



**Asia-Pacific  
Economic Cooperation**

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2018/GOS/SYM/004

## **The World Bank/WTO Services Trade Policy Database**

Submitted by: University of Sussex



**Symposium on Services Trade  
Singapore  
30 May – 1 June 2018**

# **The World Bank/WTO Services Trade Policy Database**

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**APEC Symposium on Services Trade**

**Singapore, 30 May 2018**

# Disclaimer

- I deliver this presentation in my personal capacity.
  
- All interpretations and conclusions expressed are personal. They should not be attributed to either the World Bank or the WTO Secretariat, or WTO members or the Governments they represent.

# Agenda

1. The WB/WTO's "Services Trade Policy Database"
  - ▶ Aim and Purpose
  - ▶ Coverage (countries, sectors, modes, policies)
2. WB/WTO STRI: Methodology and Interpretation
3. Global Patterns of Policy Restrictiveness (preliminary)
4. Q&A | Discussion

# Background

Prior initiatives at WTO and WB

- ▶ World Bank: WB Services Trade Restrictions Database, 2012
- ▶ WTO: GATS commitments database, services statistics, RTAs database

2013: WB-WTO join forces (MoU)

- ▶ Services Integrated Trade Information Portal (I-TIP services)

2014: OECD releases STRI and regulatory database

2016-now: Enhanced co-operation between WB/WTO and OECD

# Policy Transparency

Limited knowledge on service trade policies despite economic importance

Services Trade Policy Database: Part of 'I-TIP Services'

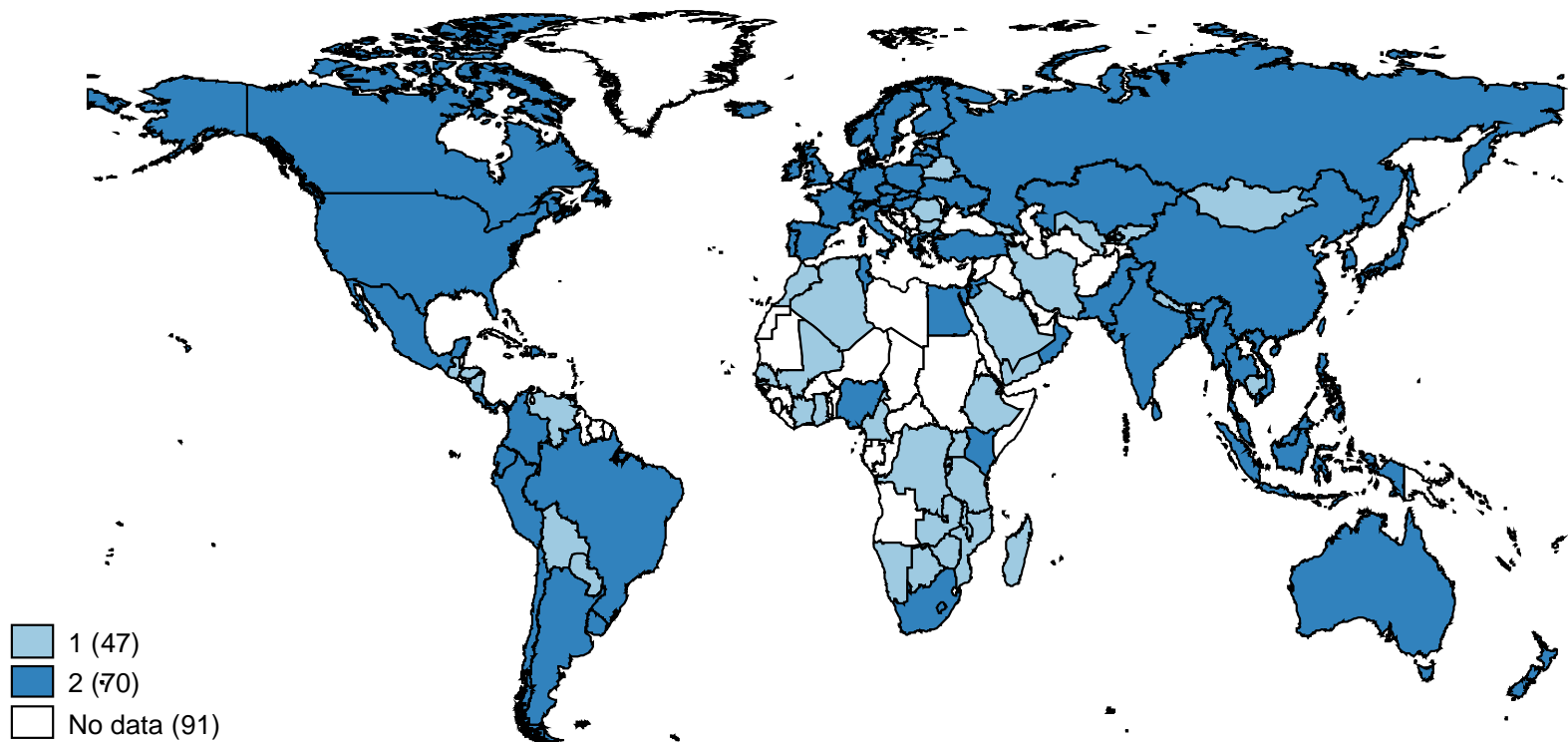
- ▶ Repository of applied policy measures
- ▶ Set of STRI scores

Principal aims and uses:

- ▶ Transparency about frictions and costs of protectionism; building support for best regulation and policy reform
- ▶ Analyses of services trade policies
- ▶ Informing international negotiations (WTO)
- ▶ Facilitation of trade in services by creating a resource for business

# Coverage

STPD coverage: 71 economies for 2016 (117 incl 2008 vintage)



# Coverage

Sectors	Subsectors	Mode 1	Mode 3	Mode 4
<b>Financial</b>	Commercial banking (deposit-taking, lending)	X	X	X
	Non-life insurance (incl. MAT)	X	X	X
	Life Insurance	X	X	X
	Reinsurance	X	X	X
<b>Telecom</b>	Telecom fixed (international and local)		X	X
	Telecom mobile		X	X
	Internet		X	X
<b>Distribution</b>	Retailing services	X	X	X
	Wholesale services	X	X	X
<b>Transportation</b>	Air passenger domestic and international		X	X
	Air freight domestic and international		X	X
	Maritime shipping international	X	X	X
	Maritime auxiliary (intermed, other services)	X	X	X
	Road freight domestic and international	X	X	X
	Rail freight domestic and international	X	X	X
<b>Professional</b>	Accounting	X	X	X
	Auditing	X	X	X
	Legal advice domestic law		X	X
	Legal representation on domestic law		X	X
	Legal advice foreign law	X	X	X



# Coverage: policies

New and comprehensive STPD Classification of measures:

Regulatory Category	Sub-Category
<b>A Conditions on market entry</b>	<ol style="list-style-type: none"><li>1 Forms of entry (including foreign equity limits)</li><li>2 Quantitative and administrative conditions</li><li>3 Conditions on licensing/qualifications relating to market entry</li><li>4 Other conditions on market entry</li></ol>
<b>B Conditions on operations</b>	<ol style="list-style-type: none"><li>1 Conditions on supply of services</li><li>2 Conditions on service supplier</li><li>3 Conditions on government procurement</li><li>4 Other conditions on operations</li></ol>
<b>C Measures affecting competition</b>	<ol style="list-style-type: none"><li>1 Conditions on conduct by firms</li><li>2 Governmental rights/prerogatives (including public ownership)</li><li>3 Other measures affecting competition</li></ol>

# Coverage: policies

New and comprehensive STPD classification of measures:

Regulatory Category	Sub-Category
<b>D Regulatory environment and administrative procedures</b>	<ol style="list-style-type: none"><li>1 Regulatory transparency (including licensing)</li><li>2 Nature of regulatory authority (measures related to nature of regulator)</li><li>3 International standards</li><li>4 Conditions related to administrative procedures</li><li>5 Other regulatory environment and administrative procedures</li></ol>
<b>E Miscellaneous measures</b>	

↳ Discriminatory and non-discriminatory measures;

↳ For each mode of supply, most relevant measures covered in each category

# Coverage: policies

STPD classification fully compatible with OECD STRI taxonomy

## OECD policy areas

- Restrictions on foreign entry
- Barriers to competition
- Restrictions on movement of people
- Regulatory transparency
- Other discriminatory measures

## WB-WTO taxonomy

- Conditions on market entry
- Barriers to competition
- Conditions on operations
- Administrative procedures, regulatory transparency
- Miscellaneous

# Coverage: policies

Measure label	Source	OECD correspondence			
<b>A. Conditions on market entry</b>					
<b>A.1 Forms of entry (including foreign equity limits)</b>					
<b>CROSS-BORDER SUPPLY AND FRANCHISING</b>					
Cross-border supply prohibited	WB				
Partial sectoral coverage of cross-border supply	New				
Consumers must use the services of a resident intermediary	OECD		1_16_318		
Commercial presence requirement as a condition for cross-border supply of the service	OECD	1_16_1	1_16_2	1_16_3	1_16_4
Exception to commercial presence requirement for domestically unavailable services	OECD		1_16_218		
Other conditions on cross-border supply	New				
Restrictions on franchising	OECD	1_18_18			
<b>COMMERCIAL PRESENCE</b>					
Foreign establishment prohibited	WB				
Restrictions to establish or operate representative offices	OECD	1_14_13			
Branches of foreign establishment locally allowed	WB+OECD	1_2_3	1_2_7	1_2_7	1_2_7
Foreign establishment of locally incorporated company allowed	WB+OECD	1_2_2	1_2_235	1_2_6	1_2_6
Greenfield: Max. foreign ownership allowed (%)	WB				
Joint venture requirement for foreign entity	WB+OECD	1_2_1			
Joint venture: Max. aggregate foreign ownership allowed (%)	WB				
Cross-border mergers and acquisitions allowed	NEW				
Restrictions on cross-border mergers and acquisitions	OECD	1_10_1			
Domestic entity acquisition allowed	WB				
Domestic entity acquisition: Max. aggregate foreign ownership allowed (%)	WB+OECD	1_1_1			
Domestic entity acquisition: controlling stake allowed (i.e. if minority ownership)	WB				
Sole foreign proprietorship allowed	OECD	1_2_135			
Partnership with foreigner allowed	OECD	1_2_335			
Other restrictions on legal form of entry	OECD	1_2_11	1_50_1		
<b>PRESENCE OF NATURAL PERSONS</b>					
Business Visitors to negotiate a sale (BV-sale) - Allowed	New				
Business Visitors to set up a commercial presence (BV-set up) - Allowed	New				
Foreign natural persons not allowed to work, practice, consult	WB+OECD		2_4_181	2_5_183	
Residency of foreign natural persons required to work, practice, consult	OECD		2_5_181		
Length of residency required for foreign natural persons to work, practice, consult	New				
Contractual service suppliers (CSS) - Allowed	WB				
Independent Professional (IP) - Allowed	WB				
Intra-Corporate Transferee (ICT) - Allowed	WB				
Other forms of entry of natural persons allowed	WB				
<b>A.2 Quantitative measures (for firms and natural persons)</b>					
Demonstration of unavailability of service required	WB				
Quantitative limit(s) on the total number of suppliers or licences	WB+OECD	1_3_1	1_6_182	1_13_137	1_12_114
Service provision reserved for statutory monopoly or granted on an exclusive basis	OECD	1_20_1	1_13_136	1_12_172	1_12_173
ENT on number of suppliers (including if implemented through licensing process)	WB+OECD	1_6_18	1_6_18	1_6_18	1_6_18
Quota - Contractual service supplier	WB+OECD	2_1_2			
Quota - Intra-Corporate Transferees	WB+OECD	2_1_1			
Quota - Independent Professionals	WB+OECD	2_1_3			
Quota - Foreign employees	WB				
LMT/ENT - Contractual service supplier	WB+OECD	2_2_2			
LMT/ENT - Intra-Corporate Transferees	WB+OECD	2_2_1			
LMT/ENT - Independent professionals	WB+OECD	2_2_3			
LMT/ENT - Foreign employees	WB				
Other quantitative conditions	New				

# Coverage: policies

Policy dimensions covered:

- ▶ Focus on **discriminatory** measures against foreign providers/services
- ▶ **Non-discriminatory** domestic regulation partially covered if significant potential trade impact, e.g. licensing or CBDF
- ▶ Three principal types of questions:  
general, common, and sector-specific questions
- ▶ Data collection
  - ▶ Sector-specific questionnaires (23+1) for 28 non-OECD economies, encompassing ~160 questions, filled by local law firms
  - ▶ Co-operation with OECD Secretariat on data for economies covered by OECD Database; in 2008 from public sources



# Public Database

**WB/WTO I-TIP Services:** <http://i-tip.wto.org/services/default.aspx>

WORLD TRADE ORGANIZATION

THE WORLD BANK

I-TIP SERVICES

## Welcome to I-TIP SERVICES

I-TIP Services is a joint initiative of the World Trade Organization and the World Bank. It is a set of linked databases that provides information on Members' commitments under the WTO's General Agreement on Trade in Services (GATS), services commitments in regional trade agreements (RTA), applied measures in services, and services statistics.

**GATS Commitments and MFN exemptions**

The module on GATS contains information on the Members' market access commitments and exemptions to the obligation of most-favoured-nation (MFN).

**RTA Commitments**

The RTA module allows to access and search for information on Members' commitments in regional trade agreements notified under Article V of the GATS. Currently, the database covers a good proportion of services RTAs ([see list attached](#)).

**Applied Services Trade Policy**

The Applied Services Trade Policy module provides information jointly compiled by the World Bank and the WTO on regulatory frameworks for 23 services sectors in 70 Members. The information has been collected through a survey conducted by the World Bank and WTO in 27 Members, and, in the case of the remaining 43 Members, through secondary sources, including in particular the OECD STRI regulatory database. Links to other useful sources of information on applied policies are also provided (e.g. WTO DG monitoring reports, trade policy reviews).

**Statistics**

The Services Statistics module accompanies the GATS, RTA and Applied regimes modules by providing relevant trade in services and related statistics.

# Qualifications

## Qualifications on coverage of STPD:

1. No explicit coverage of cross-border trade in business process services  
→ few explicit restrictions; business practices vs legislation
2. MFN versus preferential policy regimes  
→ STPD focus in principle on MFN policies; some pref information
3. Limited information (difficult assessment!) of actual implementation  
(e.g. ENT, licensing requirements)
4. Absence of information on market structure:  
restrictions on entry vs prevailing extent of competition
5. Extremely difficult to assess merits of applied policies across  
economies with different regulatory objectives and structures

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## Construction of the WB/WTO's **STRI**:

- Step 1: select policy measures for consideration (160+)
- Step 2: determine overall level of restrictiveness at subsector-mode level
  - Joint consideration of all applicable measures (rules-based)
  - One of six bins (ordinal approach)
  - Assign basic scores  $s_{jmc} \in \{0, 0.125, 0.25, 0.50, 0.75, 1\}$  to each bin
  - ⇒ Avoids double counting and fallacious additivity
- Step 3: aggregate to sector and country level
  - Use sector-specific modal weights to aggregate within subsectors
    - Sectoral scores  $STRI_{cj} = \sum_m w_m^{(j)} s_{jmc}$
  - Use sectoral weights to aggregate across sectors
    - Country scores  $STRI_c = \sum_j w_j STRI_{cj}$

# Quantification

Construction of the WB/WTO's **STRI**:

Example: Commercial banking/M3:  $STRI = 0.50$

Scores Measures	0.125	0.25	0.50	0.75
A. Market entry – Conditions on licensing and market entry		Criteria to obtain a license are different foreign companies		
A. Market entry – Quantitative measures			Limits on the total number of suppliers/ licenses (numerical) or monopoly	
A. Market entry – Quantitative measures			ENT on number of suppliers (including if implemented through licensing process)	
B. Operations – Conditions on services suppliers		National employees: Min. percentage required		
B. Operations – conditions on supply of services		Limits on subsequent transfer of capital and investments		

## Interpreting the WB/WTO's STRI:

- Certain areas not included, eg. non-discriminatory domestic regulation
  - ▶ “Open without restrictions” means conditional on scope of Database
  - ▶ No presumption that an STRI value of zero is necessarily desirable
  - ▶ Some STRI score can reflect very different underlying regulation
  - ▶ STRI scores reflect a **relative** position across economies/sectors
- Approaches to evaluating policy restrictiveness
  1. STRI = approximate quantitative assessment based upon simple, transparent and robust methodology
  2. Measuring impact using econometric methods

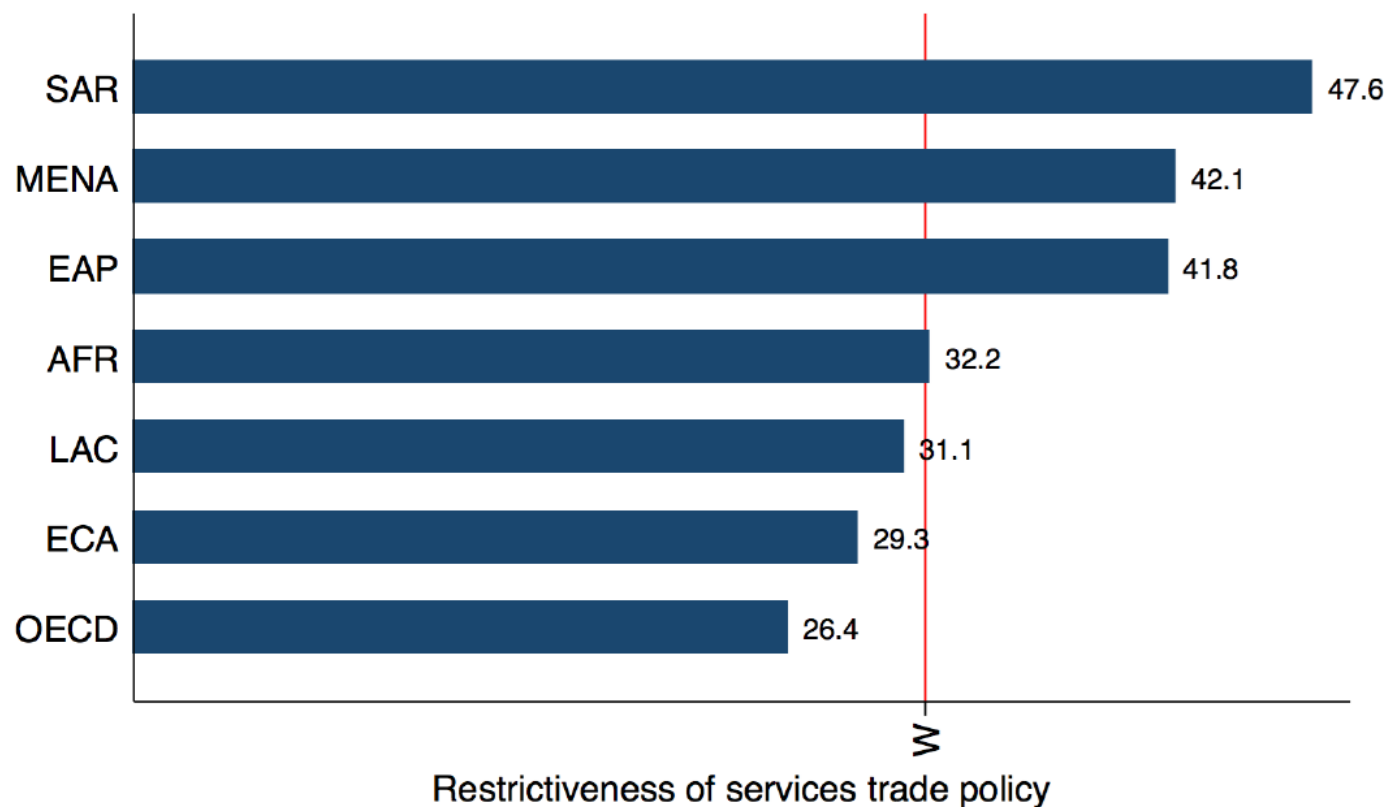
⇒ Both approaches can (and should) be complementary

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# Global patterns

Average services trade restrictiveness across regions:

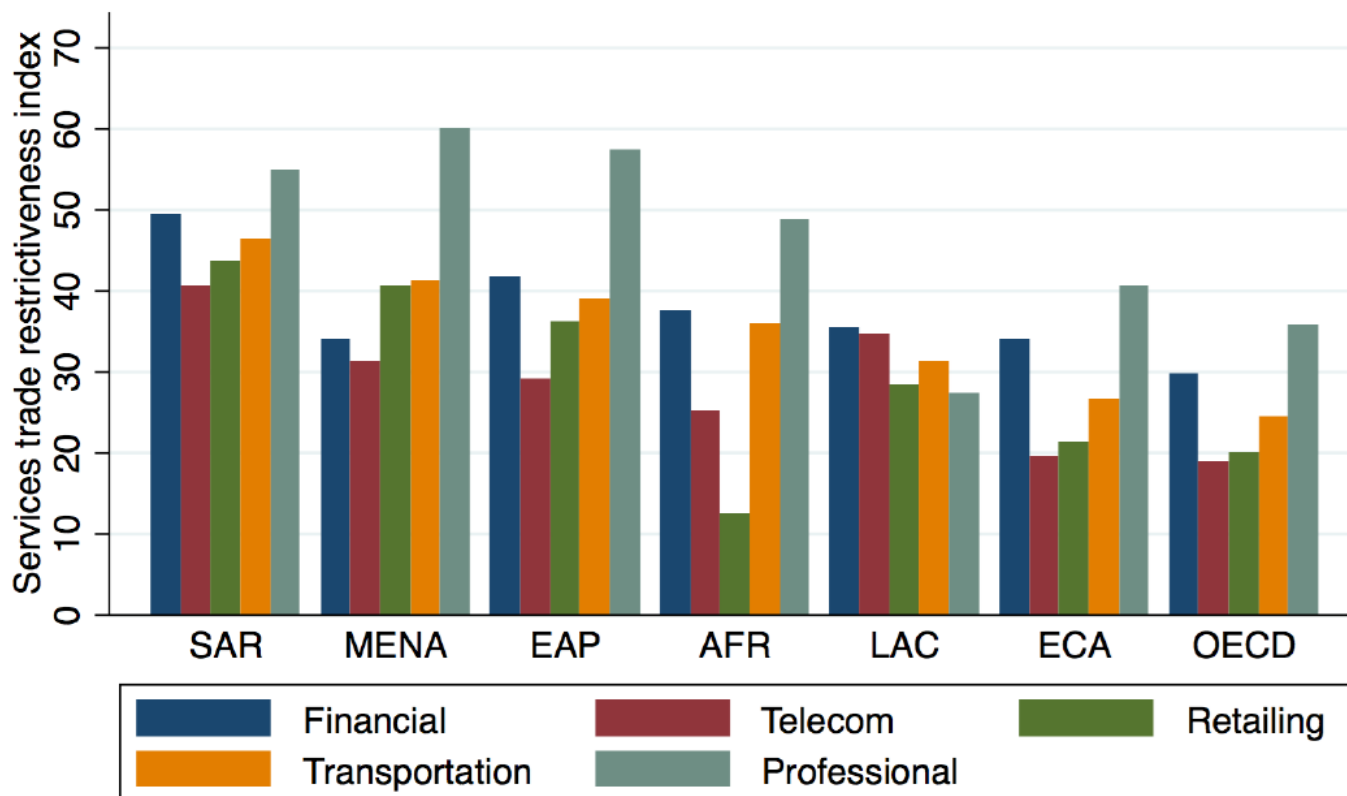


Note: W is average STRI of total 69 countries

Source: STRI database 2016

# Global patterns

Average services trade restrictiveness across regions and sectors:

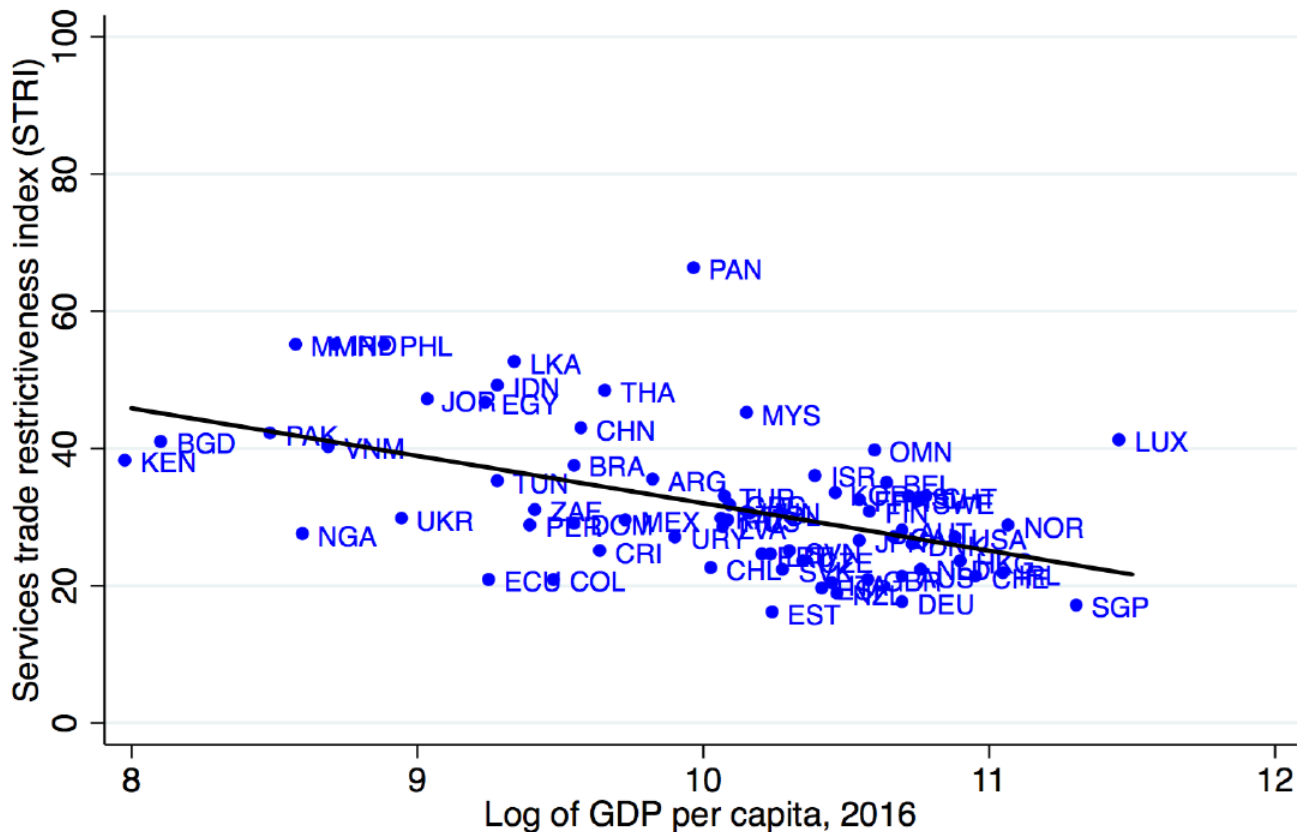


Note: The number of countries 69

Source: STRI database 2016

# Global patterns

Restrictiveness across 68 economies: 2016 data



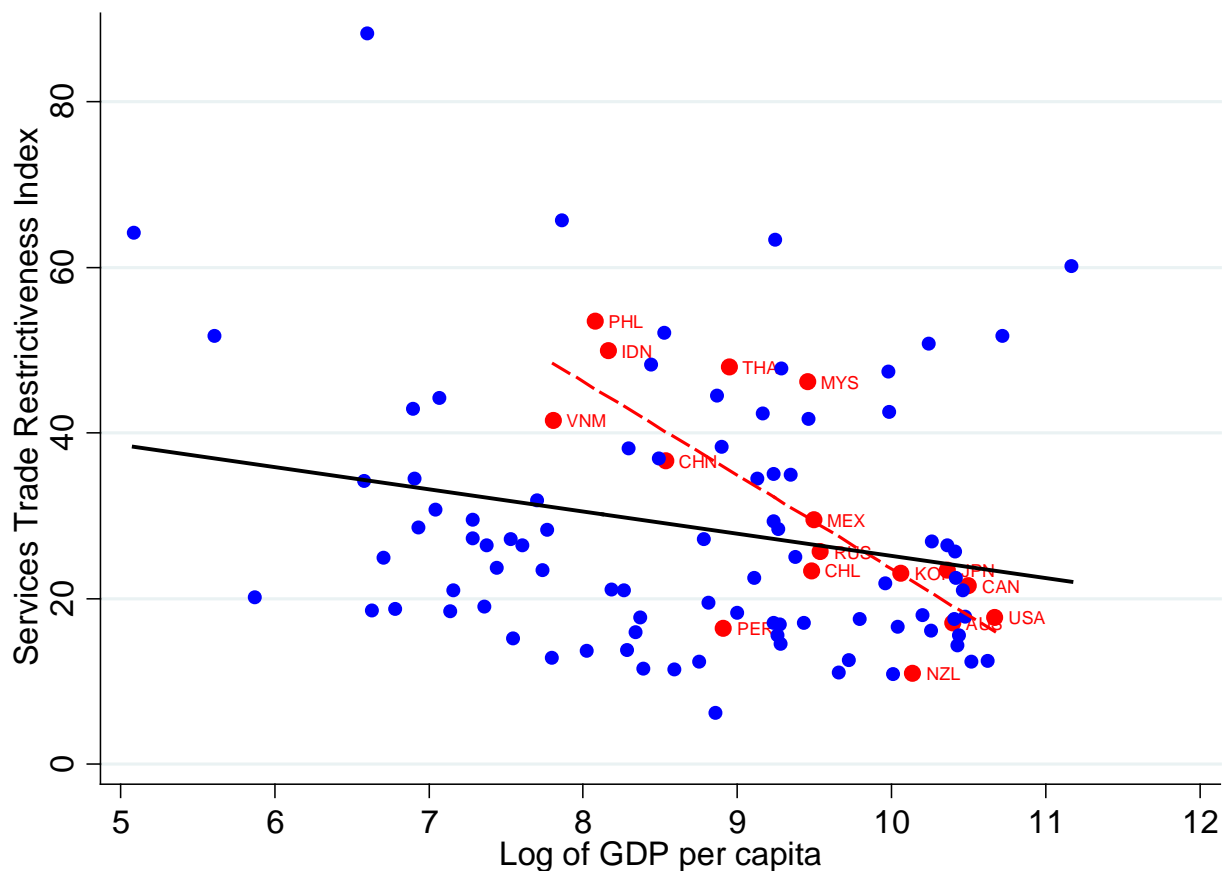
Note: GDP per capita, PPP (constant 2011 internat US\$)

Source: STRI database 2016



# Global patterns

APEC more heterogeneous than world as a whole (2008 data!):



Source: WB STRD



# Summary

WB/WTO's STRD project:

- Database is about transparency and building a factual base; underlying regulatory information is as relevant as the STRI
- STRI is a tool for deriving policy implications
- Ensuring consistency for diverse range of countries whilst keeping abreast of developments affecting services trade
- Ever closer institutional collaboration between WB/WTO and OECD
  - ▶ Currently, WB/WTO are collaborating with OECD on organizing and collecting data in a comparable way
  - ▶ We collaborate on producing STRI scores using OECD methodology, and liaise to understand the commonalities and differences of our respective scores
  - ▶ WB/WTO team are still considering the quantification methodology, such as introducing wider range of scores

# Summary

APEC with uniquely diverse membership and position within global trade

- ▶ Members' MFN policies vs preferential treatment (intra-/extra-APEC)
- ▶ Quality and granularity of regulatory information is key
- ▶ Different developmental and economic circumstances
- ▶ Ensuring comparability to existing work

**Thank you**