Services Domestic Regulation in the WTO: Cutting red tape, slashing trade costs, and facilitating services trade

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Background & Purpose of the Research

- WTO Staff Working Paper (September 2021)
- OECD Trade Policy Briefs (June and October 2021)
- Joint OECD-WTO Trade Policy Brief (November 2021)

➔ **Economic benefits that could result from implementing the outcome on services domestic regulation**

Four Key Takeaways

The implementation of the outcome on Services Domestic Regulation could:

1. *Improve the business climate*
2. *Looking-in good regulatory practice and facilitate international services trade*
3. *Lower trade costs and lead to broader trade benefits for the economies*
4. *Significant trade costs savings beyond the participants*

TRADE BENEFITS OF IMPLEMENTING SERVICES DOMESTIC REGULATION

The Analysis

- Sample on SDR disciplines in 74 RTAs covering 151 WTO Members
- Construct scores on the level of inclusion of SDR disciplines and correlate with indicators of economic performance
- *Assumptions*:
  - SDR provisions in RTAs have been implemented domestically in good faith (Article 26 of the Vienna Convention on the Law of Treaties)
  - Implementing regulations of RTA obligations are applicable on an MFN basis

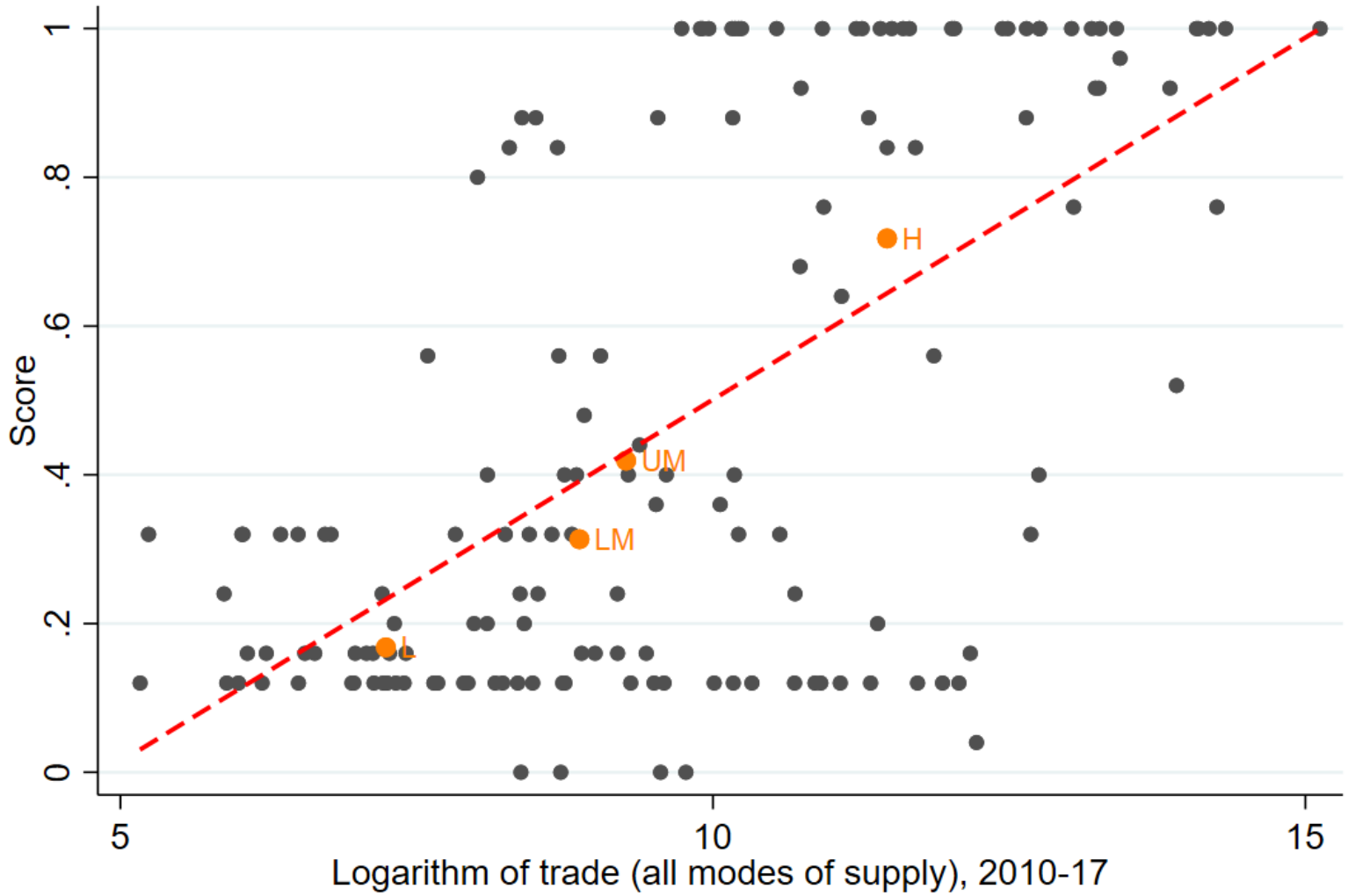
The Methodology: SDR Scores

- Simple average across the SDR disciplines, ranging from 0 (discipline absent) to 1 (discipline adopted)
- Equal scoring of hard and soft obligations
- Select most ambitious obligation of each discipline for Members that signed more than one RTA

The Methodology: Correlations

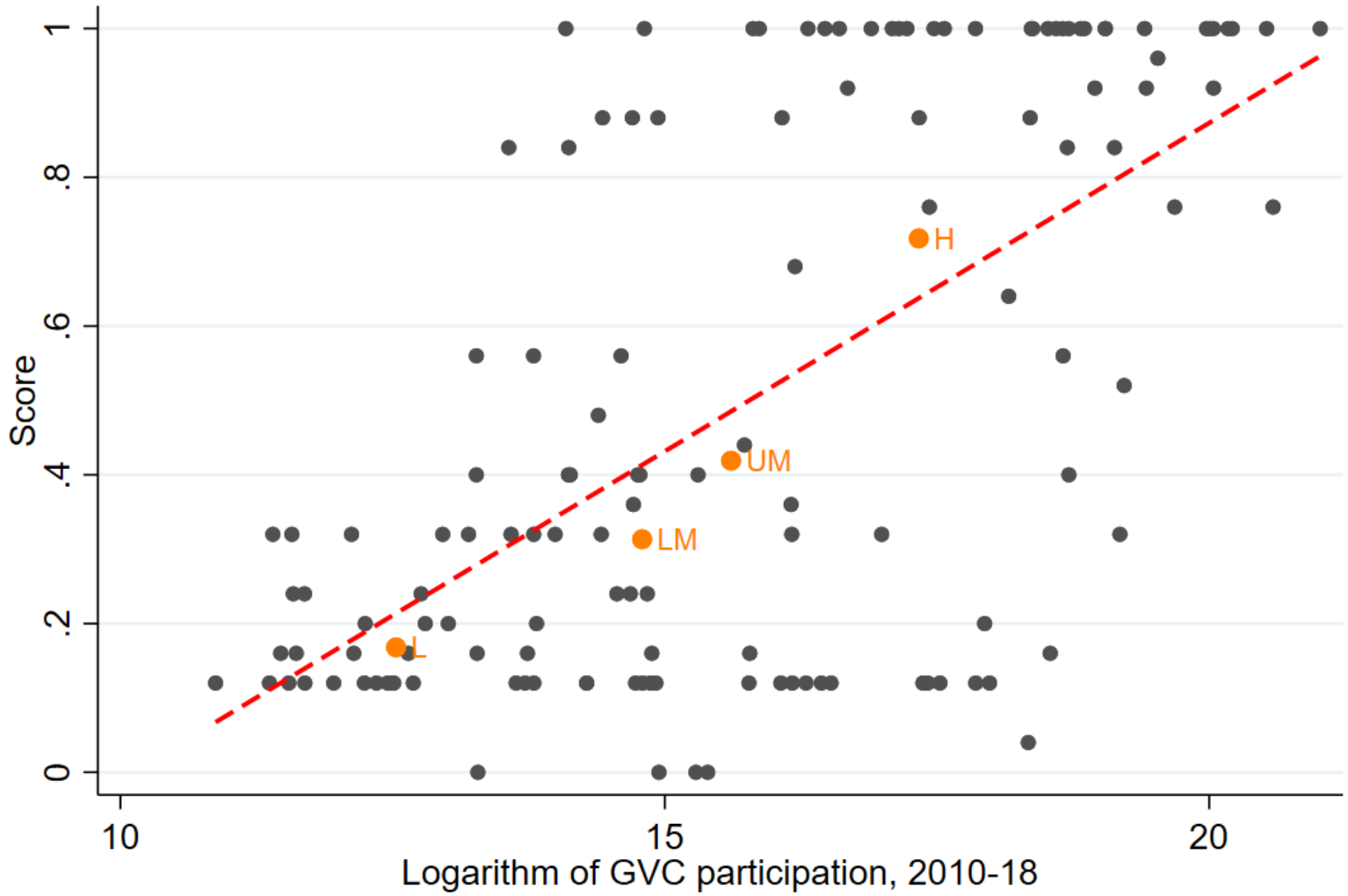
- Correlations between SDR scores and indicators of economic performance
- Average between 2010 and 2017-19 (depending on data availability) for economic indicators to smooth annual fluctuations
- Average scores for low, lower-middle, upper-middle and high-income economies for comparison across income groups
- Not possible to draw any causal conclusions from the correlation analysis

SDR Disciplines and Services Trade



Note: H, UM, LM and L denote the average for high, upper-middle, lower-middle and low income economies.
Number of economies: 150

SDR Disciplines and GVC Participation



Note: H, UM, LM and L denote the average for high, upper-middle, lower-middle and low income economies.
Number of economies: 136