



Services

Why Trade Matters

INDUSTRY SECTOR REPORT

General information on exports. Services are the largest component of the U.S. economy and now account for 28 percent of U.S. exports to the world. Service exports in 2000 totaled \$281 billion; the United States ran a surplus of nearly \$82 billion in services trade with the world.

Market development. U.S. services exporters would benefit from increased markets and lower trade barriers. The new round of global services trade negotiations now under way in the World Trade Organization will help improve market access for U.S. service providers.

Barriers. Although not subject to tariffs, services are subject to laws, regulations, and other measures that can impede international transactions. From telecommunications to finance to energy, government regulation plays an integral role in defining the industry and determining how many firms can participate and under what terms and conditions. For this reason, nontransparent regulation can be an important barrier in foreign markets. Other common barriers to services trade include market entry quotas, restrictions on establishment and operation of U.S. companies in foreign markets, limitations on joint venture ownership, and restrictions on bringing managers and other personnel into the foreign market.

Small and medium-sized enterprises. Small firms make up most of the U.S. service sector, and as potential exporters will benefit from clear, enforceable international services rules.

Employment opportunities. Encompassing all economic activity other than agriculture, manufacturing, and mining, the service sector is the largest component of the U.S. economy, accounting for about 80 percent of private nonfarm employment (92.9 million jobs in 1999). Service sector jobs are projected to account for virtually the entire net gain in employment over the next decade, with firms both large and small playing key roles in this services-driven economic expansion. More than four million U.S. jobs, in both the manufacturing and services sectors, depend on U.S. services exports.



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Key producing states. There are no U.S. government data on services exports at the state and local level. However, since the services sector includes diverse industries, services exports potentially benefit all states, especially since services (e.g., financial services, distribution services, and legal services) are required in all export business transactions by manufacturers as well as by other services providers.

The sector. Service sector jobs come from an enormous range of industries: architecture, construction, and engineering services; banking, insurance, and other financial services; education and healthcare services; energy, environmental, and related services; express delivery; entertainment services; information and telecommunications services; legal and business services; retail and wholesale trade; and transportation and tourism services.

BENEFITS AND EFFECTS FROM PREVIOUS TRADE AGREEMENTS:

- ▶ U.S. services exports nearly doubled during the 1990s, reaching a record \$281 billion last year. Commitments obtained in the NAFTA and General Agreement on Trade in Services negotiations contributed to this expansion.