UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
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MULTI-YEAR EXPERT MEETING ON TRADE, SERVICES AND DEVELOPMENT
Geneva, 11–13 May 2015

SERVICES TRADE, REGULATION AND GVCS

SESSION 2

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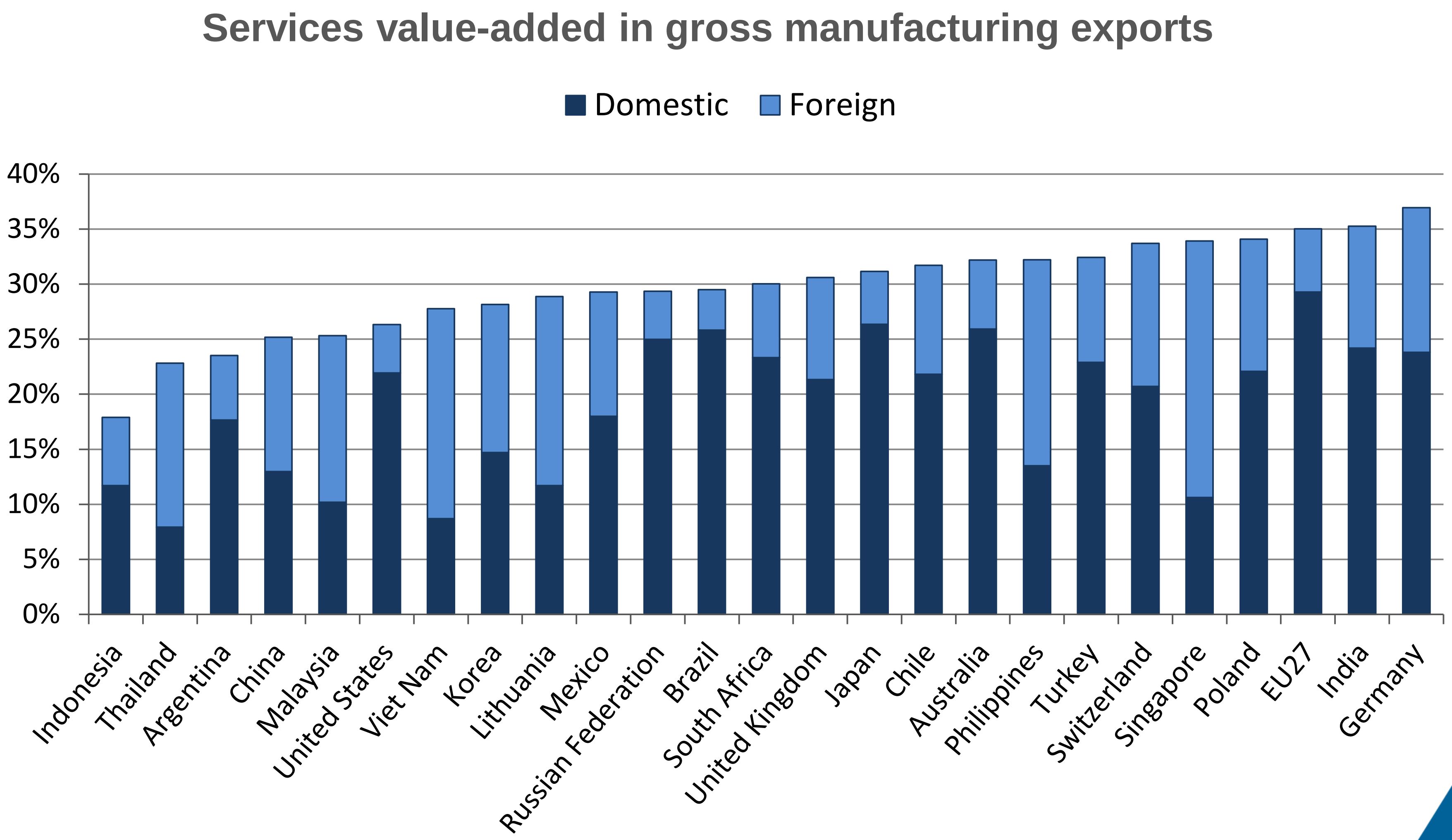
BETTER POLICIES FOR BETTER LIVES

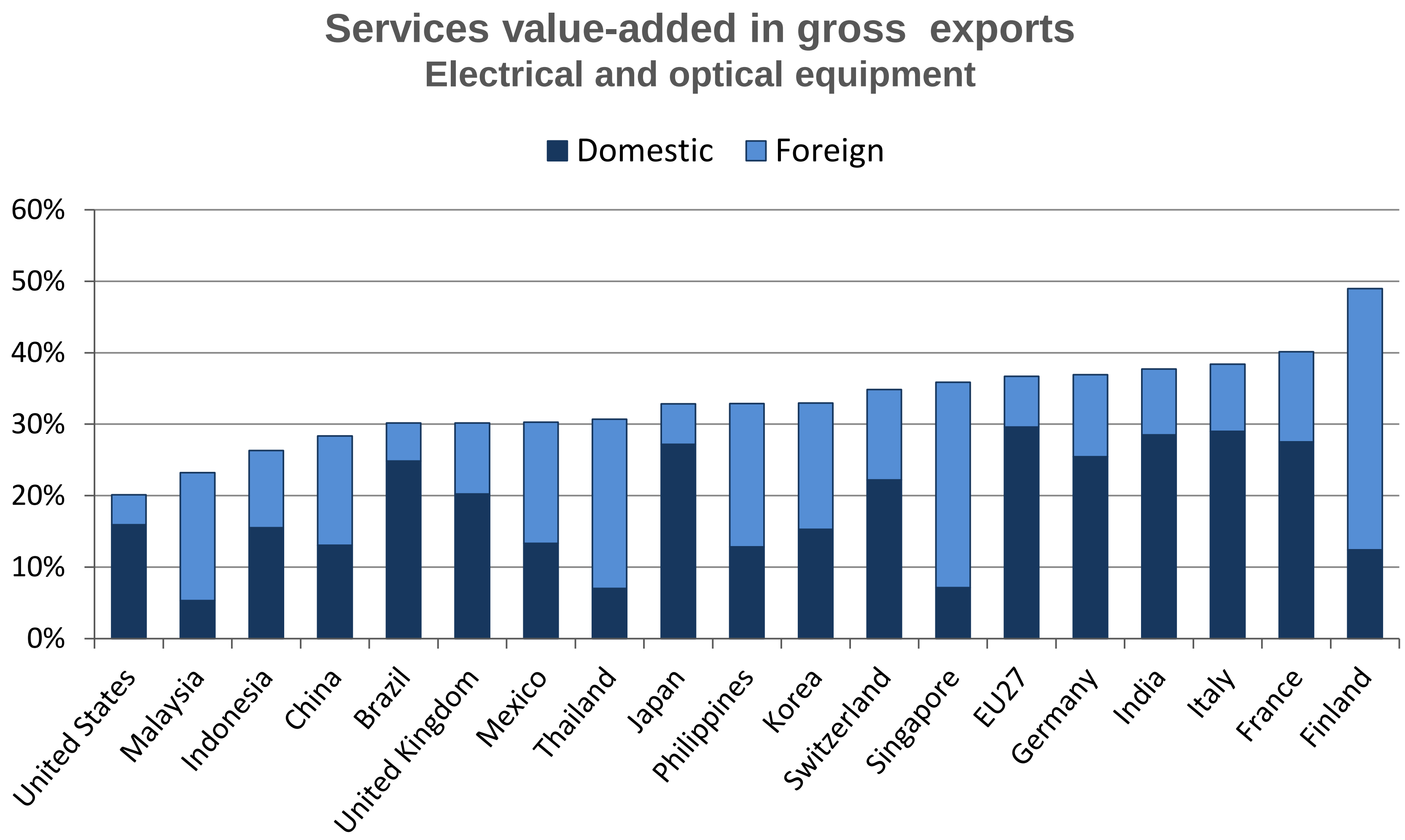
Outline

- Services as links in GVCs: services value-added in manufacturing
- Trade costs and trade policies in services
- Services regulation and manufacturing competitiveness
- Sources: OECD work on services and trade
  - Global value chains and Trade in Value-Added
  - Services Trade Restrictiveness Index

Services add value to manufacturing trade: total trade

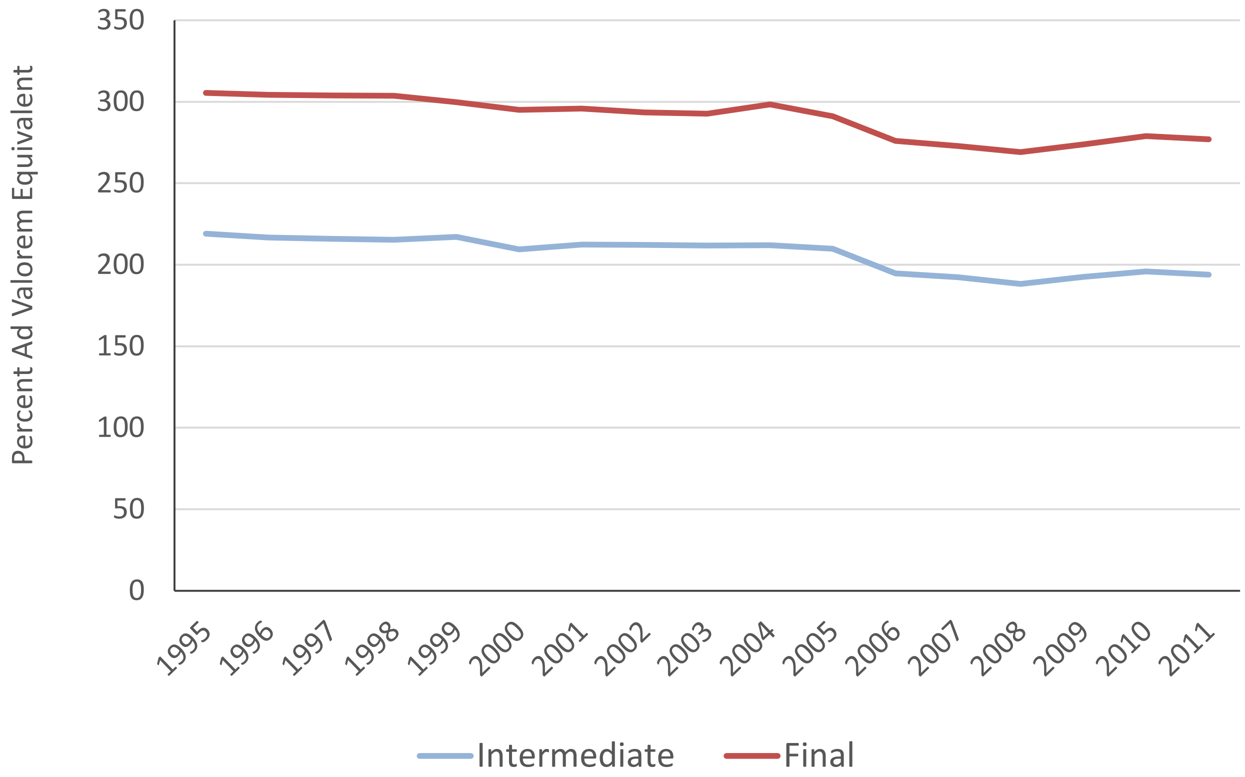


Services add value to manufacturing trade: electronics



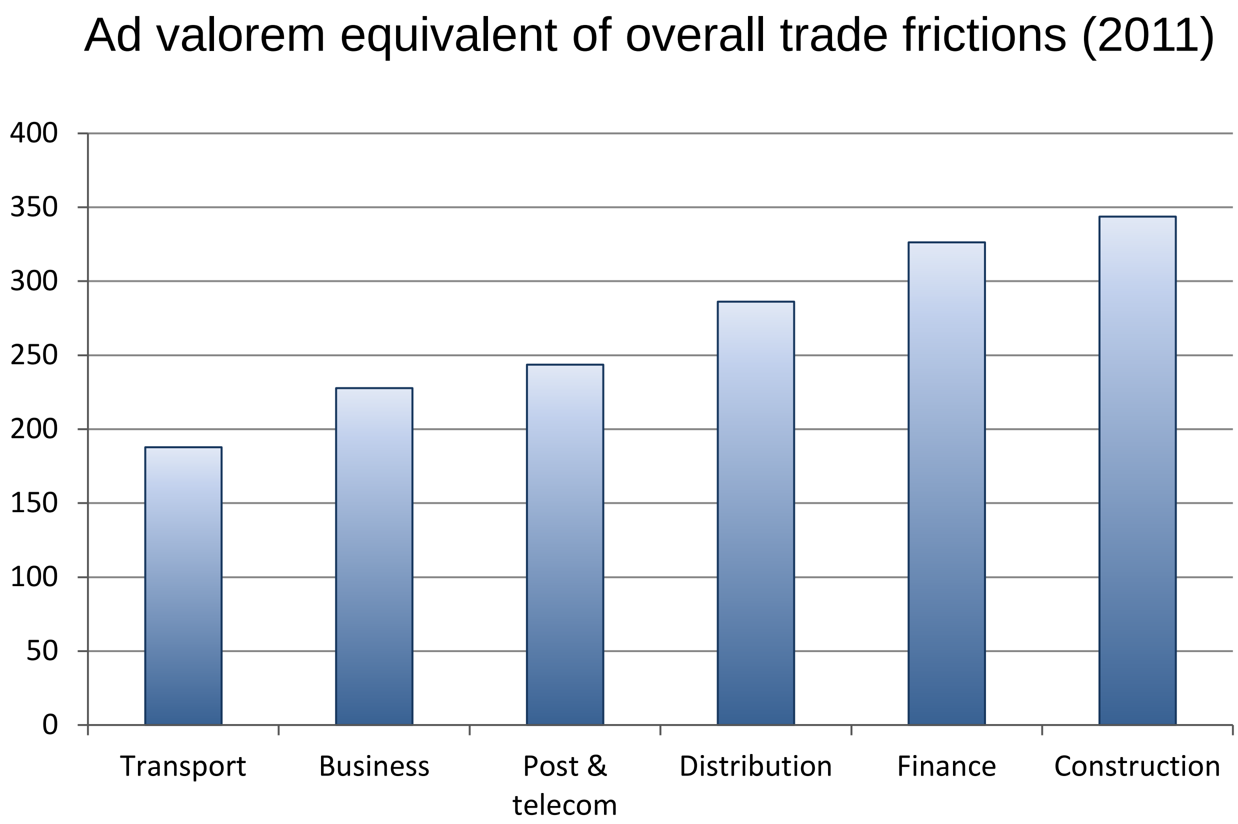
Trade costs are larger in services than in goods

Ad valorem equivalent of overall trade frictions in services



Source: Miroudot and Shepherd (2014)

Trade costs are larger in services than in goods

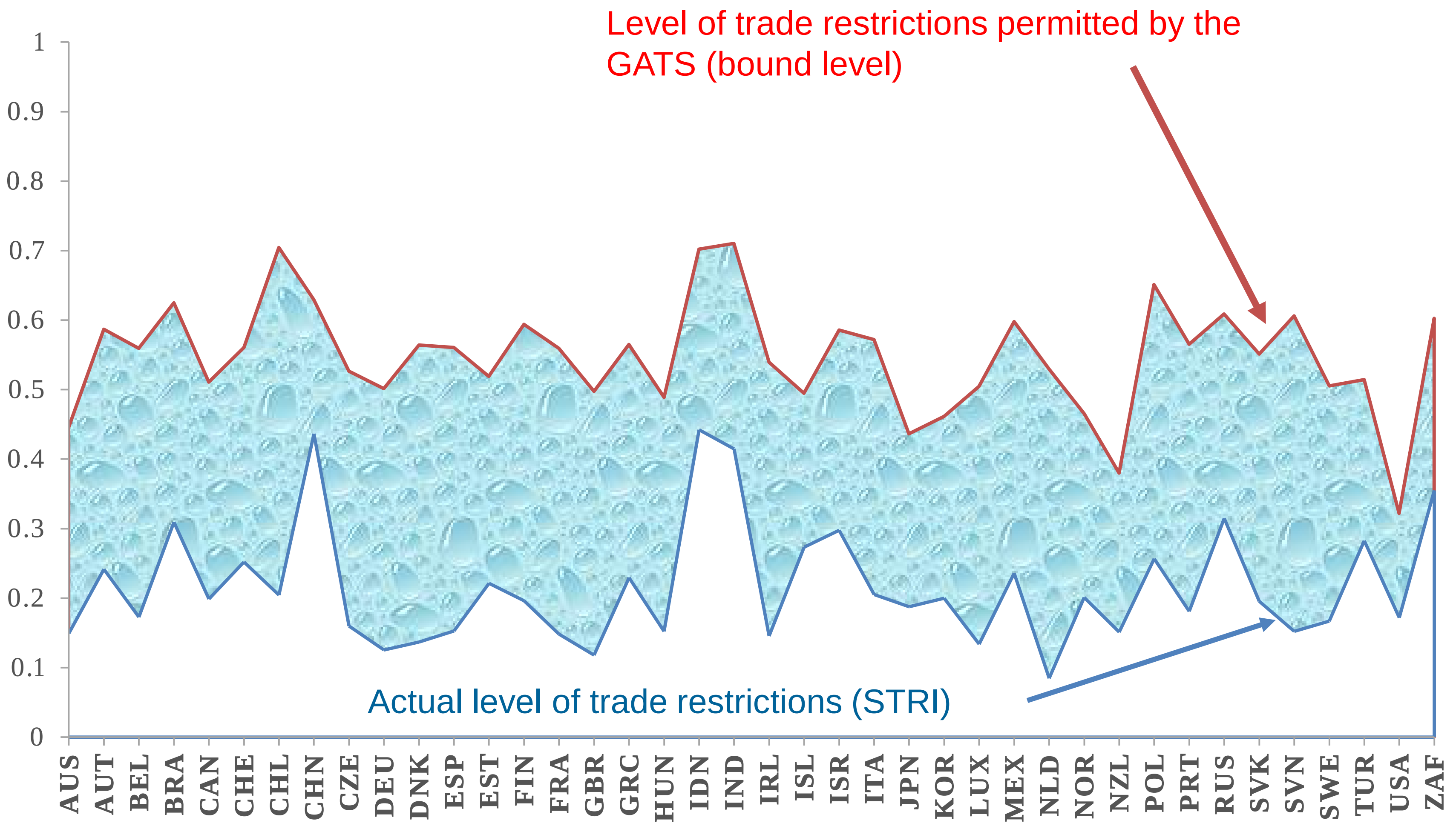


Source: Miroudot and Shepherd (2014)

Trade policy barriers and regulatory coherence

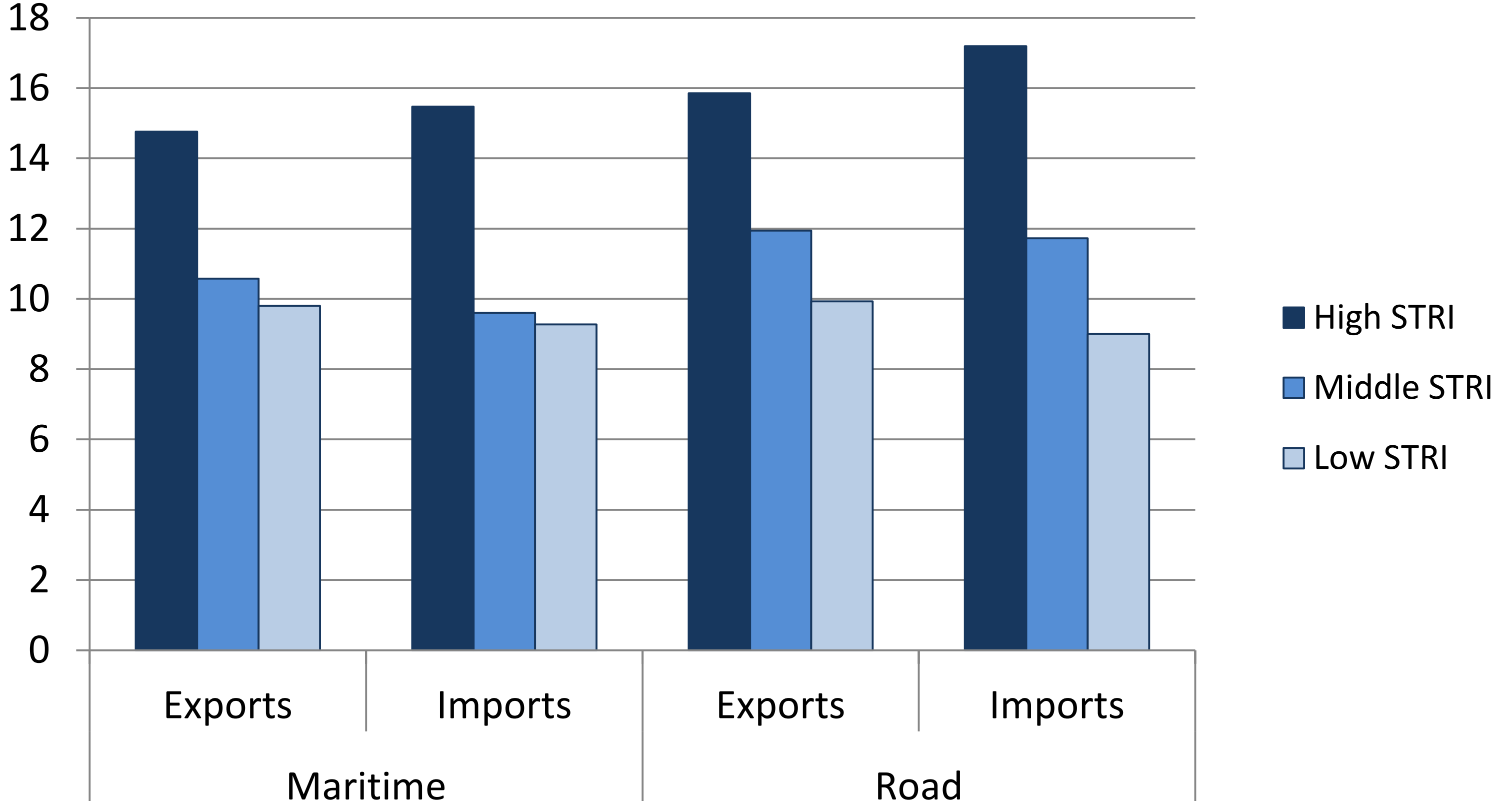
- The OECD Services Trade Restrictiveness Index documents and quantifies trade restrictions
  - 19 services sectors and 42 countries
- Distinguishing trade restrictions from appropriate domestic regulation
  - Addressing market failures vs restricting entry to protect incumbents
  - E.g. telecoms: If there is a dominant supplier, the absence of regulation is a barrier to competition
- Both trade openness and regulatory coherence matter for services competitiveness
  - Heterogeneity indices measure the similarity of services regulations across countries – a different dimension
  - High STRI and high regulatory heterogeneity lower services imports and exports
  - The impact of regulatory coherence is largest at higher levels of trade liberalisation

Commitments and policies in services: "Water" in the GATS (average of 15 sectors)



Policy barriers to services trade slow down the operations of GVCs…

Trade restrictiveness in transport services and time for exports and imports (2013)



Source: Nordas and Rouzet (2015)

… And hamper manufacturing competitiveness

- Trade restrictions in a wide range of services discourage exports in the car industry:
  - Most sensitive to road and maritime transport: connectivity is key
  - But also IT services, insurance, banking, accounting, telecoms
- More open trade policies in financial services are associated with:
  - Higher exports and lower imports of goods in industries dependent on external finance
  - Especially in intermediate segments
  - Higher quality goods exports

➥ **GVCs are particularly intensive in services compared to "traditional" trade**

➥ **Services quality and efficiency are essential to be competitive in high-end segments of the supply chain**

Conclusion

- Trade costs are high in services – "natural" but also policy barriers
- The potential gains from further trade in services are largely untapped
  - Both open trade policies and regulatory coherence foster trade and investment in services
  - Benefits not only for services sectors but also enhancing manufacturing competitiveness
  - Appropriate regulation matters, especially for infrastructure and network services : ensuring a level playing field and addressing market failures
  - The main policy challenge is to safeguard regulation for non-market public policy objectives at the least cost for economic competitiveness
- The business reality is that services and goods are intertwined: key role of services efficiency in GVCs – as opposed to "silo approach"

Thank you for your attention

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