

A Structural Quantitative Analysis of Services Trade De-liberalization



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Personal Profile & Research Interests: Valeria Merlo obtained her PhD in 2011 from the Ludwig-Maximilians-Universität in Munich. Since 2016 she is professor for International Economics at the University of Tübingen. Her research interests include International Economics, Public Economics, Multinational Firms, International Taxation and Applied Microeconomics.

Abstract: This paper suggests a quantifiable multi-sector-multi-country economic model of goods and services production and consumption, which permits calibrating overall (variable and fixed) costs to market-specific sales in a sector and decomposing these costs into observable and unobservable components. In an empirical analysis based on census-type data on firm-sector-country sales of German services sellers as well as sector-country-by-sector-country input-output matrices for various economies and sectors, the paper provides the following insights. The overall (variable and fixed) costs on seller-to-customer-market transactions in services have a quite high distance equivalent and are reduced substantially by preferential market access for services through trade agreements. If all countries considered abandoned existing preferential market access to services, this would reduce their real consumption by up to 8.2 percent with a similar decline in real wages and real dividends (depending on the country). If one country alone abandoned its preferential services market access reciprocally with its partners, the effect would be smaller. However, it would still involve a decline of real consumption of 0.3 percent for a country as large (and as remote relative to continental Europe) as the United Kingdom. For most economies, depending on the input-output structure of their economy, de-liberalizing preferential services-market access has adverse spillovers on manufacturing (real wages as well as dividends).