



Trade and Employment in Services Indonesia's Forgotten Sector

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General Reflections, Issues and Organisation

- From Adam Smith economists have regarded less regulation of trade in goods as critical for economic development and poverty alleviation
 - Goods dominate cross-border trade, and the fierce debates on protection (eg. horticultural and natural resource exports in Indonesia)

General Reflections

- The dominant role of goods in trade only partly true:
 - services are crucial for competitiveness, are growing in world trade, and are the main sector of employment
 - **direct role** in earning foreign exchange and indirect linkages to other sectors (eg. tourism 9% of GDP?)
 - their **indirect contribution** to competitiveness is very important (eg. transport, communications, education)

General Reflections

- **Services & trade:** negotiations critical at multilateral, regional and bilateral levels
 - Sensitive national interests: FDI and international competition restricted in most countries
 - Migration issues (mode 4) important, though difficult

- Employment and human capital dimensions
 - Employment in export oriented **manufacturing** limited: jobless growth and the resources boom
 - The concentration of professions in modern services, **versus** other atomistic, informal of service sector jobs
 - A crucial role for women at both levels
 - The importance of human capital in services: rivals that of highly skilled engineers or factory managers

Main findings

- Significant benefits from **greater competition** and less regulation in services
- In an international framework, the biggest gains are likely to be from **promoting more FDI** in services (Mode 3)
 - Benefits are also likely to flow from deployment of foreign manpower in Indonesia promoting technology transfer
- For overseas migration, Indonesia stands to benefit more from better regulation of less skilled migration than promoting skilled migration

Outline

- I. Introduce the services sector
 - dynamics of growth and employment
- II. Services sector trade
 - Exports and imports
 - Inputs into other (commodity) exports
- III. Jobs created directly by services exports and indirectly in through linkages with other sectors

Outline

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s trade)

sian migrants abroad

n workers in Indonesia

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r competition in services, especially in
to trade issues

tion of migration: more open policies to the
ment of foreign workers, but better protection
nesians abroad

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