Lowering trade costs through services domestic regulation reform

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BETTER POLICIES FOR BETTER LIVES

Key takeaways

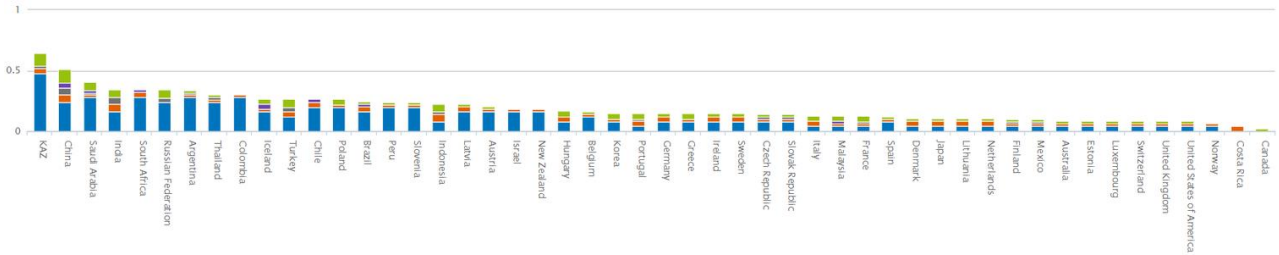
- OECD Services Trade Restrictiveness Index (STRI) can be used to assess the potential of reform proposal and policy scenarios.
- Joint Initiative on Services Domestic Regulation leads to improvements in a wide range of trade-related policy areas.
- For all participating economies, this could reduce services trade costs by around 4% on average.
- Annual trade cost savings are in the range of USD 150 billion.

What is the OECD STRI?

Regulatory database



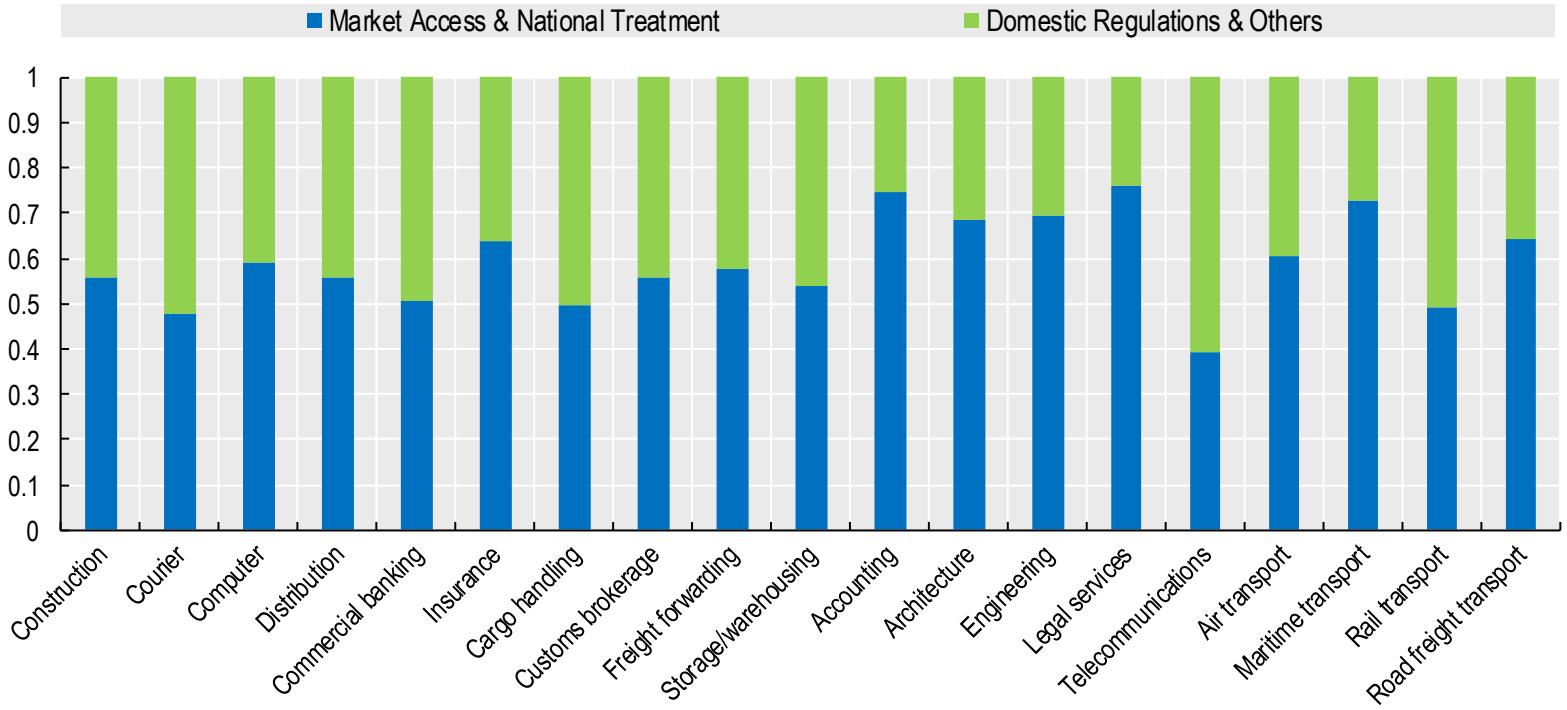
Indices



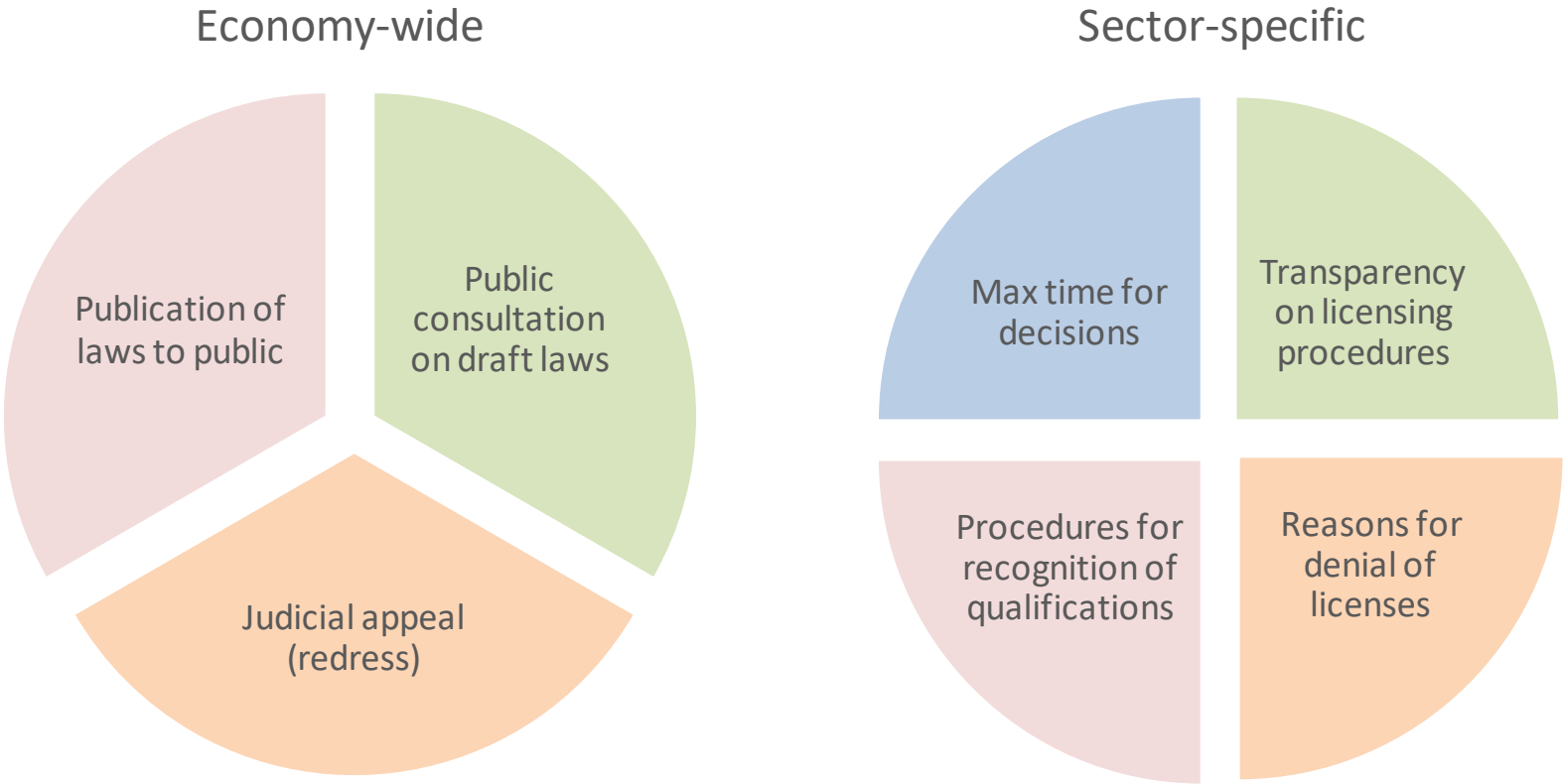
Characteristics of the STRI

- 50 economies, 22 sectors, 8 years:
- Standardised set of binary measures: between 61 (computer services) and 143 (insurance) per sector.
- Classified under five policy areas
    1. Restrictions on foreign entry
    2. Restrictions to the movement of people
    3. Other discriminatory measures
    4. Barriers to competition
    5. Regulatory transparency

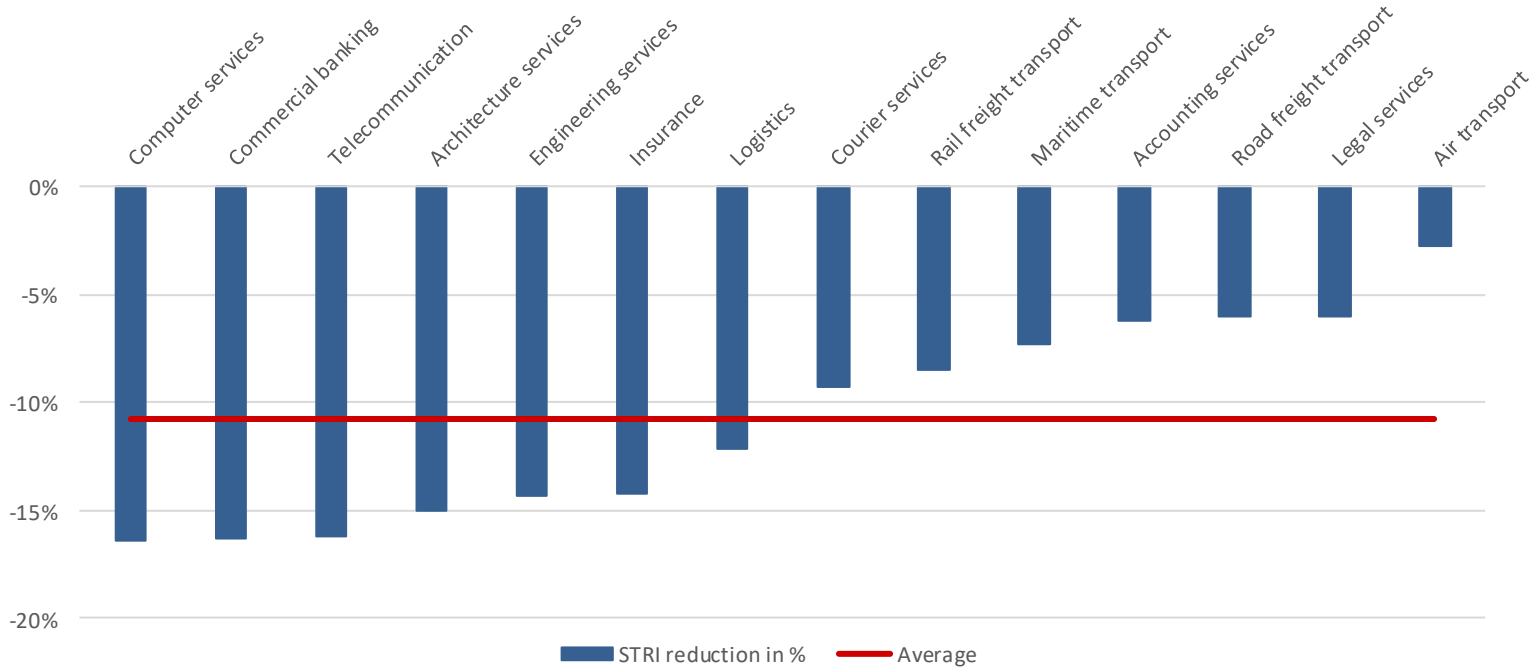
Share of domestic regulation vs market access & national treatment in the STRI



Domestic services regulation in the STRI (examples)

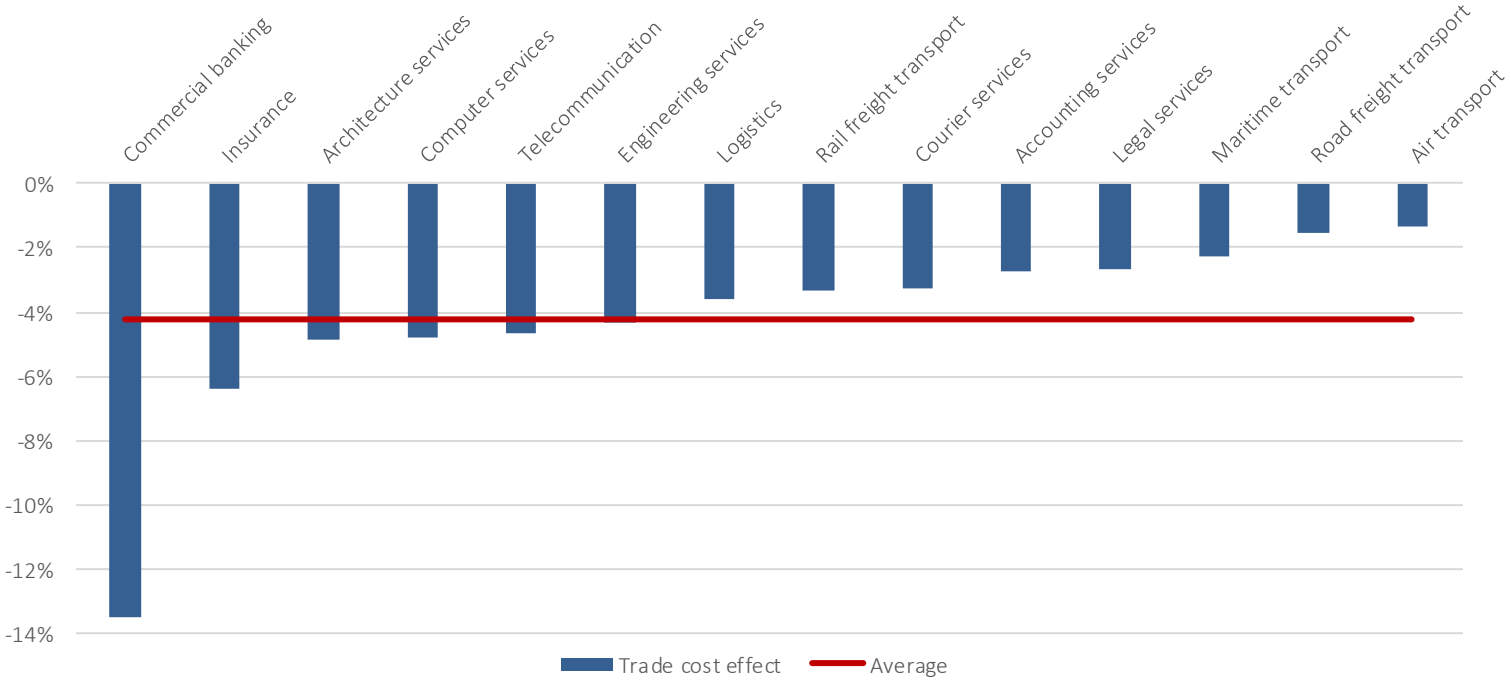


Full implementation of the reference paper implies significant reduction of trade barriers..



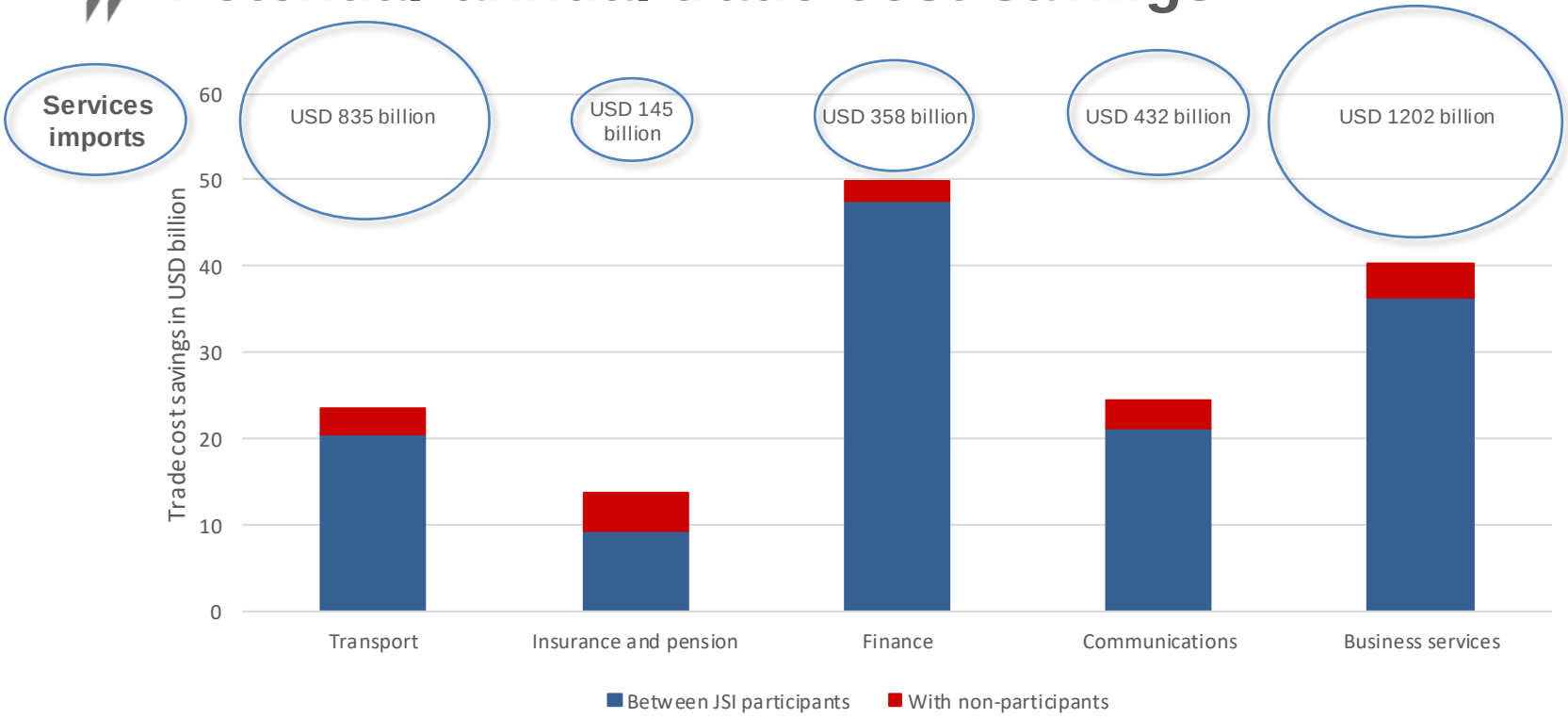
Note: Simple average over 52 SDR JI participants for which OECD STRI data are available. Values of some sectors are based on a smaller number of countries. Trade-weighted average of intra-EEA restrictiveness and MFN restrictiveness for EU members. Trade data from the OECD-WTO Balanced Trade in Services dataset (BaTIS).

..and trade costs for services



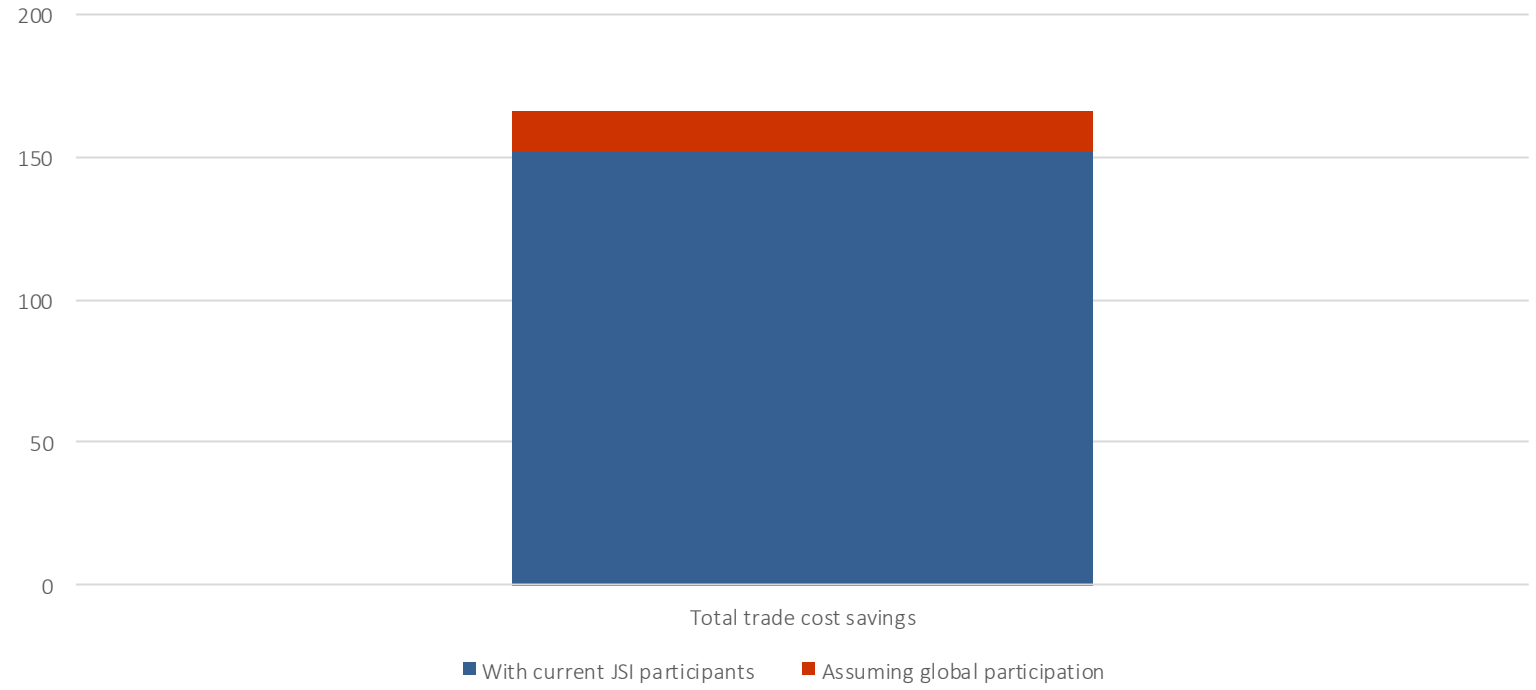
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Potential annual trade cost savings



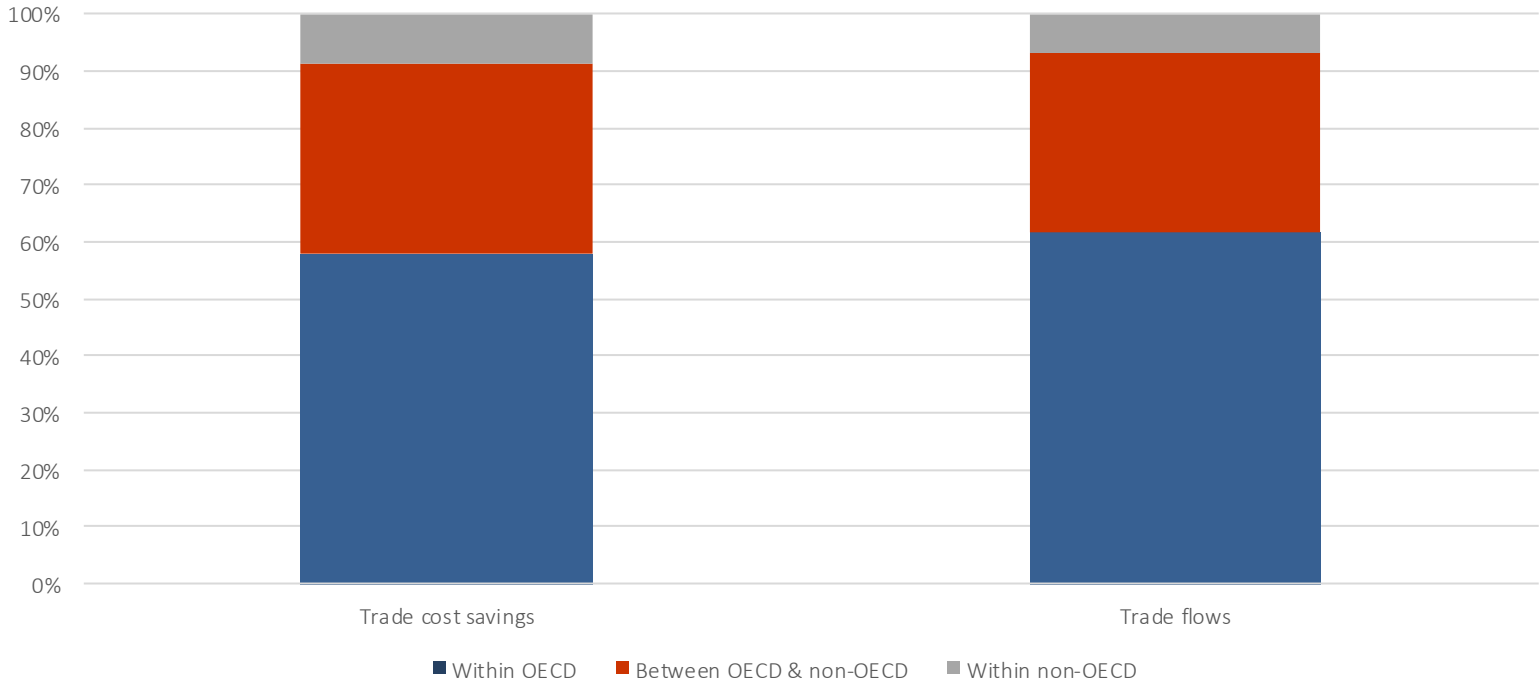
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Expanded participation could bring further gains



Note: Sum over 52 SDR JI participants and 10 further economies for which OECD STRI data are available. Values of some sectors are based on a smaller number of countries. Trade -weighted average of intra-EEA restrictiveness and MFN restrictiveness for EU members. Trade data from the OECD-WTO Balanced Trade in Services dataset (BaTIS).

Distribution of trade cost savings and trade flows



Note: Sum over 52 SDR JI participants and 10 further economies for which OECD STRI data are available. Values of some sectors are based on a smaller number of countries. Trade-weighted average of intra-EEA restrictiveness and MFN restrictiveness for EU members. Trade data from the OECD-WTO Balanced Trade in Services dataset (BaTIS).

Conclusions

- Joint Initiative on Services Domestic Regulation is an avenue towards reduction of services trade costs.
- Based on the current list of participants, annual trade cost savings are in the range of USD 150 billion.
  - A large share of these savings comes from trade in financial services and business services.
  - Roughly USD 17 billion result from services exports of non-participants to participants.
- Expanding the number of participants could bring additional trade cost savings of around USD 15 billion annually.
- Non-OECD countries could play a role for more than one third of annual gains.

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