

# **Trade Policy Restrictiveness in Transportation Services**

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# Agenda

1. WB Services Policy Restrictiveness Database
  - Measurement of transport policies
  - Quantification
2. Global Patterns of Protection
3. Examples of policy impact
4. Questions to kick off discussion



# Database Coverage

- 102 countries: 78 developing countries surveyed, comparable data for 24 OECD countries
  - Six broad services sectors; different modes of supply where applicable
  - Multiple policy dimensions but focus on discriminatory policy measures
  - Mostly cross-validated by governments
- ⇒ more than 3,000 country-subsector-mode combinations

# Coverage: Transportation

Sector/Sub-sector	Mode 1	Mode 3
Transport		
Air passenger domestic		x
Air passenger international	x	x
Maritime shipping international	x	x
Maritime auxiliary services		x
Road freight domestic		x
Rail freight domestic		x

# Coverage Transportation

## — Mode 3 —

Regulatory Category	Measures considered
1) Market Entry	<ul style="list-style-type: none"> <li>• License limit / quota on market entry</li> <li>• Significantly discriminatory licensing</li> </ul>
2) Ownership, Legal Form	<ul style="list-style-type: none"> <li>• Greenfield, acquisitions, subsidiary, branch, JV</li> <li>• Foreign equity participation limits</li> </ul>
3) License procedures	<ul style="list-style-type: none"> <li>• Discrimination in licensing criteria</li> <li>• Allocation</li> <li>• License length, renewal and due process for rejection</li> </ul>
4) Aspects of Operations	<ul style="list-style-type: none"> <li>• Nationality requirement for board of directors</li> <li>• Nationality requirement for employees</li> <li>• Restrictions on repatriation of earnings</li> </ul>
5) Regulatory environment	<ul style="list-style-type: none"> <li>• Regulatory authority</li> <li>• Appeal of decisions, prior notice.</li> </ul>

# Coverage Transportation

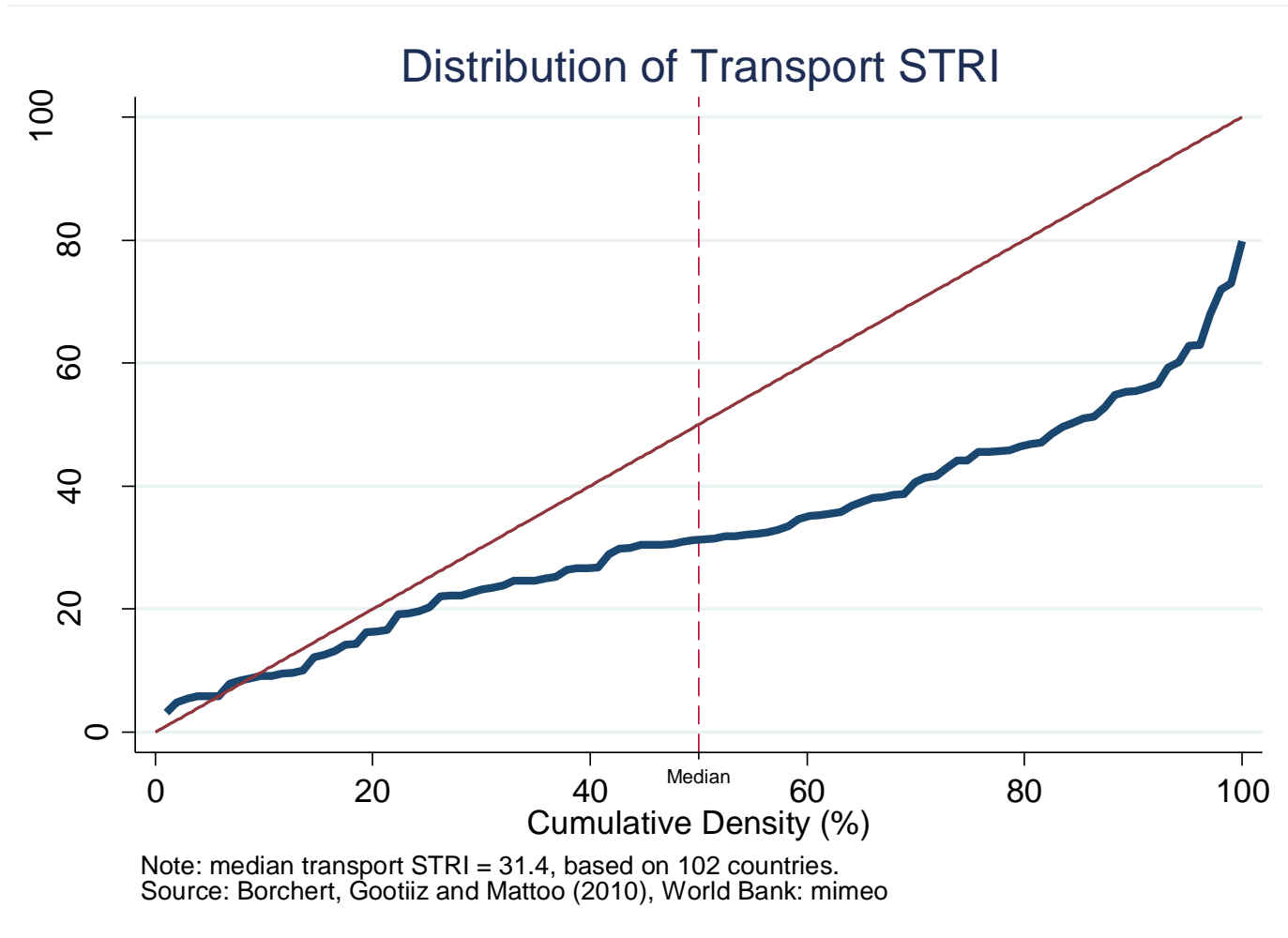
## — Mode 1 —

<b>Subsector</b>	<b>Measures considered</b>
Maritime shipping	<ul style="list-style-type: none"><li>• Cargo preferences (Liner / Bulk / Private / Government cargo)</li><li>• Liner conferences exempt from competition law</li></ul>
Air passenger transport	<ul style="list-style-type: none"><li>• WTO's Air Liberalization Index (ALI)</li></ul>

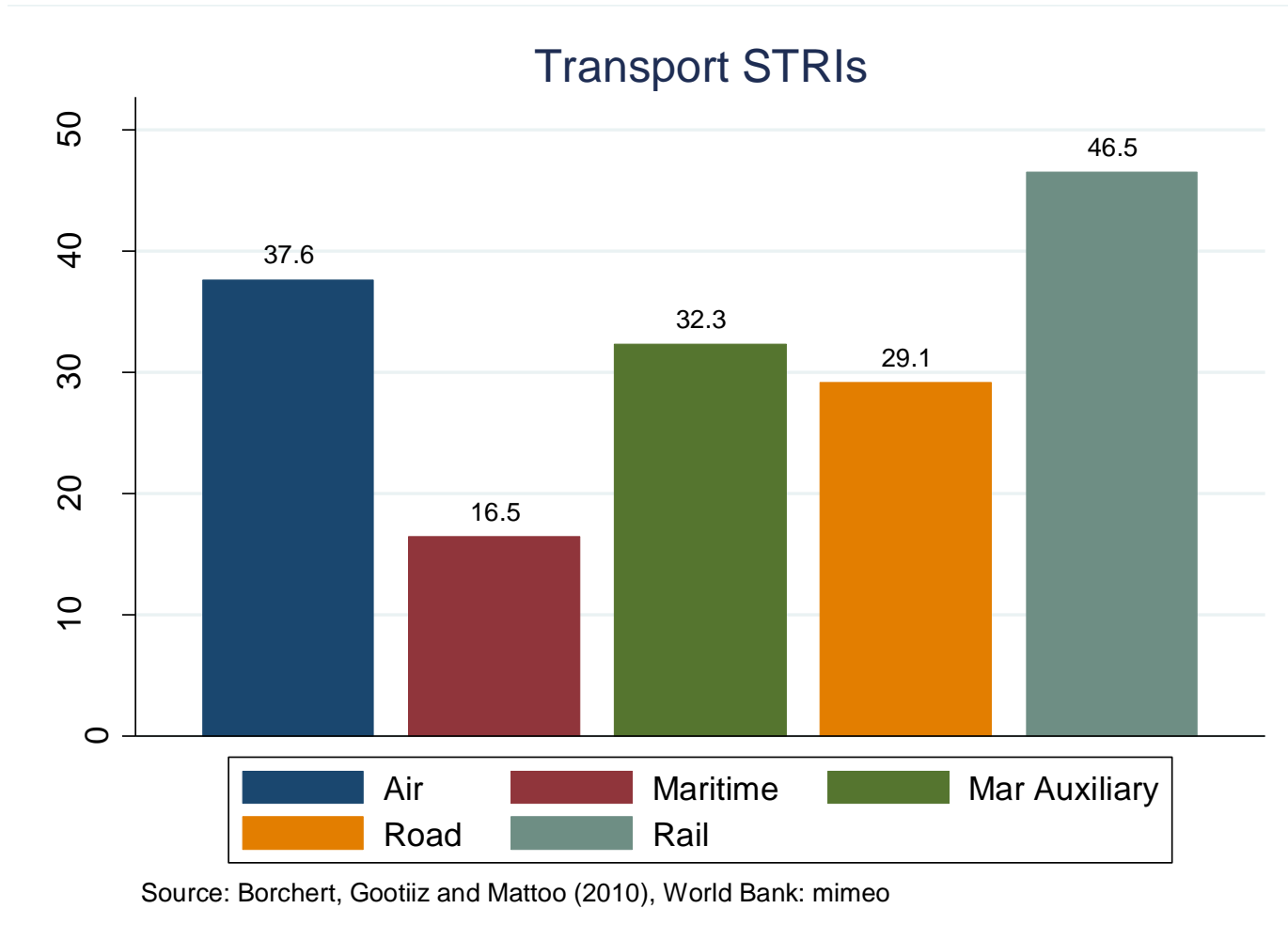
# Quantification: STRI Score

- Word Bank's STRI: expert judgment
  - Policy summary + scoring rules
  - Mapping on 5-point scale: [0, 25, 50, 75, 100]
- Aggregation by weights
  - Modal weights: sector-specific
  - Sector weights: value-added based
- Problems: cardinality, subjectivity, non-additivity across modes

# Restrictiveness of Services Trade Policy, 2008/09

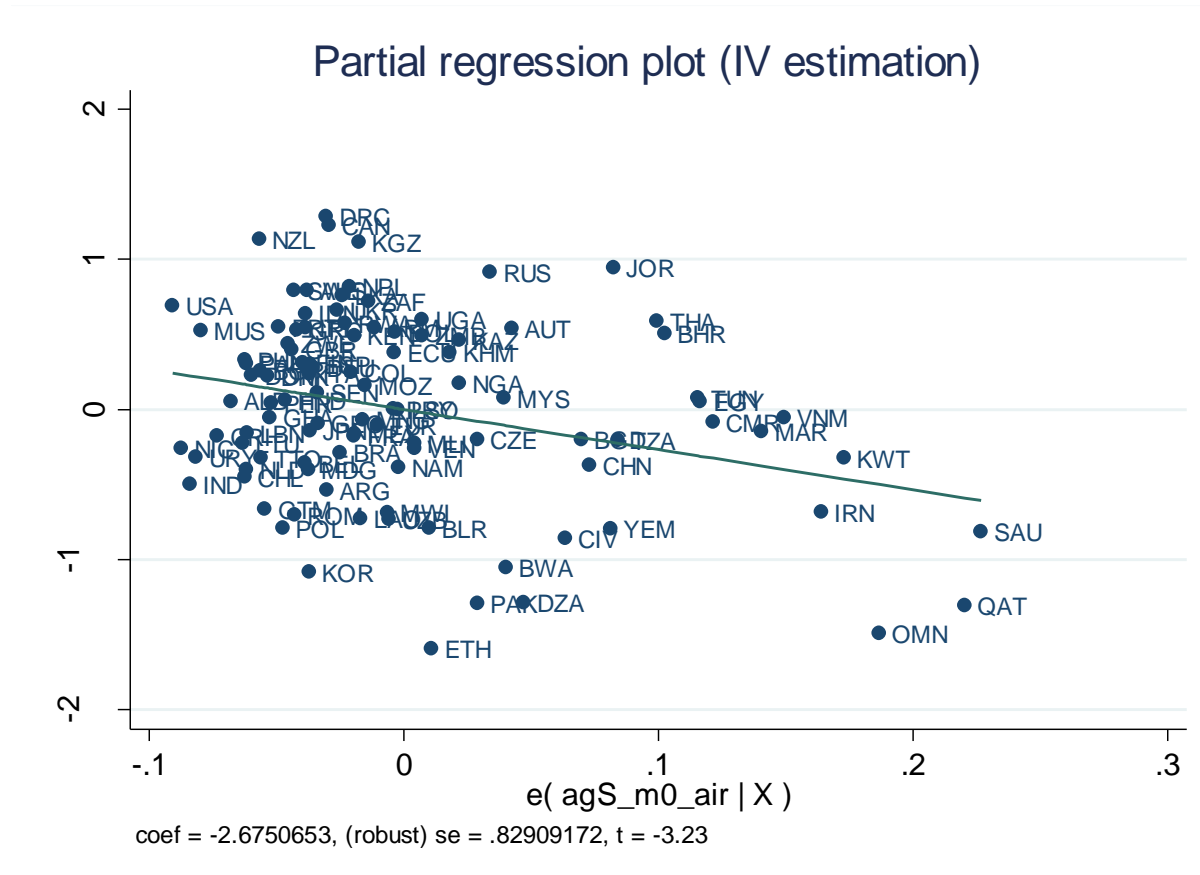


# STRI by Transport Sectors



# Example: competition in air transport

Higher STRI scores are associated with fewer airlines servicing a country:

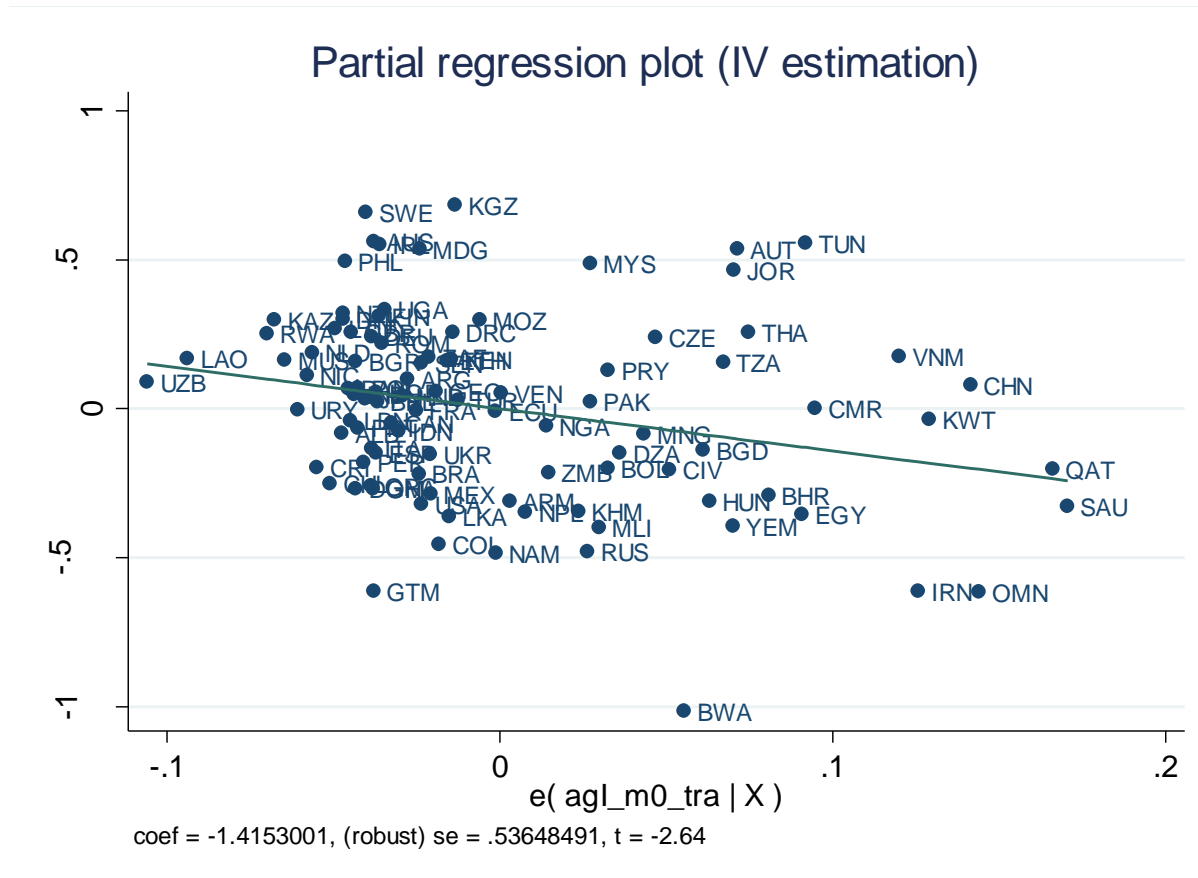


Covariates: log GDP, log GDP p.c., percent urban pop, pop density, landlocked dummy, Sub-Saharan Africa dummy, num large airports, air transport STRI.

Source: Borchert, Gootiiz, Grover and Mattoo (2010), World Bank

# Example: logistics prices

More restrictive transport policies are associated with lower availability of competitively priced logistics services (LPI 2009):



Covariates: log GDP, log GDP p.c., percent urban pop, pop density, landlocked dummy, Sub-Saharan Africa dummy, air transport STRI.

Source: Borchert, Gootiiz, Grover and Mattoo (2010), World Bank



# Services reform vital for trade facilitation

- Landlocked countries' air transport policies almost twice as restrictive as in coastal countries
- “Trade-facilitating” investments will earn a poor return unless accompanied by meaningful services reform
  - 77% of IDA's transportation funding over last decade (\$8.6bn) committed to roads, highways
- But countries (including the landlocked) cannot unilaterally reform international transport
  - exclusion of transportation from a “Doha development round” would be a serious omission

# What Other Aspects of Policy?

- Imperfect competition
  - ‘Tour de rôle’ in African trucking
  - Fink/Mattoo/Neagu (2002): private anticompetitive practices have greater impact on shipping prices than restrictive policies
    - ↔ Nov 9, 2010: EU commission imposes >\$1bn in fines on air cargo cartel
- ‘External effect’ of not enforcing competition policy
  - 12 countries still exempt liner conference from comp law
  - Not clear how far air transport services are subject to competition disciplines
- Other prudential / impartial regulation
  - e.g. airport slot allocation (Cairo)

# Questions

1. Do preliminary results look reasonable?
2. Get policy measure interactions right:
  - a) Across modes of supply
  - b) Across modes of transport (multimodal, logistics supply chain)
  - c) Other policy areas outside services
3. Get regulatory impact right
4. How to measuring policy discretion, uncertainty?

# Taking Stock

- For the first time describe policy patterns around the world; with focus on discriminatory trade policies
- Demonstrate how these measures matter
- Refinements regarding linkages across measures and across the logistics supply chain
  - Today's discussion!

**Thank you for your attention!**