



CGE Modeling and Services Trade - Discussion

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Can we provide any meaningful and reliable policy guidance by use of CGE models?



Are existing estimates of costs of services barriers as reliable as those of subsidies or tariffs on merchandise trade?



Some necessary elements:

- Data on services trade flows
- Data on services trade barriers
- Framework for linking the data on barriers to trade and/or production



Services trade in datasets used for CGE analysis

- GTAP 6: no statistical base for constructing the bilateral trade flows by sector ...
- GTAP 7.2: data available for 27 OECD + 2 non-OECD
- commercial presence and temporary migration not covered
- indices of reliability of data calculated as very low

- At the level of detail relevant for CGE analysis the merchandise trade data is considered to be much more firmly based



Services trade barriers are particularly difficult to analyze

- range of different modes by which trade in services can be conducted
- take the form of regulations rather than price-based measures
- ambiguity with respect to their impact on:
 - trade flows
 - price-cost margin
 - costs and productivity



Costs of services trade barriers often estimated as high in CGE analysis...

but no consensus on underlying reasons



Intuition for high estimated costs of services barriers?

- Services comprise 36% of world trade (CEPII, 2006)
- 45% of GDP in LDCs, 57% developing, 71% developed (CEPII, 2006)
- Services as intermediate inputs in goods production but goods too intermediate inputs into services production



Services and goods as intermediate inputs --SAM for China

	Intermediate inputs		Value added
	services	goods	
Agriculture	6%	36%	56%
Mining & Extraction	15%	32%	49%
Processed Food	8%	67%	18%
Labor-Intensive Manufactures	10%	63%	23%
Capital-Intensive Manufactures	14%	60%	20%
Utilities and Construction	15%	53%	29%
Transportation & Communication	21%	30%	42%
Private Financial & Other Serv	25%	27%	36%
Public Services	28%	27%	44%
Dwelling	14%	9%	72%



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Remaining possibilities:

- Estimates of services trade barriers are very high (they are not consensual)
- Implication of the ways we are modeling services trade liberalisation (they are not consensual either)



Thank you

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