

Potential Offshoring: Evidence from Selected OECD Countries

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This paper uses data on trade in services and employment by occupation to provide estimates of the current extent of globalization of ICT-enabled services in OECD economies and its potential growth. The trade data show that many of the countries commonly regarded as hosts of offshored service activities have indeed experienced rapid growth of their exports of business and computer and information services. However, several of these countries are also experiencing rapid growth in their imports of these services, reinforcing the point that many countries stand to benefit from this globalization of the services sector. OECD countries still account for over 75 percent of exports of these services, but their share is declining. Analysis of occupational employment data suggests that close to 20 percent of total employment in selected OECD economies is in ICT-using occupations potentially affected by offshoring, with marked cross-country differences in the evolution of this share over time. The final part of the paper uses a simple descriptive empirical model to examine the extent to which these cross-country differences are associated with factors such as trade in services, the internationalization of production and the comparative size of the services sector. Contrary to what is often suggested, no significant evidence is found that imports of business and computer and information services or net total foreign direct investment have a negative impact on the aggregate share of employment accounted for by ICT-using occupations potentially affected by services offshoring.