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Dark Costs, Missing Data: Shedding Some Light on Services Trade *

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Abstract

We develop a method to project missing sectoral services output and trade. For OECD countries, projected and observed output data match well. The basis is a structural gravity model to estimate barriers to services trade across sectors, countries and time. The model fits well and reveals key differences across service sectors. Border barriers fall over time but unevenly. Inferred border barriers are fitted to national geography, technology, income and endowments, and institutional determinants. The fitted model including fitted border barriers is used to project missing internal or bilateral trade flows, aggregating to projected output.

JEL Classification Codes: F13, F14, F16

Keywords: Gravity, Services Trade, Trade Costs in Services, Home Bias, Border effects.

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