

Services Trade, Reforms, and International Negotiations

**Gianni Zanini
World Bank Institute**

**with inputs by Andreas Maurer, WTO and
by Aaditya Mattoo, DECRG-trade, World Bank**

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Structure of Presentation

1. Gains from and reasons for services trade
2. Growth and productivity impact
3. Trends and patterns in services trade flows
 1. in BOP Statistics (Modes 1,2, and 4)
 2. in FATS (Mode 3 and also Mode1 and 4)
 3. Recent services trade resilience
4. Trends and patterns in services trade flows
 1. GATS Commitment Restrictiveness Index (WBI/WTI)
 2. Services Trade Restrictiveness Index / STRI (DECRG-Trade)
5. Unilateral Liberalization Reform for Development?
 1. Digression: case study of Zambia
6. International Negotiations for Development?

Gains from and Reasons for Services Trade



<http://www.motogp.com/en/videos/2009/MotoGP+Rewind+Sepang>

MotoGP Racing is international trade in services: follow the money to prove it

- **MotoGP race in Sepang, Malaysia, Oct. 25, 2009**
 1. Casey Stoner (AUS) on Ducati;
 2. Dani Pedrosa (SPA) on Honda;
 3. Valentino Rossi (ITA) on Yamaha (2009 overall champion)
- **Service Providers and Consumers (M=Mode):**
 - Multinational company managing (i) local race events (M3), (ii) global website (M1), and (iii) global broadcasting via internet (M1)
 - Live event audiences, including of foreign visitors (M2)
 - Racetrack owner in host country (rent is M1)
 - Racing teams from various (rich) foreign countries (M4)
 - Video recording foreign subcontractor (M4)
 - TV stations broadcasting in host & in foreign countries (M1)
 - Advertisers for major global companies (M1)
 - Bikes, tools and equipment transported by air to next race location

Sources of gains from trade: comparative vs absolute advantage

- Gains from trade for both parties can be realized whenever relative prices/costs differ, even if a country has absolute disadvantage in all products
- Comparative advantage rooted in *differences* between countries in:
 - Endowments
 - Technology
 - Institutions (legal systems, regulatory systems)
 - Labor skills (education)
 - Climate
- But endogenous vs. exogenous differences;
short run vs. long run

Much Services Trade Between Different Countries....

- Comparative Advantage explains trade between countries with different factor endowments
 - North-South trade in business services
 - Indian call centres provide back-office and customer care services for American firms
 - Nannies from the Philippines move to Dubai to provide childcare services
 - Italian eco-tourists fly to Brazil's Amazon region for a week in the jungle

...But Much of Service Trade Also Occurs Between Similar Countries.

- Differences cannot explain all trade , as much trade occurs between similar countries
 - Kenyan architects design convention center in Arusha
 - Engineers from South Africa design a bridge in Canada
 - North-North trade in banking and transport services (or South-South trade as for Ethiopian Airways)
 - Nigeria's movies or India's software exports to SSA
 - Banking services provided to domestic customers in Austria by subsidiaries of an Italian commercial bank

What Explains Service Trade Between Similar Countries?

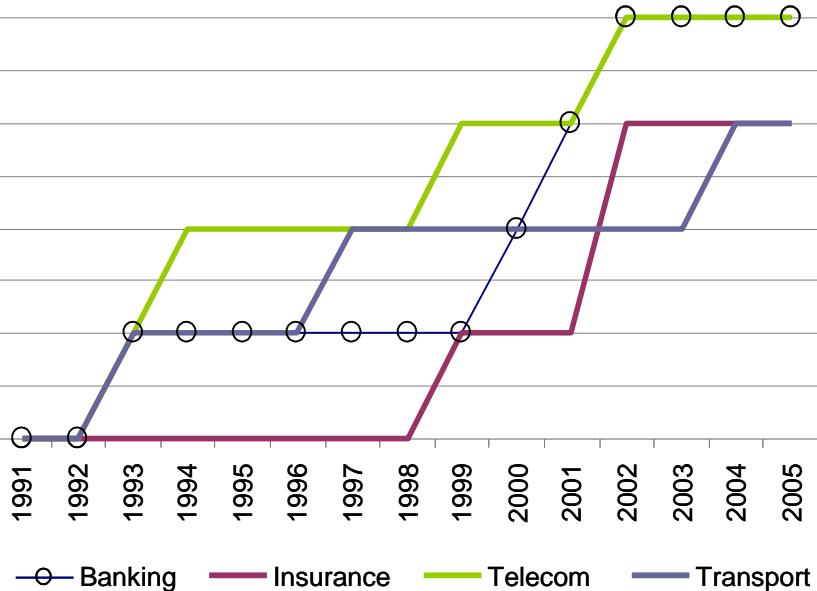
- New theories of trade rely on gains from trade stemming from:
 - Increasing returns to scale
 - Market niche effects (leading to increased variety)
 - Firm-specific intangible assets
 - Agglomeration effects
 - Networks effects

Econometric Estimates Show Large Gains from Services Trade Liberalization

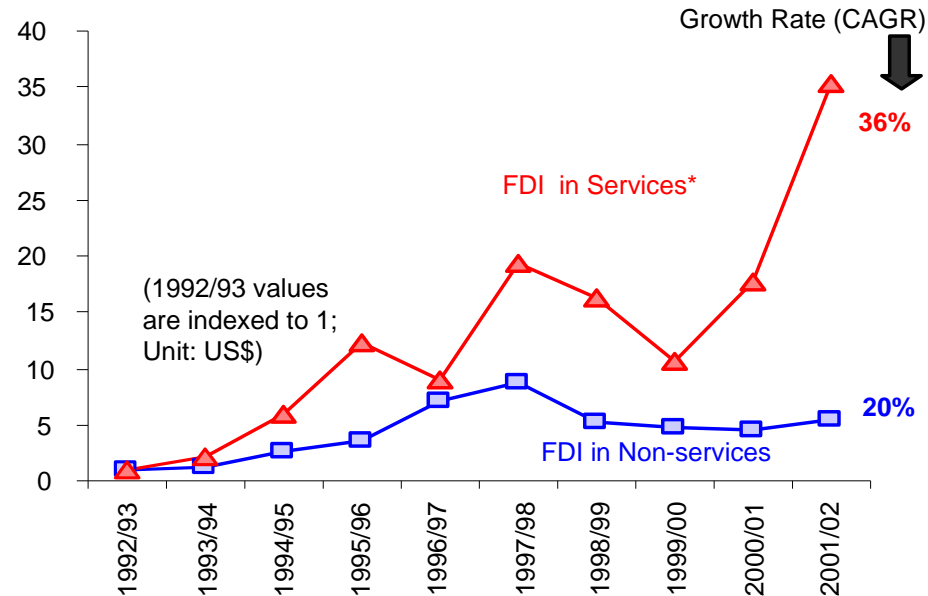
- Various studies have documented ex-post a strong positive impact of services trade liberalization, especially for FDI in services, e.g.
 - on economic growth: 1.5% higher for telecom+finsec liberalized countries (Mattoo, Rathindran Subramanian 2001)
 - on manufacturing productivity of 350 Czech firms based on a 2004 firm-level survey: 10% increase in FDI implies 3% in TFP (Arnold, Javorcik and Mattoo 2007)
 - for a large sample of European and Central Asian countries (Ana Fernandes 2007)
 - for India (Arnold, Javorcik, Lipscomb and Mattoo 2008)

In recent years, India has radically reformed its services sectors...

Newly created index of services reform



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



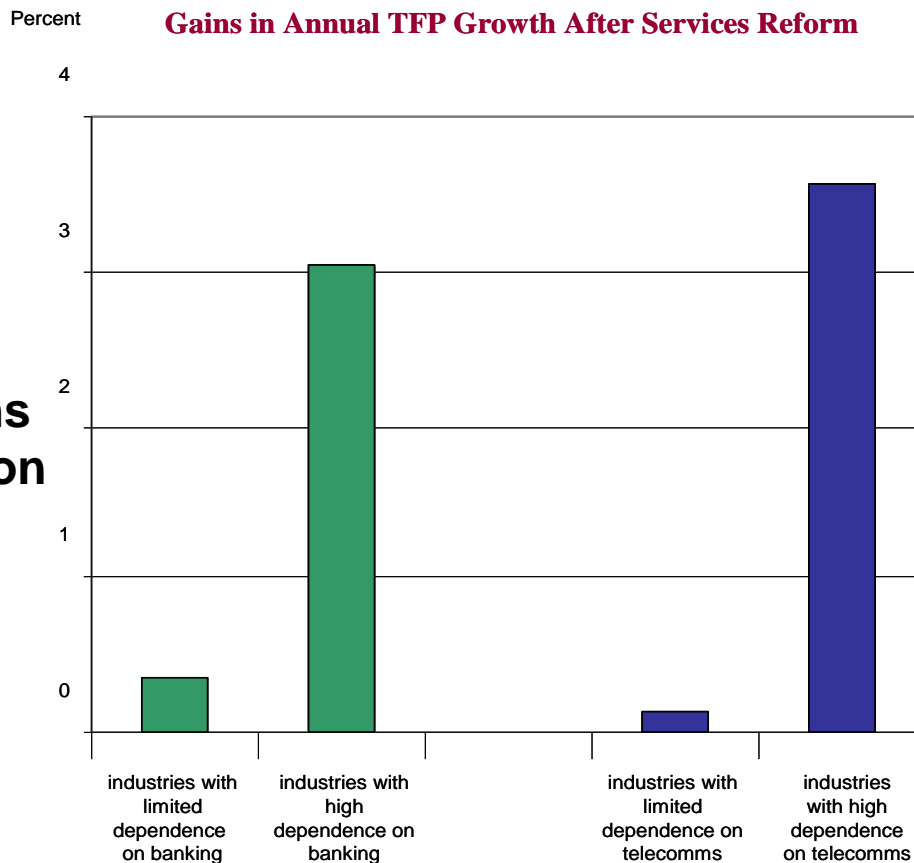
Source: Aaditya Mattoo presentation

...which benefited performance of downstream manufacturing industries

New study based on panel data for 10,000 Indian firms (1990-2005) finds

that

banking, telecoms, transport reforms all have significant positive effects on productivity of manufacturing firms



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

Even if India's services reform process is incomplete

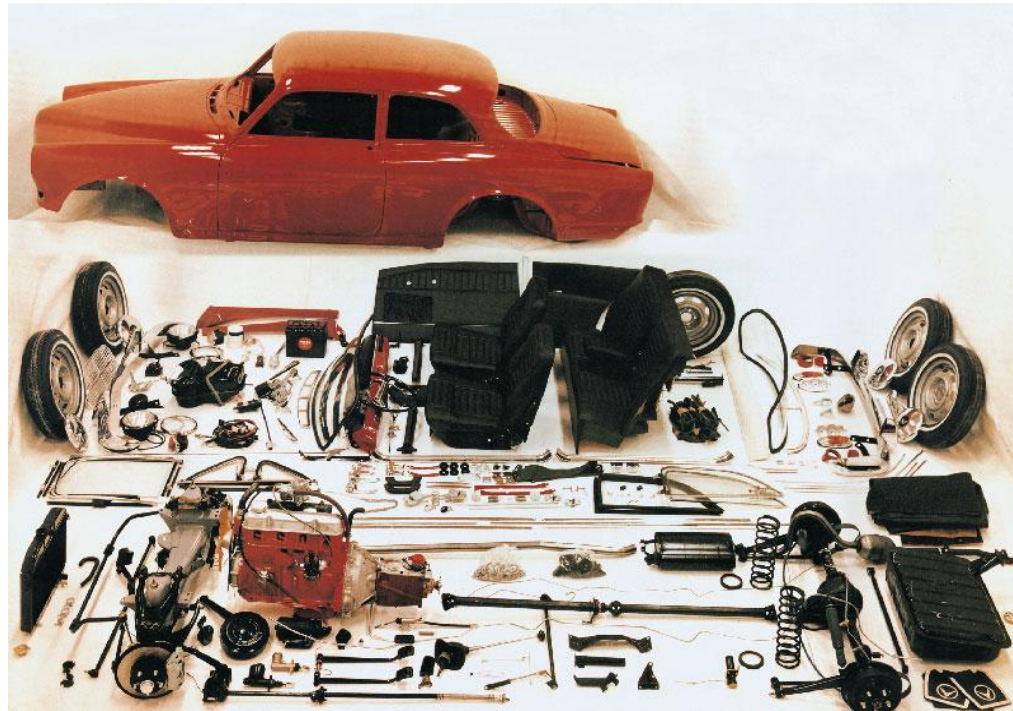
- Indian horticulturists receive only one-sixth of the final price because of inefficient storage, transport and distribution.
- Restrictions in professional services impede Indian participation in the growing international division of labor.
- The over-regulation of higher education threatens India's skill endowment.
- Restrictions on foreign ownership and entry persist in communications and financial services.

Models Predict Large Gains from Services Trade Liberalization

- Ex-ante modeling studies of liberalization scenarios also estimate large gains
 - US could save over \$1.4 billion annually even if only one in ten US patients were to undergo just 15 types of low-risk treatment abroad (Mattoo and Rathindran 2006)
 - global gains could exceed \$150 billion from a relaxation of temporary labor mobility restrictions
 - Russia WTO accession large gains are almost fully attributable to dynamic and productivity effects from implementing own services trade liberalization commitments rather than to the marginal market access improvements from joining the WTO

Trends and Patterns in Services Trade Flows

Fragmentation of goods



Fragmentation of Services



Hospital service fragments

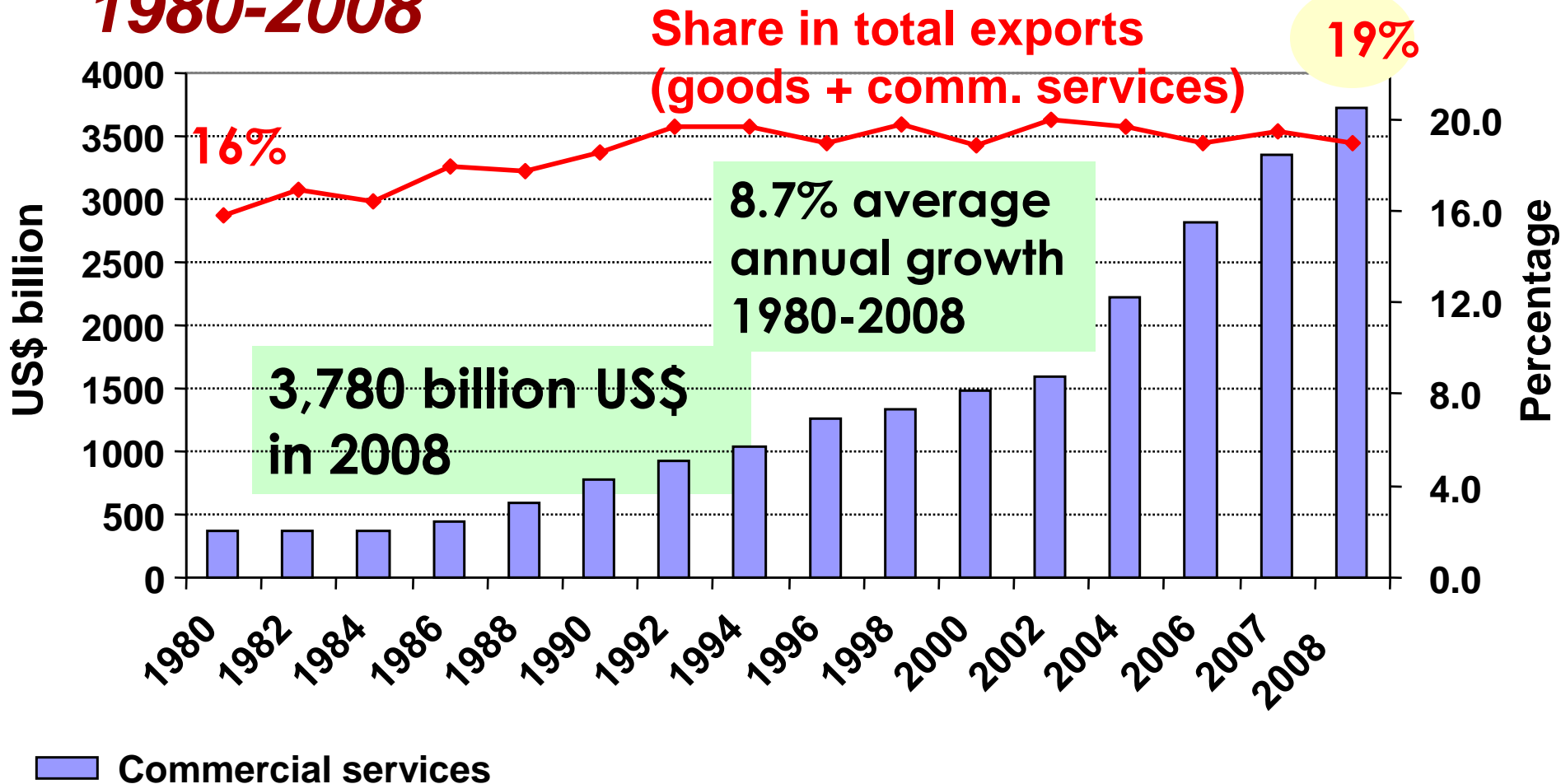
- Call Centre for customer service, etc.
- Medical transcription services
- Payroll management
- Web hosting services application service providers (ASPs)



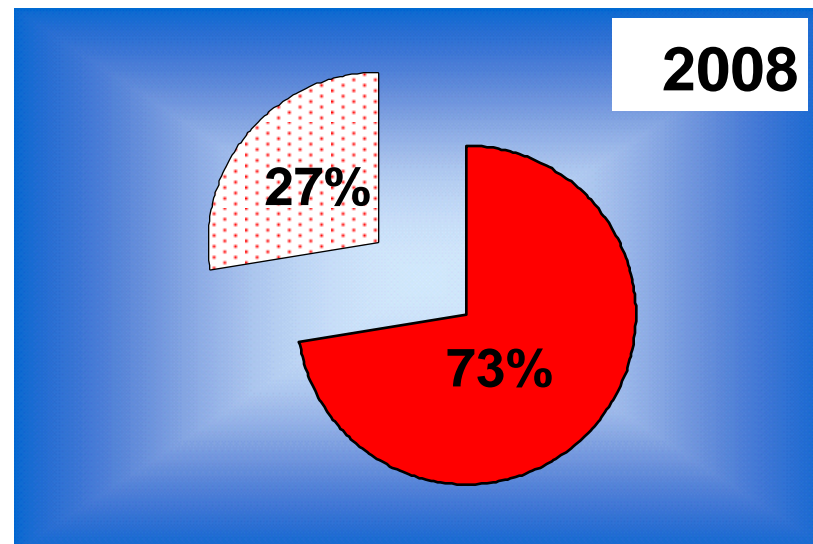
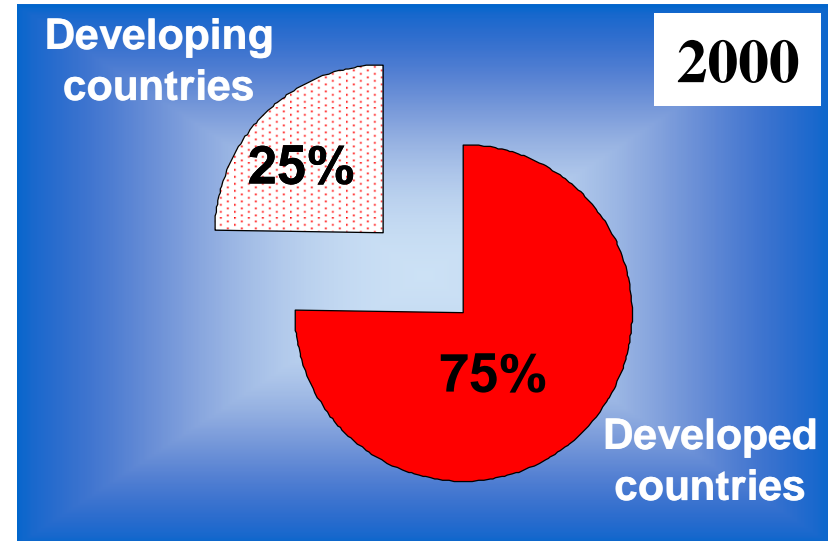
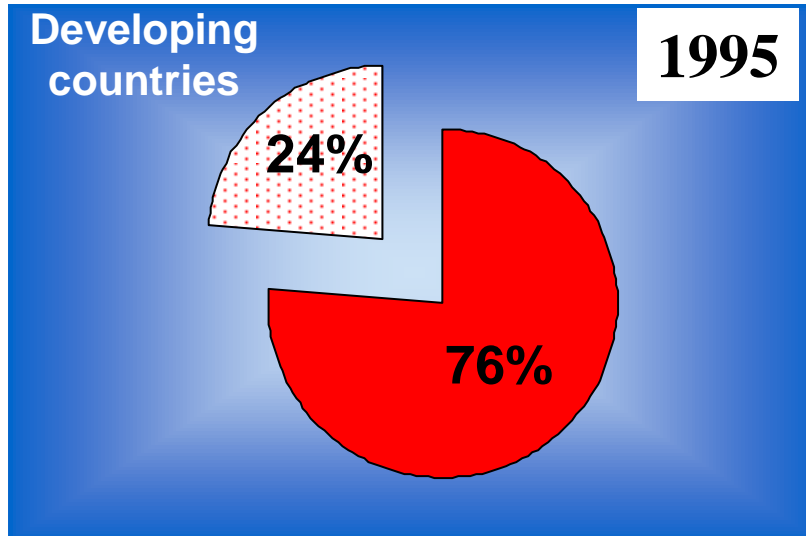
Stylized Facts About Service Trade

- In recent years, service sector accounted for
 - over 50% of the GDP in developing countries, and over 70% of the economy in OECD countries
 - employment expansion in most countries
- Services Trade is about 20% of the total world cross-border trade, and about 16% of developing economies trade
- Service sector exports grew faster than merchandise exports since 2000 (over 15% p.a.) and also during 2006-09, in both developed and developing countries
- More than half of annual FDI flows are in services
- Value of sales abroad by foreign affiliates of OECD services firms are estimated to be more than BOP exports for US and Germany (2+ times), France (1.5) and Canada

World Exports of Commercial Services 1980-2008



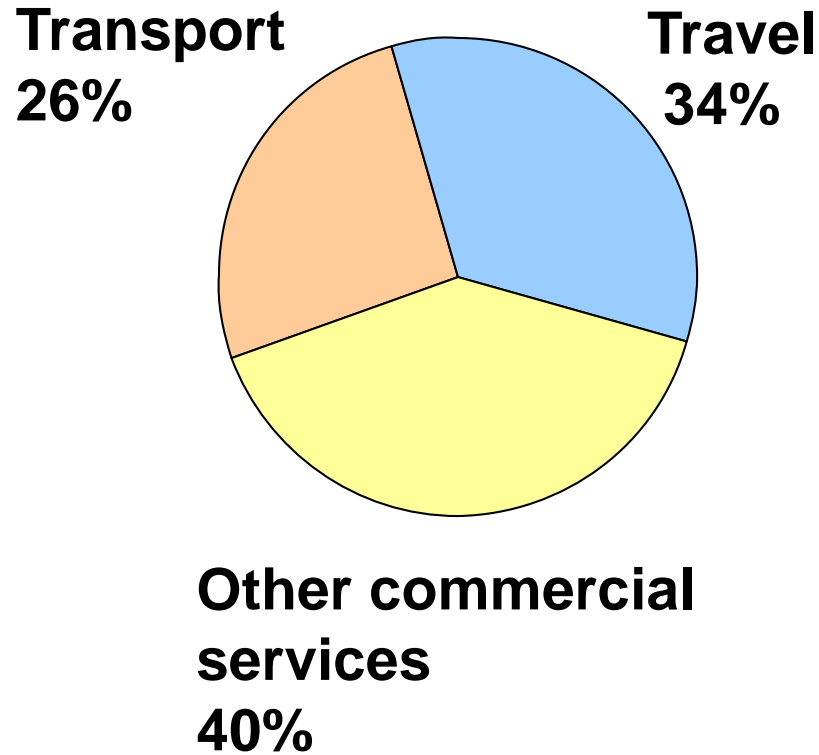
World Exports of Commercial Services by income groups



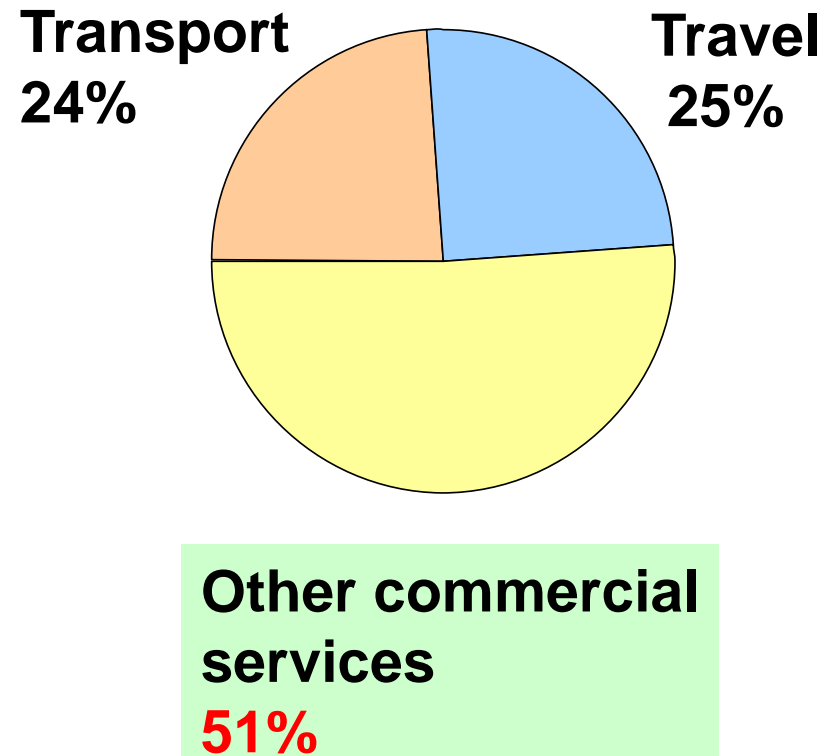
only 0.4%
came from
LDCs

World exports of commercial services by sector

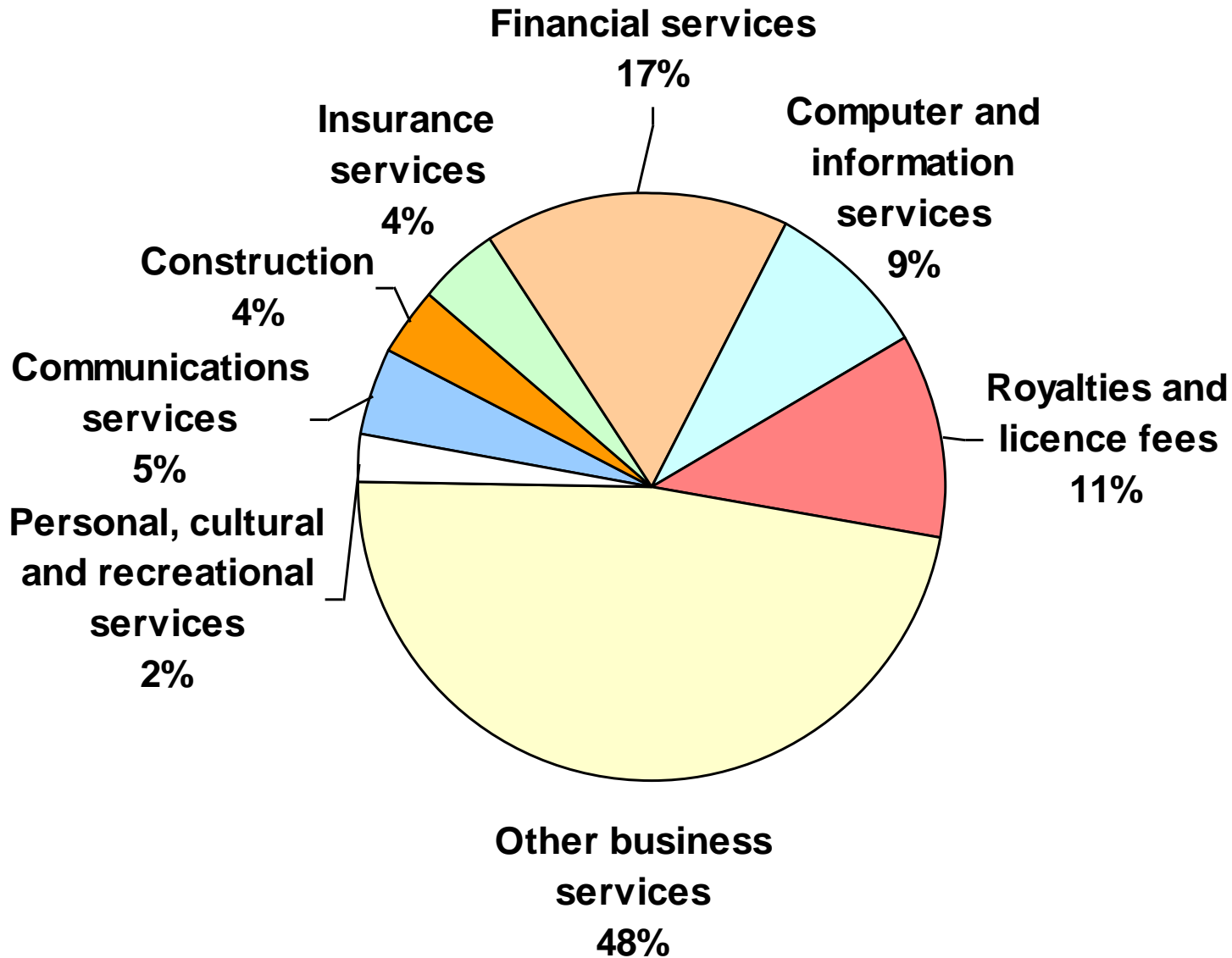
1995



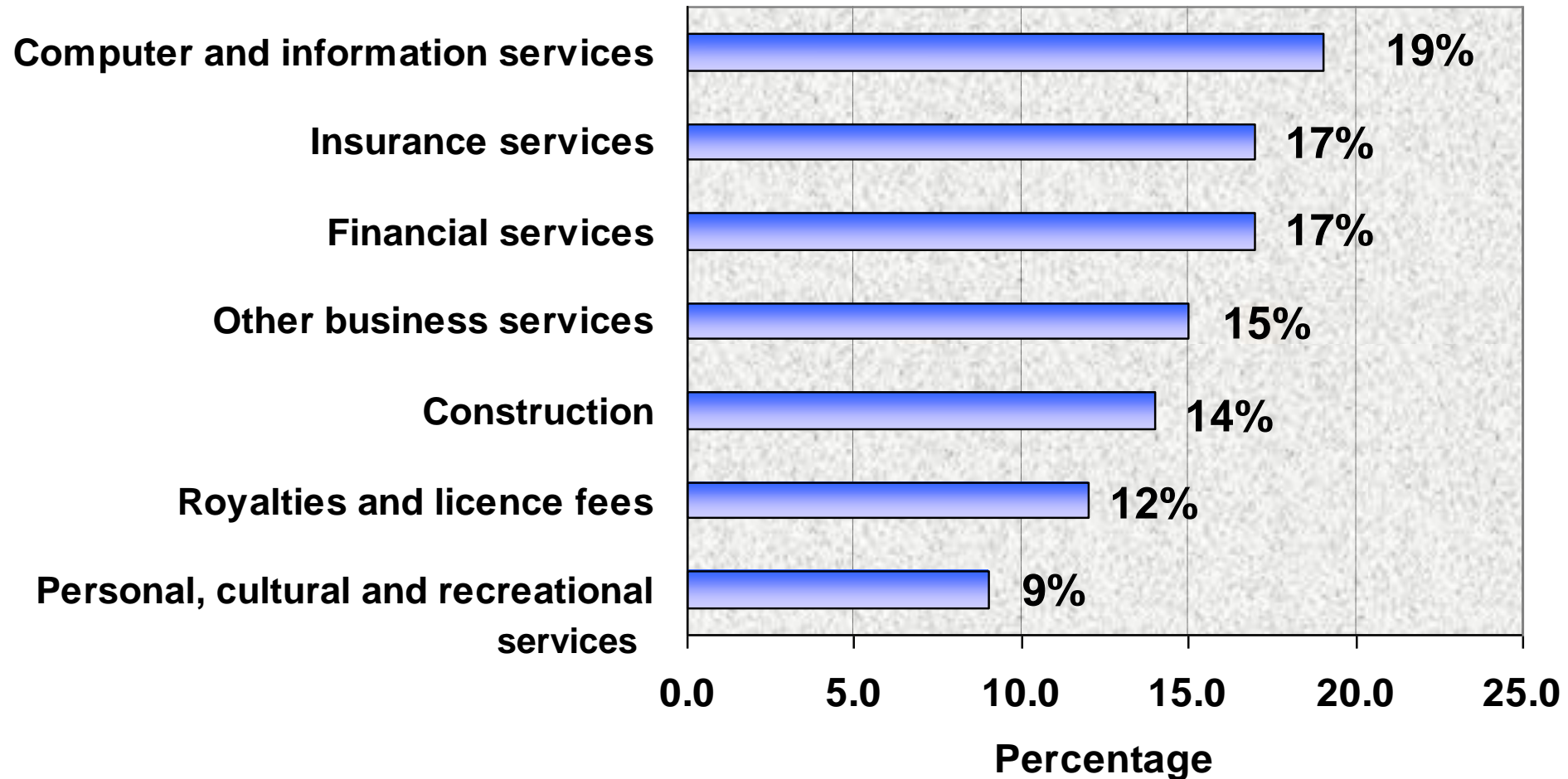
2008



World Other Commercial Services Exports, 2007

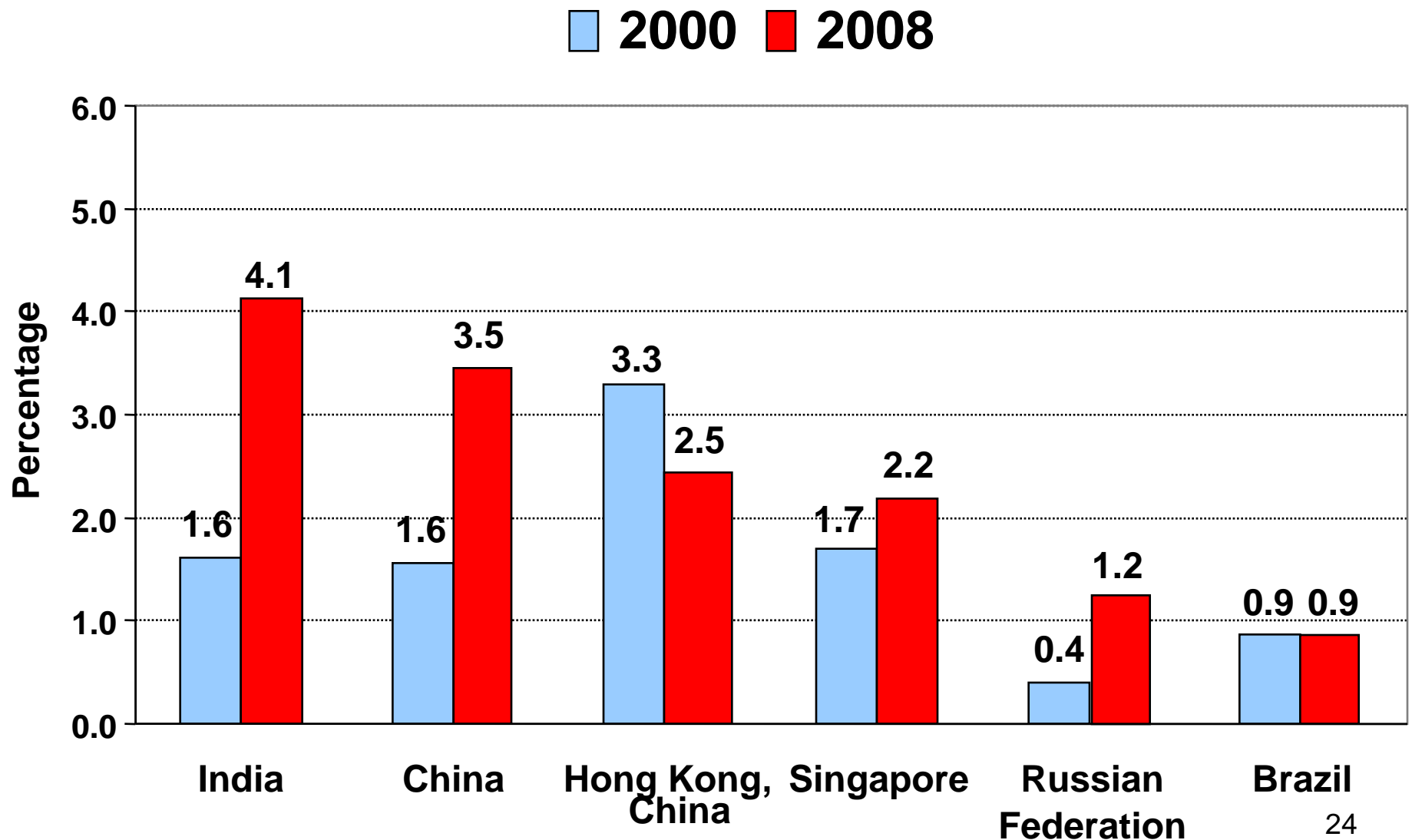


Average annual growth of world “other commercial/private” services exports, 2000-07



Note: communications services not available

World exports of other commercial services by selected emerging economies (share of total)



Source: WTO estimates; Feb. 2010 presentation at WBI services trade course in Vienna

Services Trade in WTI

www.worldbank.org/wti

- **Comprehensive database with over 450 trade-related indicators of performance in:**
 - Trade Policy, Market Access, Institutional Environment, and Trade Facilitation
 - Trade Outcomes
- **Country coverage ranges from 79 to 200+**
- **Yearly data from 1995-2009 (online)**
- **Online Tool**
 - Country rankings (default and customized)
 - Charts, tables, and maps (default and customized)
 - User can choose time periods and country groups
- **211 Country Trade-at-a-Glance (TAAG) tables**
- **140 Country briefs**
- **Overview report**

Real Growth of Services X & M

Export Growth 2006-08: Top Performers

Indicators Category		Trade Outcome
Country	Briefs and TAAGs	Real growth in services exports (%)
Year		2006-2008 Latest
Poland		47.50
Azerbaijan		29.72
Czech Republic		25.30
Macedonia, FYR		21.50
Japan		18.86
Hungary		16.60
Seychelles		15.10
China		15
Turkey		12.50
Congo, Dem. Rep.		12.40

Import Growth 2006-08: Top Performers

Indicators Category		Trade Outcome
Country	Briefs and TAAGs	Real growth in services imports (%)
Year		2006-2008 Latest
Poland		40.20
Lithuania		29.69
Armenia		23.51
Czech Republic		23.30
Congo, Dem. Rep.		18.56
Brazil		18.30
Russian Federation		17.39
Bolivia		17.15
Colombia		16.70

Services Share in Exports (g+s, %)

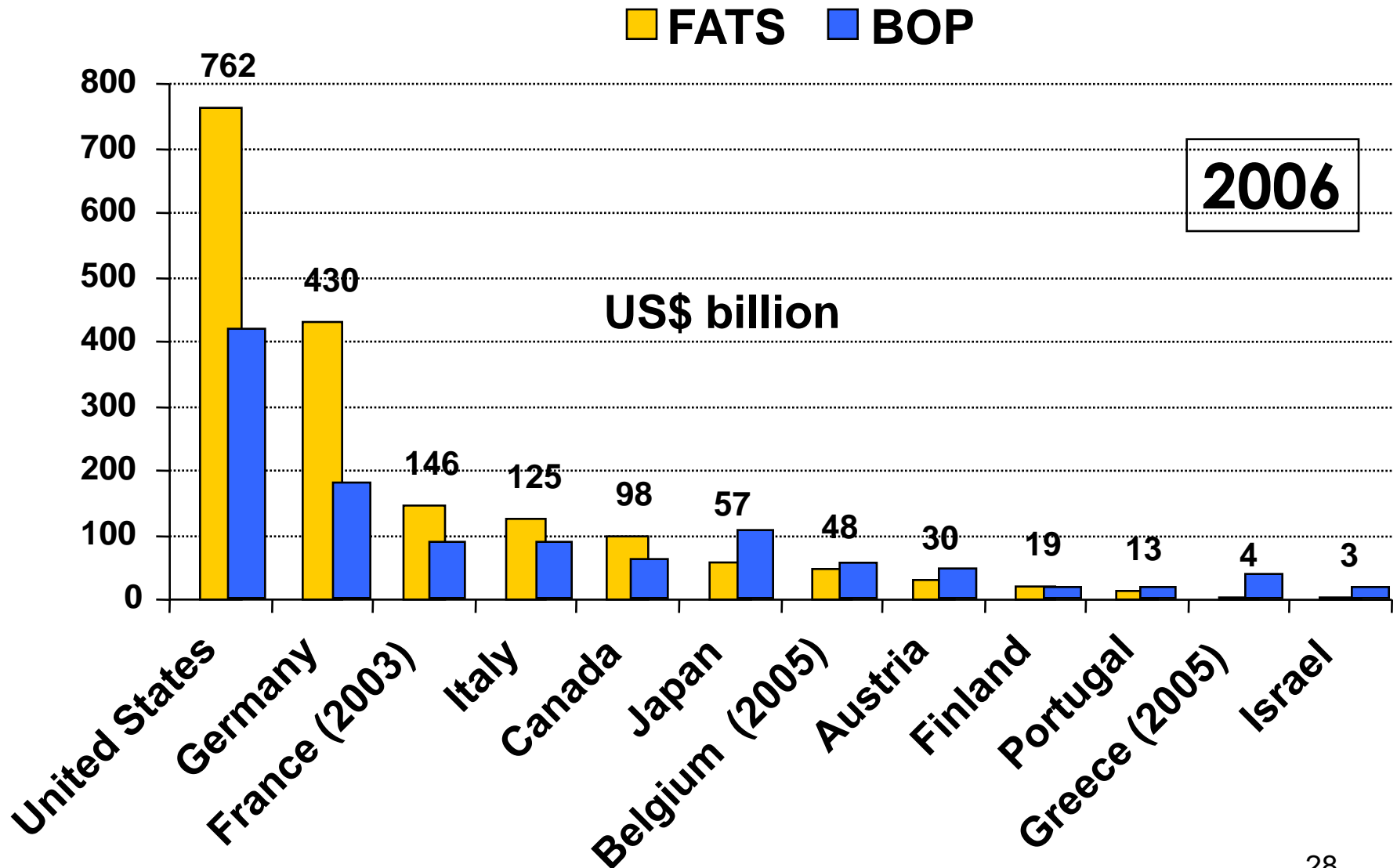
Top 15 World

Year	2006-2008 Latest
Croatia	47.55
Seychelles	48.93
Malta	50
Jamaica	50.88
Dominica	58.69
Albania	62.55
Greece	64
Eritrea	71.32
St. Vincent and the Grenadines	71.75
Lebanon	71.95
Luxembourg	75.84
St. Lucia	76.08
Antigua and Barbuda	83.83
Cyprus	85.49
Vanuatu	85.79
Cape Verde	87.1

Select Emerging Economies

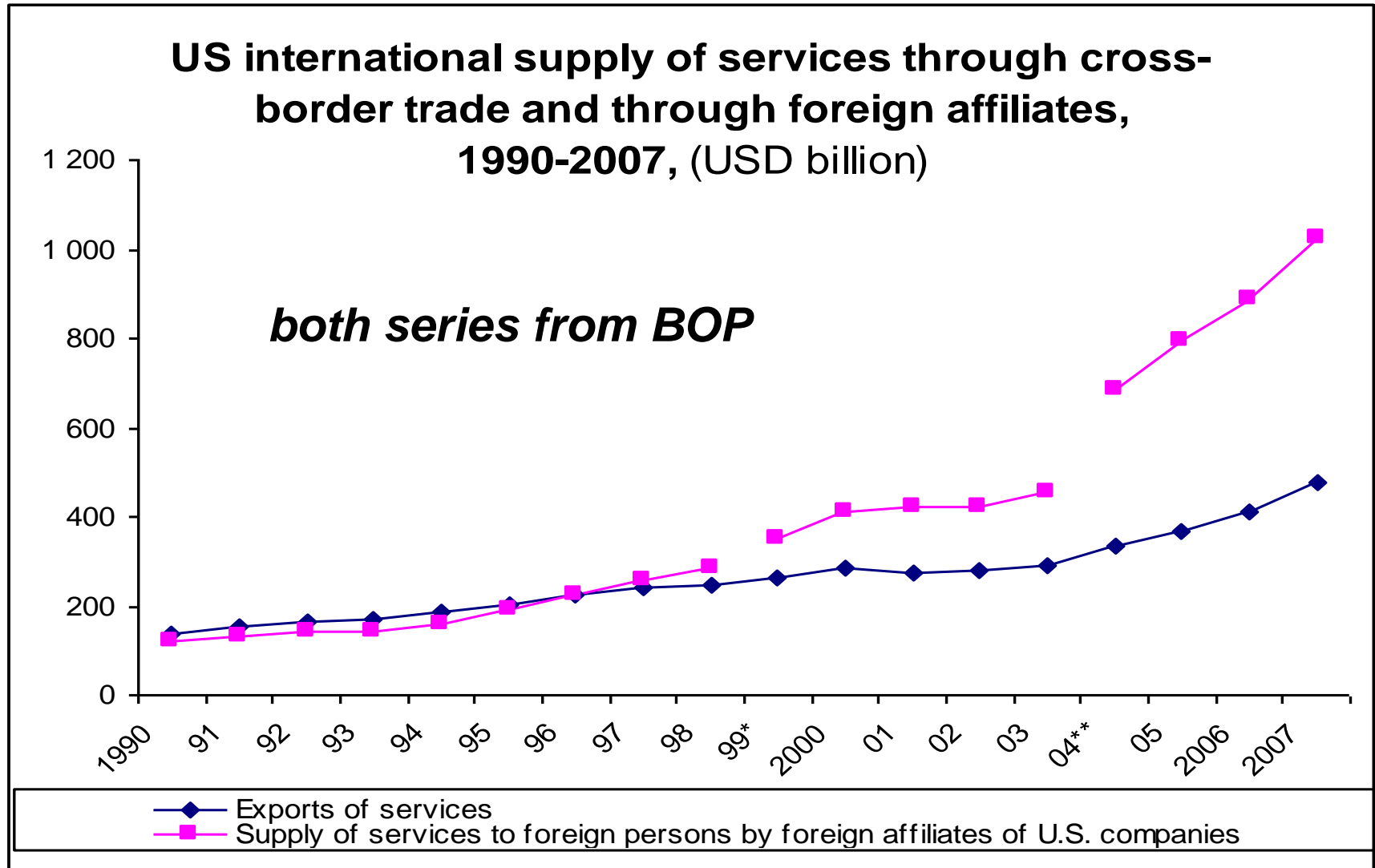
Year	2006-2008 Latest
Tanzania	40.24
Mauritius	37.14
Kenya	35.17
India	34.94
Egypt, Arab Rep.	34.38
Philippines	17.08
Thailand	14.97
South Africa	14
Malaysia	13.1
Brazil	11.79
China	8.94
Russian Federation	8.87
Nigeria	8.29
Indonesia	8.24

Outward domestic sales/output of US foreign affiliates* vs US exports of commercial services

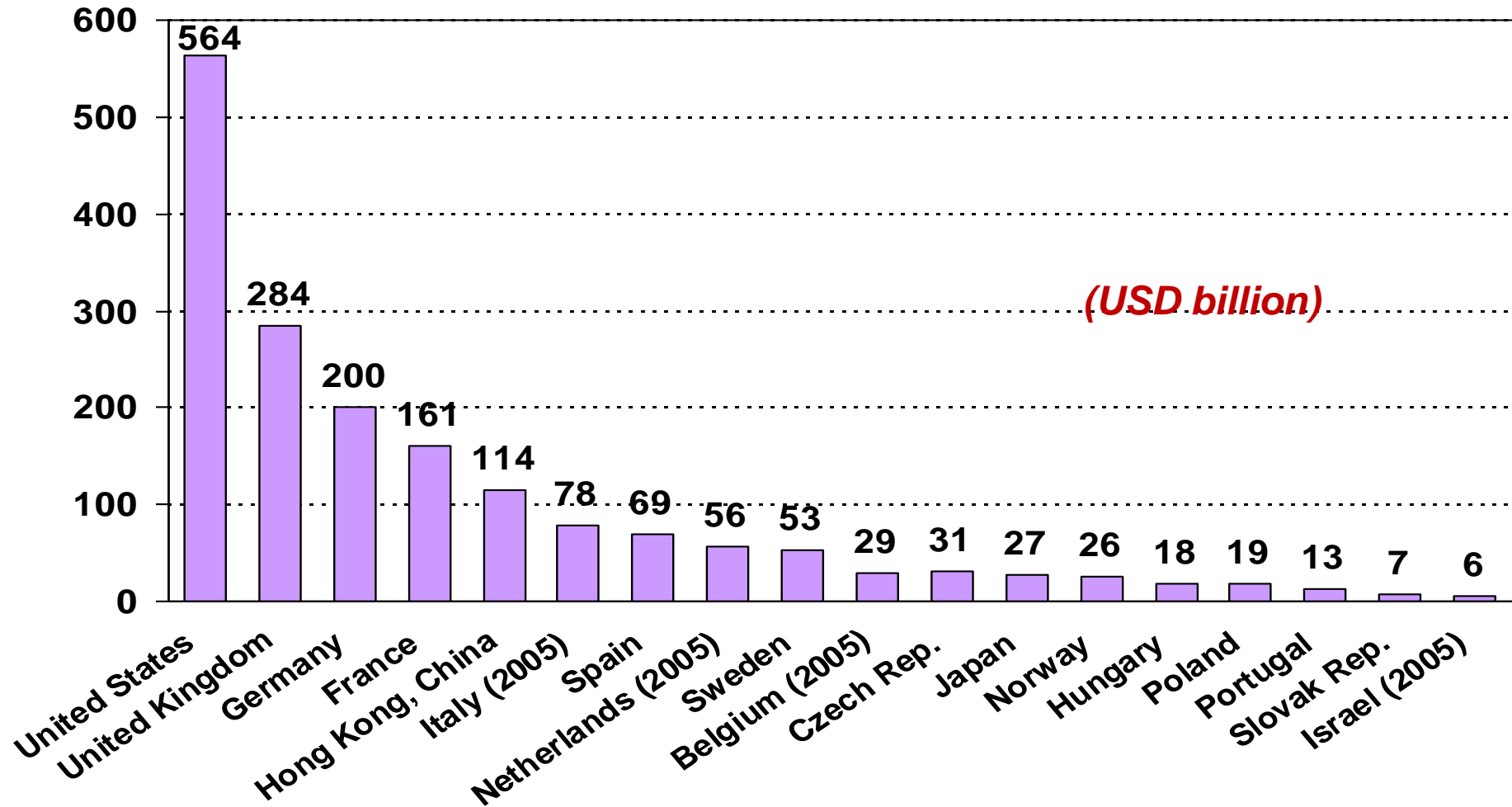


* Affiliates primarily engaged in services activities. Source: WTO estimates.

Outward foreign sales/output of US foreign affiliates* vs US exports of commercial services

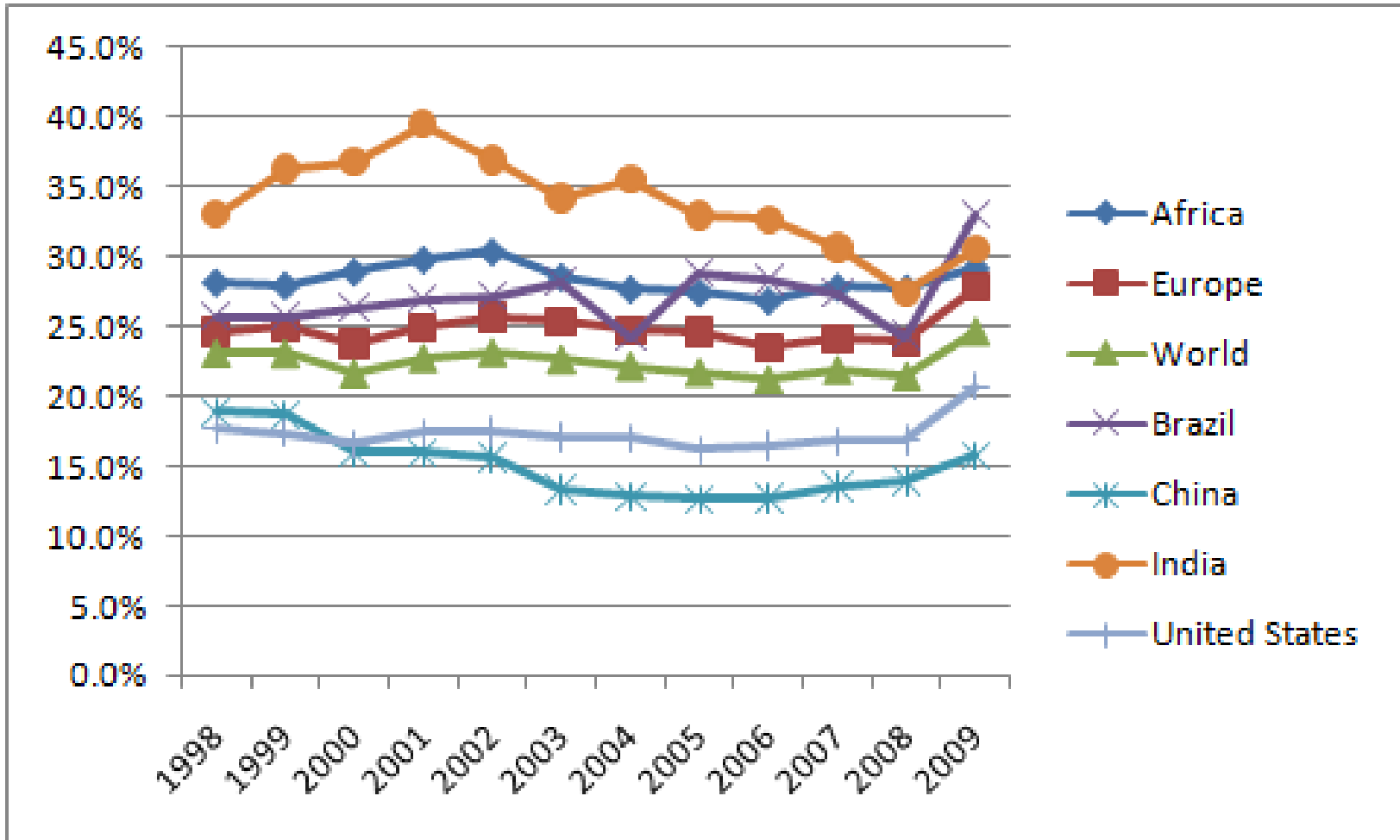


Inward turnover (sales)/output of foreign affiliates, selected economies, 2006



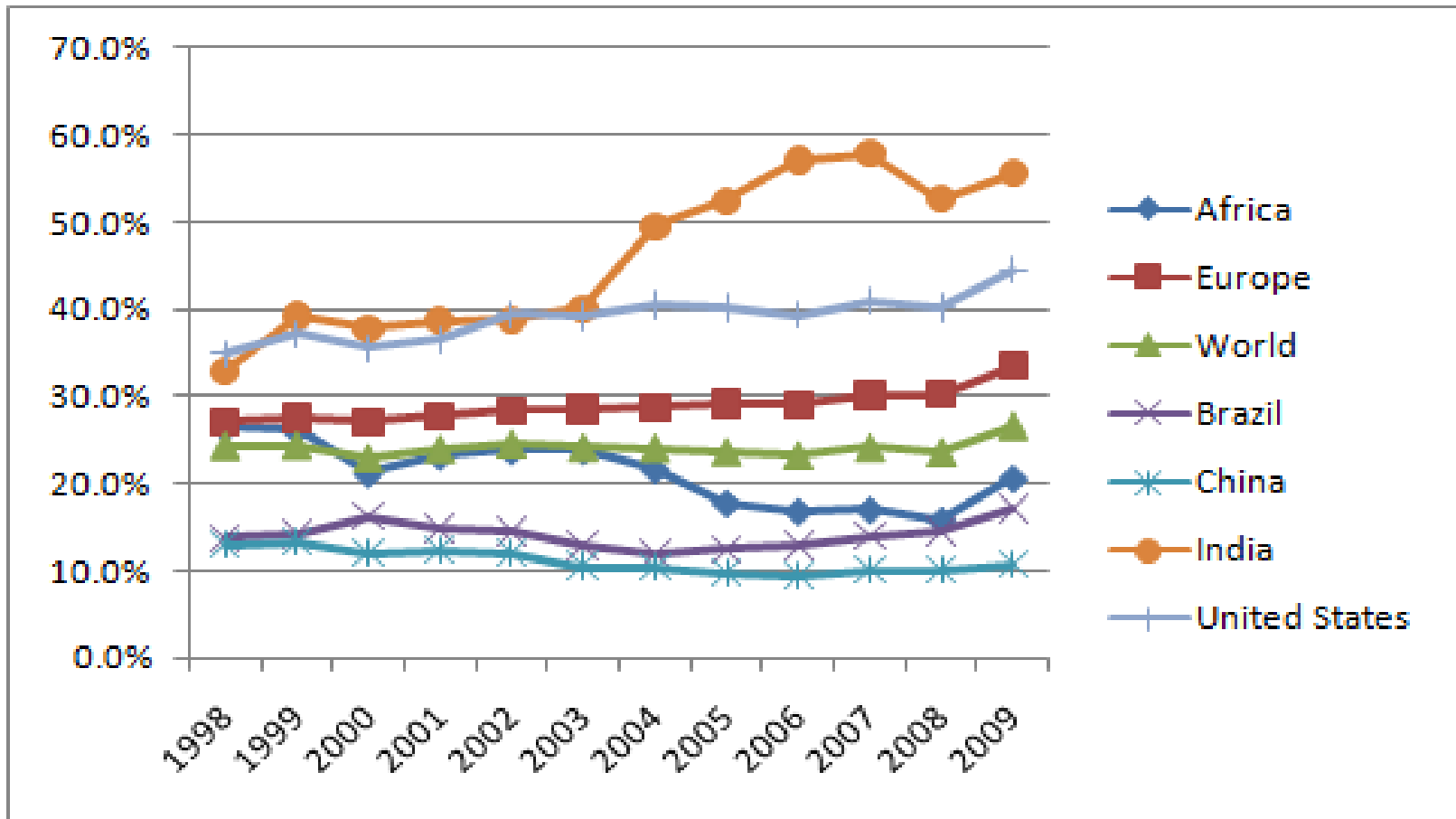
Trends and Patterns: Recent Services Trade Resilience

World Services Imports (by country/region) as share of total imports



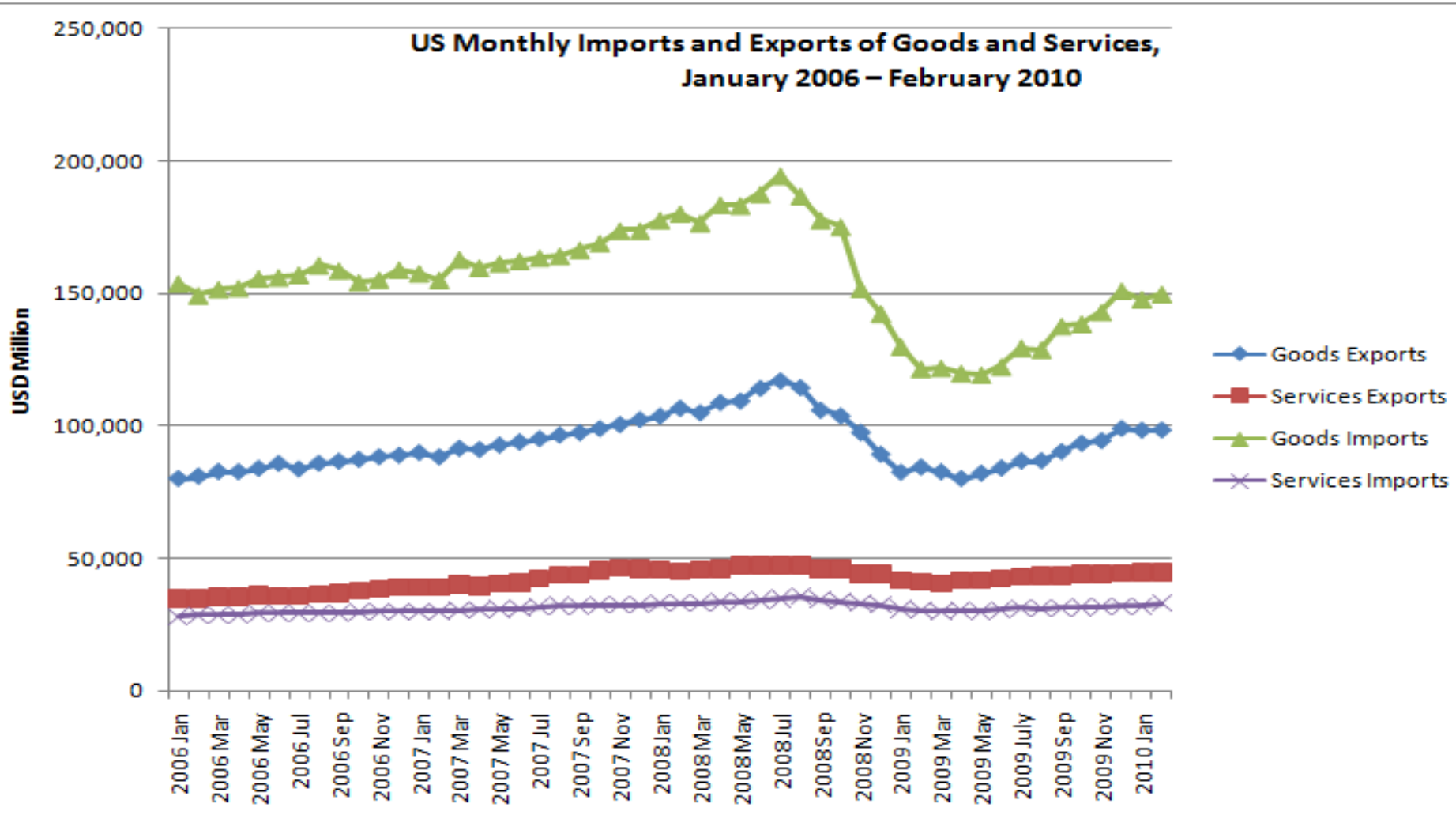
Source: WTO March 2010 Press Release

World Services Exports (by country/region) as share of total exports



Source: WTO March 2010 Press Release

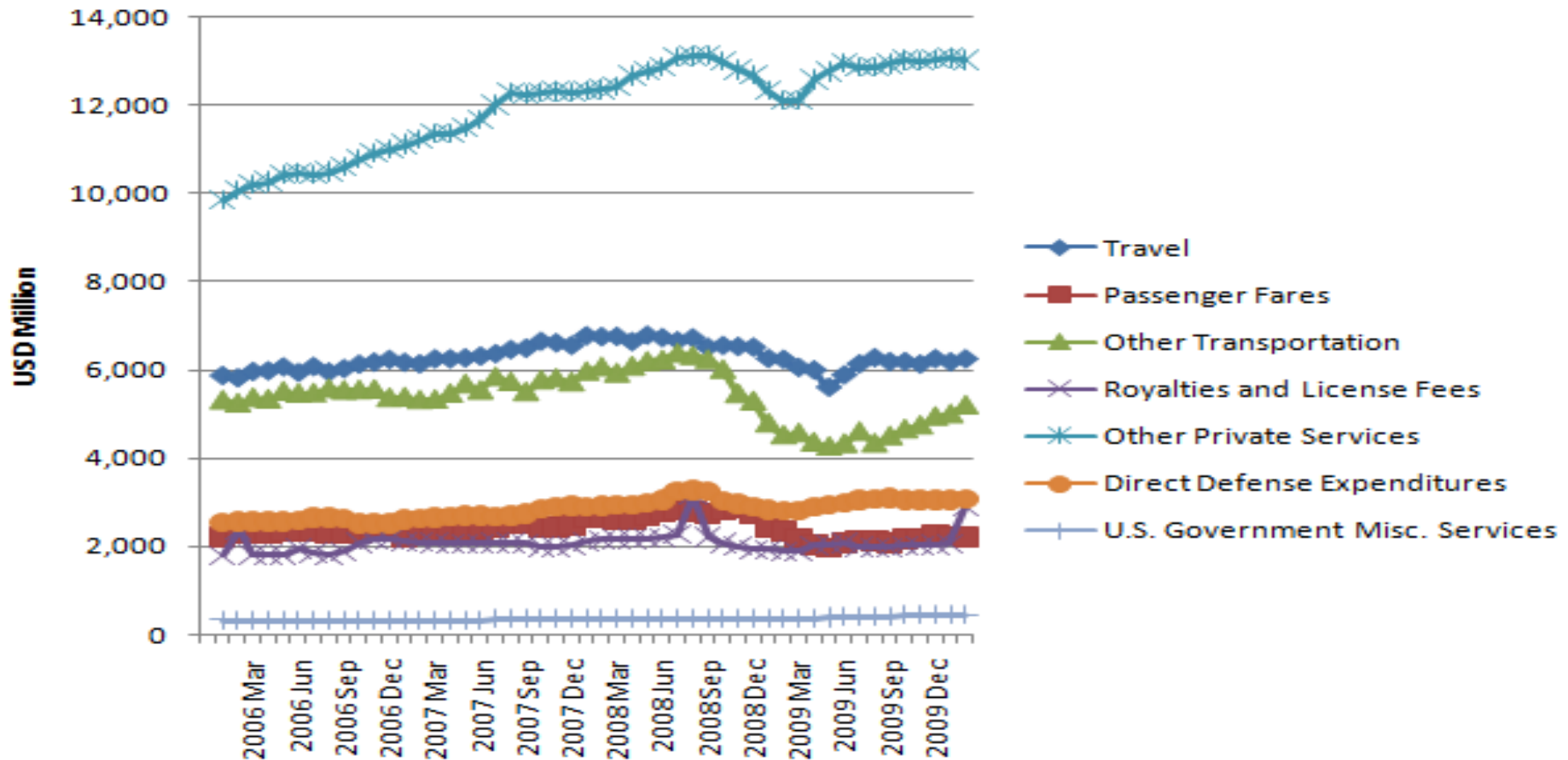
US services imports from ROW have proved more resilient than merchandise imports



Source: WBI update of a chart through Feb. 2009 in Borchert and Mattoo (2009).

US other commercial/private sector services imports from ROW are already growing again

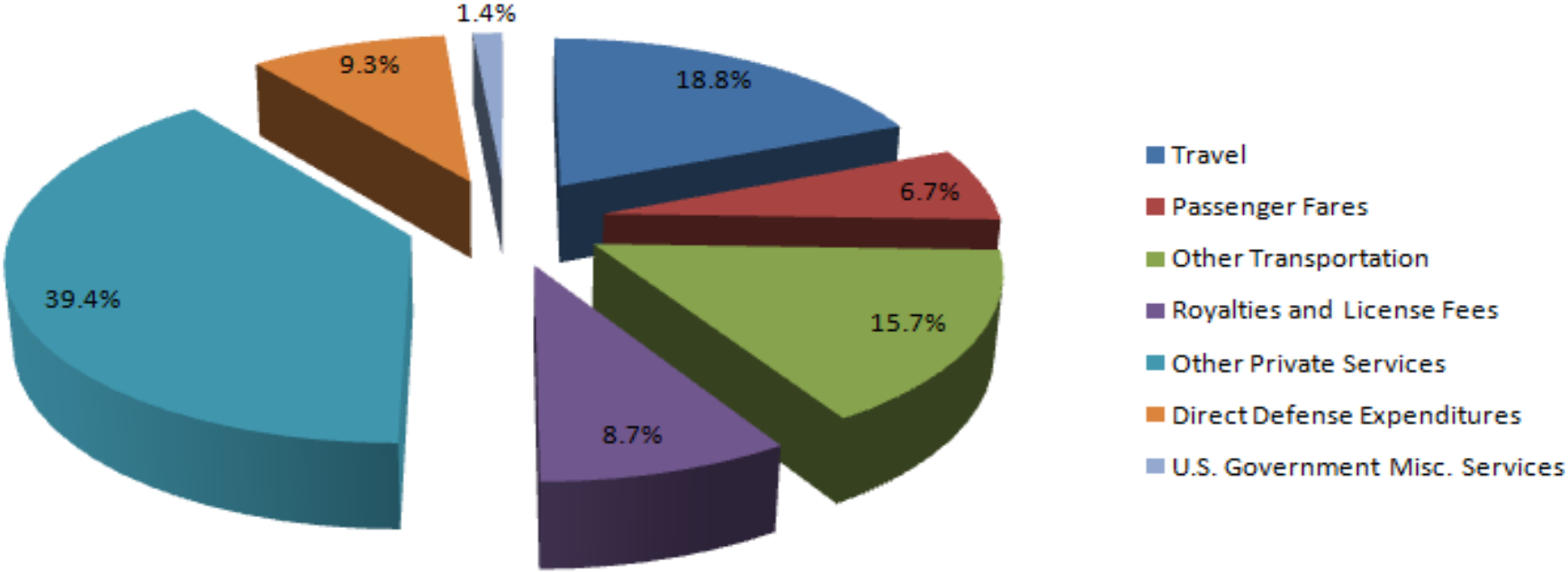
US Services Imports by Sector
(January 2006 to February 2010)



Source: WBI update of a chart through Feb. 2009 in Borchert and Mattoo (2009).

US services imports largest component: other commercial/private sector services imports

Breakdown of US Services Imports by Sector as % of Total US Services Imports (February 2010)



Source: WBI elaboration of U.S. BEA high frequency data.

Why is services trade more resilient?

- Demand for imports is less cyclical:
 - Producer services (business process outsourcing) an integral part of production function of OECD firms
 - Also a way to cut costs in a very competitive environment
- Services trade is less external finance dependent
 - E.g. Indian firms are fully internally financed

So far protectionist backlash has been weak

- Growing economic interdependence and reliance on imported intermediate services makes protection directly costly
- Dependence on foreign markets creates worries about retaliation
 - OECD dominates exports; several developing countries are among the most dynamic exporters

Trends and Patterns In Services Trade Barriers

Services Trade Barriers: Quotas Are Pervasive

- Tariffs are relatively uncommon in services trade, but quotas and regulatory barriers are pervasive:
 - Limits on the number of foreign firms; limits on percent foreign ownership in banking, insurance, etc.
 - Foreign providers completely shut out in some sectors (transport within a country)
 - Foreign exchange restrictions can limit consumption abroad (tourism, education)
 - Limits on movement of foreign personnel
 - Local content requirements in broadcasting

Potential Losses from Quotas

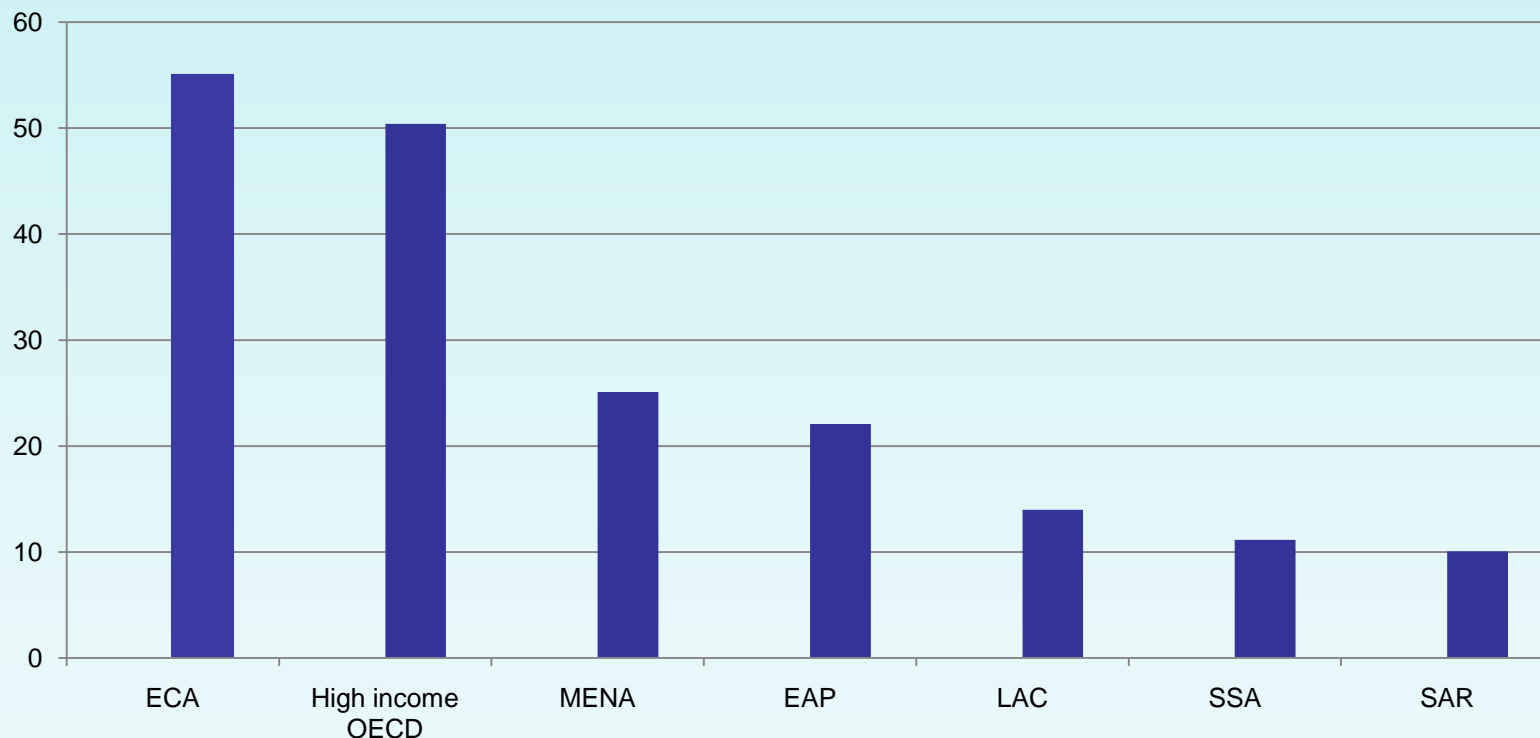
- Quotas and thus most services trade restrictions:
 - do not generate revenue, unless auctioned off
 - create domestic market power
 - raise lobbying and corruption costs, e.g. for rights to establish local commercial presence
- Their removal
 - unambiguously benefits consumers/users
 - most often benefit domestic workers in sector
 - does not generate fiscal revenue losses (as import tariff removal does), and
 - often results in losses for domestic owners of services industries, unless they form JVs with foreign entrants

Not All Barriers Are Discriminatory

- **Discriminatory regulations**
 - Preferential taxes and subsidies
 - Preferential procurement
 - Preferential access to essential facilities
- **Non-discriminatory measures**
 - Qualification and licensing requirements and procedures (for doctors, engineers, accountants, etc.)
 - Technical regulations

ECA and High Income OECD Countries Have Committed The Most To Open Services.....

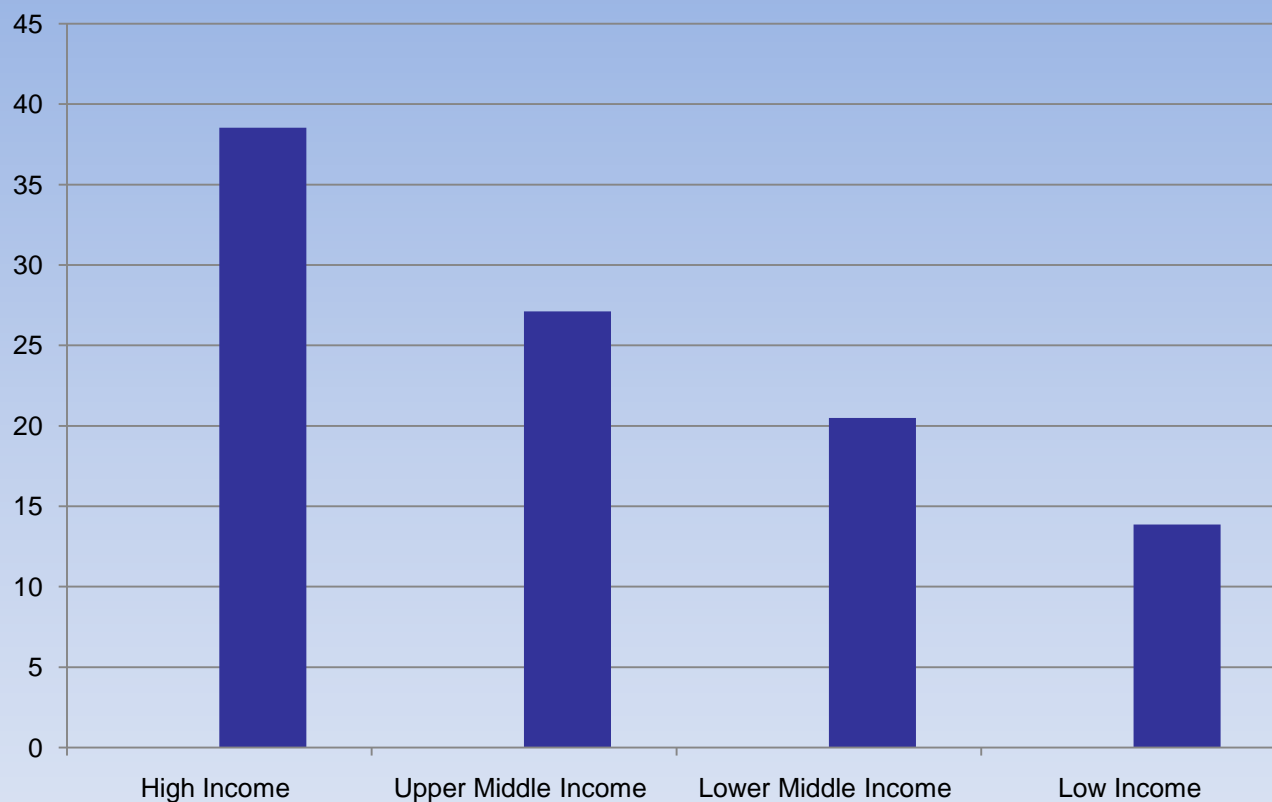
Overall GATS Commitments Index, by regions (1-100, most liberal), 2006-08 (Latest)



Source: World Trade Indicators

...And Low Income Countries Least.

Overall GATS Commitments Index, by regions (1-100, most liberal), 2006-08 (Latest)



Source: World Trade Indicators

GATS Commitments Rankings: Accession and OECD on top, SSA at bottom

(Source: World Trade Indicators)

Top 20			Bottom 20		
1	Moldova	84.32	1	Namibia	3.94
2	Austria	72.09	2	Bangladesh	3.36
3	Georgia	70.5	3	Mauritania	3.27
4	Latvia	69.14	4	Burkina Faso	3.21
5	Kyrgyz Republic	66.61	5	Kenya	3.21
6	United States	65.24	6	Uganda	3.16
7	Albania	65.12	7	Cameroon	3.11
8	Iceland	64.38	8	St. Kitts and Nevis	3.11
9	Armenia	63.16	9	Mali	3
10	Lithuania	59.68	10	Costa Rica	2.79
11	Australia	58.95	11	Chad	2.69
12	Hungary	58.46	12	Central African Republic	2.49
13	Oman	57.44	13	Guinea-Bissau	2.35
14	Finland	57.18	14	Maldives	2.33
15	Estonia	56.72	15	Niger	2.3
16	Norway	56.55	16	Fiji	2.25
17	Jordan	56.41	17	Congo, Rep.	2.18
18	Saudi Arabia	55.51	18	Belize	1.61
19	Switzerland	53.67	19	Tanzania	0.98
20	South Africa	53.43	20	Madagascar	0.4

Services Trade Restrictiveness Index: Survey Coverage by DECRG-trade, WB

- Survey coverage: 78 developing countries
- Comparable data collected online from public sources for 24 OECD countries
- Who filled survey questionnaire? Mostly Doing Business legal firms
- Verification of findings by delegations to the WTO and World Bank country economists
- **Focus: discriminatory policies in five sectors and relevant modes**

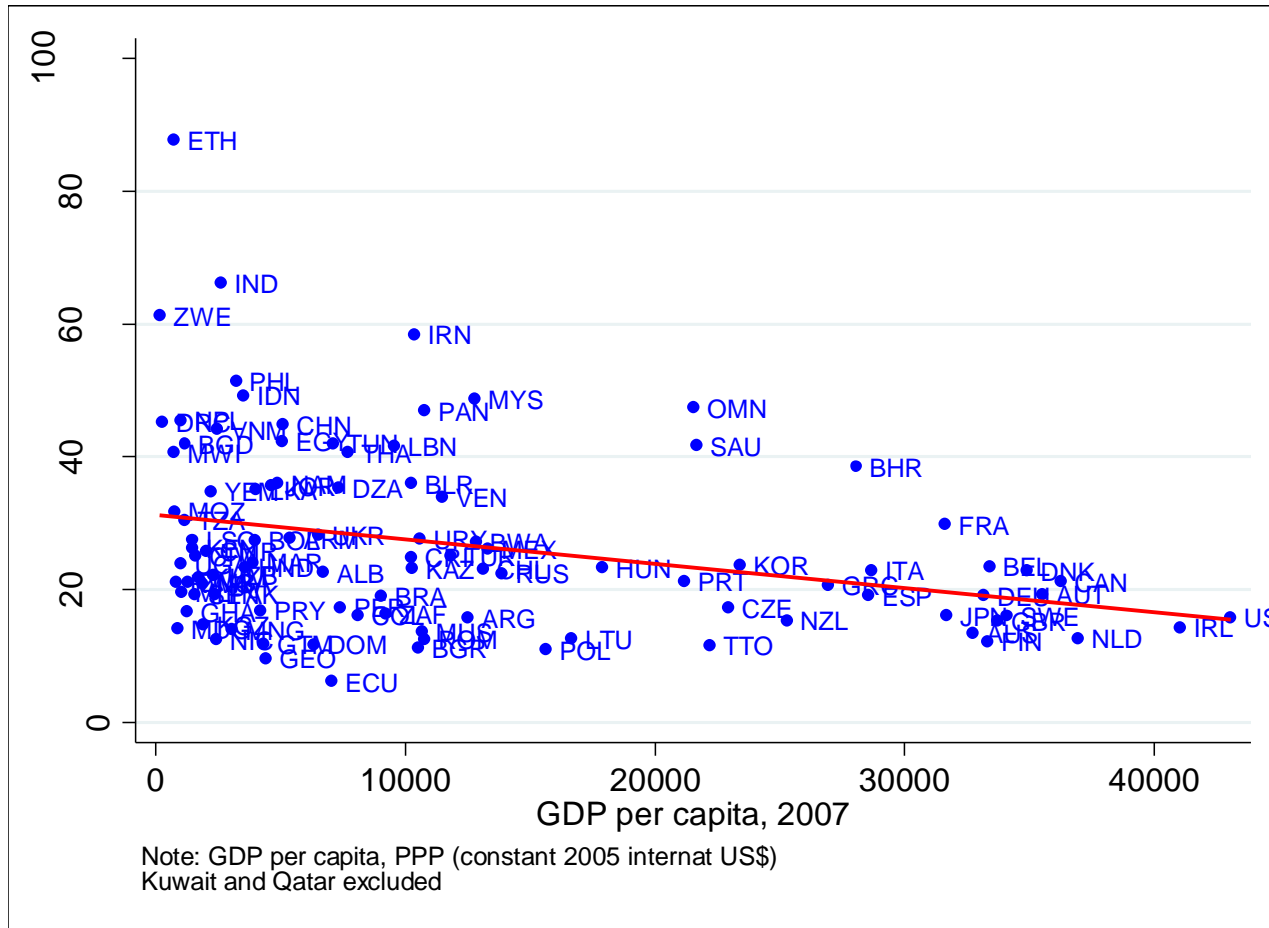
STRI Sector Coverage

- Financial - banking and insurance (M 1 & 3)
- Basic telecommunications – fixed and mobile (M 3)
- Transportation – maritime shipping and auxiliary services, air passenger, road & rail freight (M 1 & 3)
- Retail distribution (M 3)
- Professional – accounting and legal (M 1, 3 & 4)

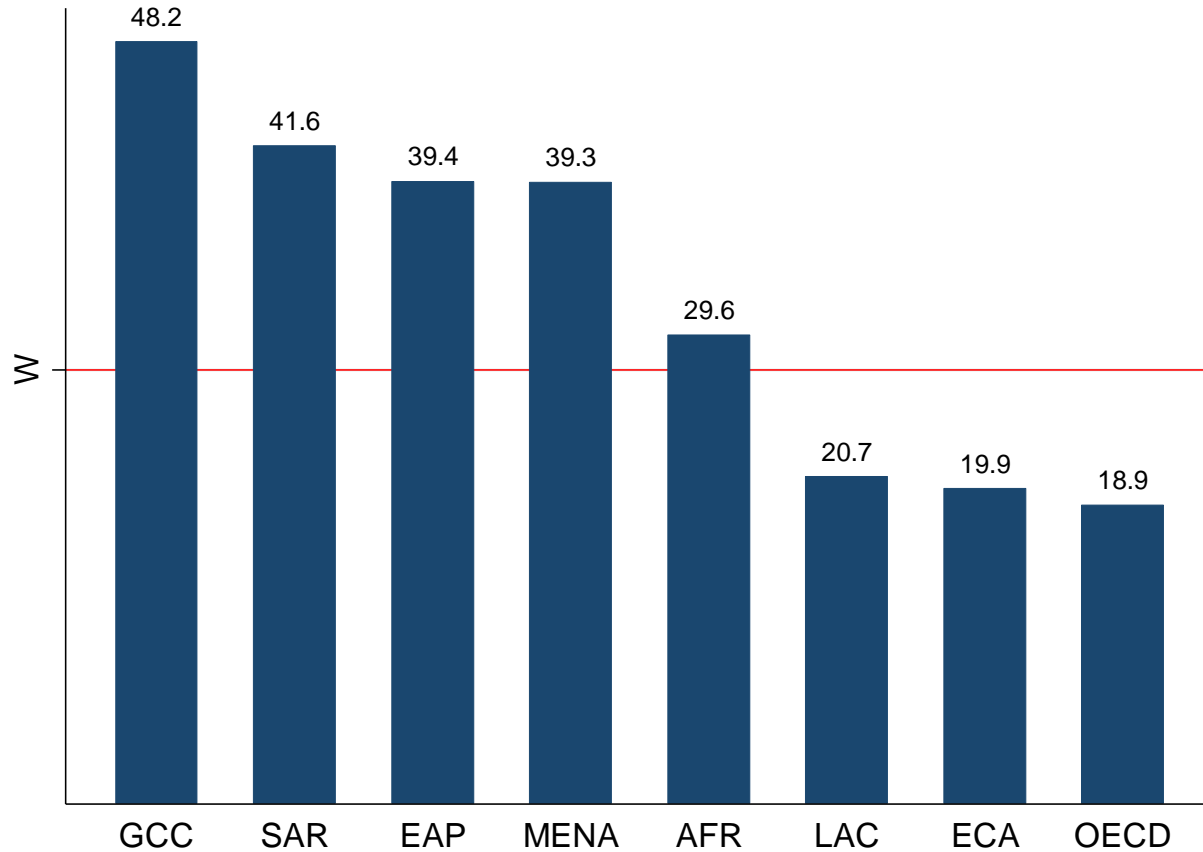
STRI Ranking: Categories of Measures

Regulatory Category	Measures considered
1) Market Entry	<ul style="list-style-type: none">• License limit or stringent quota on market entry• Significantly discriminatory licensing
2) Ownership and Legal Form	<ul style="list-style-type: none">• Only minority ownership allowed in Greenfield• Only minority ownership allowed in acquisitions
3) Specific aspects of Operations	<ul style="list-style-type: none">• Nationality requirement for board of directors• Nationality requirement for employees• Restrictions on type of products or brands• Restrictions on repatriation of earnings
4) Other dimensions of the regulatory environment	<ul style="list-style-type: none">• No independent regulator• No right to appeal decisions.

Services trade restrictiveness index (STRI) for 102 countries



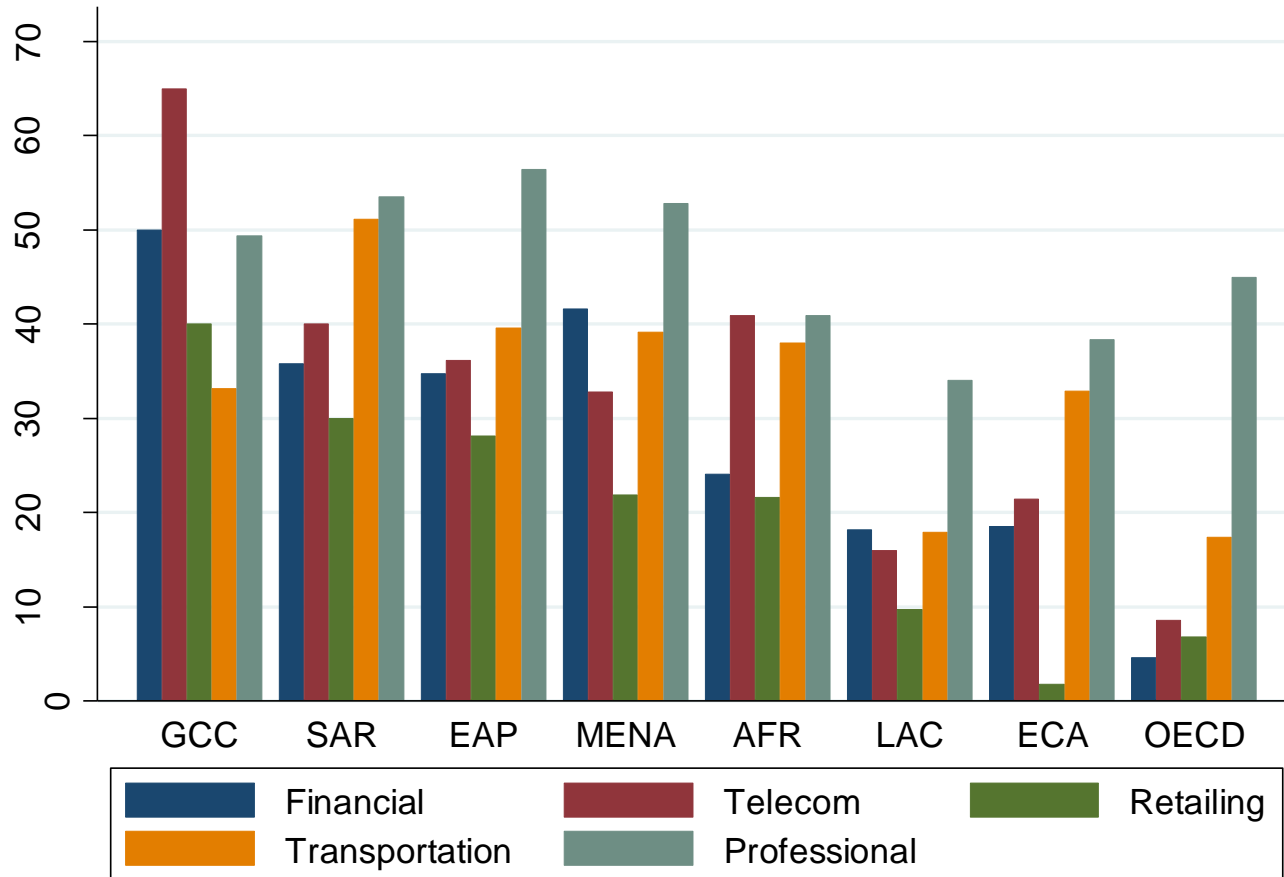
STRI by region



Note: W is average STRI of total 102 countries

Note: GCC-5, SAR-5; MENA-8, EAP-8, LAC-18, AFR-22, ECA-14, OECD-22, World -102 countries

STRI by region and sectors



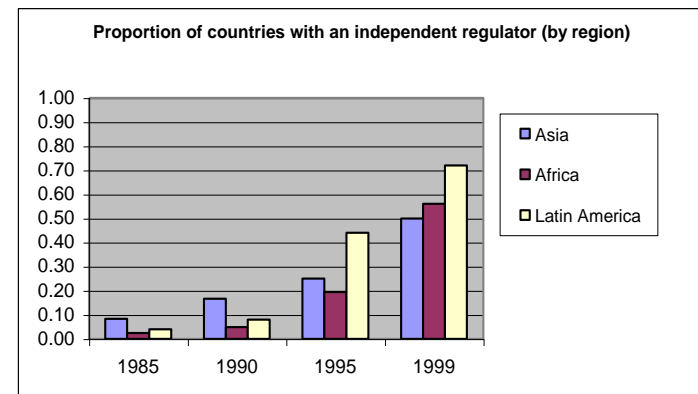
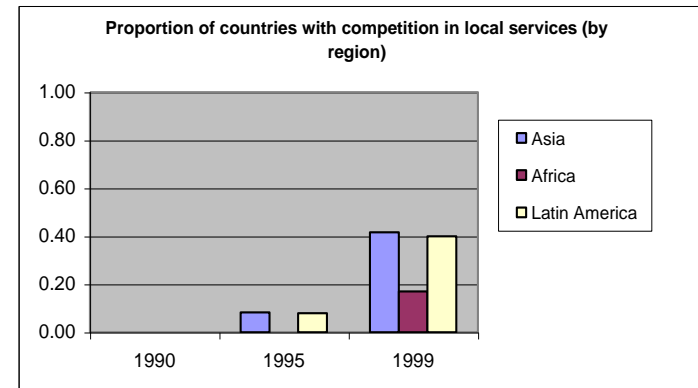
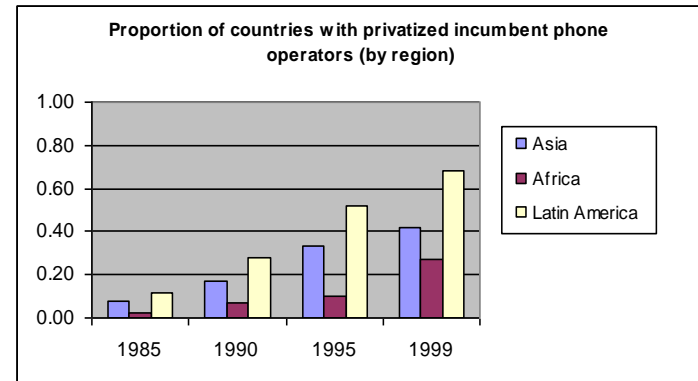
Note: The number of countries 102

Unilateral Liberalization Reforms for Development?

Necessary complementary elements of successful liberalization

- a. Emphasis on competition
- b. Effective domestic regulatory institutions
- c. Policies to improve access to services

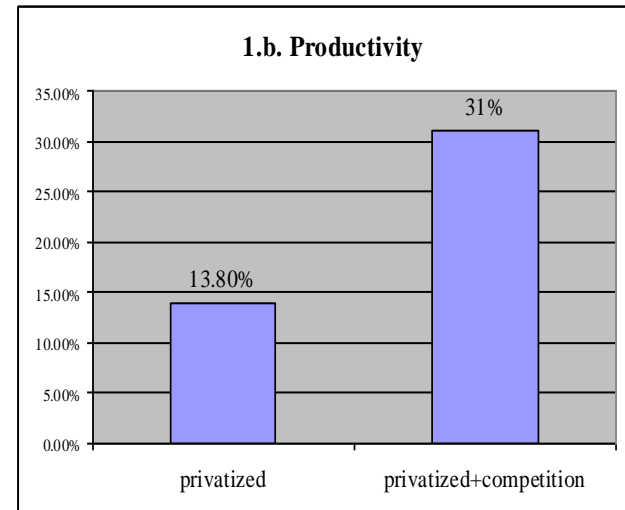
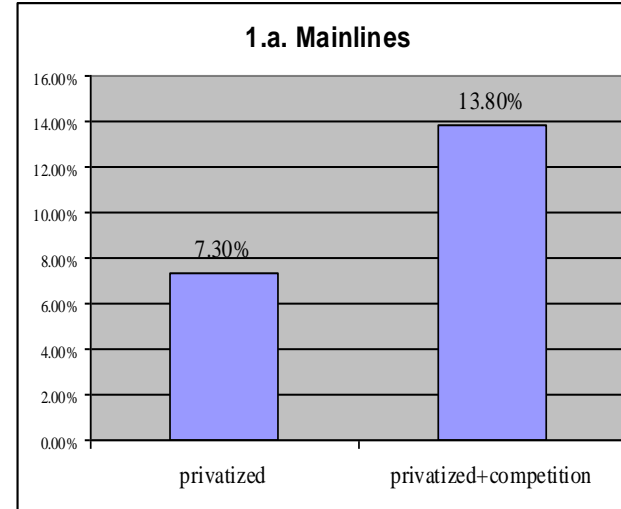
The pattern of reform in basic telecoms



Sources: World Bank/ITU
Telecommunications Policy Database
and Fink, Mattoo, Rathindran (2001)

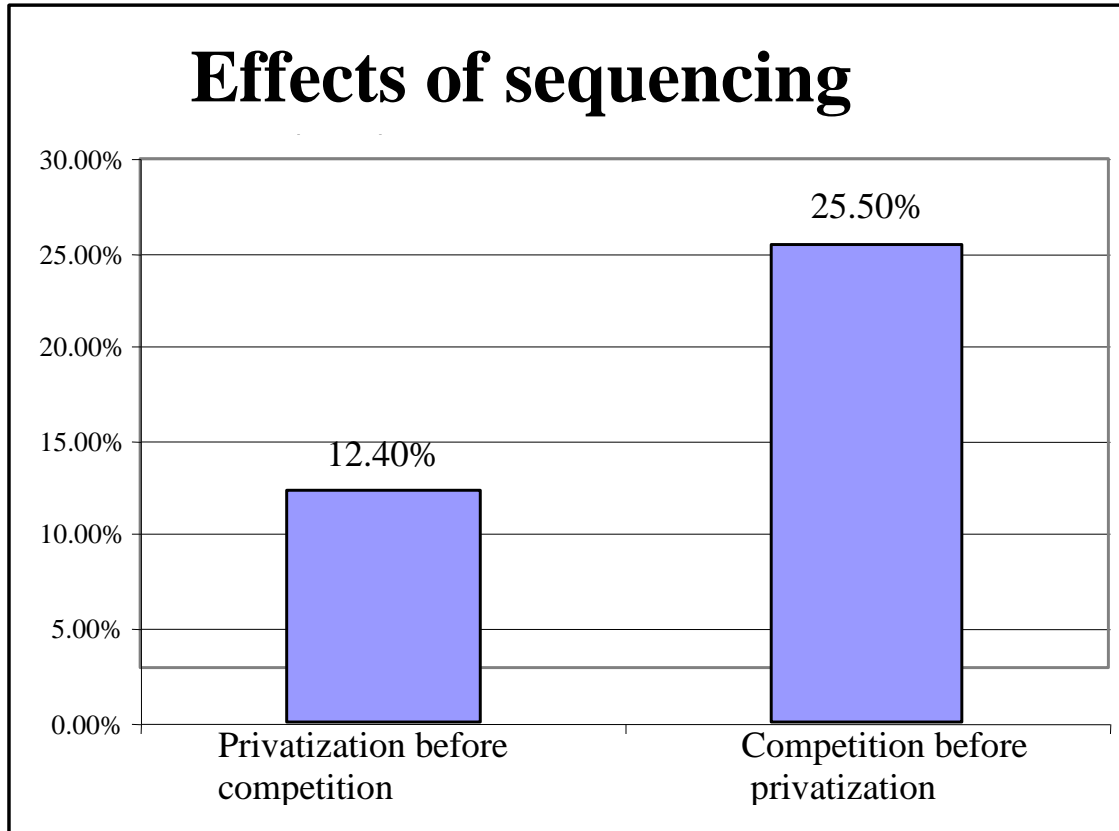
The Power of Competition

2a. The power of competition



Sources: World Bank/ITU
Telecommunications Policy Database
and Fink, Mattoo, Rathindran (2001)

Sequences matter



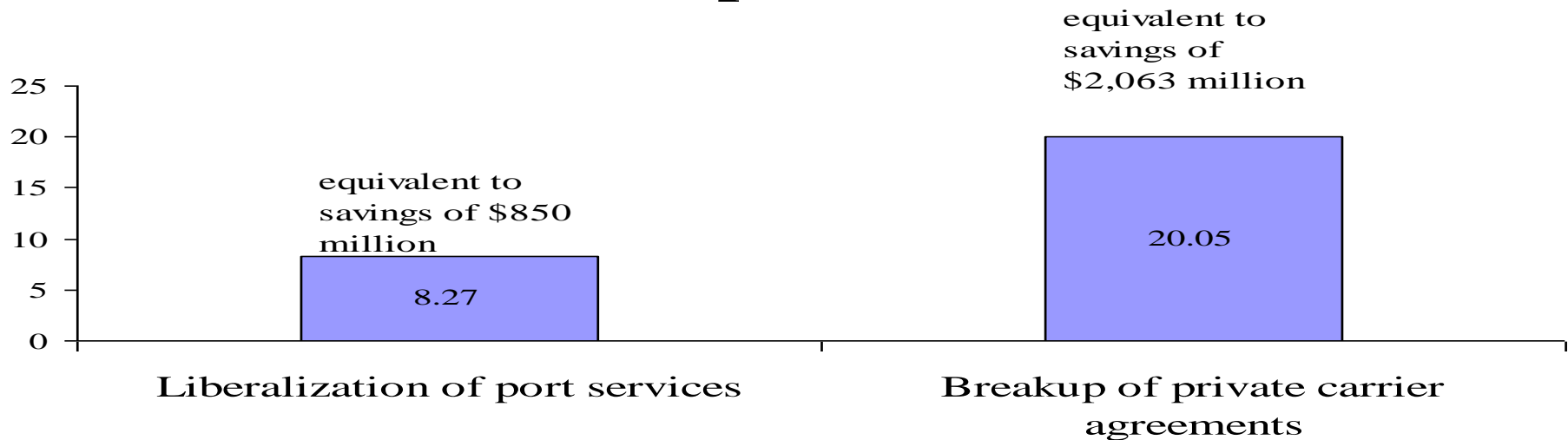
Sources: World Bank/ITU Telecommunications Policy Database and Fink, Mattoo, Rathindran (2001)

Effective and appropriate regulations

- To remedy **informational problems**
 - e.g. in financial & professional services
- To remedy **market power**
 - e.g. in transport and energy services
- To achieve **social objectives**
 - e.g. universal access in transport, telecom, financial and health services

Regulation to protect consumer interests

Port liberalization and Breakup of Private Carrier Agreements: Estimated Reductions in Liner Transport Prices



Source: Fink, Mattoo and Neagu (2002)

Harnessing trade and investment liberalization to advance social goals

Conflicts between efficiency and equity could arise as, e.g.:

- essential services are liberalized
- services exports increase
- standards gravitate towards international levels

Unilateral Liberalization Reforms for Development?

Digression: case study of Zambia

Summary I: some areas benefited from openness, but little welfare gains

- In mobile telephony, more subscribers; in tourism, more jobs; in insurance, lower non life premia; international air transport grew by 7 % per annum between 1995 and 2004,

BUT

- credit to the private sector is only 8 % of GDP--lower than in 1990 and in most other SSA countries.
- domestic air traffic declined at average of 5 % per annum.
- access to bank loans, telecommunications, health and education is still unusually low and extremely unequal, even by poor country standards
- Tourism remains underdeveloped and in most parts of the country absent
- Services export growth has been comparatively weak

Summary II: limited competition, no tools to widen access, weak and inappropriate regulations, wrong tax incentives

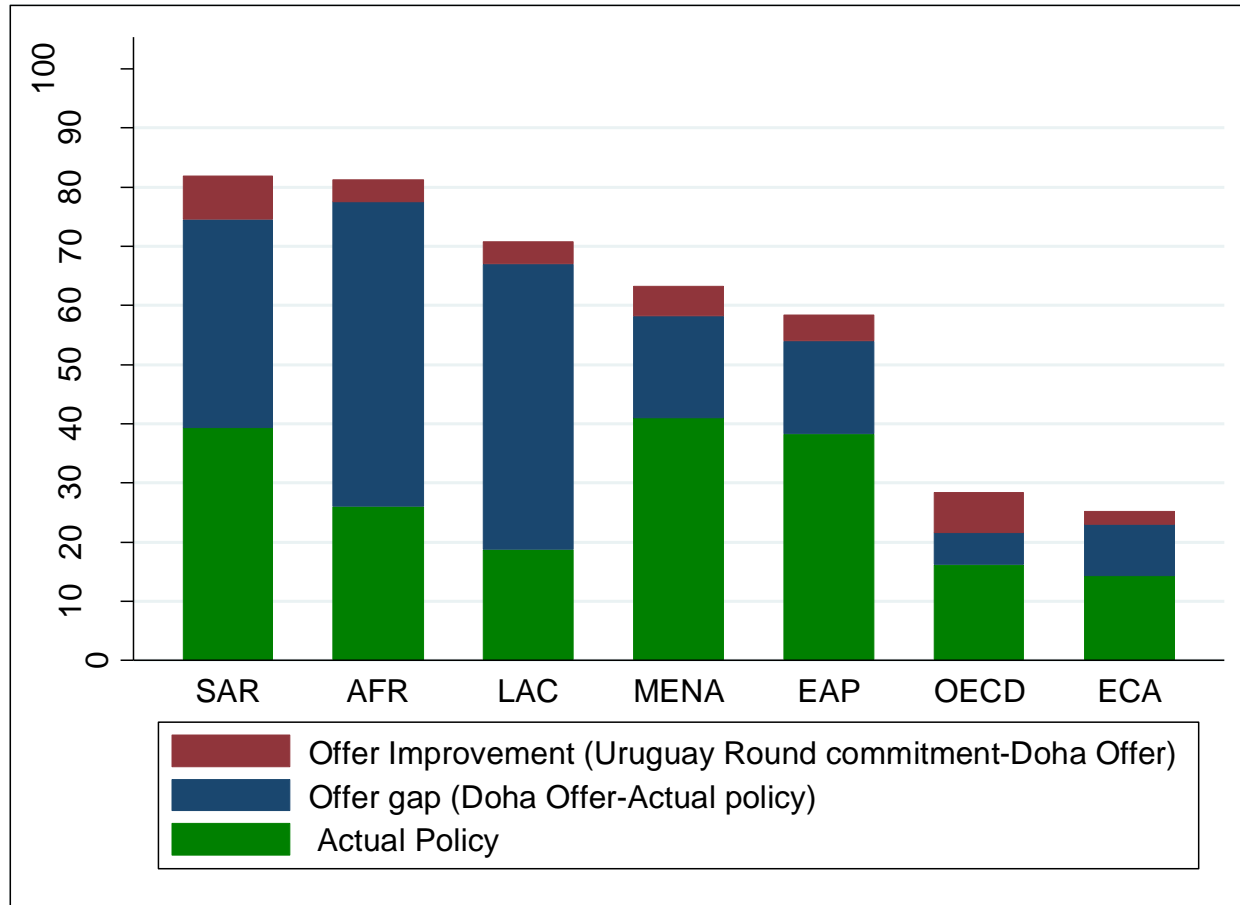
- Monopoly in telecoms, red tape in tourism, and for a landlocked country failure to liberalize fully and unconditionally in air transport
- Where complementary reform was needed (e.g. in banking to ensure access and in agricultural marketing to ensure services input), liberalization was rushed
- Even today regulatory weakness and inappropriate standards undermine benefits of openness
- The tax system discriminates against services, the small firm and poor regions

International Negotiations for Development?

The Doha Round: a wide gap between promise and prospects

- Services reform is profoundly important
 - Direct benefits, to realize benefits from goods reform, and for progress on the Doha agenda
- Despite substantial unilateral liberalization, virtually no multilateral liberalization
- What remains on the table is limited multilateral security of access

Comparison of *UR commitments*, *Doha Offers*, and *policies* by region (93 countries)

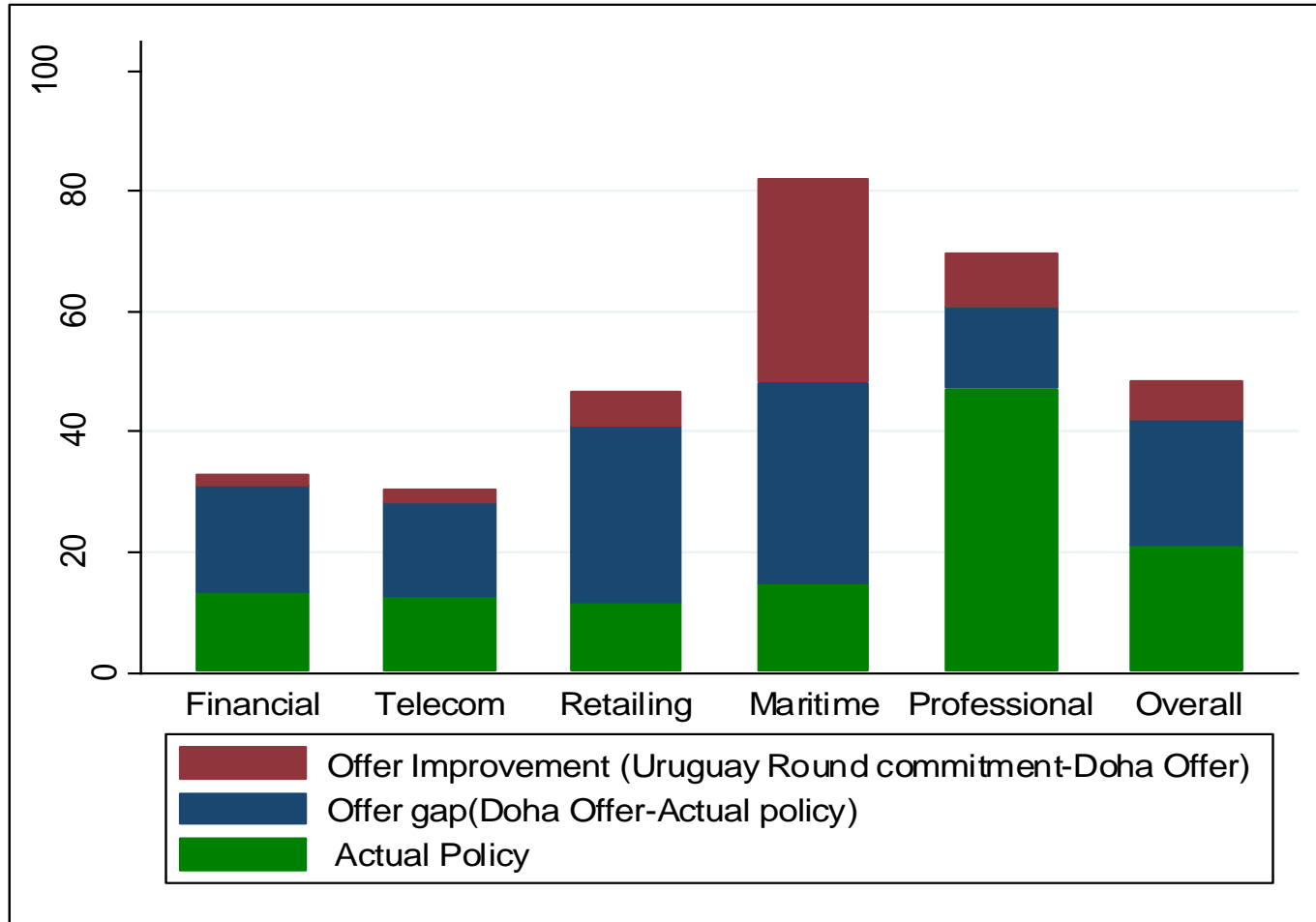


World-93 countries excluding 9 countries that are not member of the WTO

Excluding air transport sector

Source: Gootiiz, Mattoo 2009

Comparison of *UR commitments, Doha Offers, and policies* by sector (93 countries)



Source: Gootiiz, Mattoo 2009

	OPEN
	Restrictive
	CLOSED

Mode 3/FDI: Current policies in services trade (2007)

Countries	Banking (retail)	Telecom-Fixed	Retailing	Maritime Int. Shipping	Accounting
China	Restrictive	Restrictive	Restrictive	Restrictive	Restrictive
India	Restrictive	Restrictive	Restrictive	Restrictive	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	Restrictive
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
South Korea	OPEN	Restrictive	OPEN	Restrictive	Restrictive
United States	OPEN	OPEN	OPEN	Restrictive	Restrictive

Mode 3/FDI: GATS commitment and Doha Offers

Countries	Banking (retail)	Telecom-Fixed	Retailing	Maritime Int. Shipping	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		NC
South Africa				Unbound	
Kenya			NC	NC	NC
Australia					
Denmark				Unbound	
Japan				Unbound	
South Korea					
United States				NC	

Mode 1: Current policies in services trade (2007)

Countries	Bank: Loans	Insurance: life	Maritime Int. Shipping	Accounting	Law (domestic)
China	Yellow	Red	Green	Yellow	Red
India	Yellow	Yellow	Yellow	Red	Red
Malaysia	Yellow	Yellow	Yellow	Green	Red
Indonesia	Green	Yellow	Yellow	Green	Red
Philippines	Yellow	Red	Yellow	Green	Red
Thailand	Red	Green	Yellow	Red	Red
Cambodia	Green	Red	Green	Red	Red
Argentina	Yellow	Red	Green	Red	Red
Brazil	Yellow	Yellow	Green	Green	Red
Chile	Green	Red	Green	Green	Yellow
Colombia	Green	Red	Green	Yellow	Yellow
Mexico	Yellow	Yellow	Yellow	Yellow	Yellow
Jordan	Green	Red	Green	Green	Red
Morocco	Yellow	Red	Yellow	Green	Yellow
Ghana	Green	Yellow	Green	Yellow	Yellow
Nigeria	Green	Green	Green	Green	Green
South Africa	Green	Yellow	Green	Yellow	Yellow
Kenya	Green	Yellow	Green	Red	Yellow
Australia	Green	Yellow	Green	Green	Yellow
Denmark	Green	Yellow	Green	Green	Yellow
Japan	Green	Yellow	Green	Green	Yellow
Korea	Green	Yellow	Green	Green	Red
United States	Green	Yellow	Green	Green	Yellow

Mode 1: GATS commitment and Doha Offers

Countries	Bank: Loans	Insurance:life	Maritime Int. Shipping	Accounting	Law (domestic)
China	Unbound	Unbound			NC
India	Unbound	Unbound			NC
Malaysia	Unbound	Unbound			NC
Indonesia		Unbound		NC	Unbound
Philippines		Unbound		NC	NC
Thailand	Unbound			Unbound	Unbound
Cambodia			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					NC
Morocco		Unbound		Unbound	NC
Ghana		Unbound		NC	NC
Nigeria		Unbound		NC	NC
South Africa	Unbound	Unbound	Unbound	Unbound	
Kenya		Unbound	NC	NC	NC
Australia		NC			
Denmark		NC			
Japan		NC			
Korea	Unbound	Unbound			NC
United States		NC	NC		

Multilateral services negotiations: two levels of ambition

- To harvest unilateral reforms,

OR/AND

- To advance liberalization beyond unilateral levels?

Why have countries been reluctant to commit multilaterally?

- Difficulty of making the required legislative changes in negotiating context
- Blistering technology cycle versus ponderous negotiating cycle
- Diminished business interest because of
 - unilateral and bilateral/regional liberalization
 - growing economic interdependence reducing risk of policy reversal

Why have countries been reluctant to commit multilaterally? (continued)

- Diminished govt willingness *because*
 - lack of regulatory cooperation
 - regulatory unpreparedness
 - loss of regulatory freedom
- Has the crisis vindicated or dispelled these factors?

What does international engagement offer?

	WTO	EPA/ Bilateral	COMESA/ SADC
Reciprocal liberalizn			X
Credibility of reform	X		
External assistance	X	X	
Deeper integration			X

Achieving a final services trade package in Doha Round that would be developmentally desirable and commercially relevant?

- 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 the following?
 - 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

Market access negotiations need to be supported by greater regulatory cooperation

- Regulation has remained largely national, while services are increasingly globalized
- 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 via “aid for services trade”
- More cooperation between host and source countries on mode 4
- Some of this cooperation is most likely and feasible at bilateral and regional levels

Cooperation on temporary migration: a priority in EPA and bilateral contexts

- Countries face contrasting challenges:
 - Obtaining greater freedom for the international movement of the unskilled, and
 - Ensuring that the movement of the skilled remains temporary.
- Neither can be accomplished under the GATS which seeks to induce only host countries to make commitments to allow entry.
- Instead, the country should negotiate *bilateral temporary migration agreements* with countries in the EU with reciprocal obligations: source screens, and agrees to facilitate return; and the host undertakes to repatriate skilled workers at the end of an agreed period.

Deeper integration: a priority in the regional contexts

EXAMPLES

- Cooperation on regional telecoms infrastructure, and access on non-discriminatory and cost-based rates to all countries and providers.
- Cooperation on regional road transport infrastructure, and liberalization of barriers by implementing third-party rule in road transport and granting unrestricted Fifth Freedoms in air transport.
- Cooperation on the development of appropriate standards for auditing and accounting that address the needs of regional SMEs.
- Cooperation in the area of competition policy to overcome current national limitations in jurisdiction, information and enforcement, and to ensure that the gains from liberalization are not eroded by anticompetitive practices.

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Thank you!

Gianni Zanini

gzanini@worldbank.org