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**How does Joining Government Procurement Agreement
Affect Bilateral Services Trade?**

-----A Case Study of the United States Based on the Gravity Model

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ABSTRACT

Abstract of thesis entitled How does joining Government Procurement Agreement affect bilateral services trade ? -----A Case Study of the United States Based on the Gravity Model. Submitted by Zhang Lixin (M-B1-5604-9) for the degree of Master of Social Sciences in Economics at the University of Macau in May 2013.

Government procurement has been playing a more important role in international services trade than before since government services and government construction services were included in the Government Procurement Agreement (GPA) in 1996. But so far, few studies put focus on the effect of GPA on bilateral trade flows. There is no empirical work for GPA in existing literature, most of which does qualitative analysis instead of quantitative analysis. This thesis attempts to fill the gap in literature by employing the gravity model to examine how joining GPA affects bilateral service trade flows between the United States and its primary 26 trade partner countries by using panel data from 1992 to 2005. In the gravity model, some other factors are also taken into consideration. The empirical results indicate that joining GPA has significant positive effects on bilateral services trade flows, and the effects grow stronger year by year. Some other factors, such as GDP, a common language and a common border, are also significant. Based on the empirical results of the United States' experience, some general policy implications and suggestions are given about joining GPA and how to promote services trade.

DECLARATION

I declare that this thesis represents my own work, except where due acknowledgement is made, and that is not been previously included in a thesis, dissertation or report submitted to this University or to any other institution for a degree, diploma or other qualification.

Signed _____



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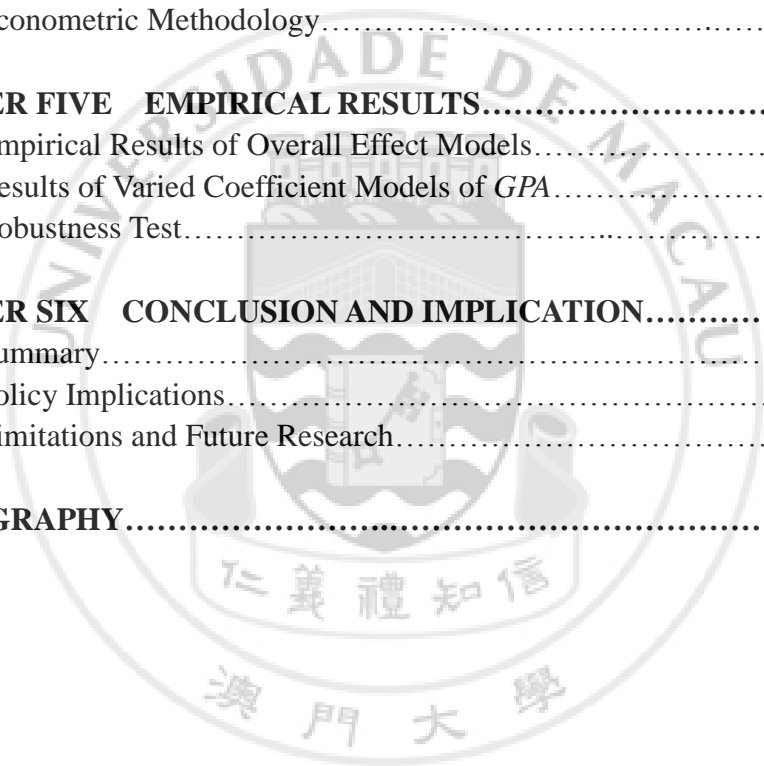
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ABBREVIATIONS

ARRA	The United States Recovery and Reinvestment Act
CMOC	Chinese Ministry of Commerce
CU	Customs Union
EA	Economic Area
EFTA	European Free Trade Association
EU	European Union
FI	Full-fledged Integration
FSCs	Federal Supply Codes
FTA	Free Trade Agreement
GATS	General Agreement on Trade and Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNI	Gross National Income
GPA	Government Procurement Agreement
IRS	Increasing Returns to Scale
IV	Instrumental Variable
MU	Monetary Union
REIO	Regional Economic Integration Organization
RTA	Regional Trade Agreement
PTA	Preferential Trade Agreement
OECD	Organization for Economic Co-operation and Development
OLS	Ordinary Least Squares
TC	Trade Creation
TD	Trade Diversion
SUR	Seeming Unrelated Regression
WTO	World Trade organization