

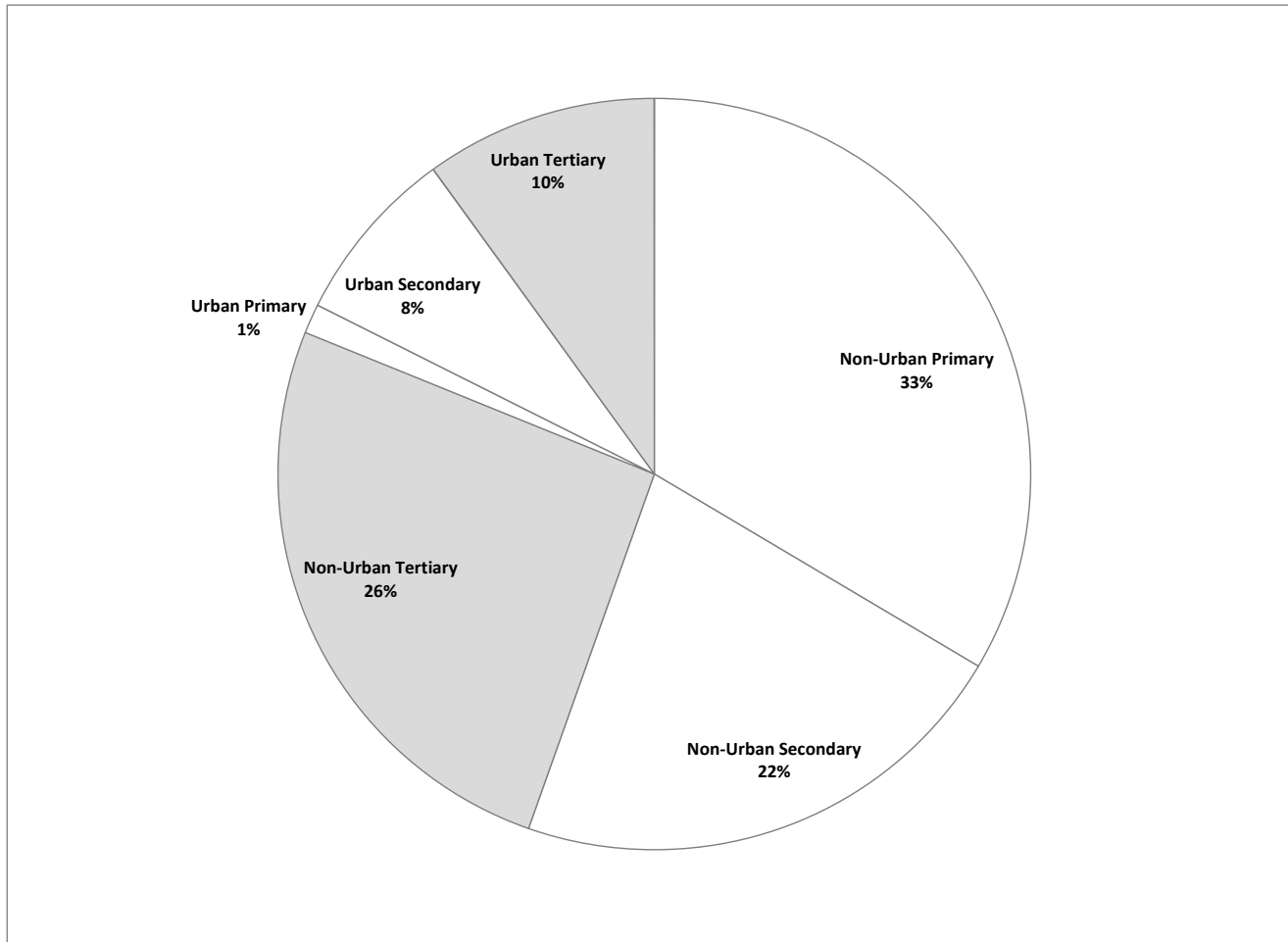
The Role for a US-China BIT in Increasing Trade in Services

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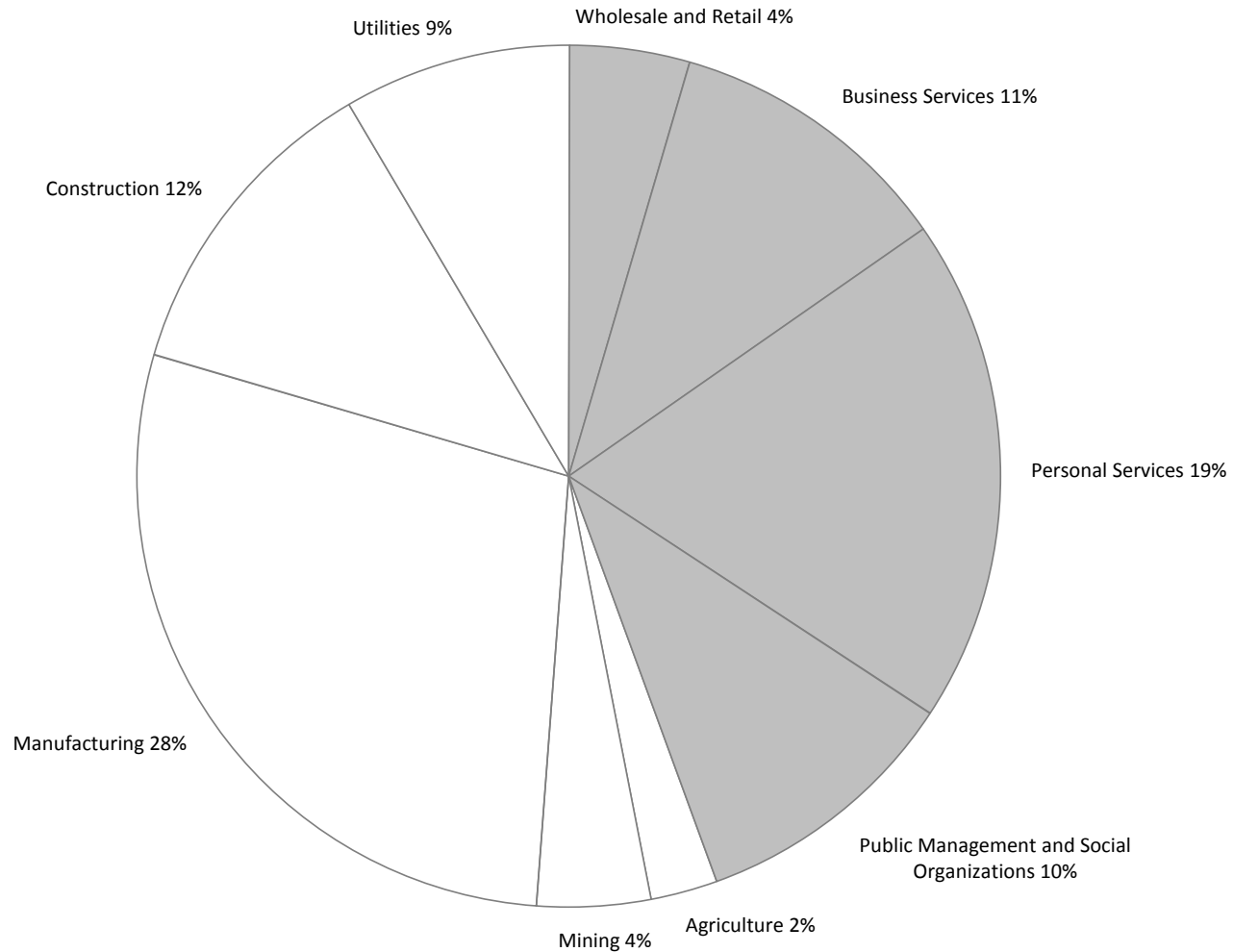
February 10, 2015

Employment by Sector in China



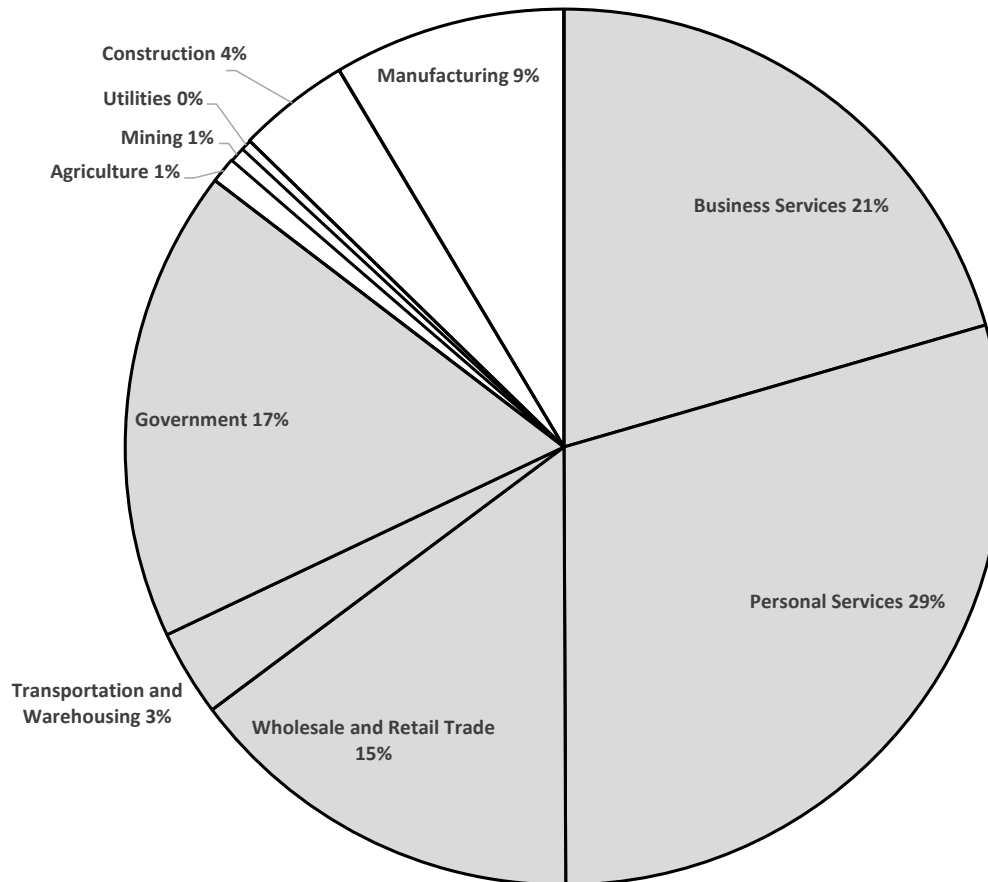
Source: National Bureau of Statistics of China, *China Statistical Yearbook 2011*.

Employment by Sector in Urban China



Source: National Bureau of Statistics of China, *China Statistical Yearbook 2011*.

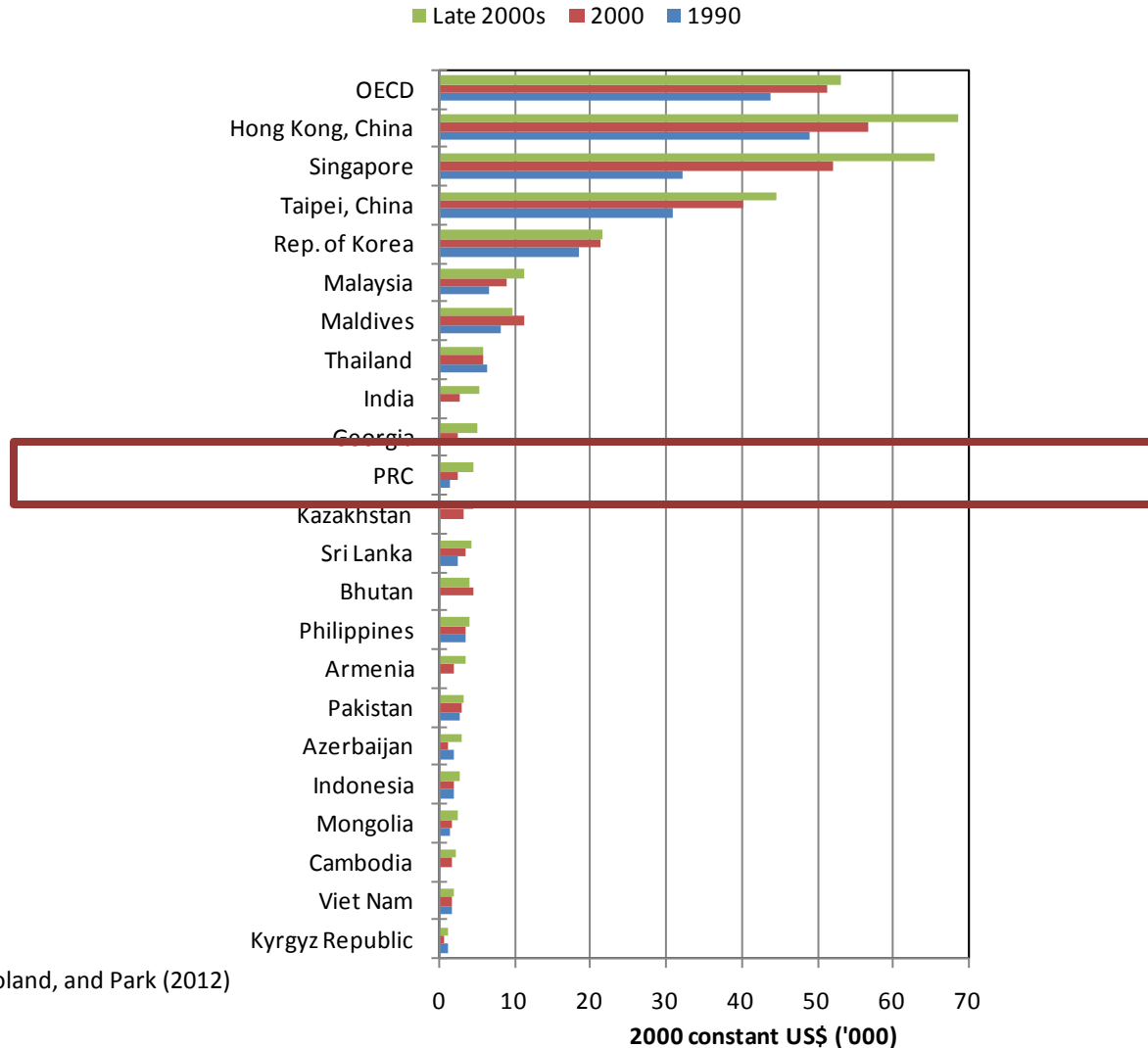
Employment by Sector US



Source: Bureau of Economic Analysis, 2012.

Service Sector Productivity

Labor productivity in services

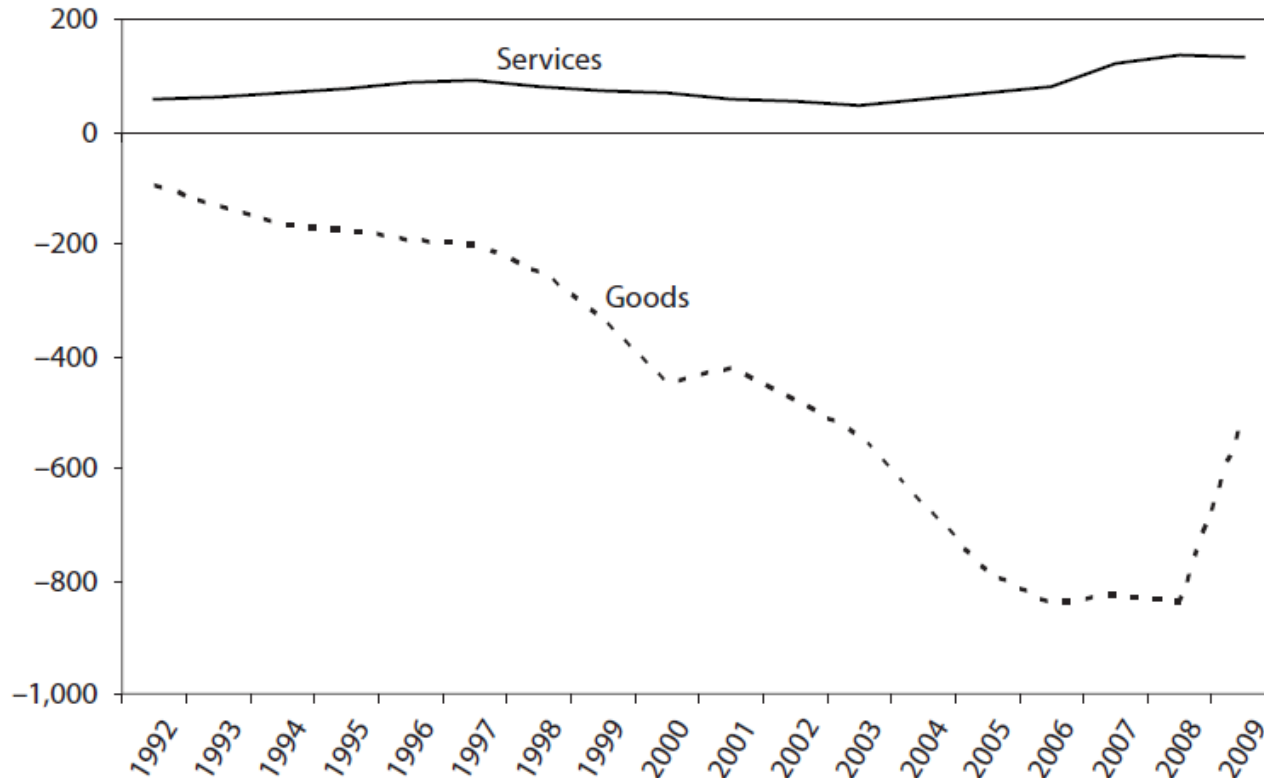


Source: Estrada, Noland, and Park (2012)

U.S. has Comparative Advantage

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

billions of current dollars



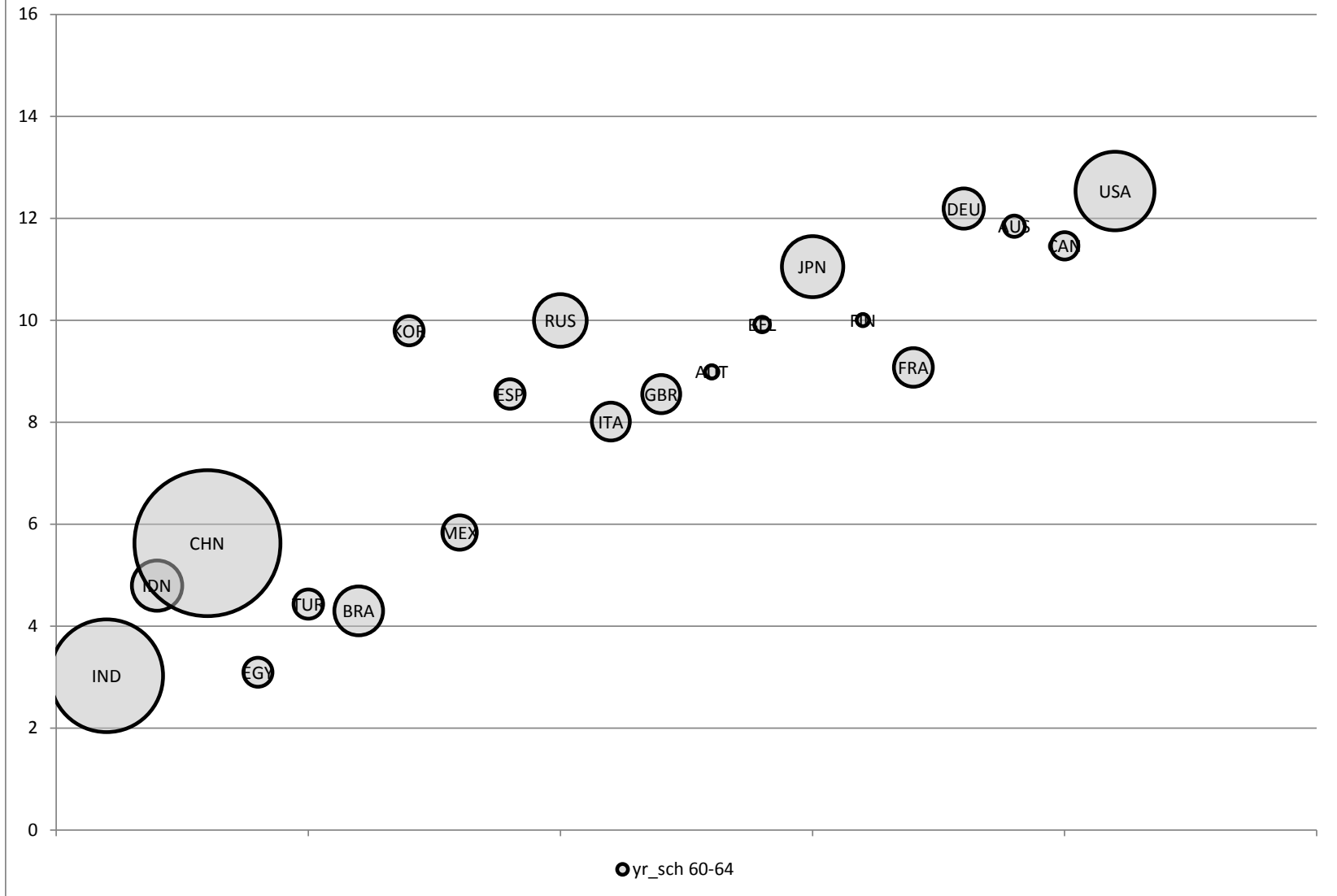
Source: Bureau of Economic Analysis, US International Trade in Goods and Services, www.bea.gov.

Tradable Services are Skill Intensive

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		

Source: Author's calculations, 2007 American Community Survey

Average Years of Schooling by Age Cohort, 2010



Average Years of Schooling by Age Cohort, 2010

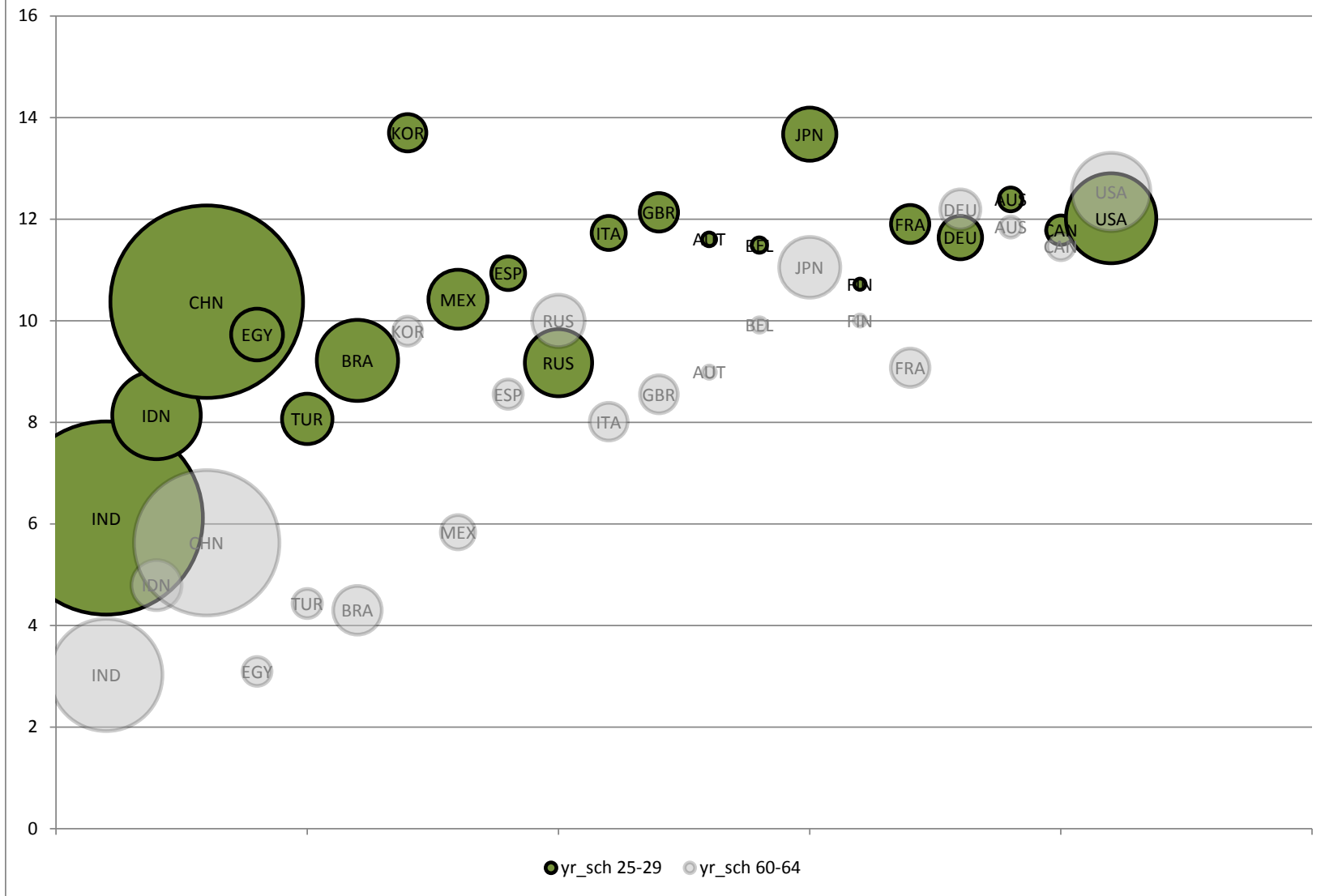
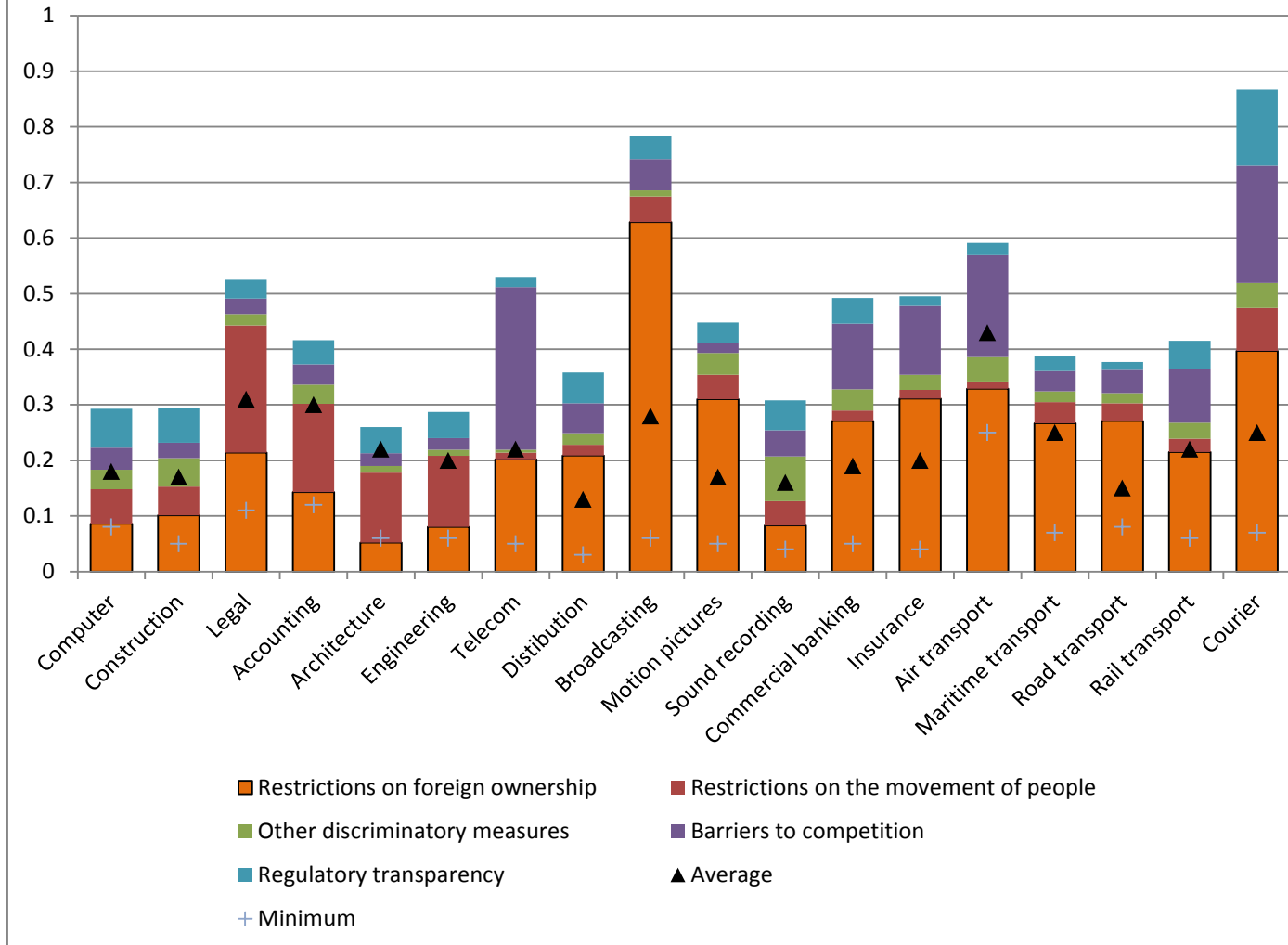


Figure 5 OECD Services Trade Restrictiveness Index for China, by sector



Modes of Service Trade

- Mode 1 – Cross-border provision, e.g. software produced in one region and shipped via internet to another region
- Mode 2 – Consumption abroad, e.g. consumer travels to resort to consume service
- Mode 3 – Commercial presence in foreign region, e.g. restaurant opens local branch to serve foreign demand
- Mode 4 – Temporary movement of natural persons, e.g. consultant travels to customer to deliver services

Conclusion

- Big “win-win” opportunity for China and US to increase growth by trading services
- Reducing impediments to foreign direct investment is an important prerequisite to increased trade
- A robust China-US BIT could play an important role in this process



Thank You

Service Firm Export Engagement Lags

Business Service firm export participation lags
Manufacturing

- 20% of manufacturing plants export
- 5% of service establishments export

Business Service sector export-to-sales ratio lags
Manufacturing

- 20% of manufacturing output exported
- Less than 5% of tradable business service output is exported

Figure 6 OECD Services Trade Restrictiveness Index for the United States, by sector

