

RESEARCH SEMINAR IN INTERNATIONAL ECONOMICS

Gerald R. Ford School of Public Policy  
The University of Michigan  
Ann Arbor, Michigan 48109-3091

Discussion Paper No. 605

**International Trade in Services:  
New Trends and Opportunities  
for Developing Countries  
(Description and Table of Contents)**

**Olivier Cattaneo**

World Bank and Sciences Po

**Michael Engman**

World Bank

**Sebastian Saez**

World Bank

**Robert M. Stern**

University of Michigan

July, 2010

Recent RSIE Discussion Papers are available on the World Wide Web at:  
<http://www.fordschool.umich.edu/rsie/workingpapers/wp.html>

**International Trade in Services:  
New Trends and Opportunities for Developing Countries  
(Description and Table of Contents)**

**Olivier Cattaneo, World Bank and Sciences Po  
Michael Engman , World Bank  
Sebastian Saez, World Bank  
Robert M. Stern, University of Michigan**

**Washington, DC: World Bank, 2010**

**About the Book**

The services sector is key to economic growth, competitiveness, and poverty alleviation. Comprising more than two-thirds of the world economy, services are now commonly traded across borders, helped by technological progress and the increased mobility of persons. In recent years, a number of developing countries have looked at trade in services as a means to both respond to domestic supply shortages and to diversify and boost exports. Any country can tap into the trade potential of services, but not every country can become a services hub across sectors. The opening of the services sector potentially comes with large benefits, but also fears and costs that should not be overlooked.

This book provides useful guidelines for the assessment of a country's trade potential, and a roadmap for successful opening and export promotion in select services sectors. It looks at both the effects of increased imports and exports, and provides concrete examples of developing country approaches that have either succeeded or failed to maximize the benefits and minimize the risks of opening. It focuses on sectors that have been rarely analyzed through the trade lens, and/or have a fast growing trade potential for developing countries. These sectors are: accounting, construction, distribution, engineering, environmental, health, information technology, and legal services.

It is designed for non-trade specialists to understand how trade can help improve access to key services in developing countries, and for trade specialists to understand the specific characteristics of each individual sector. It will be a useful tool for governments to design successful trade opening or promotion strategies, and for the private sector and consumers to advocate sound domestic policy reforms accompanying an offensive trade agenda.

Available from World Bank, Report #55544

55544

# INTERNATIONAL TRADE IN SERVICES

**NEW TRENDS AND OPPORTUNITIES FOR  
DEVELOPING COUNTRIES**

Editors

Olivier Cattaneo • Michael Engman • Sebastián Sáez •  
Robert M. Stern



# INTERNATIONAL TRADE IN SERVICES

INTERNATIONAL  
TRADE IN SERVICES  
NEW TRENDS AND  
OPPORTUNITIES FOR  
DEVELOPING COUNTRIES

*Olivier Cattaneo, Michael Engman,  
Sebastián Sáez, and Robert M. Stern,  
Editors*



THE WORLD BANK  
Washington, D.C.

©2010 The International Bank for Reconstruction and Development / The World Bank  
1818 H Street NW  
Washington, DC 20433  
Telephone: 202-473-1000  
Internet: [www.worldbank.org](http://www.worldbank.org)  
E-mail: [feedback@worldbank.org](mailto:feedback@worldbank.org)

All rights reserved

1 2 3 4 13 12 11 10

This volume is a product of the staff of the International Bank for Reconstruction and Development/The World Bank. The findings, interpretations, and conclusions expressed in this volume do not necessarily reflect the views of the Executive Directors of The World Bank or the governments they represent.

The World Bank does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

#### **Rights and Permissions**

The material in this publication is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. The International Bank for Reconstruction and Development/The World Bank encourages dissemination of its work and will normally grant permission to reproduce portions of the work promptly.

For permission to photocopy or reprint any part of this work, please send a request with complete information to the Copyright Clearance Center Inc., 222 Rosewood Drive, Danvers, MA 01923, USA; telephone: 978-750-8400; fax: 978-750-4470; Internet: [www.copyright.com](http://www.copyright.com).

All other queries on rights and licenses, including subsidiary rights, should be addressed to the Office of the Publisher, The World Bank, 1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2422; e-mail: [pubrights@worldbank.org](mailto:pubrights@worldbank.org).

ISBN: 978-0-8213-8353-7

eISBN: 978-0-8213-8354-4

DOI: 10.1596/978-0-8213-8353-7

#### **Library of Congress Cataloging-in-Publication Data**

International trade in services : new trends and opportunities for developing countries / edited by Michael Engman ... [et al.].

p. cm.

Includes bibliographical references and index.

ISBN 978-0-8213-8353-7—ISBN 978-0-8213-8354-4 (electronic)

1. Service industries—Developed countries. 2. International trade. I. Engman, Michael, 1976 -

HD9989.D44I588 2010

382'.45—dc22

2010017084

Cover image: "Purple Door," by Ahmed Abushariaa, 2005, courtesy of the World Bank Art Program.  
Cover design by Tomoko Hirata/World Bank.

# CONTENTS

	About the Editors and Contributors	xiii
	Foreword	xv
	Acknowledgments	xvii
	Abbreviations	xix
1	Assessing the Potential of Services Trade in Developing Countries: An Overview <i>Olivier Cattaneo, Michael Engman, Sebastián Sáez, and Robert M. Stern</i>	1
2	Increasing Labor Mobility: Options for Developing Countries <i>Sherry Stephenson and Gary Hufbauer</i>	29
3	Legal Services: Does More Trade Rhyme with Better Justice? <i>Olivier Cattaneo and Peter Walkenhorst</i>	67
4	Health without Borders: International Trade for Better Health Systems and Services <i>Olivier Cattaneo</i>	99
5	Market Structure, Liberalization, and Trade: The Case of Distribution Services <i>Julian Arkell</i>	141
6	Building Empires Overseas: Internationalization in the Construction Services Sector <i>Michael Engman</i>	177
7	Exporting Information Technology Services: In the Footsteps of India <i>Michael Engman</i>	219

<b>8</b>	<b>Accounting Services: Ensuring Good Governance, Financial Stability, and Economic Growth through Trade</b>	<b>263</b>
	<i>Olivier Cattaneo and Peter Walkenhorst</i>	
<b>9</b>	<b>Engineering Services: How to Compete in the Most Global of the Professions</b>	<b>293</b>
	<i>Olivier Cattaneo, Linda Schmid, and Michael Engman</i>	
<b>10</b>	<b>Understanding Trade in Environmental Services: Key Issues and Prospects</b>	<b>319</b>
	<i>Nora Carina Dihel</i>	
	<b>Index</b>	<b>349</b>