



MULTI-YEAR EXPERT MEETING ON TRADE, SERVICES AND DEVELOPMENT

Geneva, 11–13 May 2015

**TRADE AND COMPETITIVENESS
ANALYTICAL TOOLS FOR TRADE IN SERVICES:
RECENT WORK AT THE WORLD BANK**

SESSION 6



UNITED NATIONS
UNCTAD

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TRADE & COMPETITIVENESS

ANALYTICAL TOOLS FOR TRADE IN SERVICES:
RECENT WORK AT THE WORLD BANK

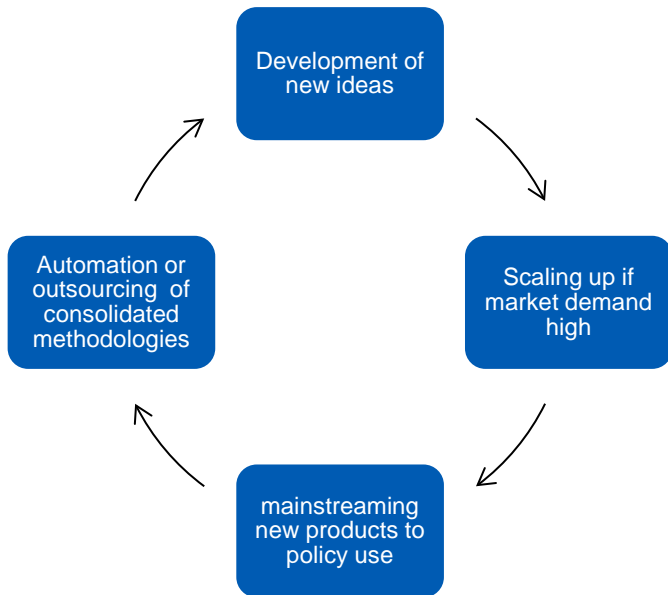


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Senior Trade Economist
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DIAGNOSTICS

TRADE & COMPETITIVENESS

- Data and indicators
 - Systematic analysis
 - Analytical work
 - Follow-up
-
- A full product-development cycle:



TRADE COMPETITIVENESS DIAGNOSTICS

— A Family of Toolkits —



COUNTRY EXPERIENCES

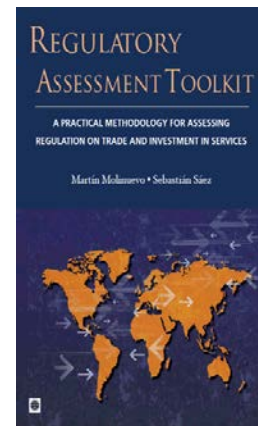
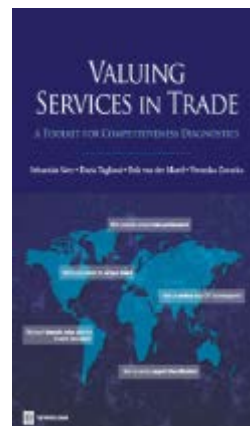
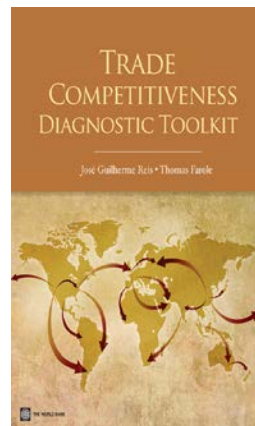
Export Diversification | Services | Upgrading in Global Value Chains
Quality & Sophistication | External Vulnerability | Linkages
Trade & Investment Policy | Export Survival | Labor Markets | Skills

SERVICES TRADE MATTERS FOR DEVELOPMENT

Why it matters?

- Services can have a big impact on Growth, Employment, and Poverty Reduction
- Developing countries want to know how to take advantage of new opportunities
- As inputs to other economic activities services are important for competitiveness
- Contribute to economic and trade diversification

What we are doing?



How we are doing it?

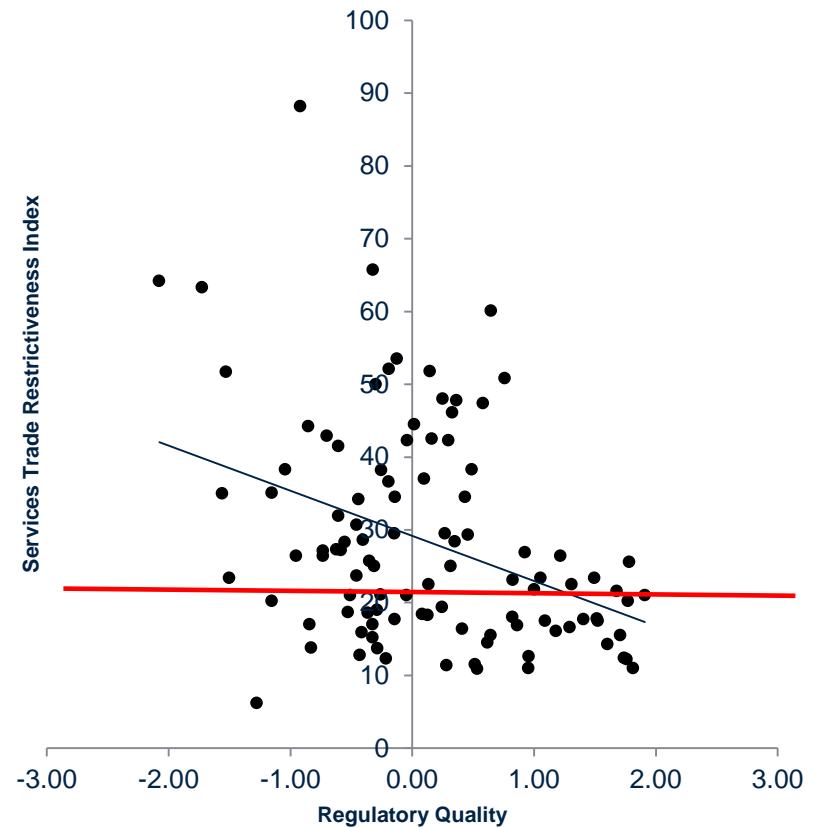
- Gathering new data (trade in value added; bilateral trade flows)-
- Focus on determinants: policies as well as supply-side factors (HK, Infrastructure, others)

WHY IT MATTERS

There is a negative correlation between services restrictiveness and regulatory quality

But also for a given level of restrictiveness there are different levels of regulatory quality (**red line**)

STRI and Regulatory Quality



REGULATORY ASSESSMENT FOR SERVICES TRADE AND INVESTMENT --RASTI

methodology for

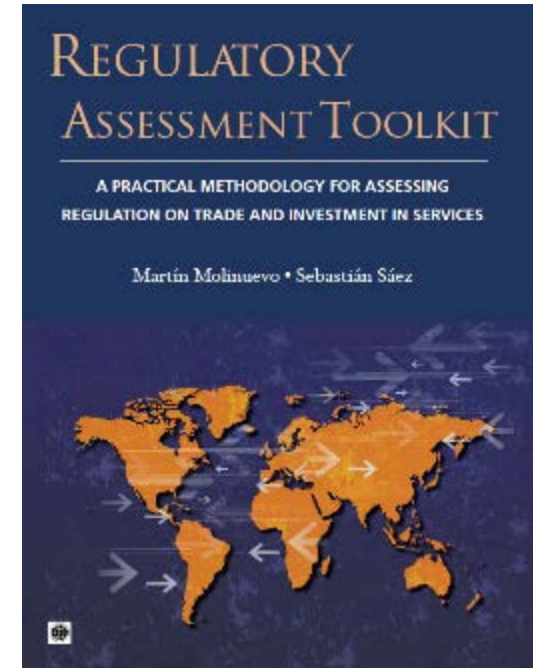
- mapping restrictions to trade in services
- evaluating impact
- identifying less-trade restrictive alternatives

focus on

- regulatory framework governance

practical issues

- Need to respond to country requests lack of data



RASTI BASICS

step 1 -- restrictions

- **mapping regulation**
 - horizontal regulations affecting a wide range of sectors
 - specific regulations affecting a sector, subsector, or an activity
- **assessing governance framework** in light of international best practices
 - institutional setting
 - regulatory procedures

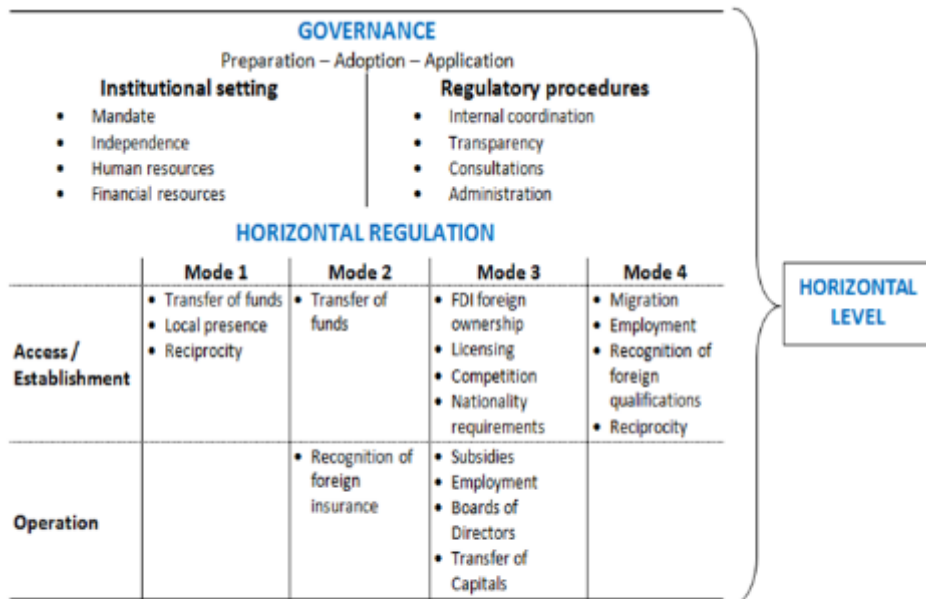
step 2 –impact

- **assessing the impact of regulations** in market structure, prices, quality, and access

step 3 -alternatives

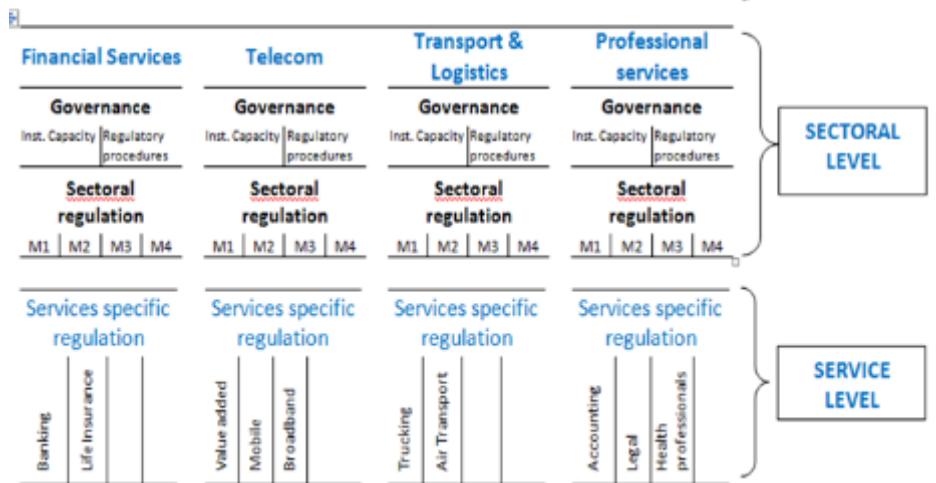
- **proposing alternative regulations**
 - assessing feasibility of alternatives regulations and institutional arrangements

STEP 1: LEVELS OF REGULATORY MAPPING



3 levels of analysis, depending on objectives

focus on both regulation and governance



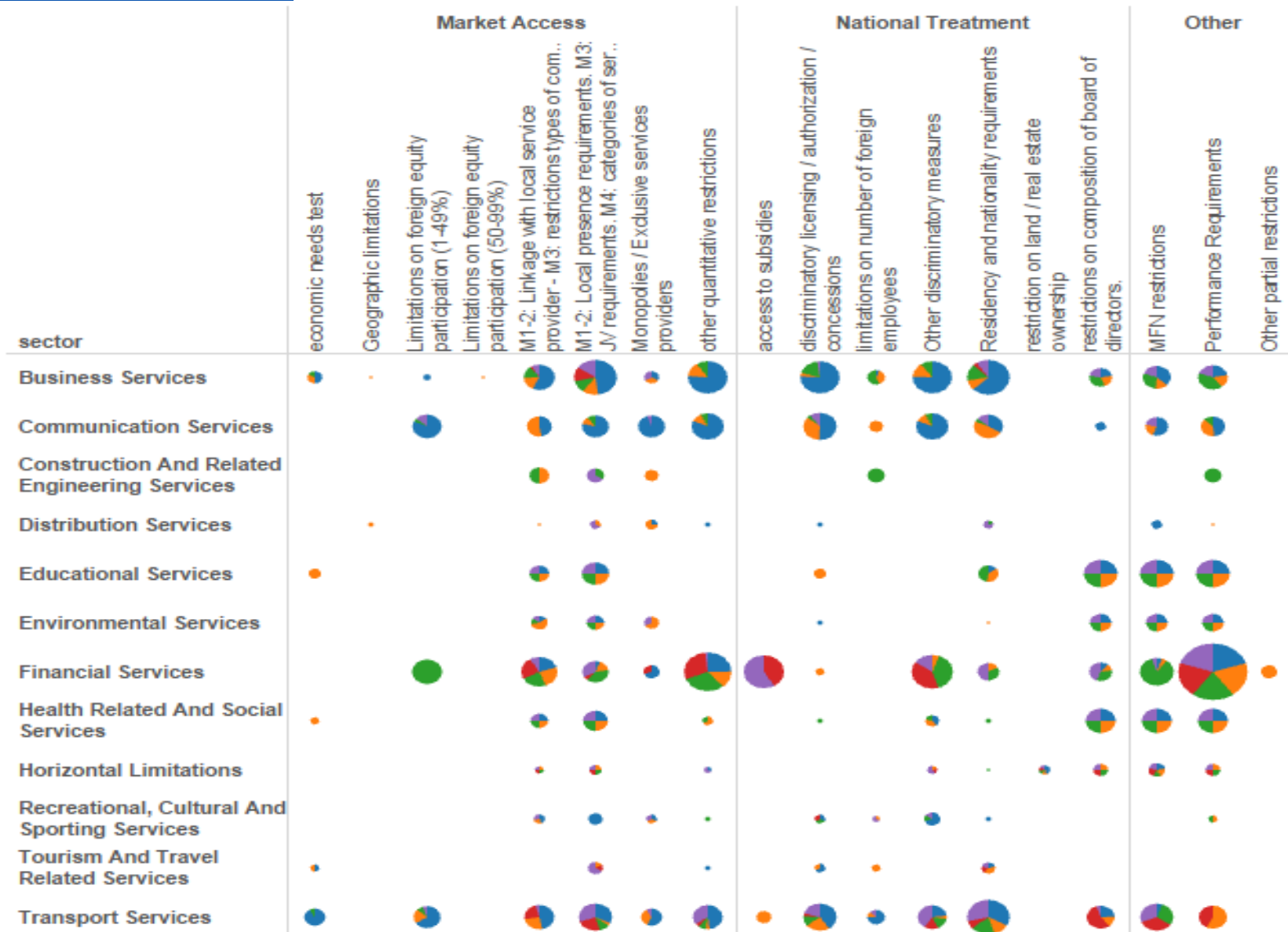
capture formal measures and de facto practices

REGULATORY MAPPING: TYPOLOGY OF MEASURES

	quantitative	qualitative
establishment	<ul style="list-style-type: none"> • Monopoly / exclusive service suppliers • Numerical restrictions • Zoning / Geographical restrictions • Limitations to foreign equity • Economic Needs Tests • Authorization / permit (non-qualified) 	<ul style="list-style-type: none"> • Licensing on <ul style="list-style-type: none"> ○ Qualifications / Education ○ Experience ○ Technical capacity • Nationality / residency of services • Residency • Track record requirements • Requirement to subscribe to association • Approval of mergers and acquisitions • Form of establishment • Prohibition • Minimum capital requirements
operation	<ul style="list-style-type: none"> • Numerical restrictions on <ul style="list-style-type: none"> ○ transaction ○ operations / output ○ employees ○ repatriation of funds ○ duration of license / divestment ○ hours of operations • Screen / performance quotas • Performance requirements 	<ul style="list-style-type: none"> • Nationality / residency of managers, boards of directors • Land Ownership • Discriminatory Taxation • Access to Subsidies • Knowledge Transfer • Advertising limitations • Rules on anti-competitive behavior • Limitations on distribution channels • Limitations on pricing • Limitations on transfer of funds • Type of shares owned by foreigners • Performance requirements • Import permits • Access to government contracts

Source: authors

EXAMPLE



EXAMPLE

regulatory measures and administrative practices in selected LDCs

Mode of Supply	Establishment			Operation		
	Legal and Regulatory measures		Administrative Practise	Legal and Regulatory measures		Administrative Practise
	Qualitative	Quantitative	Governance ..	Qualitative	Quantitative	Governance ..
1. Cross-border						
2. Consumption abroad						
3. Commercial presence						
4. Natural persons						

EXAMPLES

- Accounting, Auditing And ..
- Architectural Services (C..
- Engineering Services (Cp..
- Integrated Engineering S..
- Legal Services (Cpc 861)
- Medical And Dental Servi..
- Other Professional Servic..
- Services Provided By Mid..
- Taxation Services (Cpc 8..
- Urban Planning And Land..
- Veterinary Services (Cpc ..

restrictions on composition of board of directors.	M1-2: Local presence requirements M3: JV requirements M4: categories	Other	M1-2: Local presence	other	M1-2: Local presence	Other		Residency and nationality	M1-2: Local presence
Performance Requirements	other quantitative restrictions		limitations on number of foreign		Residency and nationality requirements			Other	other
MFN restrictions	Residency and nationality requirements	M1-2: Linkage with local	Other discriminatory measures	M1-2: Linkage with local	limitations on number of foreign	M1-2: Linkage with local			MFN
			Residency and nationality requirements	MFN	other quantitative restrictions	MFN			
MFN restrictions	M1-2: Local presence requirements M3: JV requirements M4: categories of	Other	Residency and nationality requirements	M1-2: Linkage with local service	other	M1-2: Local	Other	M1-2: Local	MFN
Performance Requirements	M1-2: Linkage with local service		discriminatory licensing / authorization /	M1-2: Local presence				Other	
	other quantitative restrictions	economic needs	limitations on number of foreign				economic needs test	discriminatory licensing /	
restrictions on composition of board of directors.	other quantitative restrictions		M1-2: Local presence	M1-2: Linkage			other quantitative	other quantitative	

STEP 2: EMPIRICAL REGULATORY ASSESSMENT

quantitative methods

direct methods: collecting regulatory information + econometrics

steps:

- 1) data collection,
- 2) scoring, classifying, building index,
- 3) estimating impact (price, cost, price-cost margin, etc),
- 4) construct impact measures (tariff equivalent)

pros: impact can be directly linked to particular policies rather than being the result of an unexplained residual

cons: information-intensive

Examples australia productivity commission, stri, rasti, ria

indirect methods: gravity, mark-ups, cge

pros: measuring impact + prediction of impact of barriers reduction

cons: causality of policy and regulatory measures is only inferred, thus limiting the value for policy recommendations.

data availability!

STEP 3: FINDING REGULATORY ALTERNATIVES

case-by-case analysis

relevant factors include

governance framework

types of restrictions to trade in services

Impact, nature, etc

alternatives may relate to:

- regulatory approaches
 - **command & control (mandatory regulation)**
 - **incentives (as a regulatory tool)**
 - **market control**
 - **disclosure regulation**
 - **nudging**
 - **self regulation**
- regulatory measures
 - **types of mandatory requirements**
 - **eliminate barriers**
 - **improve procedures or institutions**

METHODOLOGICAL OBSERVATIONS

adjust methodology --and expectations

lack of statistical data

often also little regulatory information

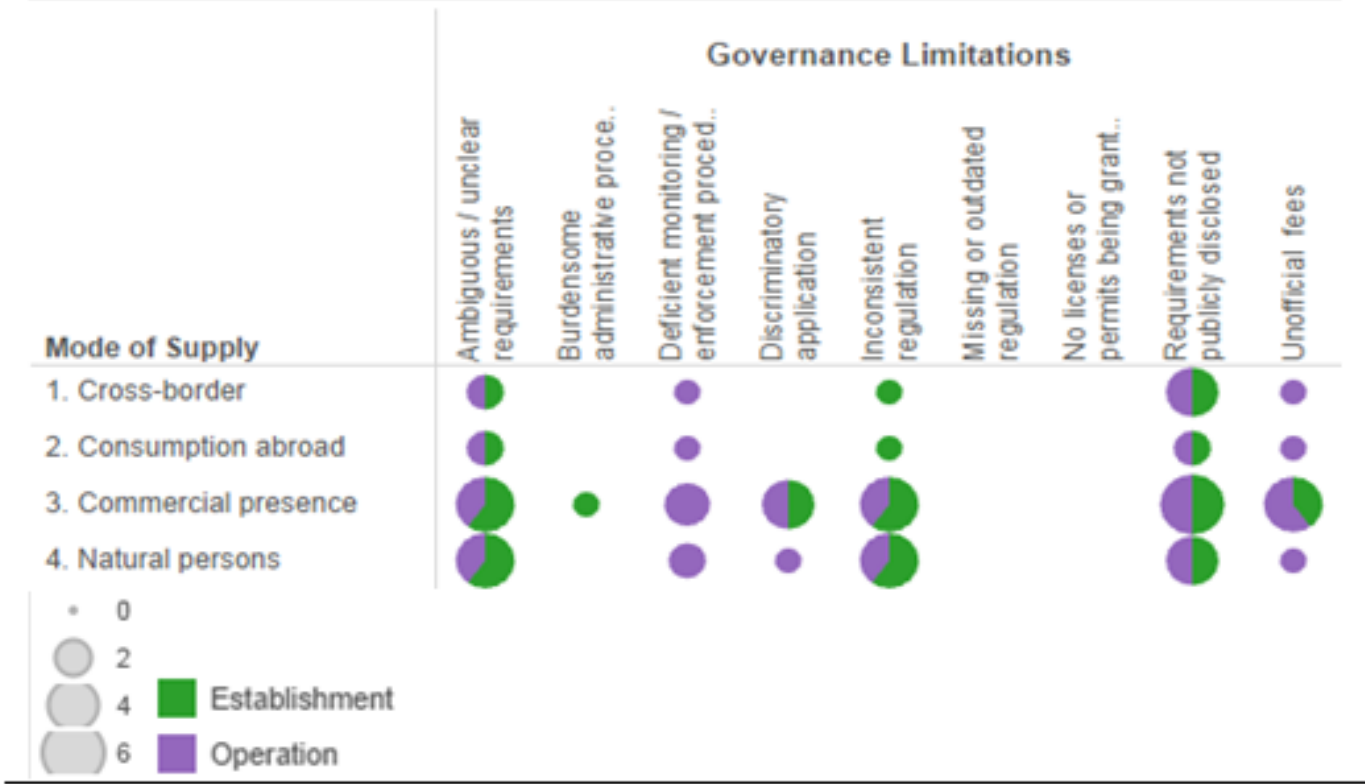
focus on goals and information gaps

wto accession, implementation,

trade reform needs

GOVERNANCE LIMITATIONS

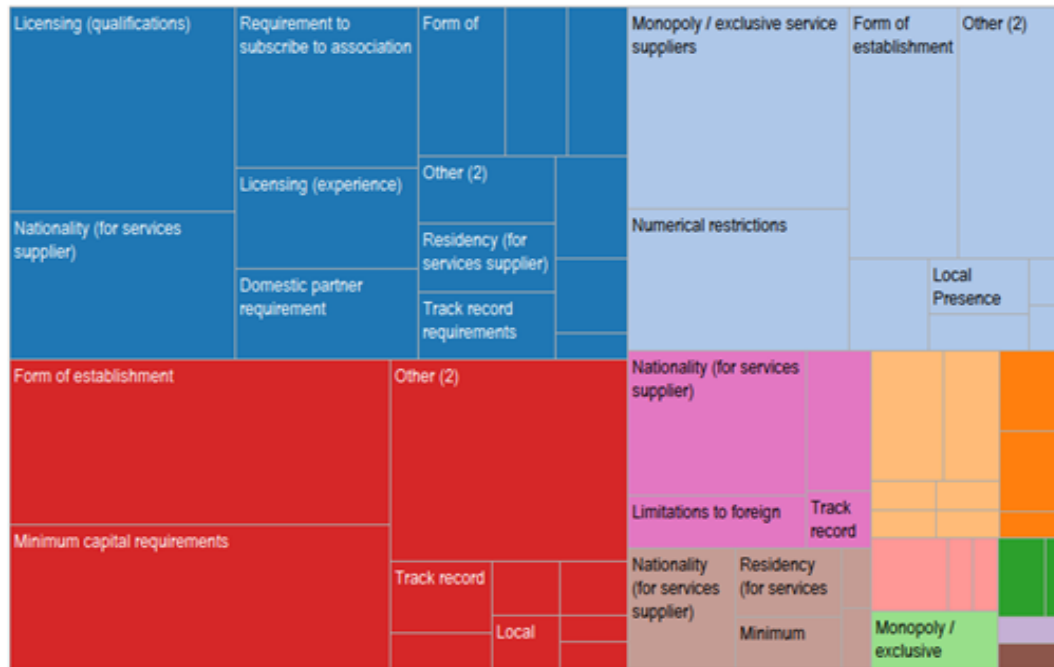
Horizontal governance practices affecting services trade



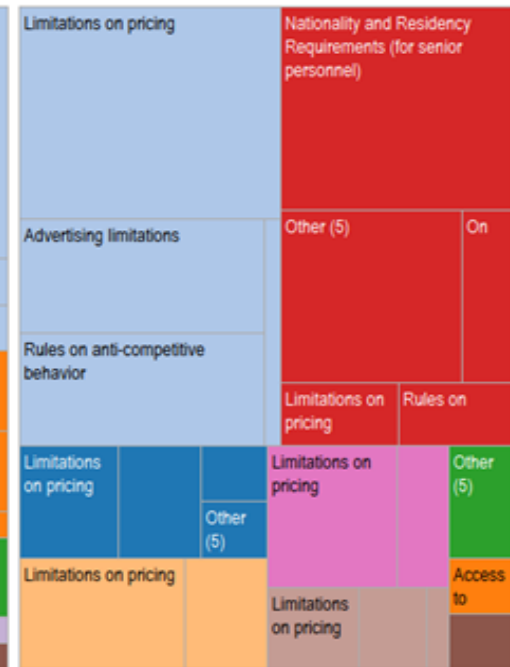
lack of access to regulation
 regulatory discretion
 poor monitoring and enforcement

ACTUAL REGULATORY RESTRICTIONS

Establishment



Operation



- Business
- Communication
- Construction
- Distribution
- Educational
- Environmental
- Financial Services
- Health And Social
- Recreational Services
- Tourism And Travel
- Transport
- Other Services NEC

focus on establishment

heavy restrictions focused on nationality requirements

RASTI CHALLENGES

- external: curbing expectations

Not a market intelligence study

(what services can be exported and to whom?)

Not every detail of regulation can be assessed in one study

(so what exactly is wrong in telecom regulation?)

- internal, procedural: information collection

reliance on a (good) local consultant

- internal, substantial: regulatory alternatives not obvious

need to further focus at sectoral level

need for familiarity with political economy issues

REGULATORY ASSESSMENT

REGULATORY ASSESSMENT TOOLKIT

A PRACTICAL METHODOLOGY FOR ASSESSING
REGULATION ON TRADE AND INVESTMENT IN SERVICES

Martín Molinuevo • Sebastián Sáez



WORLD BANK GROUP
Trade & Competitiveness



REGULATORY ASSESSMENT TOOLKIT

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