

Focus on Services Domestic Regulation - Regulatory disciplines in economic integration initiatives and economic benefits deriving from their implementation

Simply Services Seminar - Tuesday, 21 September 2021

Markus Jelitto: markus.jelitto@wto.org

Elena Bertola: elena.bertola@wto.org

Laura Baiker: laura.baiker@wto.org

WTO Staff Working Paper – Background



Initial Basis - Individual requests by WTO Members to the Secretariat

- *Is our domestic regulatory system sufficiently aligned with substance of disciplines under negotiation in the JSI?*
- *What could be the economic benefits from implementation of the disciplines?*

Main Tools - World Bank-WTO Services Trade Policy Database; data available from other instruments of good regulatory practice (World Bank, OECD)

WTO Staff Working Paper – Objectives



1. Review to what extent the SDR disciplines have found their way into trade agreements
2. Assess the degree to which Members have already implemented the SDR disciplines in their regulatory frameworks
3. Analyze the potential linkages between the application of the SDR disciplines and economic performance

The Paper can be accessed [here](#)

Transparency



Ensuring prompt availability of information to service suppliers and stakeholder involvement

- Availability of information needed to comply with requirements and procedures for authorization
- Enquiry points for services suppliers
- Publication of draft measures and opportunity for comments

Legal certainty and predictability



Establishing regulatory and procedural guarantees to be followed by competent authorities when dealing with applications

- Indicative timeframes for processing applications
- Information on status and decision on applications
- Reasonable time between publication of measures and entry into force
- Granted authorizations to enter into effect without undue delay

Regulatory quality and facilitation



Disseminating good regulatory practices to facilitate services suppliers' ability to trade

- Acceptance of electronic applications and authenticated copies of documents
- Independent and impartial decision making by competent authorities
- Reasonable and transparent authorization fees

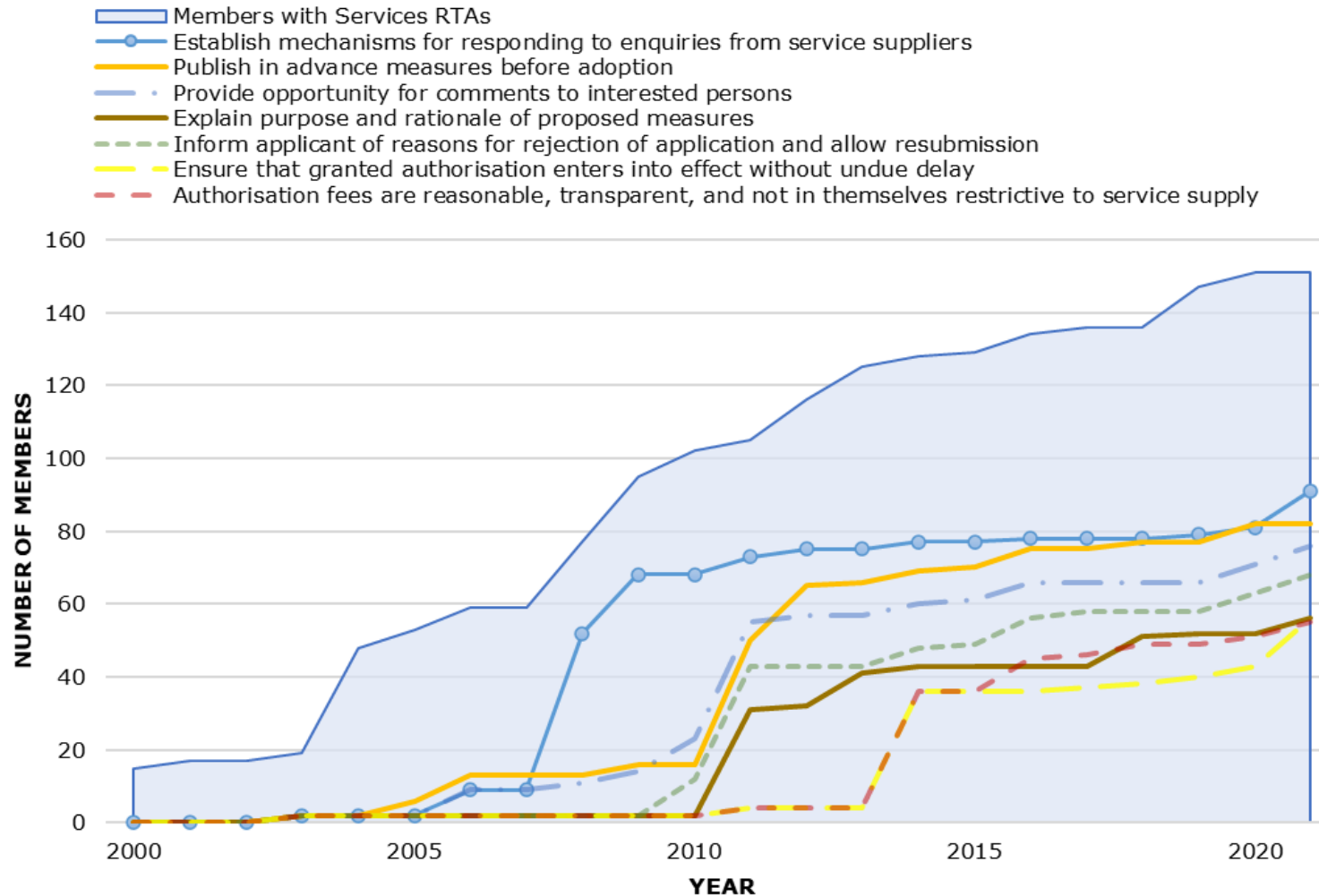
ANALYZING THE PREVALENCE OF SERVICES DOMESTIC REGULATION DISCIPLINES IN REGIONAL AND BILATERAL TRADE AGREEMENTS

SERVICES DOMESTIC REGULATION AND TRADE AGREEMENTS – THE ANALYSIS

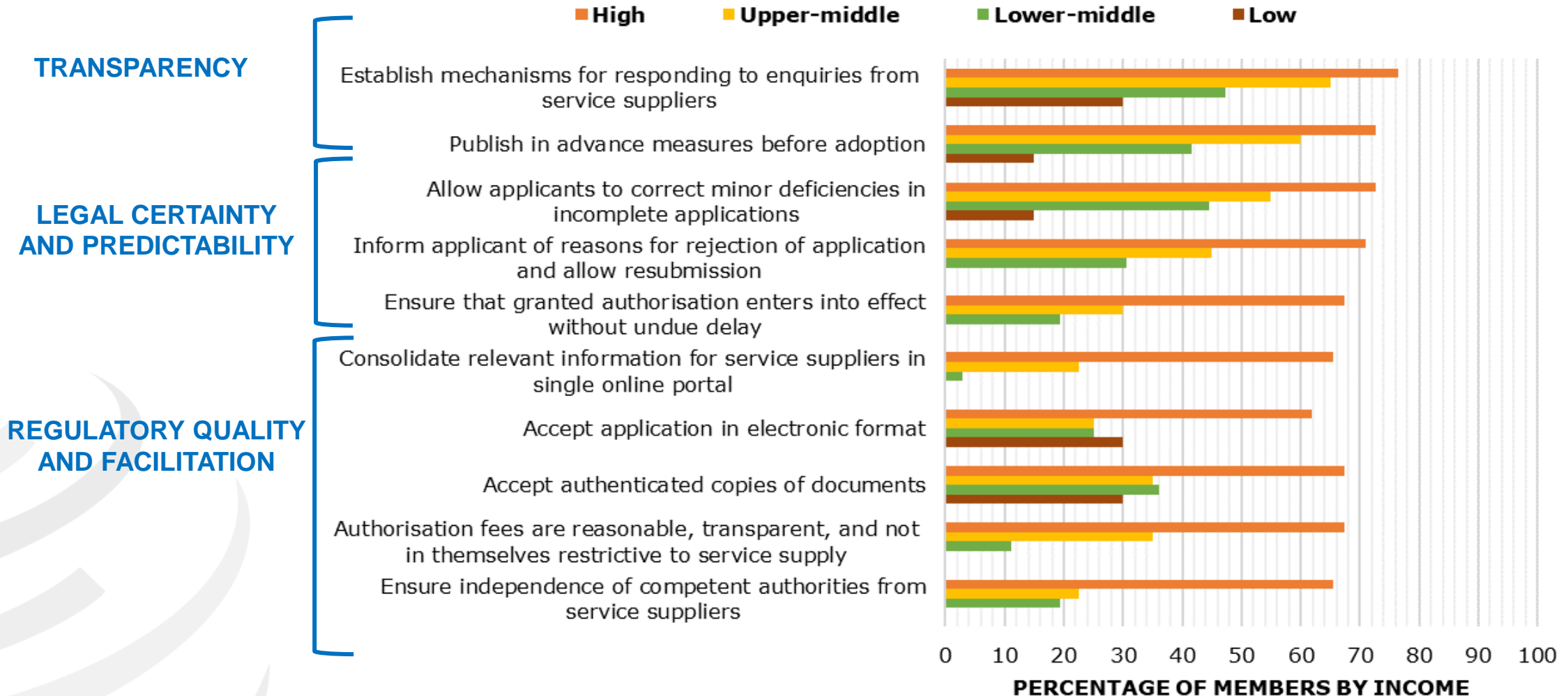


- 74 RTAs covering services
- 151 WTO Members
- **All substantive SDR disciplines as designed by the Joint Initiative,** except for
 - Discipline on non-discrimination between men and women
 - Discipline on developing domestic technical standards through open and transparent processes

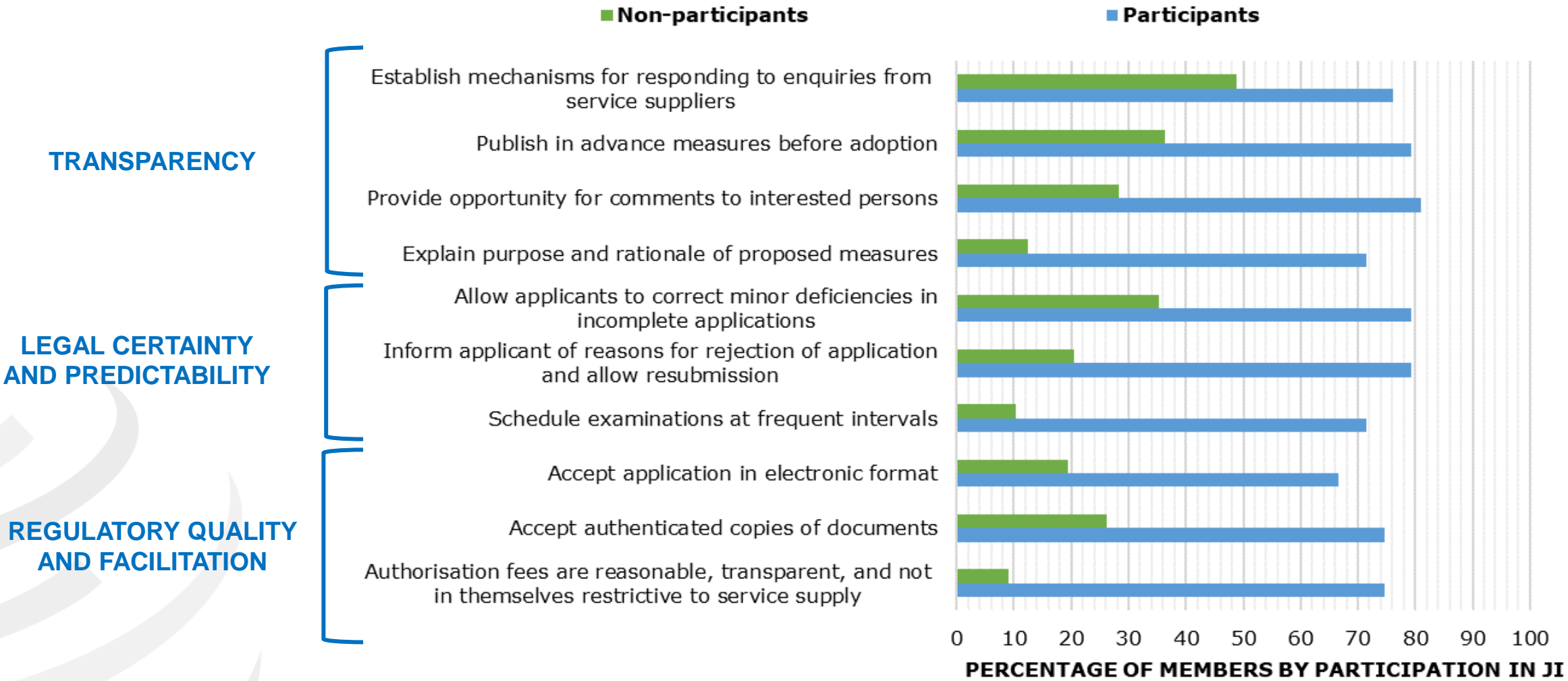
How widespread has been the inclusion in RTAs of regulatory obligations in line with the SDR disciplines?



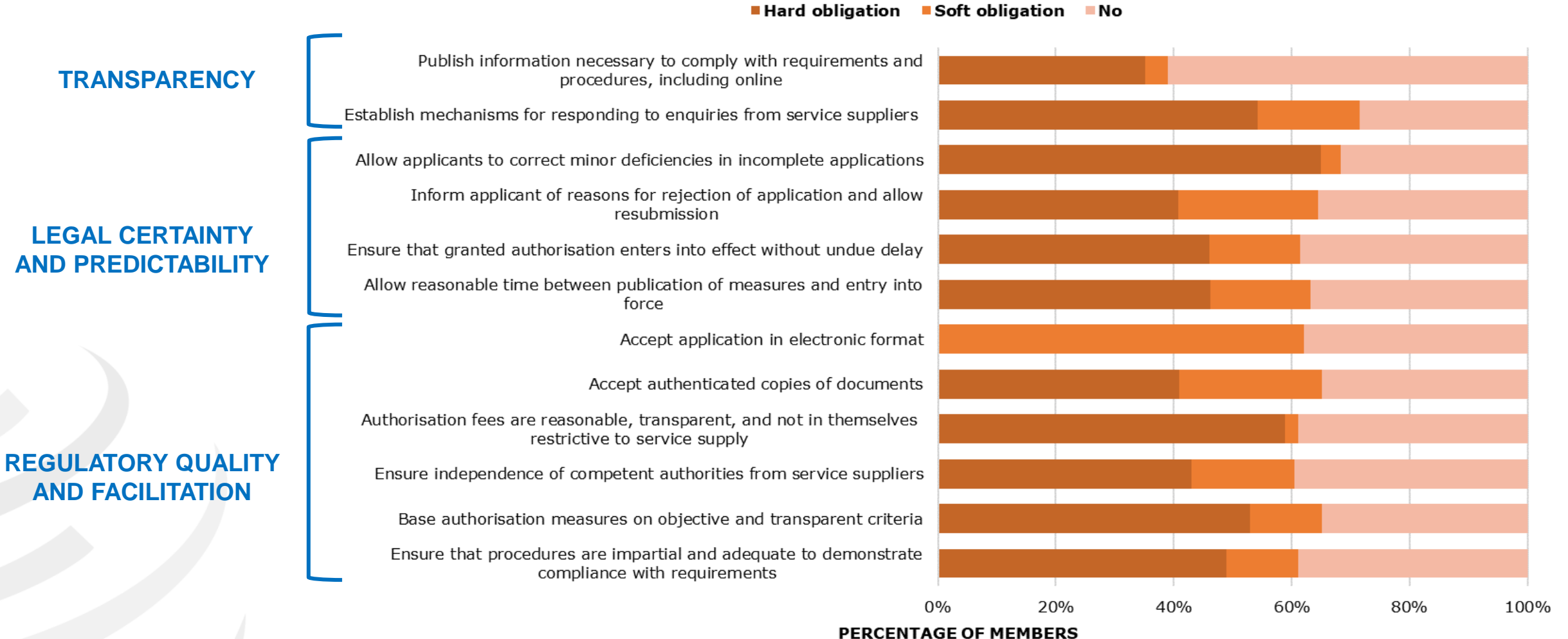
Does the practice vary between economies at different levels of income and across regions?



Is the practice limited to WTO Members that are participating in the Joint Initiative?



How does the legal nature of regulatory obligations in RTAs compare with the SDR disciplines?



**POTENTIAL LINKAGES BETWEEN THE
APPLICATION OF SDR DISCIPLINES
AND ECONOMIC PERFORMANCE**

INTRODUCTION

- Growing importance of Services Domestic Regulation in RTAs
 - ➔ **Are there potential linkages between the application of SDR disciplines and economic performance?**
- Sample on SDR disciplines in 74 RTAs covering 151 WTO Members
- Construct scores on the level of application 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

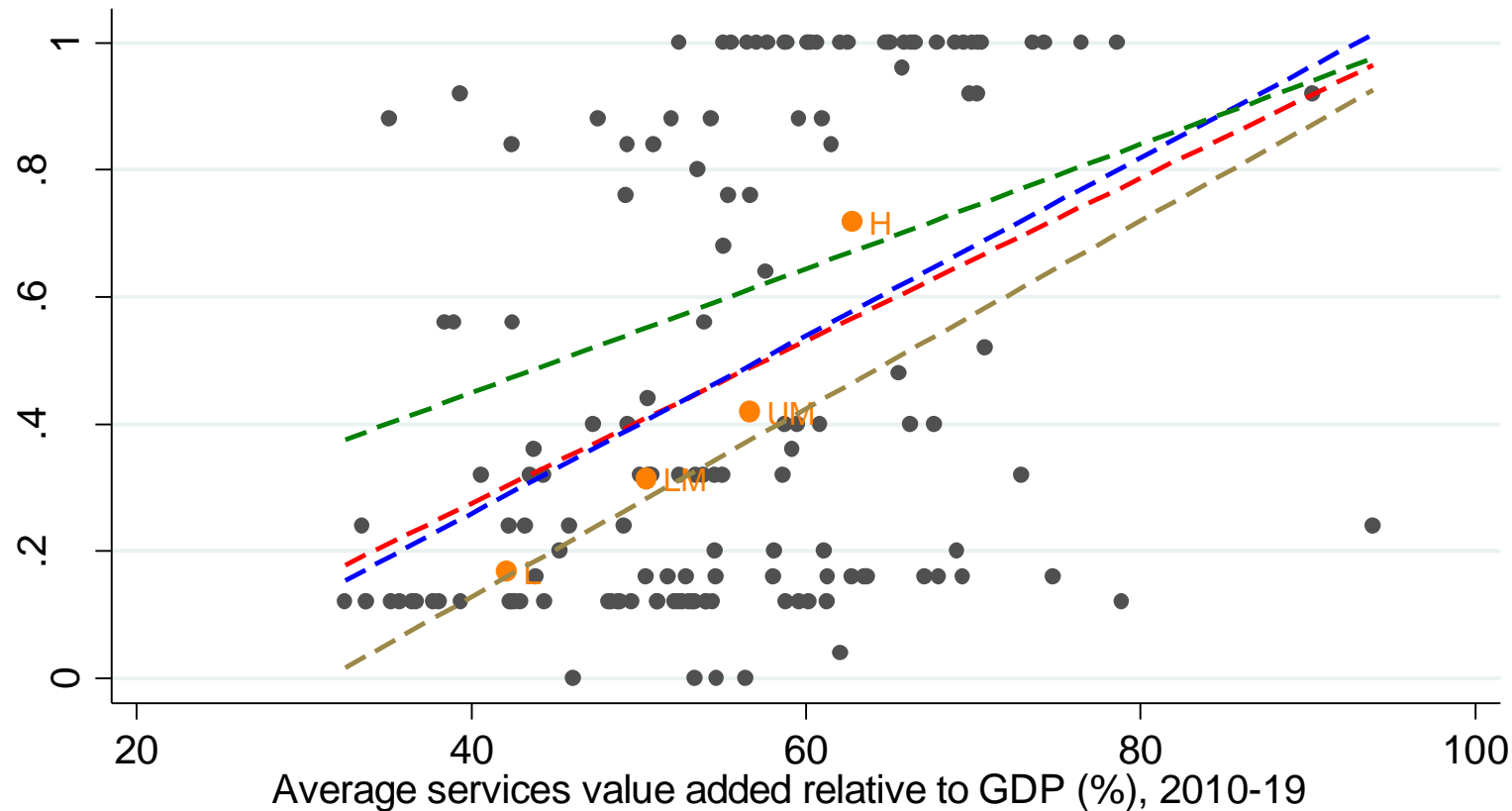
THE SDR SCORES

- Simple average across the SDR disciplines, ranging from 0 (discipline absent in RTAs) to 1 (discipline included in RTAs)
- Equal scoring of hard and soft obligations
- Select most ambitious obligation of each discipline for Members that signed more than one RTA
- Four different scores:
 - i. overall score;
 - ii. disciplines on transparency;
 - iii. disciplines on legal certainty and predictability;
 - iv. disciplines on regulatory quality and facilitation

THE ANALYSIS

- Correlations between SDR scores and indicators of economic performance (e.g. services sector, services trade, GVC participation)
- Average between 2010 and 2017-19 (depending on data availability) for each economic indicator 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

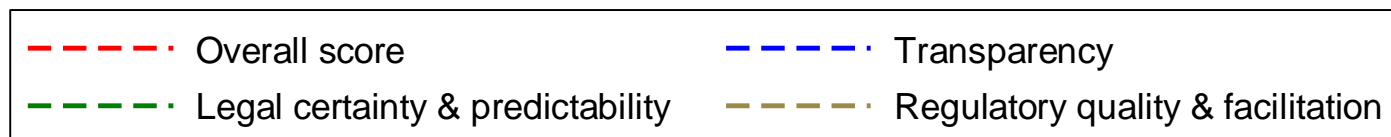
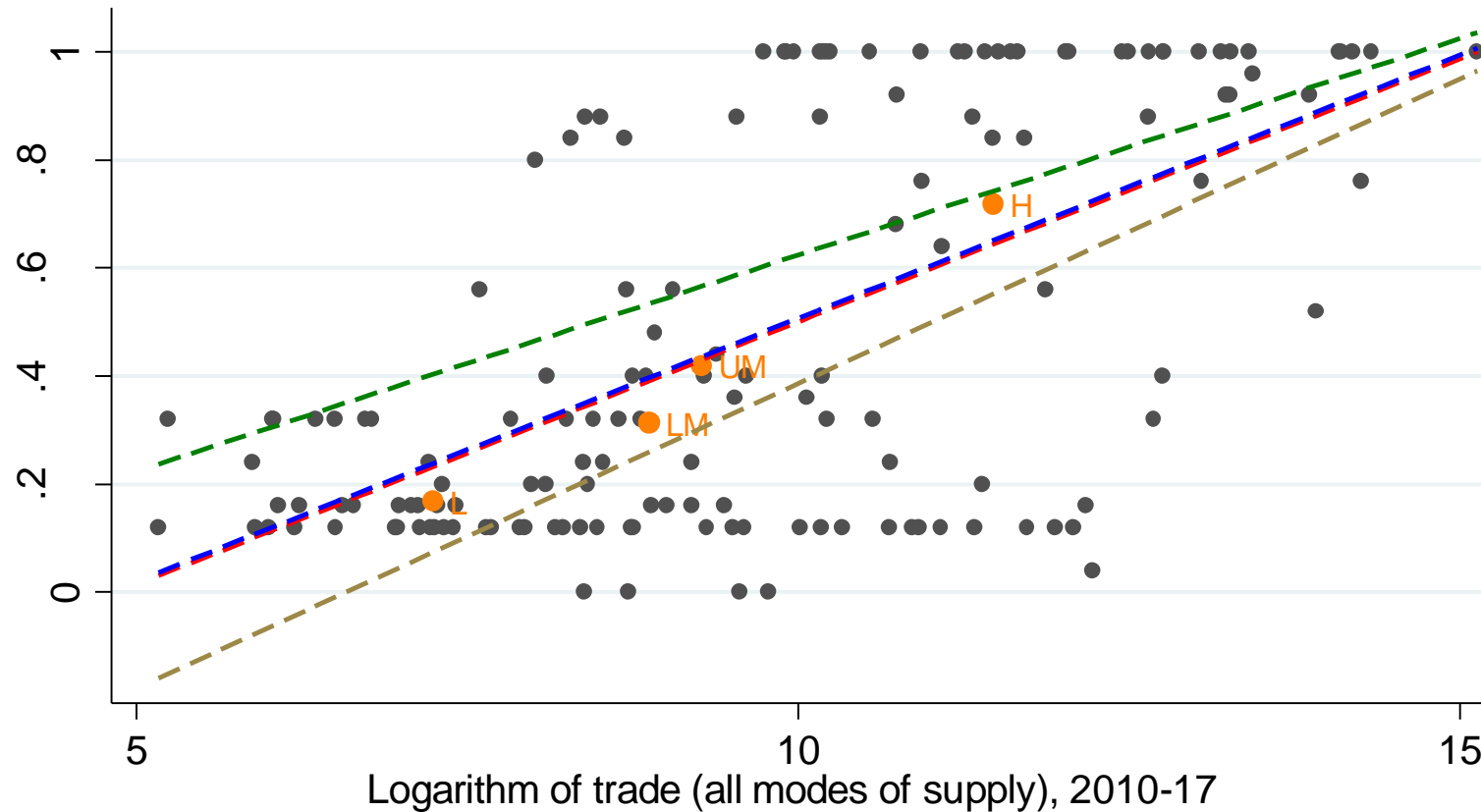
SDR DISCIPLINES AND RELATIVE SIZE OF THE SERVICES SECTOR



--- Overall score --- Transparency
--- Legal certainty & predictability --- Regulatory quality & facilitation

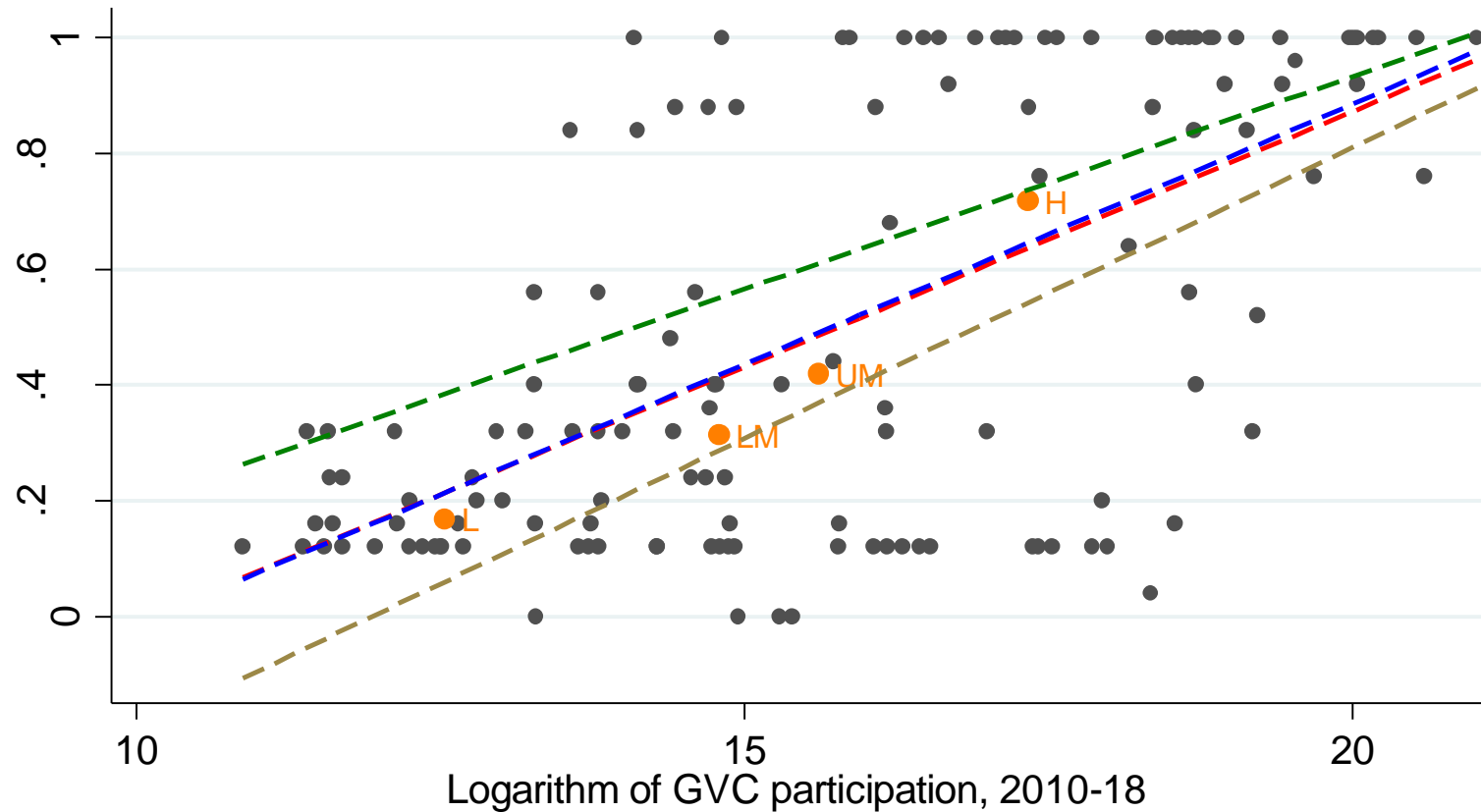
Note: H, UM, LM and L denote the average for high, upper-middle, lower-middle and low income economies.
Correlation coefficient (overall score) = .46
Number of economies: 148

SDR DISCIPLINES AND SERVICES TRADE



Note: H, UM, LM and L denote the average for high, upper-middle, lower-middle and low income economies.
Correlation coefficient (overall score) = .55
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.
Correlation coefficient (overall score) = 0.56
Number of economies: 136

CONCLUSION

- Positive correlation between application of SDR disciplines and economic performance
 - Application of SDR disciplines is associated with larger domestic services sectors, more services trade and higher participation in GVCs
- Locking in good regulatory practices could provide new opportunities for service suppliers to participate in global economy
- Initial results using data on SDR disciplines in Members' applied regimes point to similar relationships
- Assessment of Members' performance in this analysis can be made available upon request