

Services Trade Negotiations: Promise and Reality

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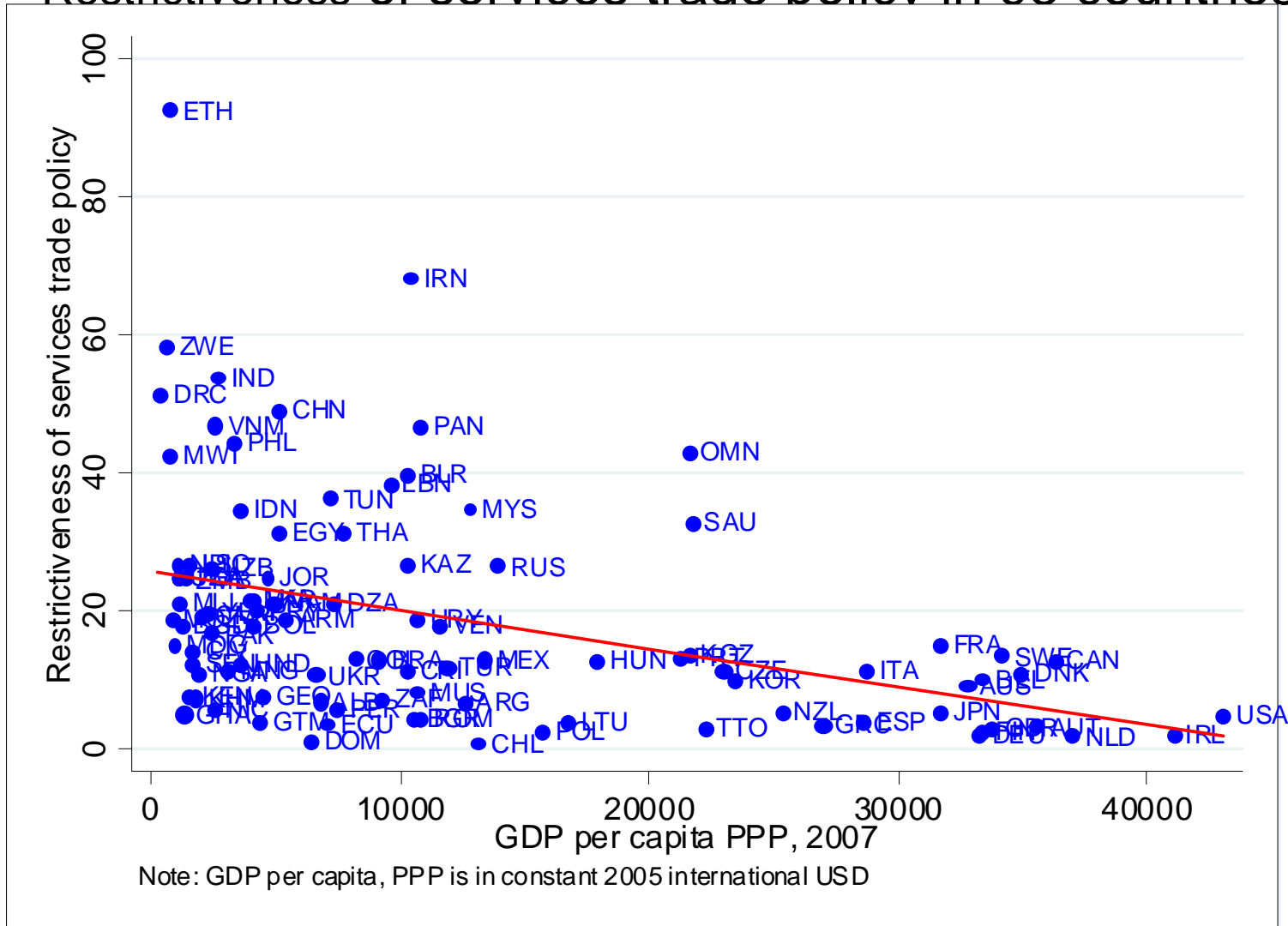
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Three questions:

- Does reality match promise?
- Do trade negotiations matter?
- Can we do better?

New World Bank services policy database shows substantial but uneven unilateral liberalization

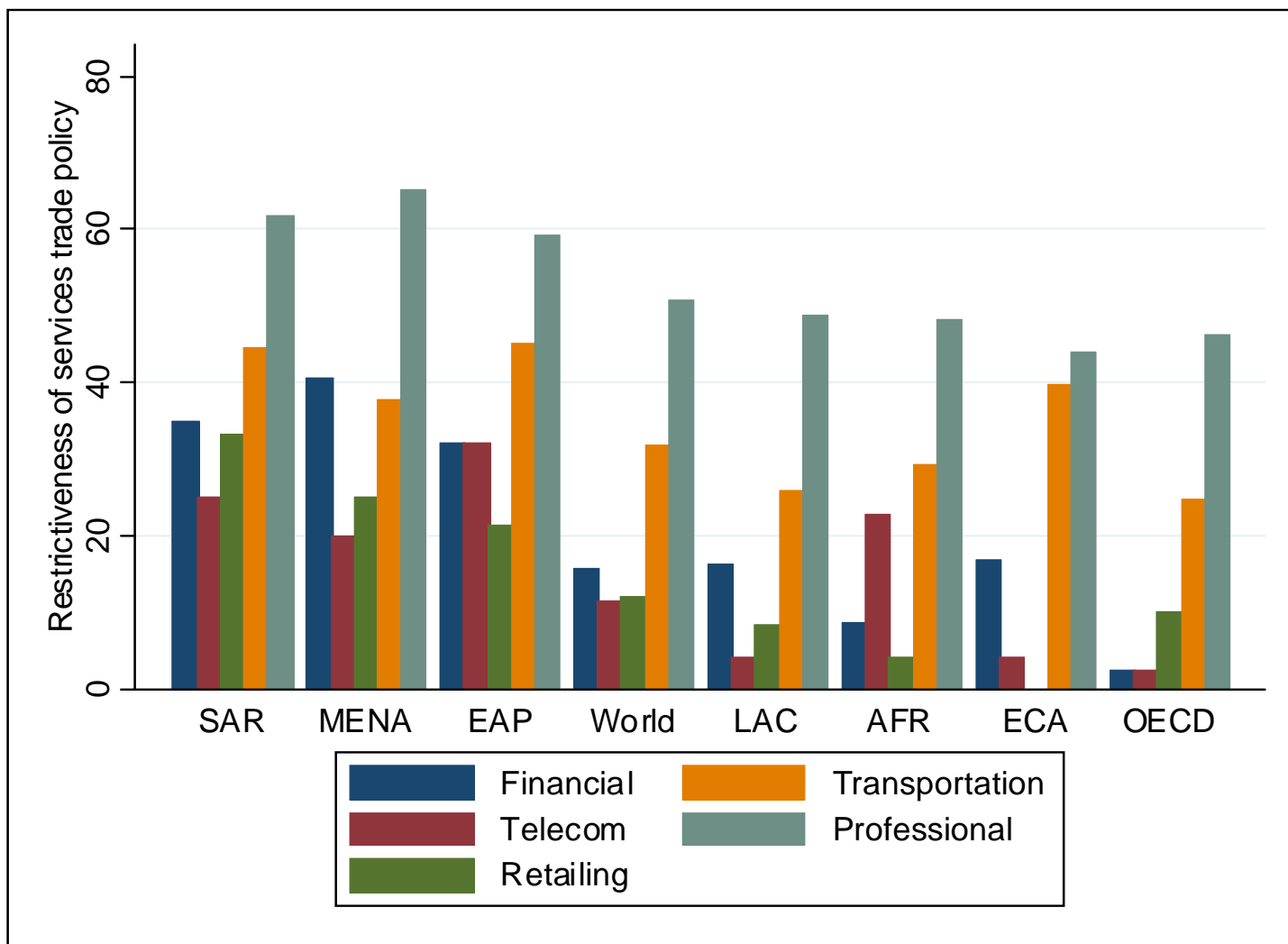
Restrictiveness of services trade policy in 98 countries



Source: Gootiiz and Mattoo (2009)

Transportation and professional services are among the most protected sectors everywhere

Services trade restrictiveness index (STRI) by regions and sectors



Source: Gootiiz, Mattoo 2009

Mode 3/FDI: Actual policies in services trade (2007-2008)

					Open
					Restrictive
					Closed
Countries	Banking	Telecom-Fixed	Retailing	Maritime Shipping Int.	Accounting
China	Restrictive	Restrictive	Restrictive	Restrictive	Restrictive
India	Restrictive	Restrictive	Restrictive	Open	Closed
Malaysia	Restrictive	Restrictive	Restrictive	Restrictive	Restrictive
Indonesia	Restrictive	Restrictive	Restrictive	Restrictive	Closed
Philippines	Restrictive	Restrictive	Restrictive	Restrictive	Closed
Thailand	Restrictive	Restrictive	Open	Restrictive	Restrictive
Cambodia	Open	Restrictive	Open	Open	Open
Argentina	Open	Open	Restrictive	Open	Restrictive
Brazil	Open	Open	Open	Restrictive	Restrictive
Chile	Open	Open	Restrictive	Open	Open
Colombia	Restrictive	Open	Open	Open	Restrictive
Mexico	Open	Restrictive	Open	Restrictive	Restrictive
Jordan	Restrictive	Open	Restrictive	Restrictive	Open
Morocco	Restrictive	Restrictive	Open	Open	Open
Ghana	Restrictive	Restrictive	Open	Open	Restrictive
Nigeria	Open	Open	Open	Open	Open
South Africa	Open	Restrictive	Open	Open	Open
Kenya	Open	Open	Open	Open	Restrictive
Australia	Open	Restrictive	Open	Restrictive	Open
Denmark	Open	Open	Restrictive	Restrictive	Open
Japan	Open	Restrictive	Open	Restrictive	Restrictive
Korea, Republic	Open	Restrictive	Open	Restrictive	Restrictive
United States	Open	Open	Open	Restrictive	Restrictive

Mode 3/FDI: GATS commitment and Doha Offers

					Open	
					Restrictive	
					Closed	
Countries	Banking	Telecom-Fixed	Retailing	Maritime Shipping Int.	Accounting	
China						
India			NC		Unbound	
Malaysia			NC			
Indonesia			NC		NC	
Philippines			NC		NC	
Thailand						
Cambodia				Unbound		
Argentina				NC		
Brazil						
Chile			NC	NC		
Colombia			NC	NC		
Mexico						
Jordan						
Morocco						
Ghana			NC	Unbound	NC	
Nigeria			NC			
South Africa				Unbound		
Kenya			NC	NC	NC	
Australia						
Denmark				Unbound		
Japan				Unbound		
Korea, Republic						
United States				NC		

Source: Gootiiz and Mattoo (2009)

Mode 1: Actual policies in services trade (2007-2008)

					Open
					Restrictive
					Closed
Countries	Bank: Loans	Life insurance	Maritime Shipping	Accounting	Law (domestic)
China	Restrictive	Closed	Open	Restrictive	Closed
India	Restrictive	Open	Restrictive	Closed	Closed
Malaysia	Restrictive	Open	Restrictive	Open	Closed
Indonesia	Open	Restrictive	Restrictive	Open	Closed
Philippines	Restrictive	Closed	Restrictive	Open	Closed
Thailand	Closed	Open	Restrictive	Closed	Closed
Cambodia	Open	Closed	Open	Closed	Closed
Argentina	Restrictive	Closed	Open	Closed	Closed
Brazil	Restrictive	Open	Open	Open	Closed
Chile	Open	Closed	Open	Open	Restrictive
Colombia	Open	Closed	Open	Restrictive	Restrictive
Mexico	Restrictive	Open	Restrictive	Open	Restrictive
Jordan	Open	Closed	Open	Open	Closed
Morocco	Restrictive	Closed	Restrictive	Open	Restrictive
Ghana	Open	Restrictive	Open	Restrictive	Restrictive
Nigeria	Open	Open	Open	Open	Open
South Africa	Open	Restrictive	Open	Restrictive	Restrictive
Kenya	Open	Open	Open	Closed	Restrictive
Australia	Open	Open	Open	Open	Restrictive
Denmark	Open	Open	Open	Open	Restrictive
Japan	Open	Open	Open	Open	Restrictive
Korea, Republic	Open	Open	Open	Open	Closed
United States	Open	Restrictive	Open	Open	Restrictive

Mode 1: GATS commitments and Doha Offers

					Open
					Restrictive
					Closed
Countries	Bank: Loans	Life insurance	Maritime Shipping	Accounting	Law (domestic)
China	Unbound	Unbound			NC
India	Unbound	Unbound			NC
Malaysia	Unbound	Unbound			NC
Indonesia		Unbound		NC	Unbound
Philippines	CP req	CP req		NC	NC
Thailand	Unbound			Unbound	Unbound
Cambodia		CP req	Unbound		
Argentina	Unbound	Unbound	NC		
Brazil	Unbound	Unbound			NC
Chile	Unbound	Unbound	NC	Unbound	NC
Colombia	Unbound	Unbound	NC	Unbound	NC
Mexico	Unbound	Unbound			NC
Jordan		CP req			NC
Morocco		Unbound		Unbound	NC
Ghana		Unbound		NC	NC
Nigeria		Unbound		Unbound	NC
South Africa	Unbound	Unbound	Unbound	Unbound	
Kenya		Unbound	NC	NC	NC
Australia	Unbound	Unbound			
Denmark	Unbound	Unbound			
Japan	Unbound	Unbound			
Korea, Republic	Unbound	Unbound			NC
United States	Unbound	Unbound	NC		

Source: Gootiiz and Mattoo (2009)

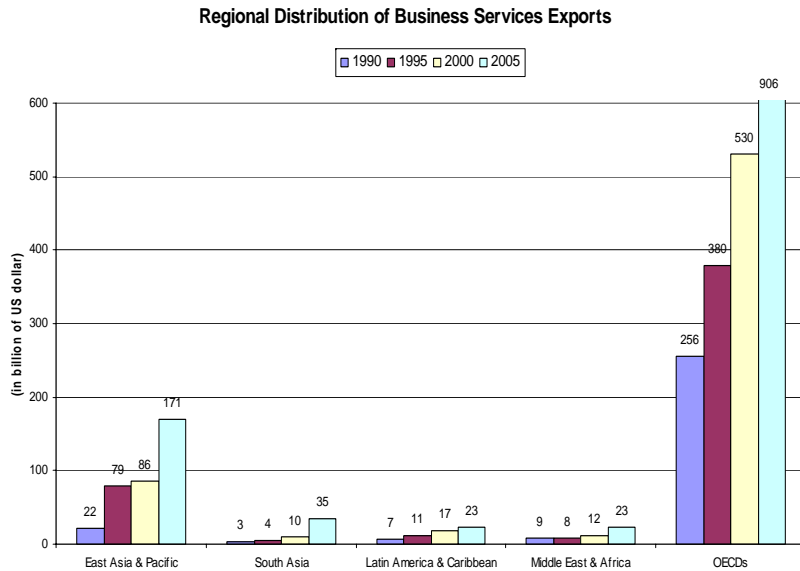
“CP req”: commercial presence required; NC: no UR
Round commitments and Offer reflects the commitment.

Multilateral services negotiations: two levels of ambition

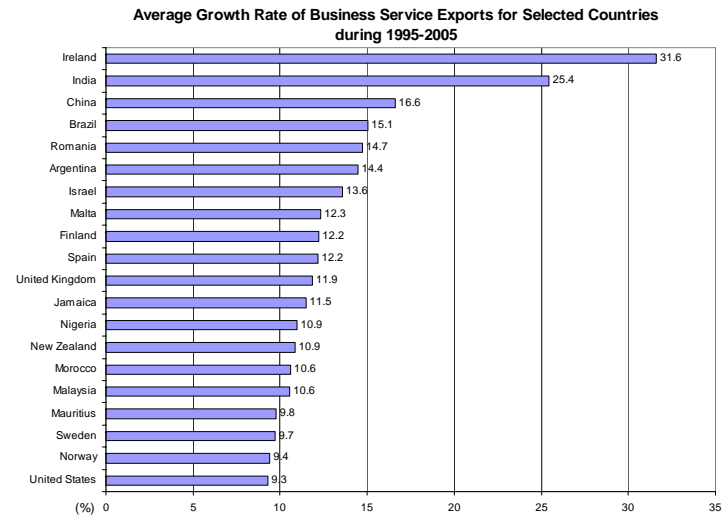
- **to advance liberalization beyond unilateral levels.**
- **to harvest unilateral liberalization.**
 - Difficulty of making the required legislative changes in negotiating context
 - Blistering technology cycle versus ponderous negotiating cycle

Mode 1: Shared interest in cross-border trade in business services

Regional distribution of business services exports, 1990-2005



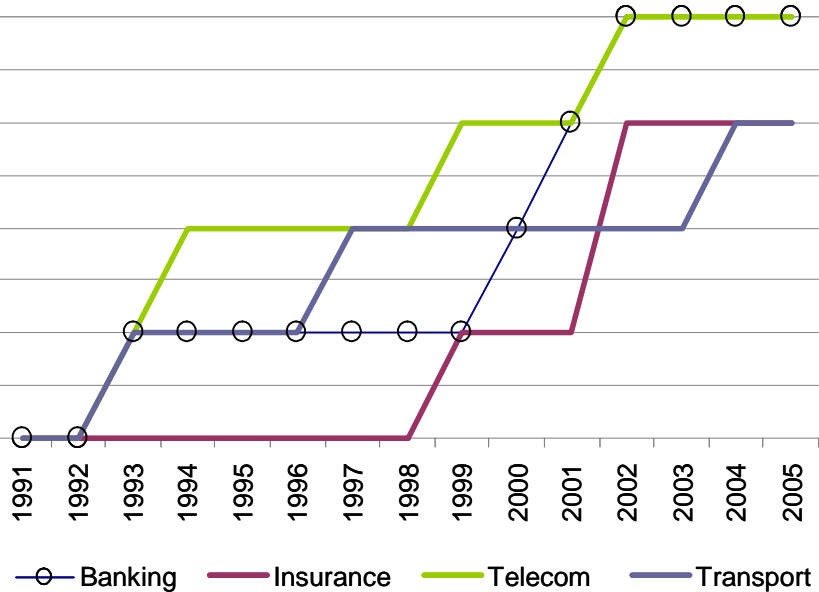
Average growth rates of business services exports, 1995-2005



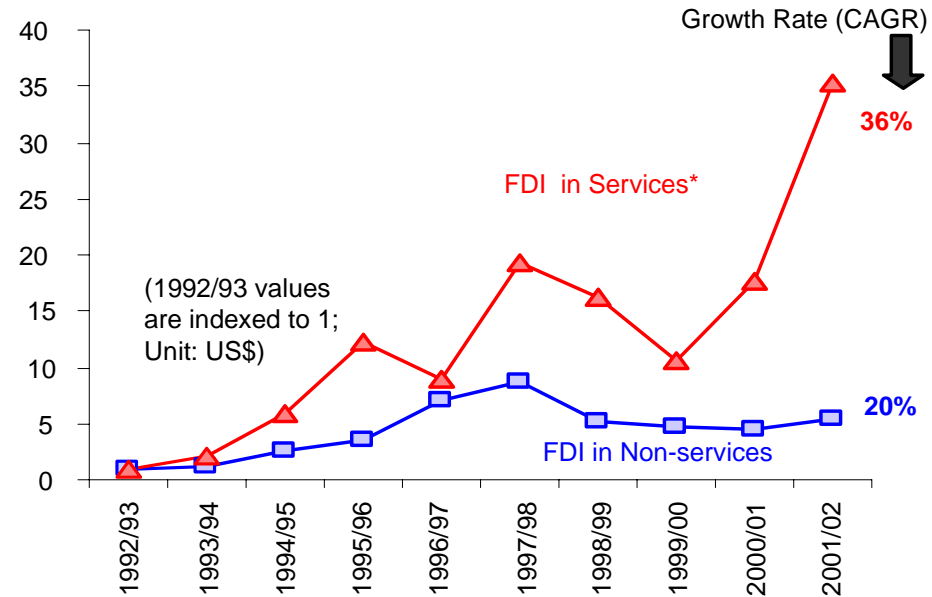
is creating significant cost savings and developmental benefits

Mode 3: Powerful example of India: reform of services sectors

Newly created index of services reform



India: FDI in services sector is growing faster than in non-services . . .

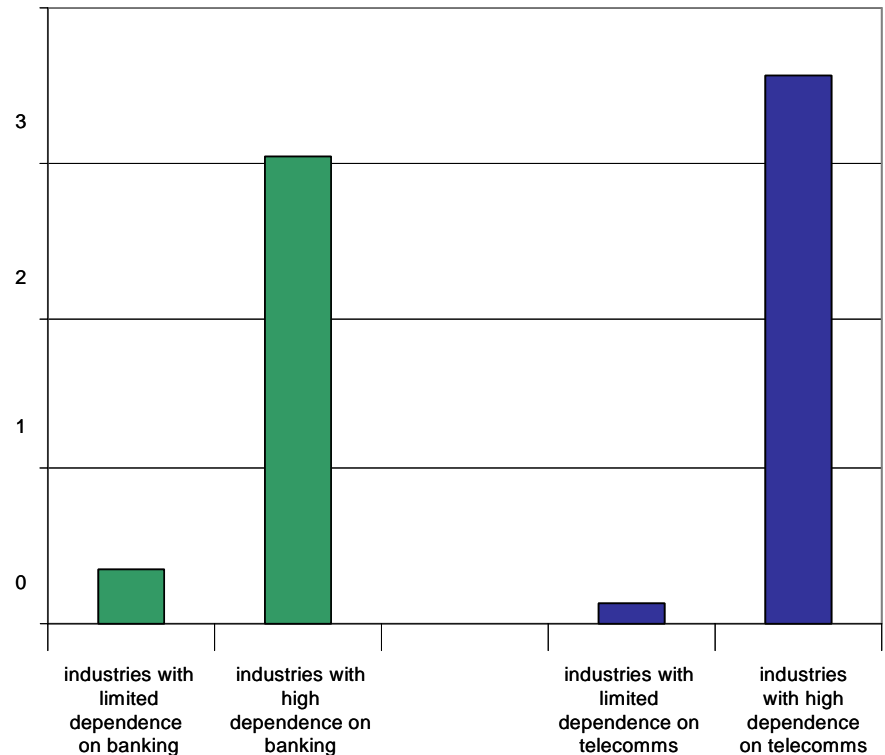


...has boosted not only productivity and exports in services, but also the performance of downstream manufacturing industries

Percent

Gains in Annual TFP Growth After Services Reform

4

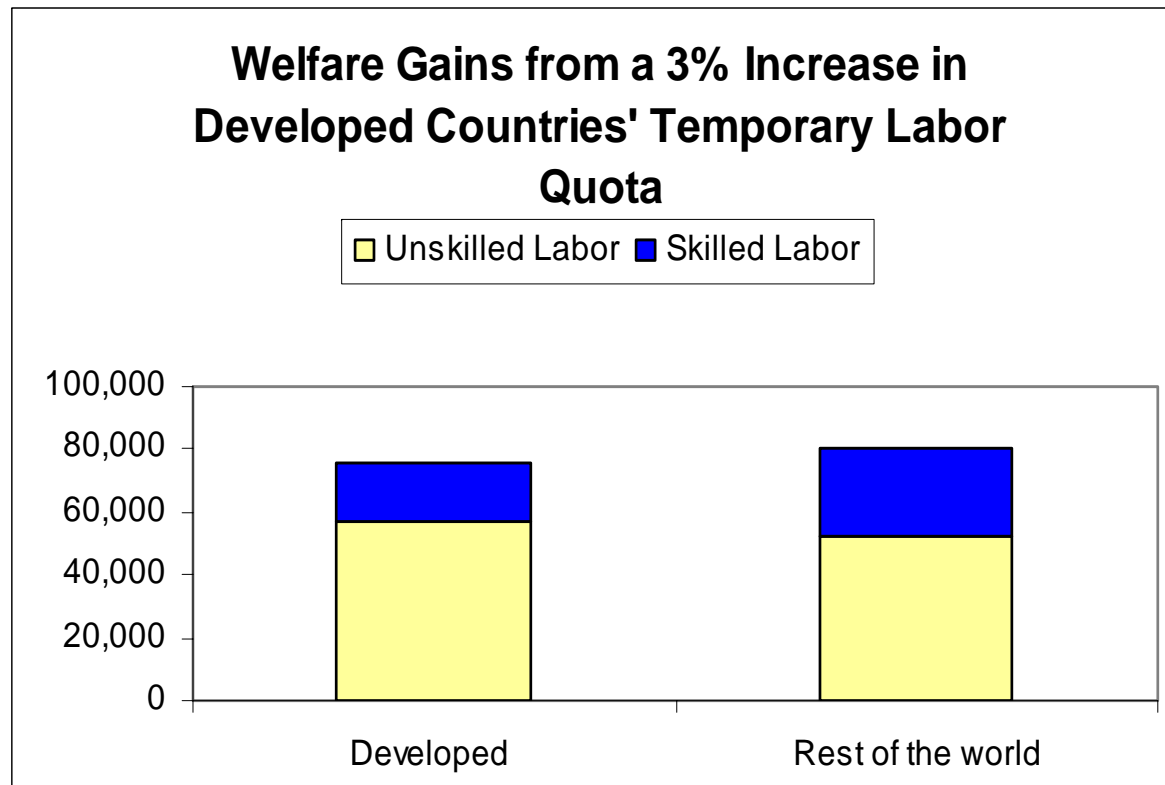


New study based on panel data for 10,000 Indian firms for the 1990-2005 period finds that

banking, telecommunications and **transport** reforms all have significant positive effects on the productivity of manufacturing firms

Source: Arnold, Javorcik, Lipscomb and Mattoo (2008).

Mode 4: Strong shared global interest in greater mobility of individual service providers



Note: Data in million US\$

Source: Walmsley and Winters (2002)

Why have countries been reluctant to commit multilaterally?

Diminished business interest because of:

- Unilateral and bilateral/regional liberalization,
- Growing economic interdependence has reduced likelihood of policy reversal

Has the crisis vindicated or dispelled complacency?

Why have countries been reluctant to commit multilaterally?

Diminished government willingness because they fear.

- Lack of regulatory cooperation
- Regulatory unpreparedness
- Loss of regulatory freedom

The crisis has enhanced these fears.

Market access negotiations need to be supported by greater regulatory cooperation

Because while services are increasingly globalized, regulation remains national

- More cooperation on prudential regulation (e.g. on finance and data flows) and pro-competitive regulation (e.g. on transport and information services)
- More coherent assistance to developing countries to build regulatory institutions and institute access-widening policies: “aid for services trade”
- More cooperation between host and source countries on mode 4 (as in bilateral labor agreements)

Some of this cooperation will necessarily be bilateral and regional

Achieving parity of ambition for services: can we break the negotiating stalemate?

Proposal: Instead of incremental, sectoral or modal negotiations, is it possible to define a final package which is balanced, developmentally desirable and commercially relevant?

Would a critical mass of countries consider committing to:

- No new restrictions, especially on cross border trade in business services, and more open transport
- Precommitment to reform, especially on FDI, *and* to greater regulatory cooperation and assistance
- Greater scope for temporary migration *with* source country obligations