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Book Review

Book Review: A Handbook of International Trade in Services

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Aaditya Mattoo, Robert M. Stern, and Gianni Zanini (2008):

A Handbook of International Trade in Services

Oxford University Press, New York, 680 pages

ISBN 13: 9780199235223; ISBN 10: 0199235228; USD 49.95 / GBP 28.00

International trade in services has been growing rapidly. While in years 2000–2008 world average goods exports resulted in 5 percent annual growth, services exports world average had 12 percent annual growth in the same period of time. In 2008 world exports in goods showed just 1.5 percent increase, while world services exports resulted in 12 percent growth. Developing countries of Africa, Asia and the CIS region experienced up to 28 percent growth in services exports in 2008.¹ Therefore, trade in services is an important input into economic growth and poverty reduction around the world. For the developing world, trade in services is a great opportunity because further development of trade in services such as financial, communication, transport, education, health and others affects other sectors of economy. For instance, sectors such as transport, telecommunications, and financial services are key determinants of the conditions in which persons, goods, services, and capital flow.

Although some countries have undertaken liberalization reforms in services sectors, the outcomes were not always satisfactory both in terms of better access to services and the economic performance of liberalization reform. Therefore there are several questions which rise out of this experience. What makes trade in services different from trade in goods? How to measure trade in services? How to measure barriers to trade in services? How services sectors are covered by the Regional Trade Agreements (RTAs)? What is the sectoral specifics of services trade? These questions are crucial for understanding how trade in services influences economic performance.

The Handbook on trade in services by AADITYA MATTOO, ROBERT M. STERN and GIANNI ZANINI is a study developed by the World Bank and built on its previous work in the services sector. The Handbook consists of separate contributions regarding different aspects of services trade done by various leading experts in trade in services area. The first part provides the framework of trade in services, which describes the General Agreement on Trade in Services under the World Trade Organization and covers the basic economic aspects of services trade. Part two analyses trade in services through measurement of trade in services as well as through empirical analysis of barriers to international trade in services transactions. Part three focuses on analysis of specific services sectors such as financial services, transport, telecommunications, health services and others. This part of the book looks also at growing e-commerce in services trade through Mode 1 as well as Mode 4 of trade in services – temporary movement of workers.

While goods are traded over the border, services trade differs from goods trade in several aspects. Thus, because many services require contact of service supplier and consumer, such forms of sales as foreign direct investments (FDI) in a foreign affiliate, and the consumer or supplier travelling across the border have become especially important. Although due to the increasing e-commerce trade in services described by CARLOS S. PRIMO BRAGA, Mode 1 (cross-border trade in services) is also on the agenda of trade in services. Due to

1 WTO (2009) International Trade Statistics 2009, Internet: http://www.wto.org/english/res_e/statis_e/its_2009_e/its09_toc_e.htm (as of May 2, 2010).

the multiple ways of services supply, the quantification and the measurement of trade in services (trade in services statistics) have become a challenging work.

The relevant statistical framework is described by MAURER, MARCUS, MAGDELEINE AND D'ANDREA. This framework is developed on the basis of two major statistical domains set out, with a focus on key concepts related to trade between residents and non-residents as defined in international guidelines and with statistics on operations of services foreign affiliates. The authors also discuss the current state of play with regard to statistics on the presence of natural persons; the different methods that statisticians use to collect statistics on trade in services; indications of the statistics that are currently available; and recent developments in the domain of statistics on trade in services.

ALAN V. DEARDORFF and ROBERT M. review methods used to identify and quantify barriers to international trade in services. In comparison with trade in goods, barriers in services trade typically take the form of regulations that either restrict supply or make it more costly. In order to measure the economic impact of barriers the author quantify them as a 'tariff equivalent', defined as the percentage tax on foreign suppliers that would have the same effect on the domestic market for the service as is caused by the barrier. Approaches to measuring services barriers are illustrated by citing a number of studies that have been carried out. The authors also introduce guideline principles and recommended procedures for measuring services barriers and assessing the consequences of their liberalization.

The well developed services trade statistics as well as the quantification of barriers to trade in services constitute a good basis for the economic analysis of the services sector liberalization reforms at different levels – unilateral, regional (bilateral) and multilateral. Those chapters will be of a special interest to economists, academics and students interested in research on impact of services liberalization reforms around the world.

One of the chapters reviews the recent wave of regional trade agreements (RTAs). It assesses the benefits and costs of alternative approaches and identifies the policy choices developing countries face in negotiating regional agreements. AADITYA MATTOO and PIERRE SAUVE focus on three core issues: (1) whether services trade differs sufficiently from goods trade as to require different policy instruments and approaches in the context of preferential liberalization; (2) lessons learned from the practice of preferential liberalization in services in terms of market access and rule design; and (3) the legal dimension of the policy interface, focusing on a number of aspects of rule-design, including the strengths and weaknesses of existing multilateral disciplines on regional approaches to services trade and investment liberalization. This chapter would be of special interest to government officials, lawyer and students especially in the context of protracted current Doha round of multilateral negotiations which simulate countries to conclude agreements bilaterally and regionally.

The range of sectoral chapters in this book talk about specifics of the policy reforms in those sectors/areas which can be a very useful information for policymakers in those areas as well as trade negotiators (financial services, transport, infrastructure, telecoms, health services, e-commerce as well as the movement of persons). The Handbook shows that openness is not the only necessary part of trade in services reform. There is a need to also strengthen the regulatory framework and introduce complementary policies. Thus, the benefits of services liberalization are not automatic and contain significant challenges in introducing competition, building regulatory institutions, appropriately sequencing trade in

services-sectors reforms.

The last Appendix of the Handbook contains very helpful guide to services negotiations which is developed by GEZA FEKETEKUTY, a very experienced trade negotiator. The Appendix examines the negotiating processes that have evolved for negotiating issues on trade in services, how negotiations should be organized and prepared, and good negotiating habits used by successful negotiators. The chapter focuses on where negotiations on trade in services take place, why governments negotiate in different venues and how the venues affect the outcome of negotiations, what is negotiated under the rubric of trade in services, and how issues related to trade in services are negotiated. This particular part of the Handbook would be of a great interest to trade negotiators.

What makes this book unique are the format and the content of assembled information. Thus, the volume offers a truly broad view on trade in services subject from economics, law and political economy perspectives. The Handbook is highly recommended and constitutes a great reference for a wide range of people interested in trade in services issues: government officials, private sector representatives, NGOs, international organizations, academics, as well as students for general knowledge, research or practical use.

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