The LDC Services Waiver – Operationalized?

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OVERVIEW

- Introduction: How did we get to this point?
- Assessing the Preference Offers Notified by WTO Members: Who, what, how much?
- Constraints Affecting LDCs' Ability to Benefit from Services Preferences
- Conclusions: Towards a Comprehensive System of Preferences in Services

HOW DID WE GET HERE? A WORD OF INTRODUCTION

- Briefly recalled: From → GATS Article IV:3 via → Hong Kong 2005 to → Waiver Geneva 2011 to → 'Operationalization' Bali 2013 to → follow-up Nairobi 2015
- The Waiver: From "figleaf" to 'secret champion of services liberalization'
- An Enabling Clause for services – but so far missing a dedicated background and support structure

ASSESSING THE NOTIFIED PREFERENCE OFFERS: WHO, WHAT, HOW MUCH?

- Analyzing the preference offers: an exercise in approximation
- The main findings: What how, and how much?
- A look at quality: Which preferences may matter more, which less?
- Distilled: best practices & lessons learned

ANALYSING THE NOTIFIED PREFERENCES: AN EXERCISE IN APPROXIMATION

- Collected and assessed: 2000 + “preferences”
  - What is a preference?
  - Starting point: All (only) those that go beyond existing GATS commitments
  - The format of notifications - form affecting content?
- The Matrix (LINK TO MATRIX – original or picture)
- The remaining mystery: Which ones are *actual, applied* preferences?

THE MAIN FINDINGS: WHAT, HOW AND HOW MUCH?

A WORD OF CAUTION…

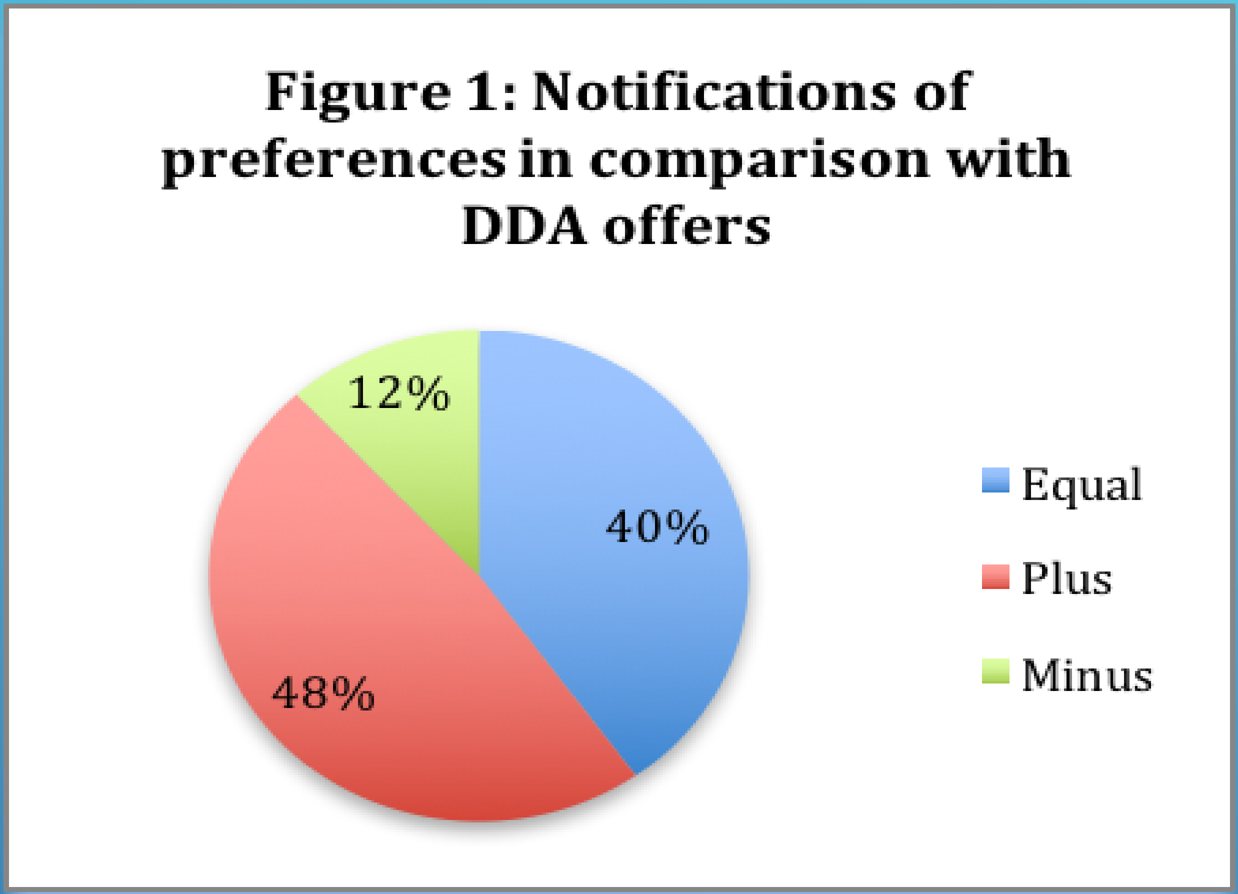
- Services and services regulation are multifaceted – so are potential preferences
  - 150+ subsectors
  - 4 modes of supply
  - large variety of market access impediments
  - large variety of regulatory issues

→ *Categorizing, counting & assessing "preferences" is complex*

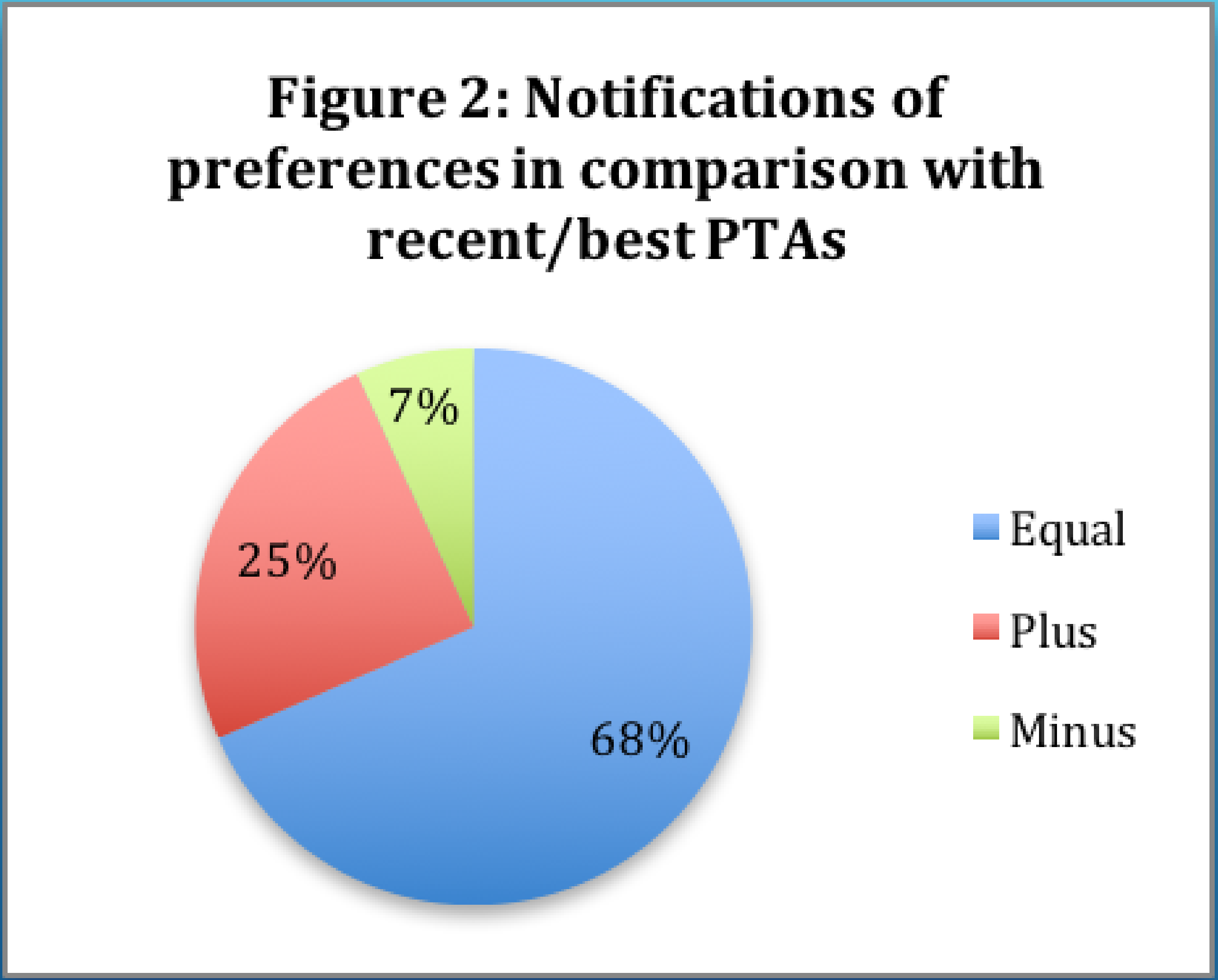
→ *Choices/judgments can affect statistical outcomes*

→ *Better take details with a grain of salt*

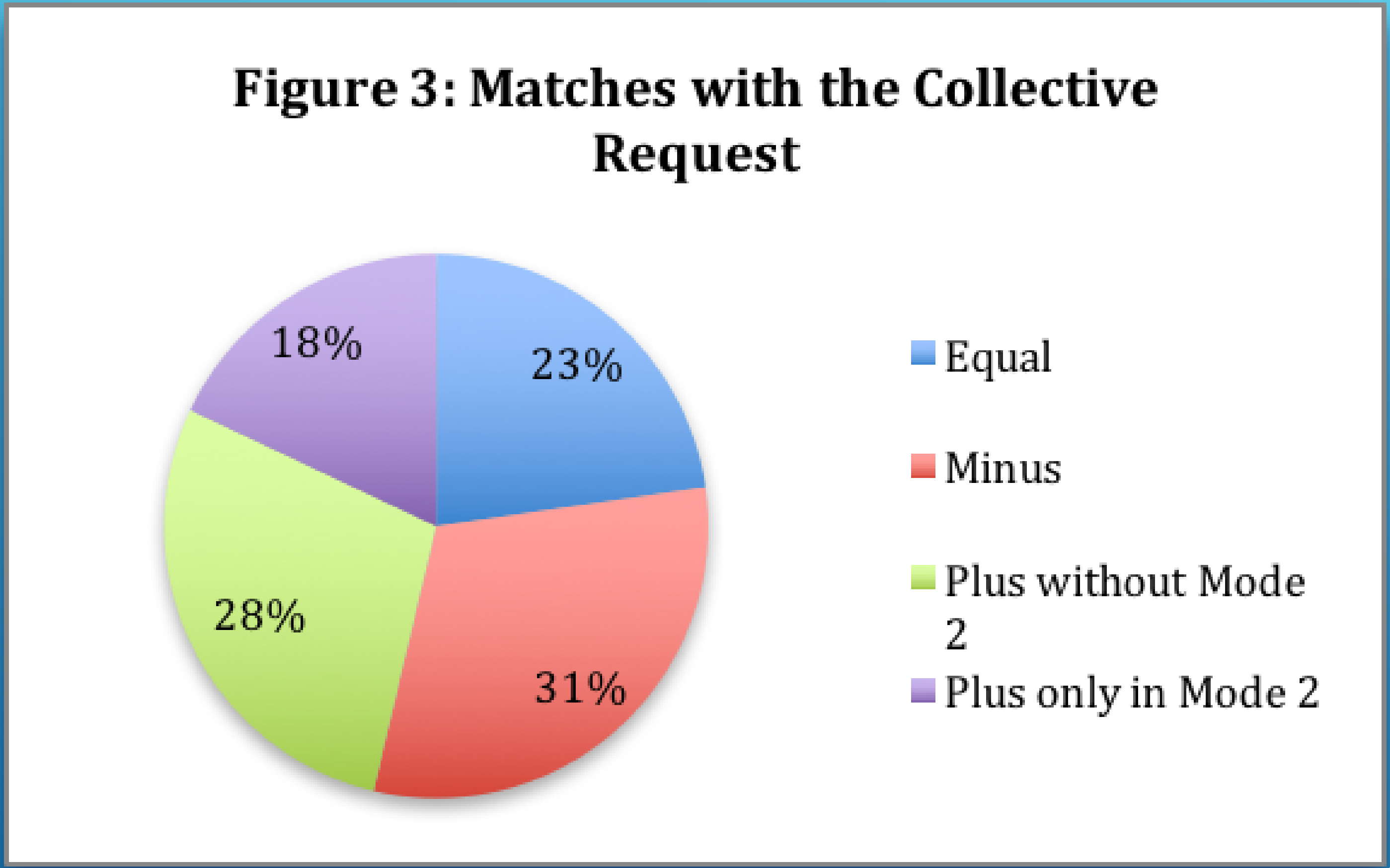
RISING ABOVE DDA OFFERS



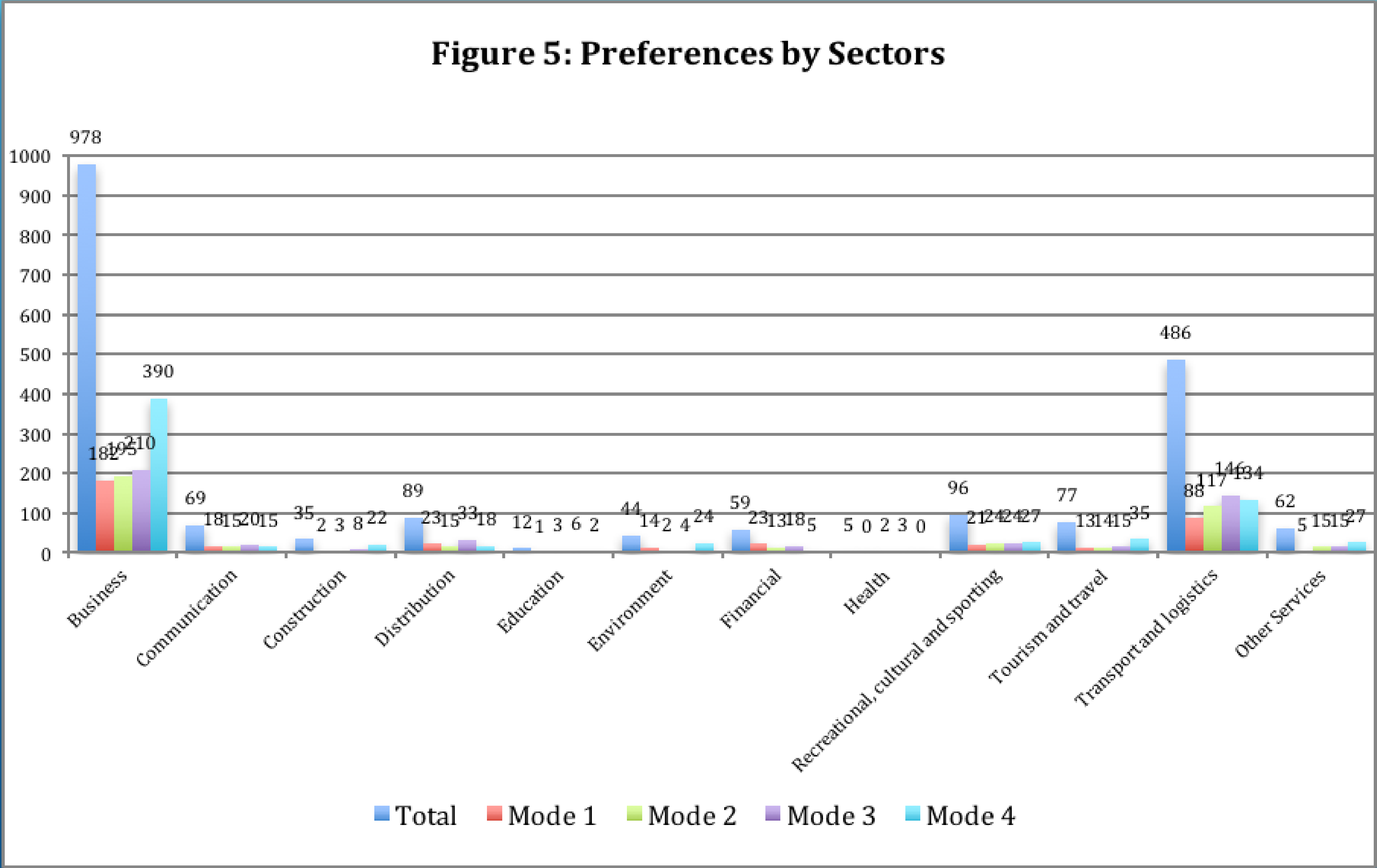
GETTING CLOSE TO "BEST PTA"



MORE THAN DEMANDED IN THE COLLECTIVE REQUEST? YES, BUT…



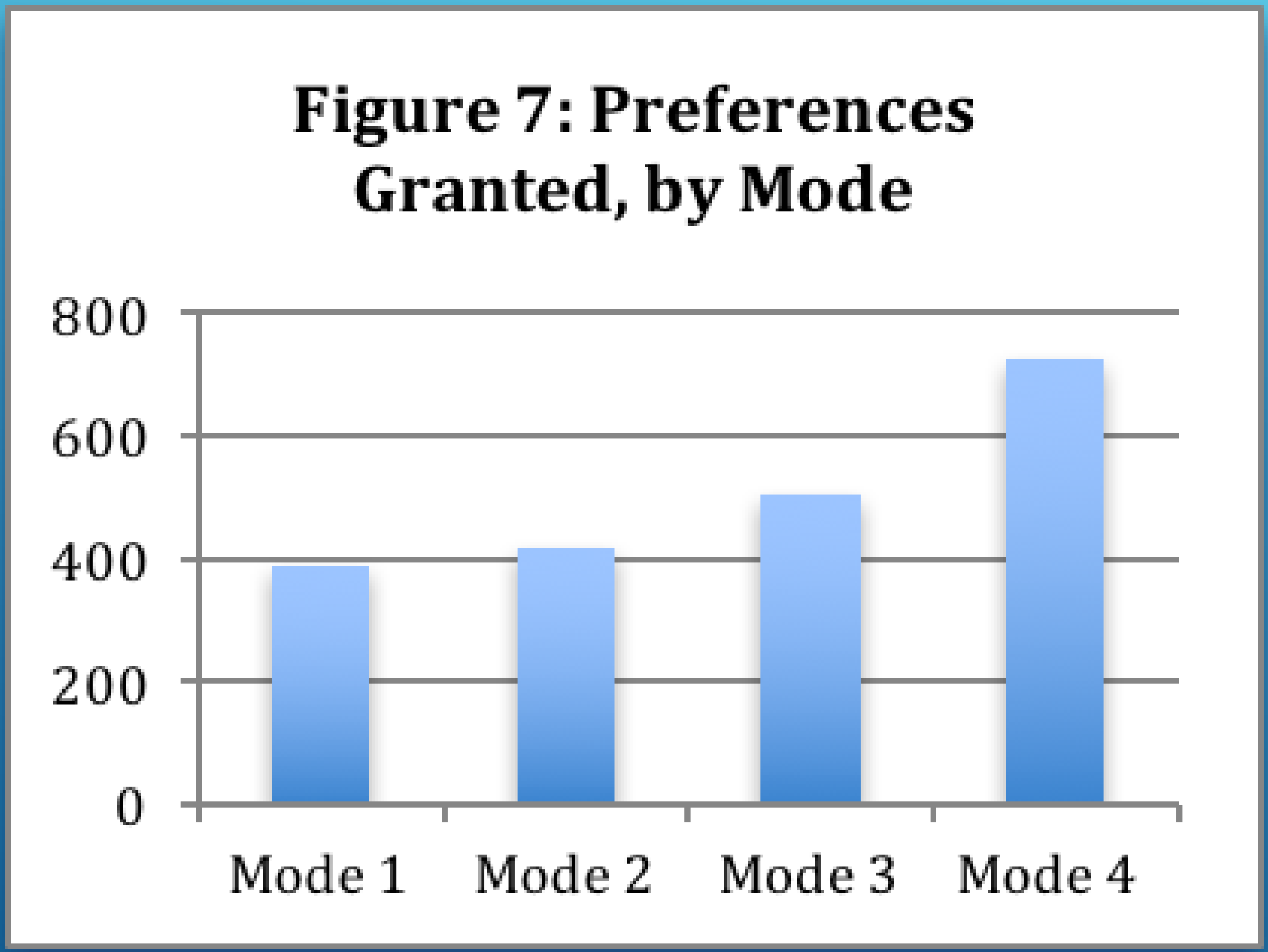
PREFERENCES BY SECTORS



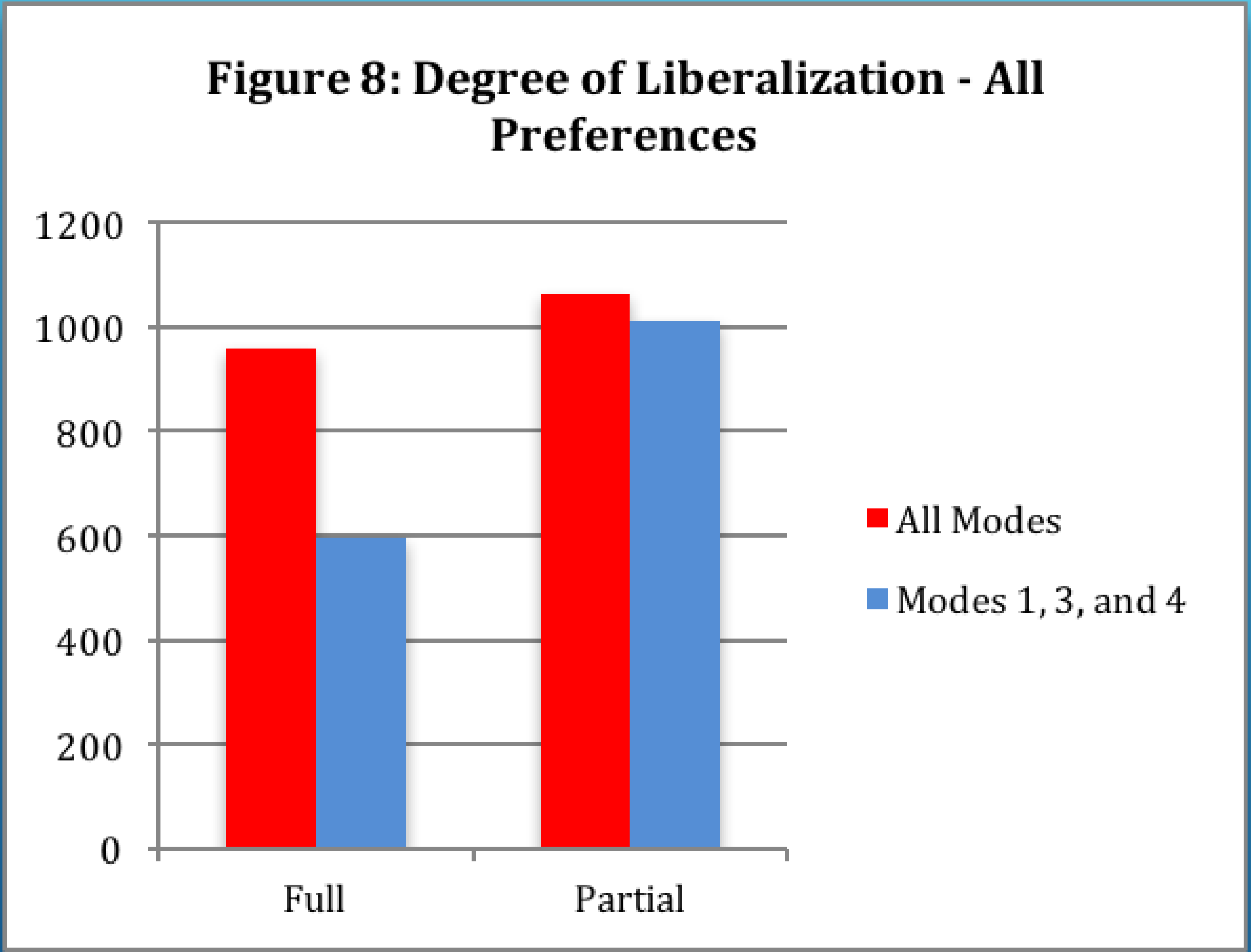
TYPES OF PREFERENCES: MARKET ACCESS DOMINATES

- Market Access: >80%
- Most other preferences offered extend National Treatment to LDC providers/services
- Precious few other (regulatory, administrative) preferences

PREFERENCES BY MODE OF SUPPLY

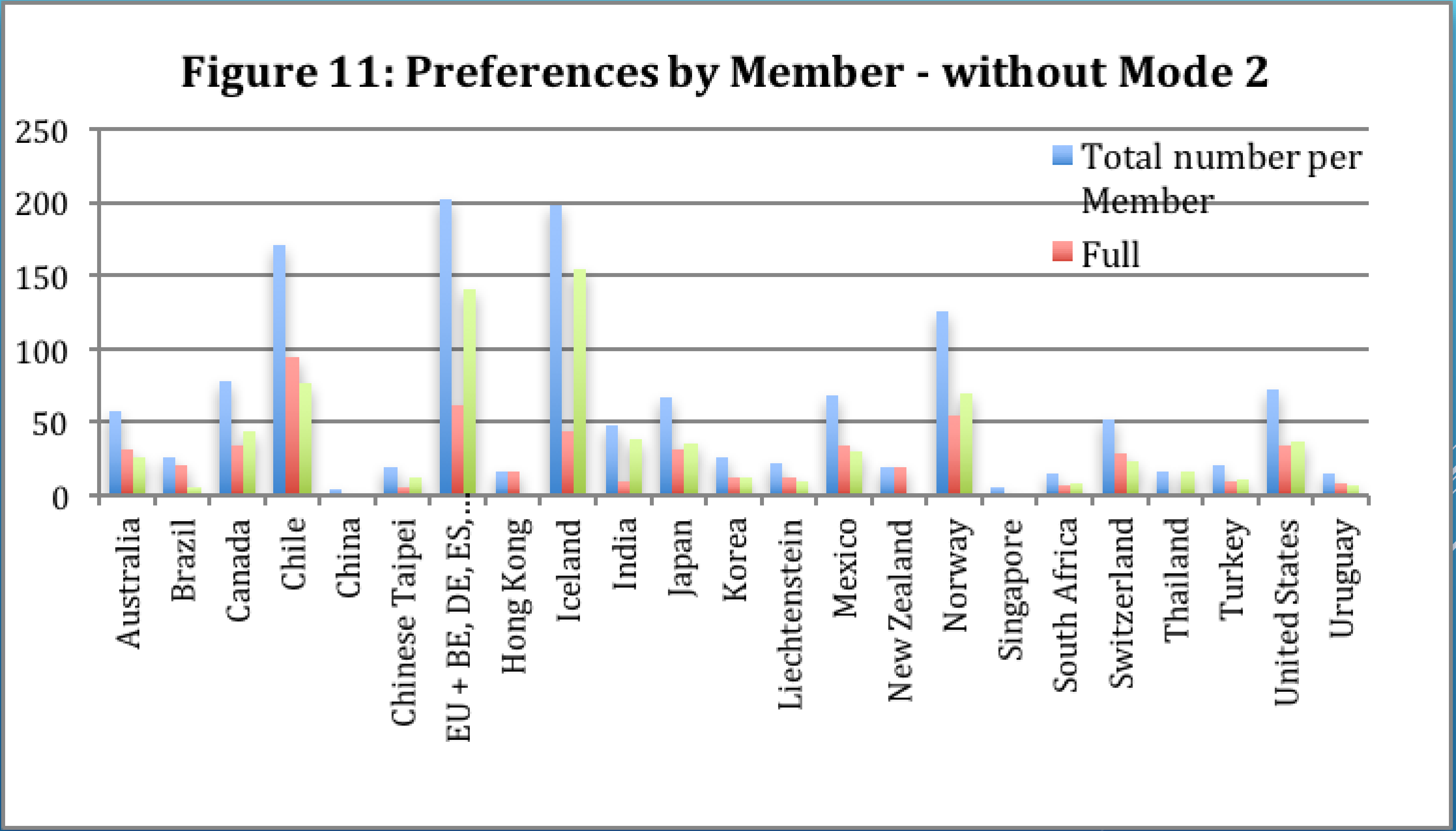


HOW FOR DOES IT GO? DEGREES OF LIBERALISATION



- Variations by sectors
- But no clear pattern

SOME MAKE A POINT, SOME TICK BOXES: PREFERENCES BY MEMBER



A LOOK AT QUALITY: WHICH PREF'S MATTER MORE, WHICH LESS? WHAT'S MISSING?

- (Probably) matter more – e.g.
  - Mode 4: CSS and IP
  - Systematic multi-/cross-modal commitments
  - Targeted commitments
- (Probably) matter less – e.g.
  - Much of Mode 2 (except health, tourism, education)
  - Remote sectors
  - Subsectors with restrictive definitions
- Missed opportunities – e.g.
  - Unnecessarily restrictive approaches
  - Very few regulatory preferences

DISTILLED:
BEST PRACTICES, LESSONS LEARNED

(SOME) BEST PRACTICES

- Approach, Technique, Presentation
  - Comprehensive and systematic approach
  - Clear identification of preferences (vis-à-vis GATS MFN)
  - Clustering modes of supply
  - Exploring unchartered waters
- Substance
  - Taking Mode 4 seriously
  - Taking regulatory issues seriously (creatively
  - Targeted efforts in complex sectors/areas help explore

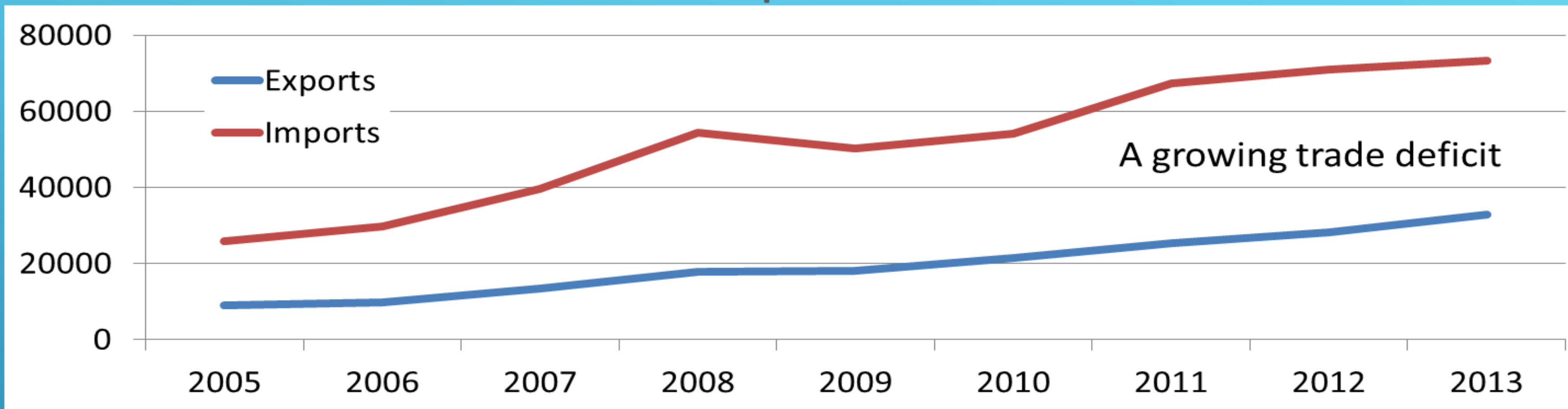
(SOME) LESSONS LEARNED

- The squeaky wheel gets the grease
- Format influences content (the scheduling trap)
- Applied MFN v. actual preferences – misunderstandings remain

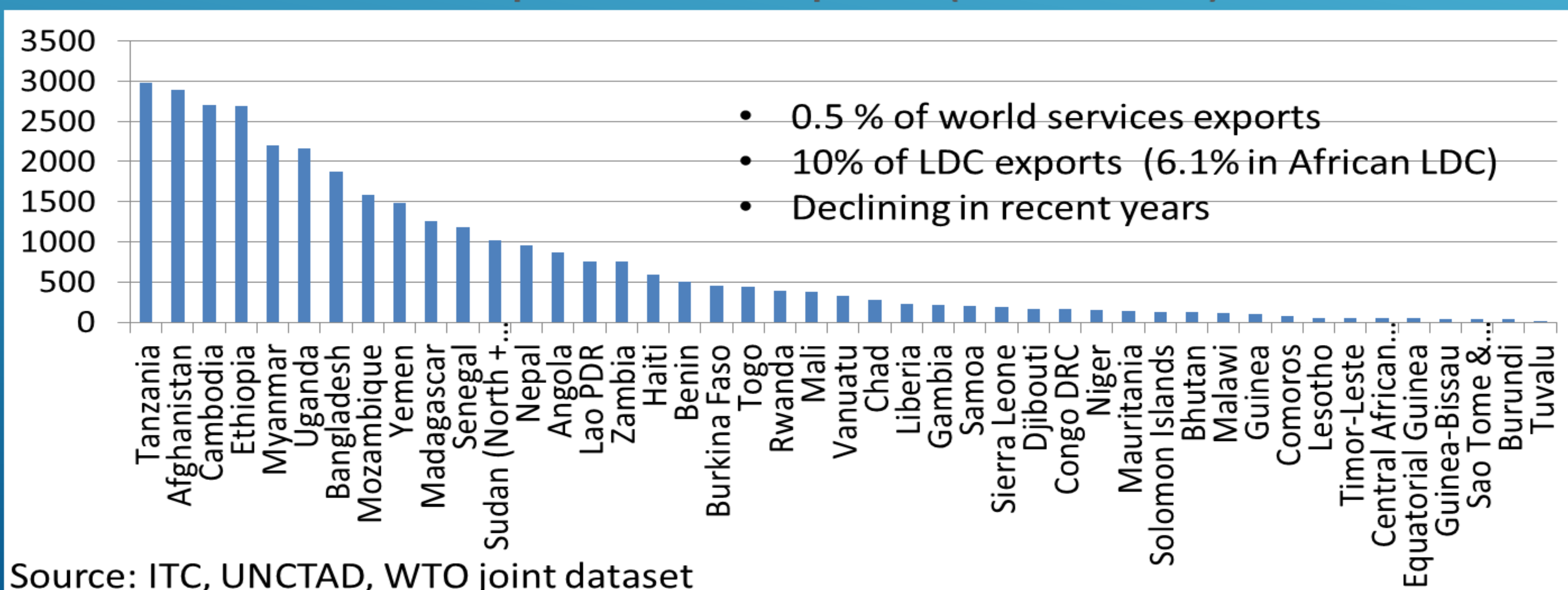
CONSTRAINTS AFFECTING LDCS' ABILITIES TO BENEFIT FROM SERVICES PREFERENCES

ASSESSING THE IMPORTANCE OF SERVICES & SERVICES TRADE

LDC Service Exports in a nutshell



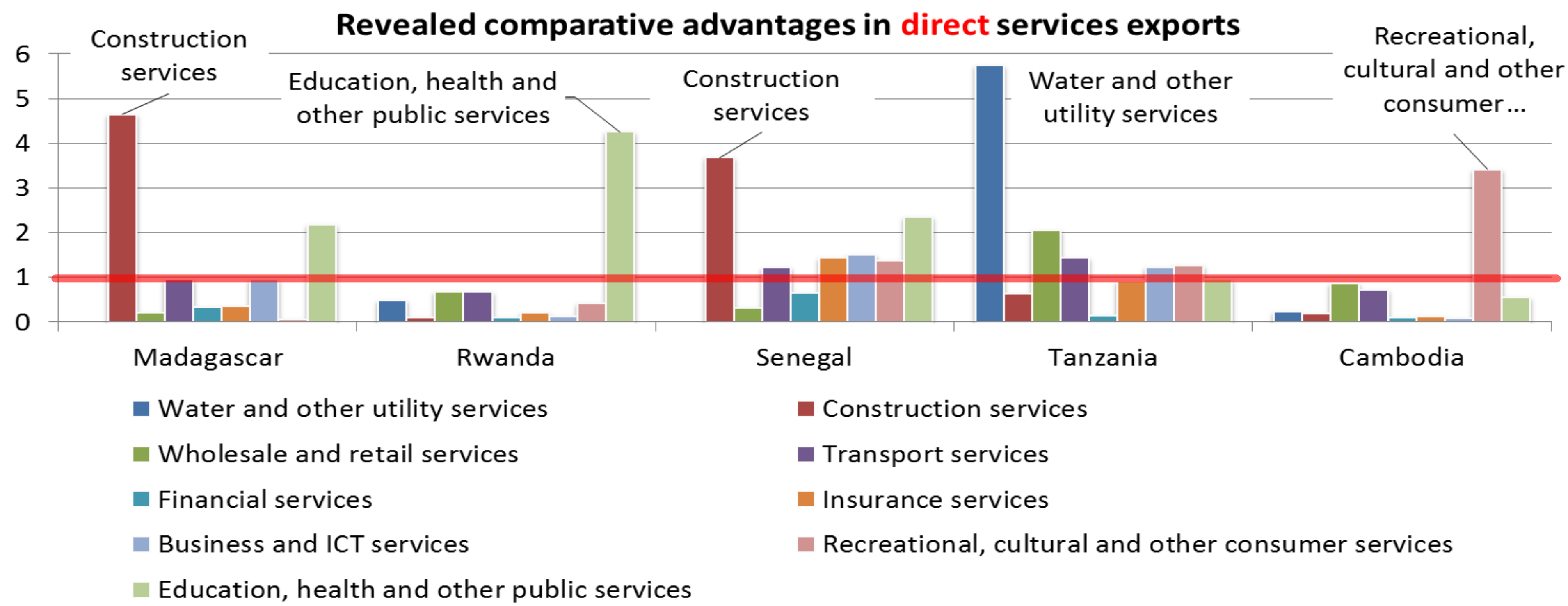
Top LDC Services Exporters (2013 USD Mio)



CONSTRAINTS IN IDENTIFYING SERVICES EXPORT POTENTIAL

- Identifying export potential (e.g. DTIS)
  - Examine alternative modes of supply,
  - Identify the geographical pattern of production and demand of services,
  - Identify services sectors in which the country has a comparative advantage for direct or indirect exports.
- The need for disaggregated, timely and reliable data;
- The need for interagency coordination;
- Private sector engagement and private sector coalitions.

ASSESSING COMPARATIVE ADVANTAGES AND EXPORT POTENTIAL



Source: Fiorini and Hoekman (forthcoming ICTSD publications) based on World Bank EVA Database. Data refer to 2011

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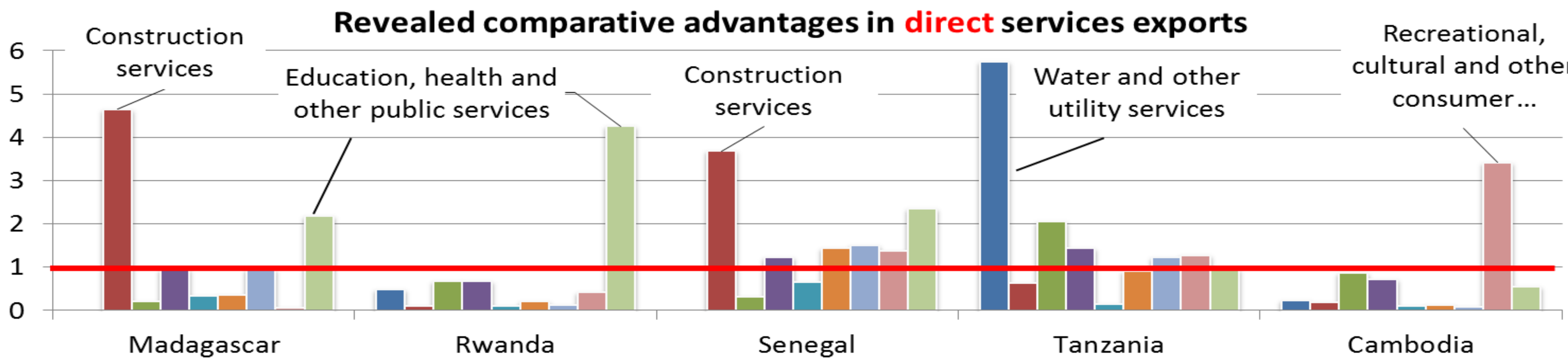

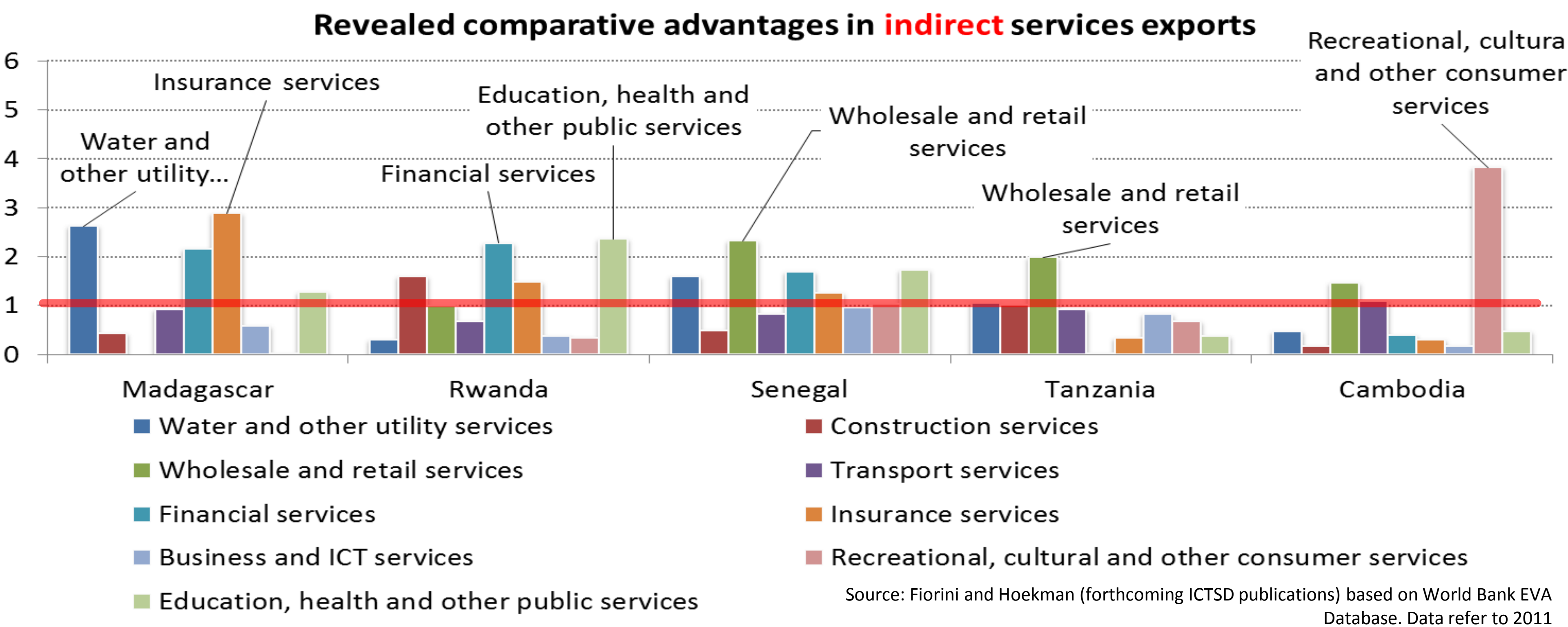

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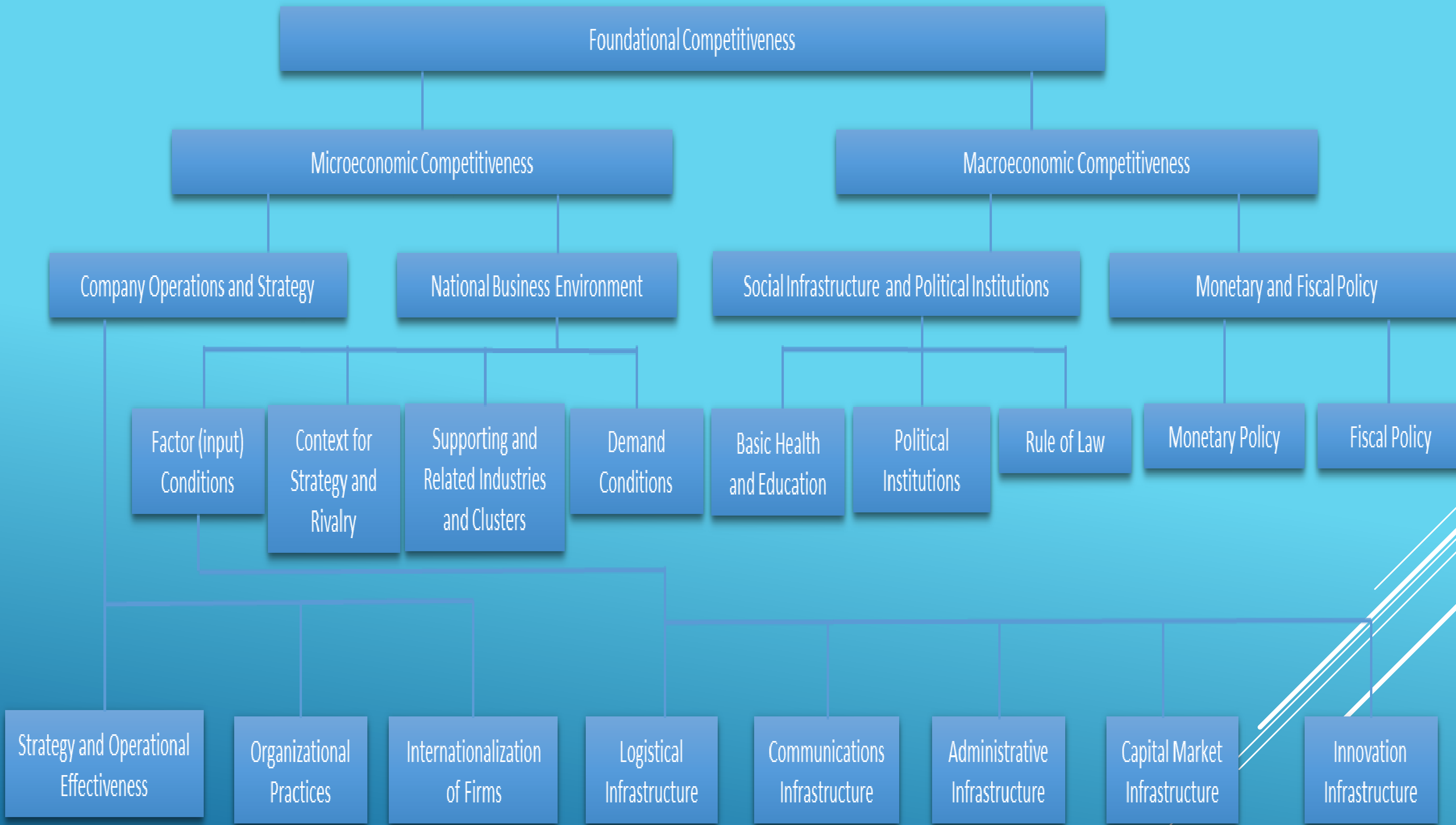
FACTORS AFFECTING LDC COMPETITIVENESS IN SERVICES TRADE



Source: Adapted from NBER (2012)

ENHANCING COMPETITIVENESS AND OVERCOMING SUPPLY SIDE CONSTRAINS

- Social infrastructure and political institutions
  - Rule of law, efficient bureaucracies, social insurances, education, R&D:
  - Skill-intensive nature of exported services as a major constrains (e.g. Rwanda in ICT, finance or tourism).
- Infrastructure deficit (transport, logistic, power, telecom)
  - Cost effective and stable internet access and supply of electricity (e.g. ICT services in Lesotho);
  - Transport infrastructure (tourism in Solomon Islands).
- Regulatory environment
  - Either burdensome or regulatory vacuum;
  - E.g. lack of insurance framework affecting development of financial services in Tanzania.
- Access to finance particularly for SME

SUPPLY-SIDE CONSTRAINTS

Constraint	Rwanda	Uganda	Tanzania	Lesotho	Solomon Islands	Vanuatu	Zambia
Skills deficit	Tourism, transport, ICT services, financial services	Tourism, ICT services	Tourism	Tourism, ICT services, financial services		Tourism	
Access to finance	Tourism, ICT services	Tourism, ICT services	Financial services	Financial services, ICT services		Tourism, ICT services	ICT services
Telecommunication infrastructure	ICT services	ICT services		Tourism, ICT service	Tourism, ICT services	ICT services	ICT services
Financial infrastructure	Financial services						Financial services
Transport infrastructure	Transport	Transport	Transport	Transport	Transport	Transport	Transport
Power and water supply	ICT services, financial services			Tourism, ICT services, financial services	Tourism, ICT services	Tourism	
Land ownership						Tourism	
Limited competition				Financial services			ICT services, financial services
Policy constraints (domestic)	Tourism, ICT services	Tourism, transport, ICT services	Transport	Tourism, transport, ICT services	ICT services	ICT services	Transport, ICT services
Regional policy alignment	Transport, financial services	Transport, ICT services, financial services	Transport, financial services	Financial services			Financial services
Low savings rate	Financial services						
Fee licenses, standards, permits	Tourism, ICT services, financial services		Tourism, transport	ICT services		Tourism, transport	
Property rights		Financial services					
Weak industry organization		Tourism					

Source: ICTSD country studies on services supply side constrains in selected LDC (forthcoming)

CONCLUDING THOUGHTS

- Services play an increasingly important role for LDCs:
  - As a source of direct and indirect export with growing no of services becoming tradable;
  - As a source of competitiveness by providing inputs or acting as "facilitator" in many production processes:
    - By ensuring connectivity (logistics, communication) or;
    - By enhancing the productivity of factors of production (education, health).
- Due to their structural handicaps (low income base, economic vulnerability and weak human assets), LDCs face constraints affecting their ability to benefit from trade preferences;
- These tend to be country / sector specific;
- Waiver operationalization needs to go beyond the notification and monitoring of preferences in CTS and address these constrains:
  - Data limitation;
  - Private sector empowerment and awareness raising;
  - Research and analysis on identifying supply side constrains;
  - Technical assistance and capacity building (EIF, AfT).

CONCLUSIONS:
TOWARDS A COMPREHENSIVE SYSTEM OF PREFERENCES IN SERVICES

WHERE DOES THIS LEAVE US?

- Notified preferences are an important first step – better then expected, but less that what's needed
- Most thinking and proposal-making has not yet reached the idea of real-life, applied preferences
- LDC services export interests are now on the map
- But much more needs to be achieved → need for an international monitoring and support architecture and forum

WHAT NEEDS TO BE DONE?
RECOMMENDATIONS FOR A NEW STRUCTURE

- Data collection
- Research, analysis and information dissemination
- Capacity building and technical assistance (TACB)
- Forum for dialogue

Discussion

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