

Over the past few years, the Productivity Commission has undertaken a range of work estimating barriers to services trade and modelling the effects of removing them on a multilateral basis. In the last year, some PC activity has been of a marketing nature.

- A methodological paper on trade in services was presented to the conference on Impacts of Trade Liberalisation Agreements on Latin America and the Caribbean at the Inter-American Development Bank in Washington in November 2001.
- A paper outlining the Commission's experience in modelling services trade was presented to the OECD's 3rd Services Experts Meeting in March 2002.
- A paper on Australia's experience with services trade liberalisation, services trade barrier estimation and services trade modelling was presented to the WTO Symposium on Assessment of Services Trade in March 2002.

The March papers were presented to audiences which included a large proportion of services trade delegates. The response from the largely non-modelling audiences to these papers was very positive. It indicated a strong interest in the potential for quantification to assess the domestic and global impacts of liberalising services. The PC's barrier estimation and modelling were supplemented on two fronts:

- One paper examined the relationship between domestic regulation and economic outcomes for air passenger transport, electricity generation and telecommunications. It generalised the OECD research in this area in two ways — it generated overall 'tax equivalents,' and it extended the analysis to a number of non-OECD countries.
- Another paper presented the Commission's first disaggregated modelling of individual service sectors: finance and telecommunications. In addition to the modelling results indicating the order of magnitude of benefits from liberalising these sectors, the paper highlighted data development needs and the need to carefully adapt the model's theory and parameters to account for the characteristics of individual service sectors.

The PC also undertook some work on regional trading arrangements (RTAs). This was econometric rather than CGE-based. It re-evaluated the trade creation and trade diversion effects of a number of recent RTAs using a full panel dataset, thus allowing much better control than hitherto for unobserved country-specific heterogeneity. It also used UNCTAD data on bilateral FDI to assess whether FDI flows respond to the trade and/or the investment provisions of RTAs. The work offers new insights into how investment creation or diversion can reinforce trade creation and diversion in 'new age' RTAs. The paper will be released shortly.

References

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