Comments on the Shepherd et al. Paper and Some Additional Information

Submitted by: ERIA
APEC Japan 2010: Group on Services
Workshop on Capacity Building on the Role of Cross-Border Services Trade in New Growth Strategies
(Sendai, Japan on September 16-17, 2010)

Comments on the Shepherd et al. paper and some additional information

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1. Overall appreciation

- Beautiful overview on trade in services in the APEC region
  - Economic implication of trade in services
  - Policies affecting international trade in services
  - Determinants of cross-border trade in services
- Major claim
  - Multifaceted benefits from trade in services.
  - Policy matters. A lot of room for improvement.
2. Some small technicalities

- “Exports” vs. “value added” (p. 4)
  - Cf. sales vs. VA; modes
- Tourism services in the data set? (p. 5)
- Econometrics in the gravity equation exercise: checkpoints
  - Multinational resistance
  - Endogeneity on policy variables
  - Zero-valued trade

3. What is needed for APEC?

- Introduce development perspectives (cf. manufacturing sector)
  - Recognize symmetries between DCs and LDCs in
    - International competitiveness
    - Development aspect on the regulatory framework and market structure
    - the degree of liberalization
    - the extent of required policy reform
  - Convince people in LDCs that services trade liberalization is good for them.
    - CGE exercise is not enough.
    - More rigorous empirical analysis needed including
      - Various stakeholders, heterogeneous firms, government intervention and market structure
  - Establish solid basis for services trade statistics with the involvement of related ministries/agencies.
    - Trade ministers cannot control the whole range of services sectors.
  - Introduce a practical list of tasks by polishing scorecard of liberalization.
    - International comparison generates peer pressure.
  - Prioritize sectors/tasks in liberalization.
    - "Back-bone" services?
    - Services supporting production networks/industrialization (ERIA)?
    - More convincing criteria to set the speed/sequences of liberalization?
4. Trade restrictiveness studies by ERIA

- ERIA/AEC scorecard (on services; ASEAN10)
  - 2008FY: medical professional, health, banking, insurance, logistics (Corbett and Umezaki (2009))
  - 2009FY: air transport, maritime, telecommunication (Urama and Okabe (2010))
  - 2010FY (forthcoming): panel data construction, business services

- ERIA/AEC scorecard also covers trade facilitation and investment liberalization/facilitation.

### ERIA/AEC scorecard (2009FY)

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<thead>
<tr>
<th>Region</th>
<th>Health</th>
<th>Telecommunication</th>
<th>Education</th>
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Legend:
- Liberal
- Restricted
5. Studies on connectivity by ERIA

- Mekong India Economic Corridor Development (ERIA (2009))
  - HCMC-Cambodia-Bangkok-Dawei-Chennai link
- Comprehensive Asia Development Plan (ERIA (2010))
  - Logistics and other economic infrastructure development and industrialization for ASEAN+6
- ASEAN Strategic Transport Plan 2011-2015
- ASEAN Connectivity Master Plan (with ASEC)

References