

Services policy, Uruguay Round Commitments and Doha Offers

Aaditya Mattoo

Based on: Batshur Gootiiz and Aaditya Mattoo (2009),
Services in Doha: What's on the Table?, *World
Bank Policy Research Working Paper* No. 4903;

and Aaditya Mattoo (2005), Services in a Development
Round: Three Goals and Three Proposals, *Journal
of World Trade*, vol. 39, 1223-1238.

Structure of presentation

- What is the New World Bank Services Policy Database?
- How far do Uruguay Round commitments and Doha offers reflect current policy?
- How can Doha deliver a developmentally desirable outcome?

Sector Coverage

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

Policy dimensions

- Barriers to entry – limits on or discrimination in licensing, ownership, legal form
- Restrictions on operations
- Regulatory environment

Data collection methodology

- Developing countries: legal firms in each country completed detailed questionnaires
- OECD countries: comparable information from public sources and through commissioned research
- Verification of findings by delegations to the WTO and World Bank country economists

Preliminary quantification strategy

- One possibility: expert judgment
 - For each sector and mode, policy information was summarized
 - Each summary obtains a score of restrictiveness
 - 5 discrete scores [0.00, 0.25, 0.50, 0.75, 1.00]
 - Exception: air passenger transport (use WTO estimates)

- Aggregation by weights
 - Modal weights: sector-specific
 - Sector weights: value added-based, same sector weights across countries
 - Country weights: equal weights for countries within the region

Planned improvements

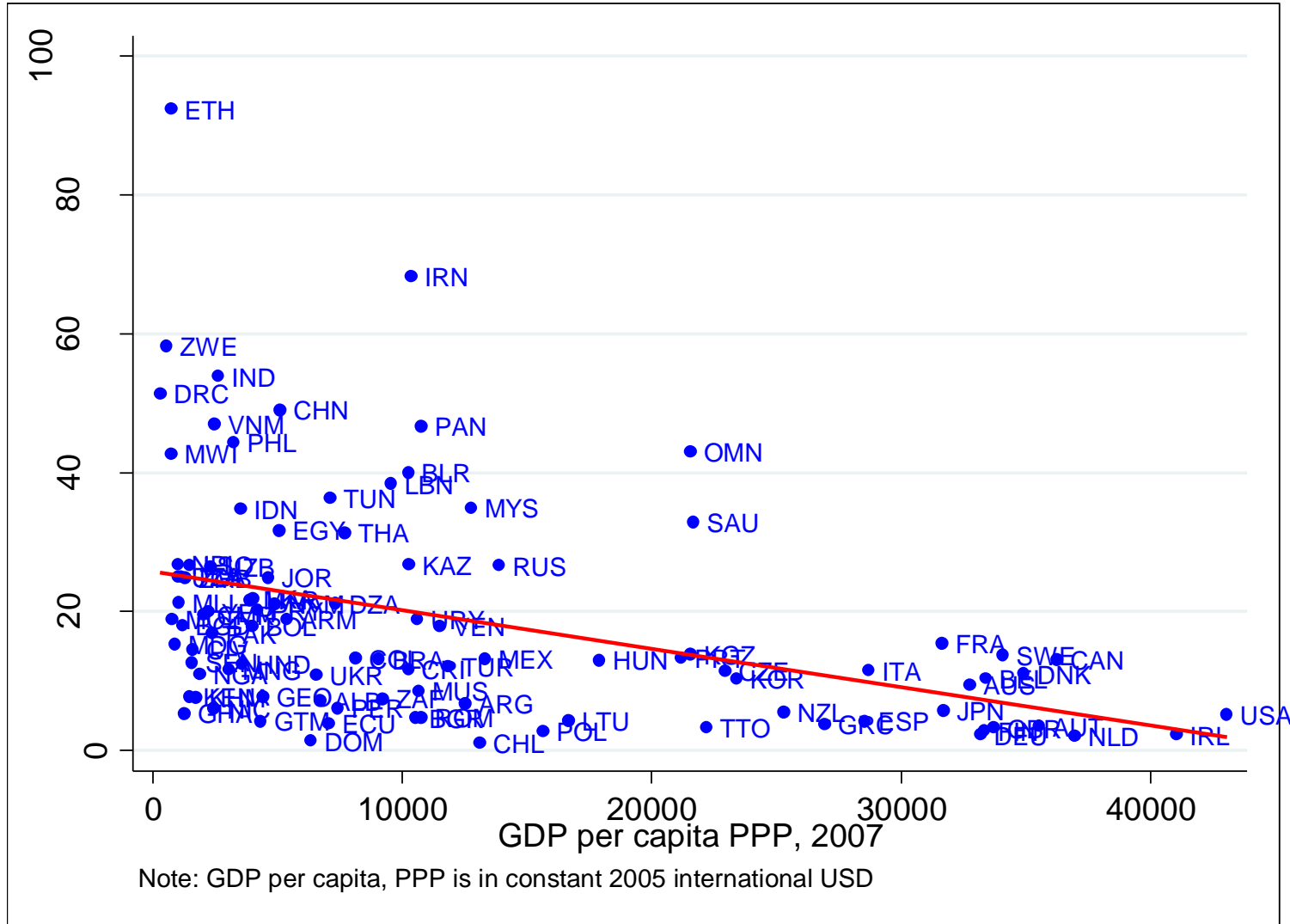
- Present results in narrative and quantitative form
- Form partnerships to generate updates

We need:

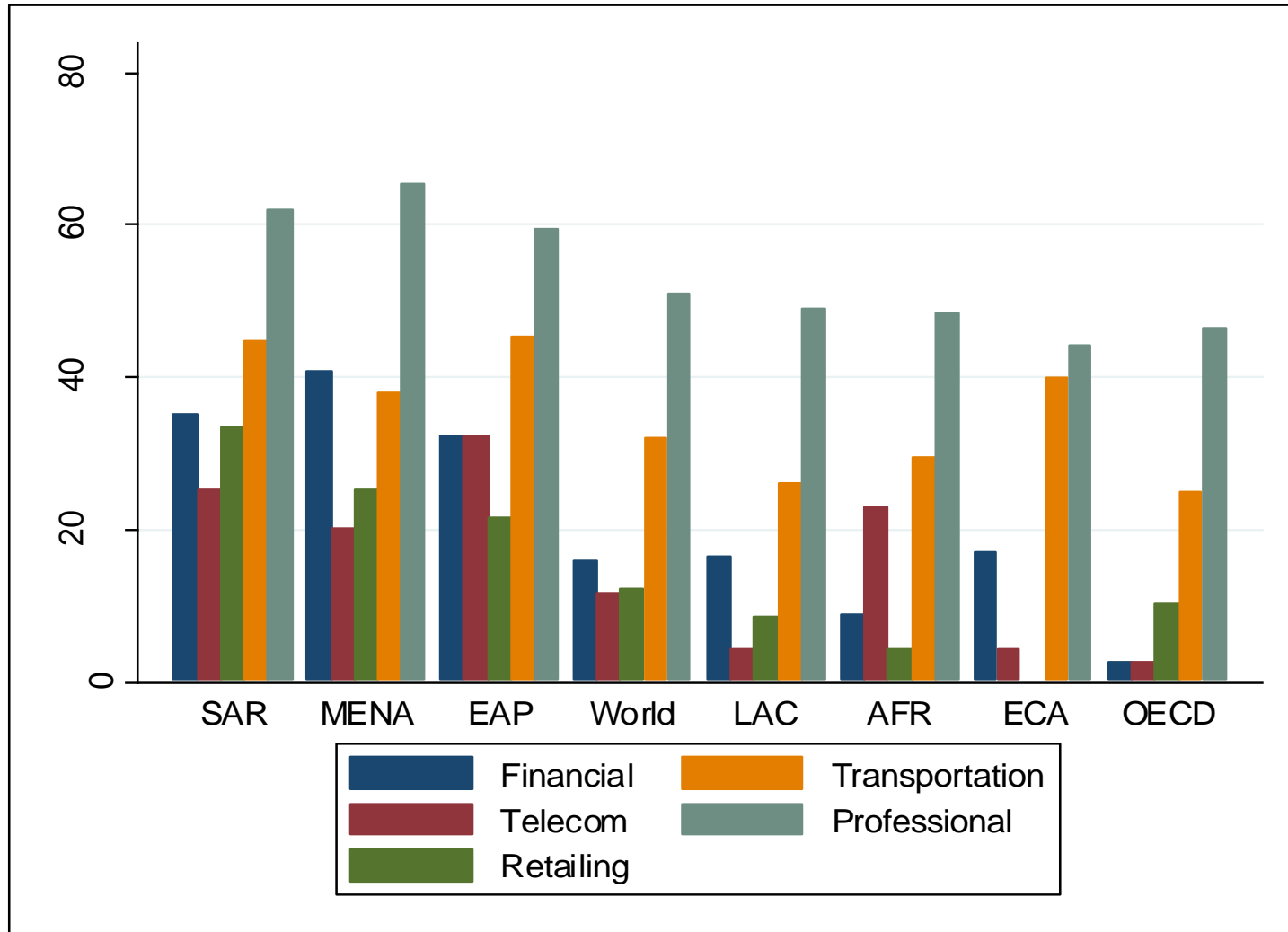
- Better understanding of relationship between modes of supply
- Better understanding of regulatory discretion
- Better data on market structure
- Better measures of performance
- Better understanding of combinations and sequences of policy reforms

Restrictiveness of services trade policy, 2007-8

Preliminary results for 98 countries



STRI by region and sectors



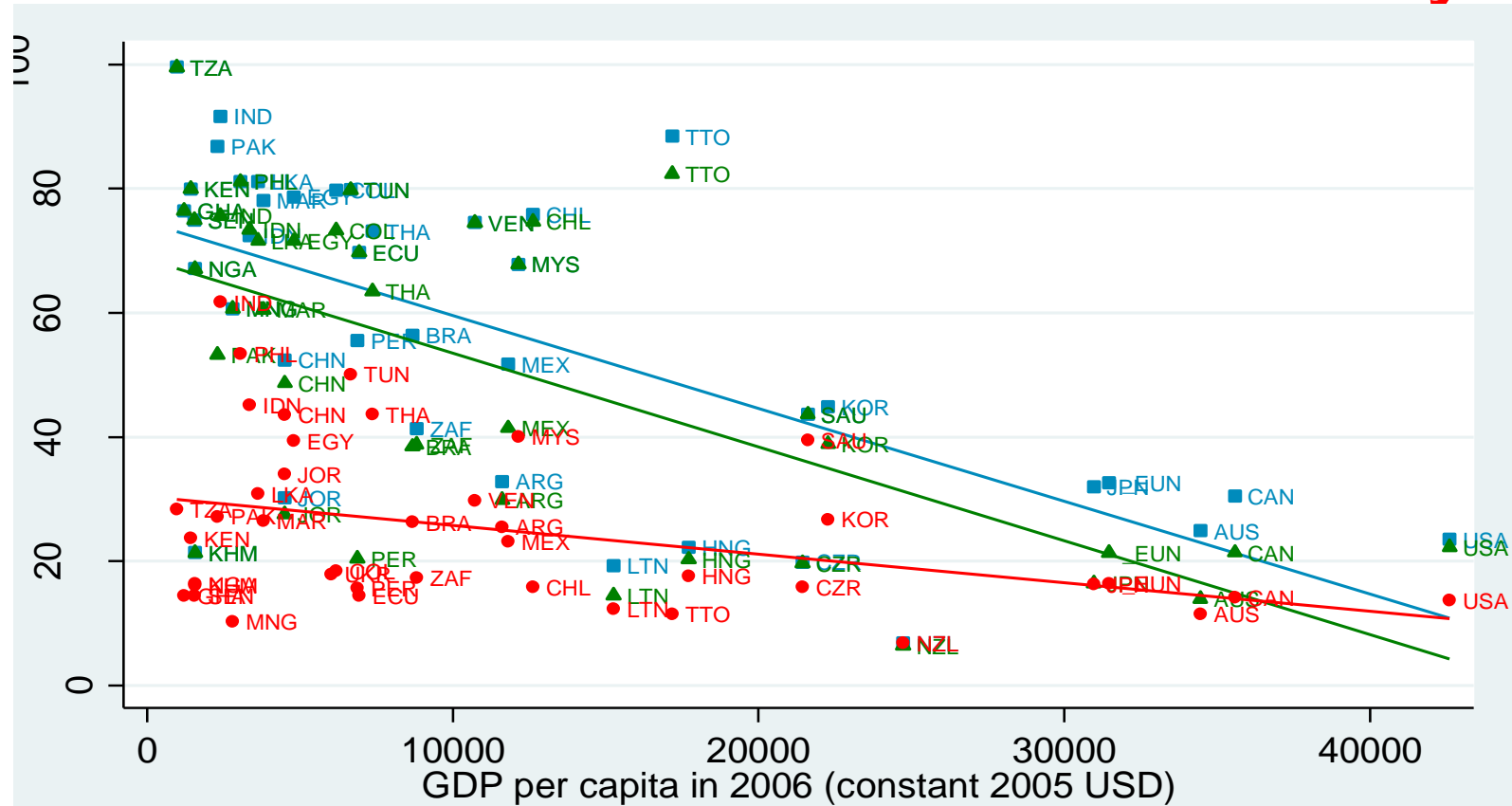
Source: Gootiiz, Mattoo 2009

Multilateral services negotiations: two levels of ambition

- only to harvest unilateral liberalization.
 - Difficulty of making the required legislative changes in negotiating context
 - Blistering technology cycle versus ponderous negotiating cycle

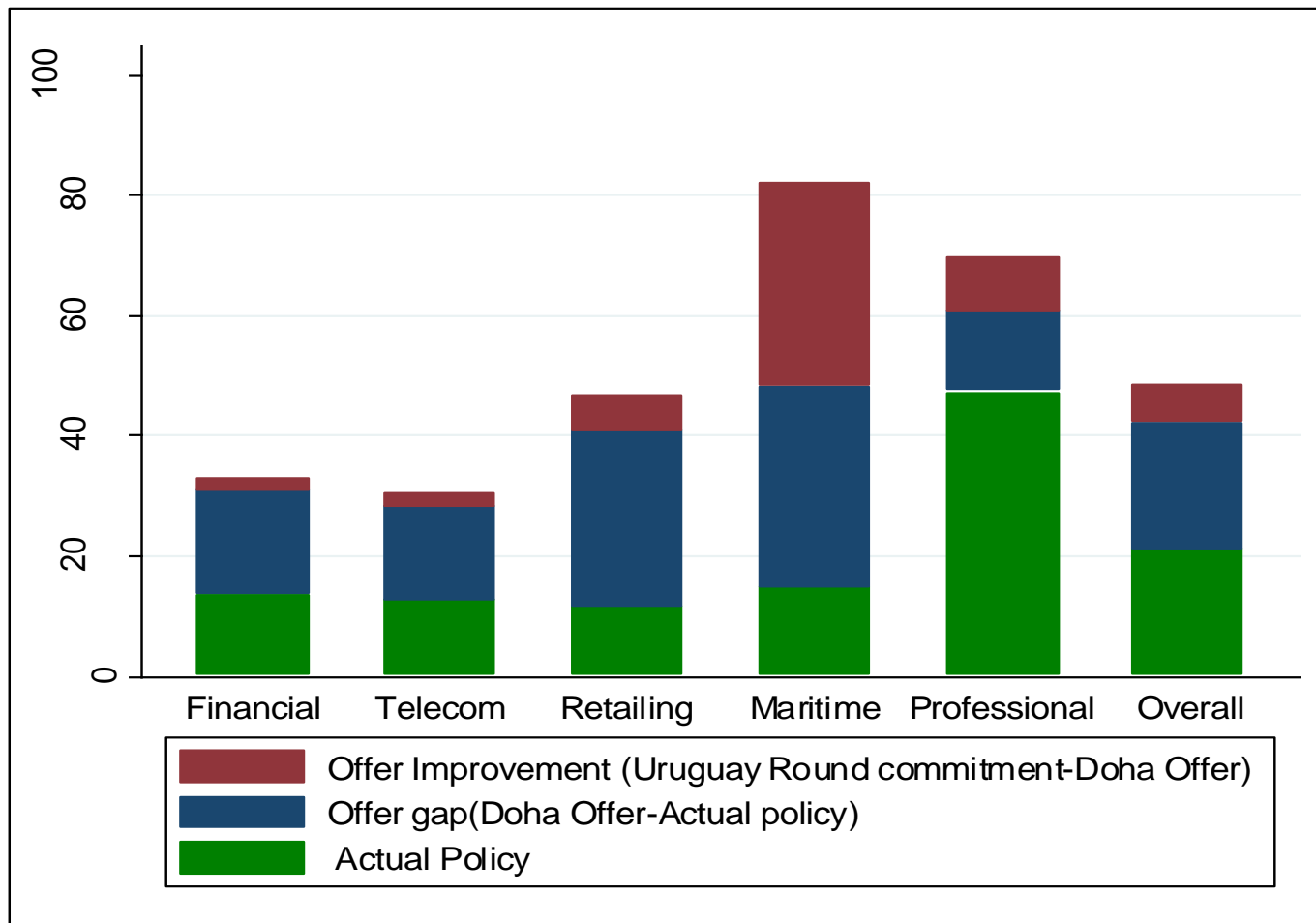
- to advance liberalization beyond unilateral levels.

Uruguay Round Commitments, Doha Offers and Actual Policy



- Restrictiveness of GATS commitments
- ▲ Restrictiveness of Doha Offers
- Restrictiveness of actual policies
- Fitted values (blue line)
- Fitted values (green line)
- Fitted values (red line)

Comparison of UR commitment, Doha Offers, and policies by Sector



Source: Gootiiz, Mattoo 2009

	OPEN
	Restrictive
	CLOSED

Mode 3/FDI: Current policies in services trade (2007-8)

Countries	Banking (retail)	Telecom-Fixed	Retailing	Maritime Int. Shipping	Accounting
China					
India					
Malaysia					
Indonesia					
Philippines					
Thailand					
Cambodia					
Argentina					
Brazil					
Chile					
Colombia					
Mexico					
Jordan					
Morocco					
Ghana					
Nigeria					
South Africa					
Kenya					
Australia					
Denmark					
Japan					
South Korea					
United States					

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 (2007-8)

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		

Why have countries been reluctant to commit multilaterally?

Diminished business interest because of:

- Unilateral and regional liberalization,
- Growing economic interdependence has reduced likelihood of policy reversal

Diminished government willingness because of:

- Regulatory unpreparedness
- Loss of regulatory freedom
- Lack of regulatory cooperation
- Unbalanced outcomes of negotiations

The crisis may affect each differently.

Concern 1: GATS negotiations can thrust liberalization on countries with weak regulation

For example in Zambia

- Banking was liberalized before establishing a proper regulatory framework.
 - 1991-1994: Ten new bank licenses issued
 - 1995-2001: Nine bank failures, causing estimated losses equivalent to 7 percent of GDP.
- Foreign banks today account for over two thirds of total assets, loans and deposits.
 - But credit to the private sector is only 8 per cent of GDP - lower than in 1990 and in most other Sub-Saharan African countries.
 - Only 5,000 people hold 90 percent of loans.

Goal: To promote desirable reform in developing countries by offering “aid for services trade”

Suggestion: Create credible mechanisms to strengthen regulation and access-widening policies in developing countries.

The WTO can lend credibility to, and monitor, both reform and assistance

Concern: GATS commitments deprive regulators of freedom to pursue legitimate objectives

The unexpected consequences of GATS commitments:

- EU: banana distribution services;
- Canada: auto pact;
- Mexico: telecommunications;
- US: gambling

**Goal: To lock in current openness,
especially on modes 1 and 2**

Suggestion: Focus of commitments should be national treatment (pre- and post-establishment); may strike the appropriate balance between deepening and widening commitments.

Once national treatment commitments are made, then consider disciplines on measures that do not discriminate in any way (i.e. the non-discriminatory elements of Article XVI and any “necessity” type elements of Article VI:4)

Concern: GATS does not facilitate the cooperation that must underpin liberalization

In mode 3: countries fear that committing to openness can expose them to instability (e.g. in financial services) or anticompetitive practices (e.g. in transport services)

In mode 1: countries fear that commitments to openness can expose them to imports from countries that have weak regulations, e.g. in financial services or in protection of data

In mode 4: obligations are assumed by host countries alone, to provide market access on an MFN basis regardless of conditions in source countries.

Goal: Allow greater freedom of movement of individual service suppliers

Suggestion: Allow market opening to be conditioned on the source countries assuming specific obligations.

E.g. mode 4: screening, accepting and facilitating return and preventing illegal migration

In general, broader regulatory cooperation is necessary for successful market access negotiations in , e.g.

mode 1: e.g. enforcement of privacy

mode 3: e.g. regulatory cooperation in financial services and enforcement of competition policy in transport services.

Concern: WTO negotiations will lead to an unbalanced or disappointing outcome

- Signs that countries may be holding back from making better offers because of the presumed “irreversibility” of offers and the fear that trading partners will not match their offers
- Hong Kong Ministerial launched a “plurilateral” process which produced ambitious requests but disappointing offers
- “Signaling conference” hinted at the possibility of better offers

Goal: To achieve a final package that is developmentally desirable and commercially relevant

Proposal: Instead of incremental, sectoral or modal negotiations, is it possible to define a final package which is balanced and contains something for everyone?

Would a critical mass of countries consider committing to:

- No new restrictions, especially on cross border trade in business services, and more open transport
- Precommitment to reform, especially on FDI, *and* a credible promise of regulatory assistance
- Greater scope for temporary migration *with* source country obligations