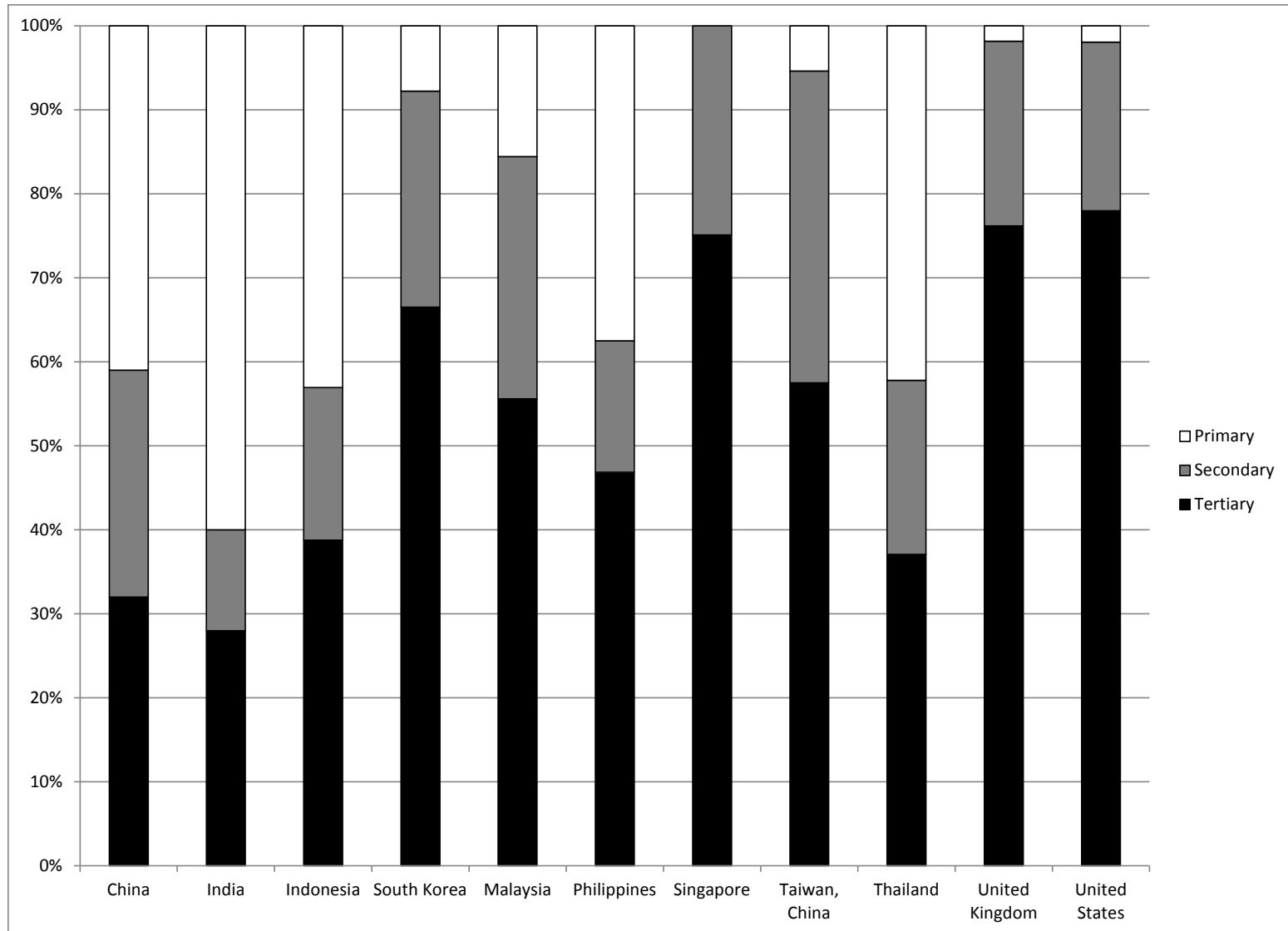
Figure 5.1 US balances of trade in goods and services, 1992–2009

billions of current dollars



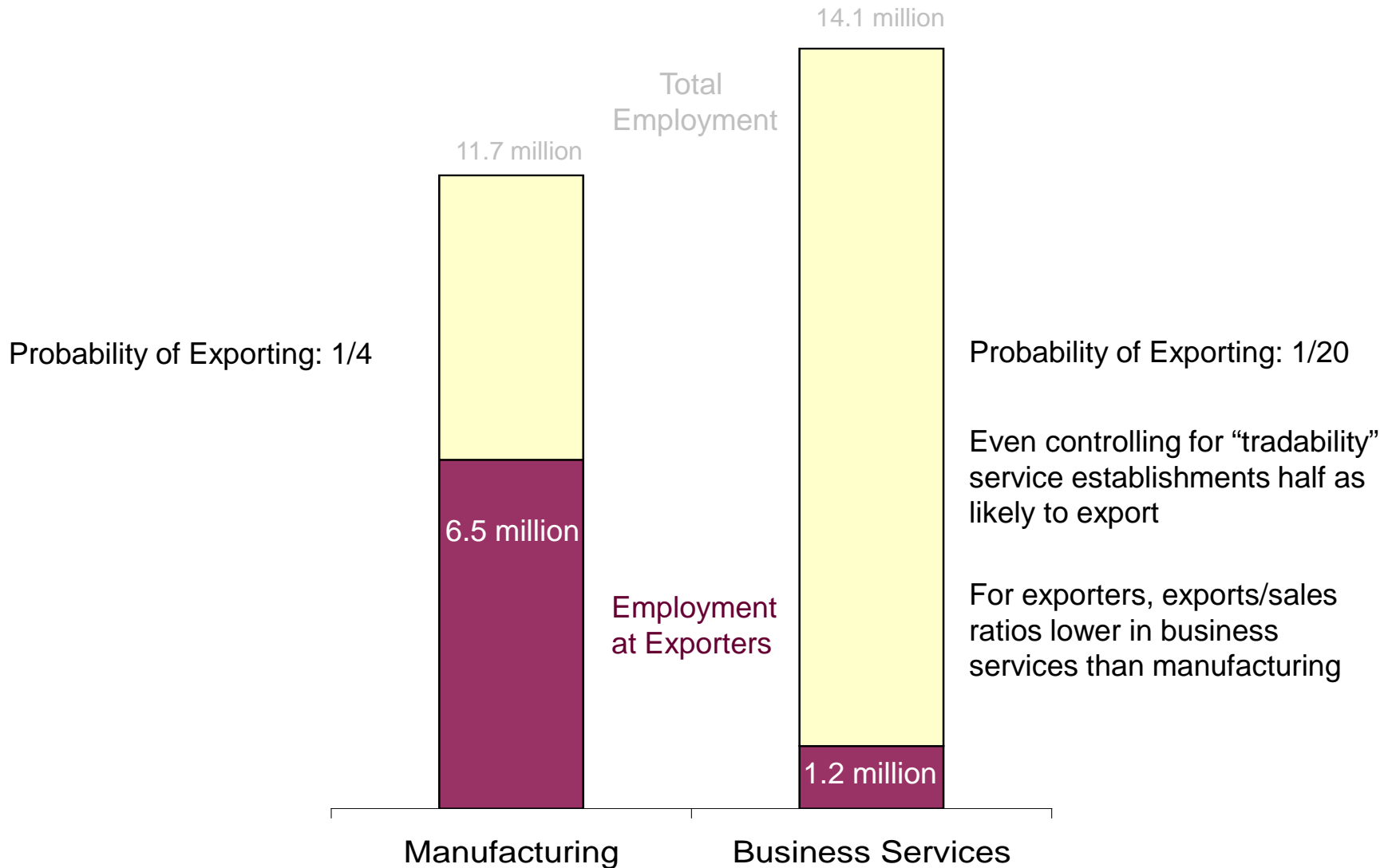
Source: Bureau of Economic Analysis, US International Trade in Goods and Services, www.bea.gov.

Service Sector Employment Shares



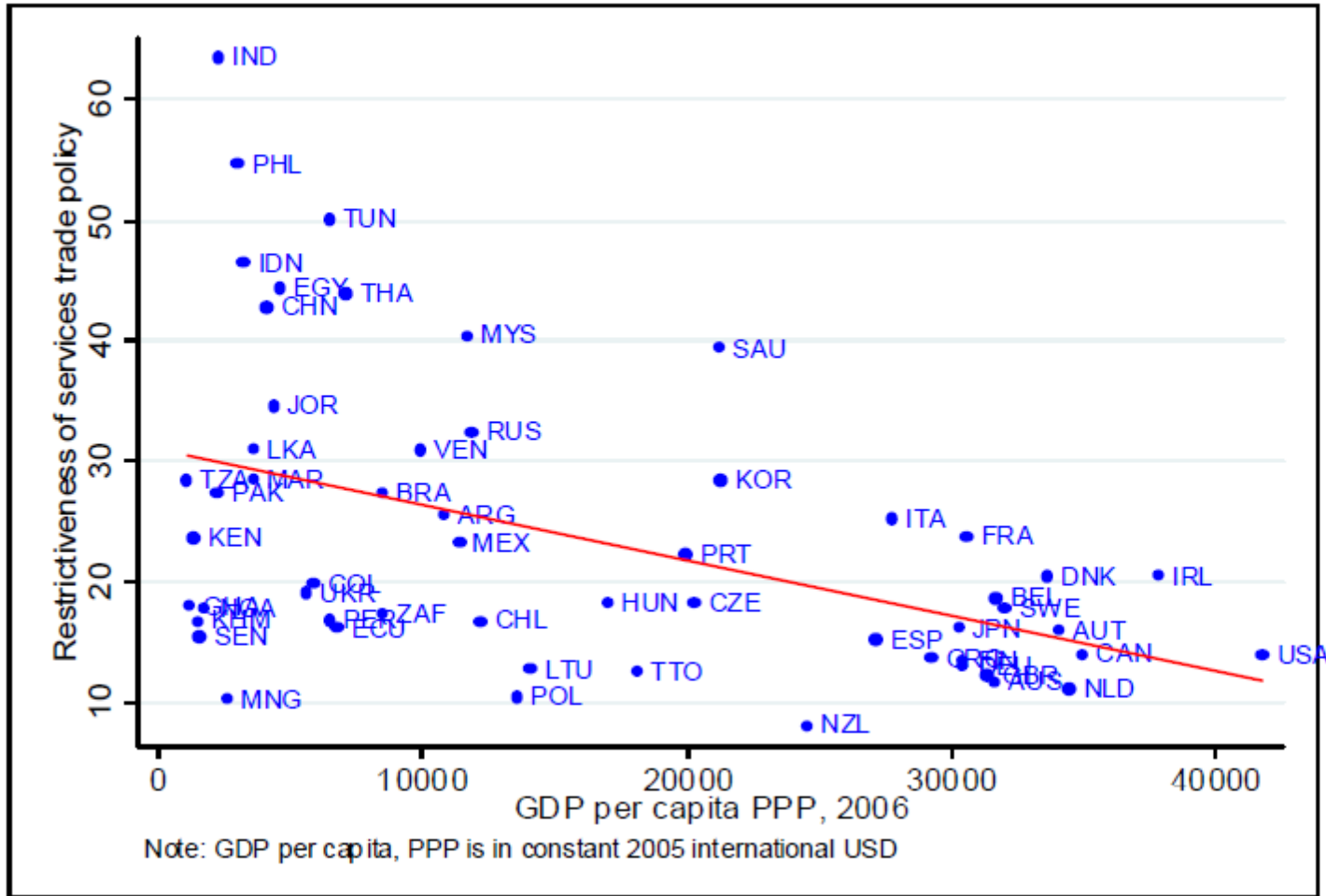
Source: International Labor Organization, Laborsta database

Service Sector Export Activity



Impediments to Trade in Services

Figure 1: Restrictiveness of Services Trade Policies by GDP per capita, 2005



Infrastructure Spending in BRICs

- Huge infrastructure boom underway – big opportunity for tradable service firms/workers
 - \$40 Trillion, most outside of US
 - Architecture, financing, engineering services, water treatment, project management services...
- These are likely to be (at least partially) government projects and large, fast-growing economies are not participants in GPA

What is the potential?

- Thought experiment:
 - Increase exports/sales ratio in tradable business services to same level as manufacturing
 - Many reasons to question this number, but a place to start...
- “Back-of-the-envelope” numbers:

	Empl (million)	Sales (trillion)	Exports (billion)	Exports/ Sales	Additional Service Exports (.156 * \$5T) (trillion)
Tradable Manufacturing	12	5	1000	0.200	
Tradable Business Services	20	5	220	0.044	0.78

Services Negotiations

- GATS signed in Uruguay round
 - Deficiencies in structure of GATS (positive list)
 - No progress in 2 decades
- Doha
 - Only a third of WTO members presented an initial or revised offer during a decade of Doha negotiations
 - Offers rarely even matched existing practice
 - Services negotiations have “de facto” been a plurilateral
- Services liberalization agenda has moved to RTAs

A way forward...

- International Services Agreement
 - Self-selected group of countries
 - Agreement consistent with GATS Article V
 - Ideally attachment to WTO through waiver (requires $\frac{3}{4}$ WTO member approval)
 - Adv: WTO dispute mechanism; easier to join; strengthen WTO
 - Alternatively, GATS Article V notified to WTO

Key Elements

- Negative List
- Conditional MFN
- Aim for Mode Neutrality
- Mode 4 – temporary movement of persons

Key Elements

- Renegotiate existing elements of GATS:
 - Government Procurement Agreement
 - Regulatory policy
 - Government monopolies
 - Mutual recognition
- Emerging Issues:
 - State Owned Enterprises
 - Cross-border data flows
 - Forced localization
 - Investment protections

Prospective Participants

- 18 WTO members constitute almost $\frac{3}{4}$ of global services trade
 - US, EU(27), Australia, Canada, Chile, Costa Rica, Colombia, Hong Kong, Japan, Korea, Mexico, New Zealand, Norway, Pakistan, Peru, Singapore, Switzerland, Taiwan
 - Possible early additions: Barbados, Malaysia, Panama, Vietnam, Indonesia, Egypt, Russia
- Opportunity to pursue a high quality International Services Agreement

Wrap Up

- The time is right for an International Services Agreement (ISA)
 - Many services are tradable; large mutually beneficial gains to trade
 - Impediments to services trade are relatively high in large, fast-growing markets
- ISA offers a WTO-strengthening way forward
- Key elements: non-MFN, negative list, GPA

Thank You