Third-country Impacts of FTAs: The Case of Services

ECIPE Seminar inviting Kommerskollegium
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Services

• **Third-party effect**: generally positive
  • Consistent with empirical economic literature – **trade costs**

• Mode 1: extremely hard to distinguish
  • Lower barriers even positive for exports domestic firms (Nordås and Rouzet, 2015)

• Mode 3: also applied on non-discriminatory basis
  • No consistency with empirical economic literature / no data (screening)

• Mode 4: bit of an outlier because of its sensitivity
Regionalism too has deliver little incremental liberalization: e.g. the TPP too promised new rules and credibility but not much liberalization

Services Trade Restrictiveness Indices for TPP Countries

**Doha Offers, TPP Commitments and Applied Policy**

![Graph showing Services Trade Restrictiveness Indices for TPP Countries](image_url)

**Overall STRI**

- **BRN**
- **MYS**
- **CHL**
- **SGP**
- **MEX**
- **VNM**
- **CAN**
- **USA**
- **PER**
- **JPN**
- **AUS**
- **NZL**

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• Host of other items that determine trade costs in services
  • Besides barriers: asymmetric information, certification, variability
  • In principle non-discriminatory basis: positive third-country impact

• However, although true..
  • Regulatory heterogeneity in extremely persistent
    • What about data regulations (e.g. data localization)? Mode 1
  • Role and quality of the regulators: positive impact
    • ≠ regulatory governance / transparency
Impact regulatory heterogeneity on firm costs

Source: Kox and Lejour (2005)
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Mode 1 trade affected by data regulations

Data-intensity Cap (over labour)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Data-intensity Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecom</td>
<td>5.9</td>
</tr>
<tr>
<td>Computer</td>
<td>4.6</td>
</tr>
<tr>
<td>Information</td>
<td>3.4</td>
</tr>
<tr>
<td>Financial</td>
<td>3.0</td>
</tr>
<tr>
<td>Intellectual property</td>
<td>2.3</td>
</tr>
<tr>
<td>Other transport</td>
<td>1.6</td>
</tr>
<tr>
<td>Sea transport</td>
<td>1.4</td>
</tr>
<tr>
<td>Audiovisual &amp; related</td>
<td>1.2</td>
</tr>
<tr>
<td>Air transport</td>
<td>0.9</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>0.9</td>
</tr>
<tr>
<td>Professional &amp; manag</td>
<td>0.7</td>
</tr>
<tr>
<td>Postal &amp; courier</td>
<td>0.5</td>
</tr>
<tr>
<td>Personal, cultural &amp; recre.</td>
<td>0.4</td>
</tr>
<tr>
<td>Tech., trade-rel. &amp; other</td>
<td>0.3</td>
</tr>
<tr>
<td>Maintenance &amp; repair</td>
<td>0.3</td>
</tr>
<tr>
<td>Construction</td>
<td>0.1</td>
</tr>
<tr>
<td>Travel</td>
<td>0.1</td>
</tr>
<tr>
<td>Other transport</td>
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