



MULTI-YEAR EXPERT MEETING ON

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Session 1. **Services trade, economic diversification and resilience to economic shocks**

Statement by Costa Rica



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STATEMENT BY COSTA RICA – JAIME COGHI

Good afternoon everyone and thank you for giving me the floor. I would like to focus my comments on the WTO Outcome on Services Domestic Regulation, which was achieved in December last year, that I have the honour to Chair, and how it relates to the questions before us this afternoon.

As you may be aware, on 2 December 2021, a group of WTO Members adopted a Declaration¹ to announce the successful conclusion of the negotiations on services domestic regulation: this is the first outcome in the field of services in 24 years in the WTO!

The geographic coverage of this outcome is rather extended. Seventy governments already signed up to it. This includes one least-developed economy, Timor-Leste, that announced its decision to join this outcome during the 12TH WTO Ministerial Conference. All together, the WTO members that are part of this deal represent 92.5% of world services trade.

The disciplines are a set of regulatory disciplines relating to licensing and authorization measures which service suppliers need to comply with to be authorized to supply a service. Their key objective is to ensure that existing liberalization commitments of WTO Members are not impaired by opaque and complex authorization procedures.

What is important to note is that the outcome on services domestic regulation does not question the right of regulators to impose the requirements they deem necessary for the fulfilment of public policy objectives. This is key: because by focusing on authorization procedures, the disciplines do not affect WTO Members' right to regulate services for the benefit of their societies.

¹ Declaration on the conclusion of negotiations on services domestic regulation, WT/L/1129, 2 December 2021

Substantively, the outcome on services domestic regulation responds broadly to business needs expressed under the three pillars:

- Transparency,
- Legal certainty and predictability, and
- Regulatory Quality and Facilitation.

On transparency related matters, the disciplines build on GATS obligations by enhancing requirements on publication and availability of information relevant to services suppliers and providing for the establishment of enquiry points to furnish such information. Furthermore, the disciplines contain best endeavour provisions to facilitate stakeholder engagement in regulatory design processes, through the publication of draft regulations and opportunity for comment for interested persons.

Under the pillar of legal predictability and certainty, the disciplines' objective is to ensure that competent authorities provide regulatory and procedural guarantees when dealing with applications for authorization to supply services, such as processing applications and providing information on decisions in a timely manner.

Finally, the disciplines also aim to improve the regulatory quality of services markets and facilitate trade in services, including by encouraging Members to accept electronic applications and authenticated copies of documents and requiring independence and impartiality of decisions by regulatory authorities.

This outcome on services domestic regulation provides for significant built-in flexibilities for its implementation that aim to preserve space for differences in WTO members' approaches to services regulation, and acknowledge differences in members' regulatory capacity.

There are also flexibilities that are specifically for developing countries. Developing countries can delay the application of specific provisions in sectors in which they face implementation difficulties. Finally, those Members that are in a position to do so are encouraged to provide specific technical assistance and capacity building to developing and in particular least-developed countries.

There is also one other very interesting aspect. This outcome contains a discipline on non-discrimination between men and women in authorization procedures for service suppliers. This is the very first time that a WTO legal text contains such a provision.

Let me now turn to some insights to the WTO and OECD² research on the economic effects to be expected from implementation of the outcome on services domestic regulation and that are related to the questions we have in front of us today.

Recent OECD findings suggest that the benefits from implementing the disciplines on services domestic regulation will result in significant reductions in trade costs, particularly in important backbone services sectors.

Implementation among the G20 economies can potentially reduce trade costs of up to 6%, over 3-5 years. The effects would be greater in highly regulated sectors, where licensing processes and recognition of qualifications are more prominent, such as commercial banking, telecommunications, and insurance, as well as computer and professional services. The savings could amount to more than 150 billion US dollars in the medium term.

Importantly, the OECD-WTO trade policy brief finds while exporters from all WTO members will benefit from the improved regulatory conditions when they trade with the Initiative's participants, the real gains will be for those WTO members that are implementing the disciplines at home in their domestic regulatory frameworks.

² WTO – OECD. Services Domestic Regulation in the WTO: cutting red tape, slashing trade costs, and facilitating services trade. November 2021 <https://www.wto.org/english/news_e/news21_e/jssdr_26nov21_e.pdf>

Implementation is likely also to generate broader trade benefits for the economy as whole. The WTO analysis³ shows that implementation is associated with an increase in services trade by all modes of supply. Economies that are following the good regulatory practices set out in the Reference Paper, trade substantially more services, than economies where regulatory systems are less clear and transparent and there remain procedural redtape.

Furthermore, the WTO analysis suggests that economies that apply more aspects of the disciplines tend to be more actively involved in global value chains. In today's intereconnected world, greater participation in value chains means an increase in productivity and diversification of exports, as well as new employment opportunities and further spill over effects, including knowledge and technological progress, skills development, and improved working conditions.

This brings me to the end of my statement. Thank you very much,

³ Staff Working Paper. Services Domestic Regulation – Locking in Good Regulatory Practices. Analyzing the prevalence of services domestic regulation disciplines and their potential linkages with economic performance. 17 September 2021. <https://www.wto.org/english/res_e/reser_e/ersd202114_e.pdf>