



SERVICES TRADE POLICIES AND PERFORMANCE

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Overview

- The STRI
- The role of services in GVCs
- Policy Impact analysis
 - Aggregate data
 - Firm level data
- Policy implications



THE STRI

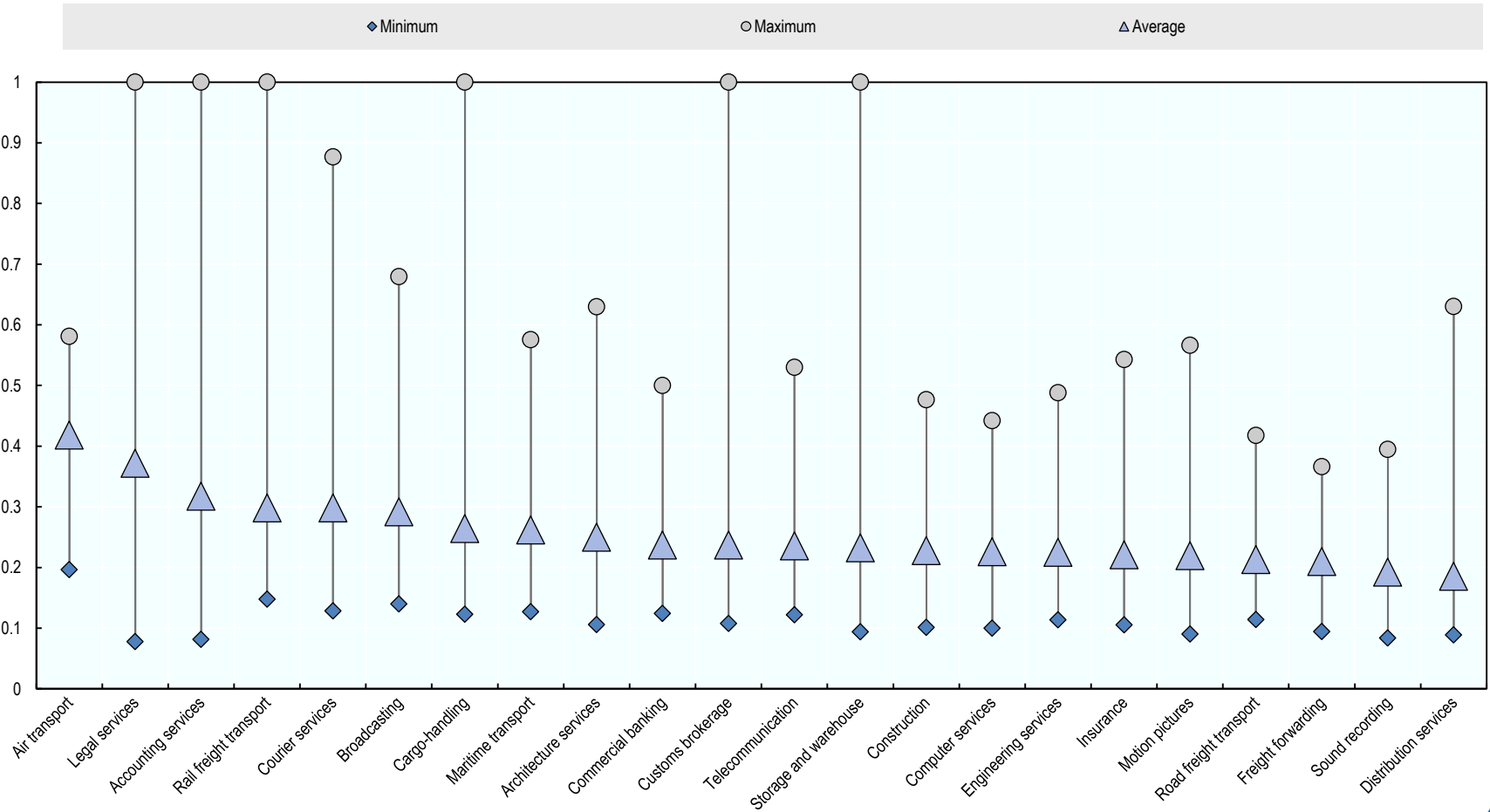


The STRI

- A regulatory database
 - Standardised set of measures, with links to sources
 - 44 countries
 - 22 Sectors
 - 89024 observations per year
 - 3 years 2014, 2015, 2016
- A set of indices
 - Score and weight the measures in the database
 - Take values between 0 and 1
 - Regulatory heterogeneity indices
- Online tools
 - Compare your country
 - Interactive policy simulator
 - Country notes, sector notes, analytical papers

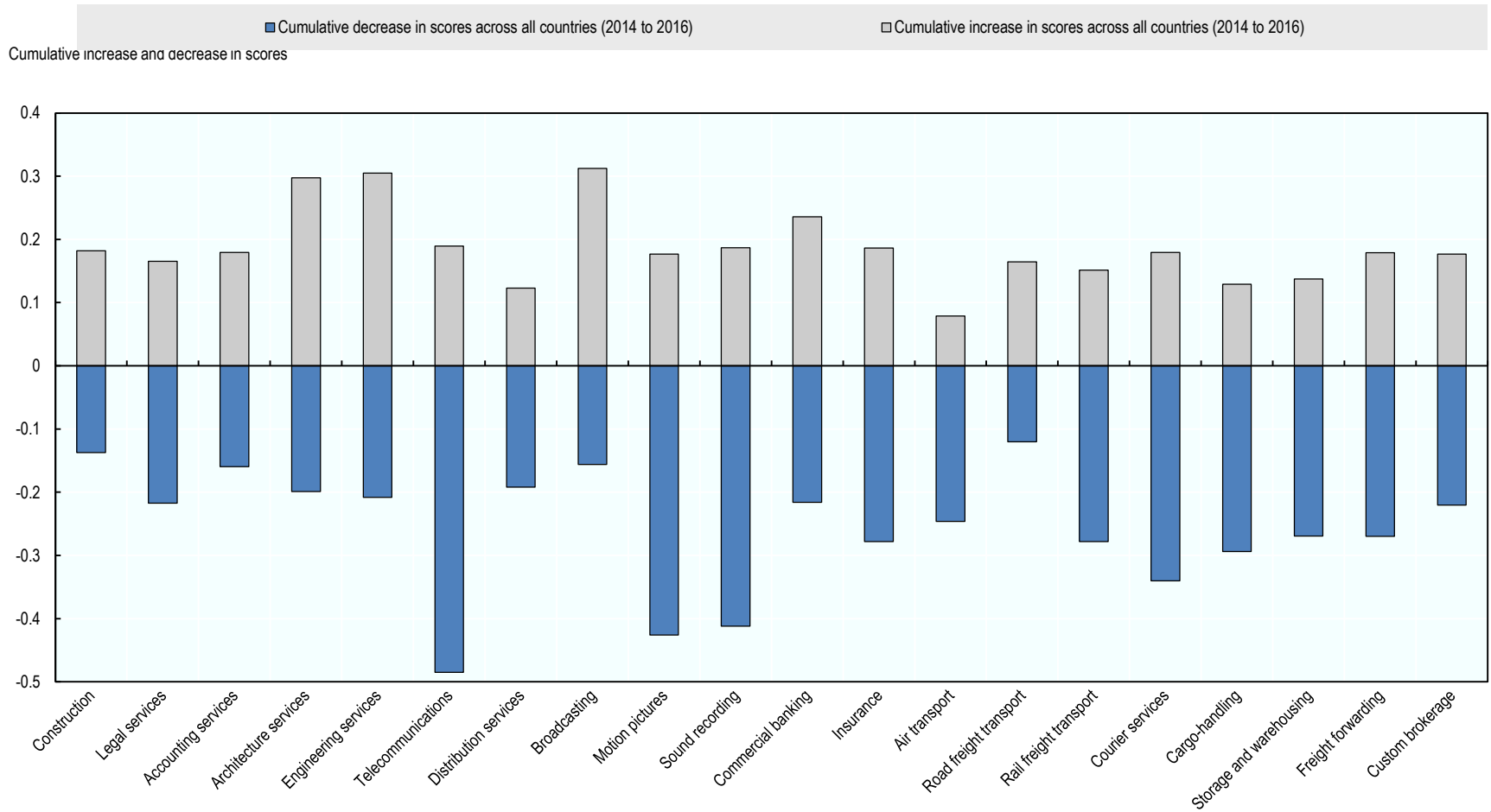


The STRI scores 2016





STRI change, 2014-2016



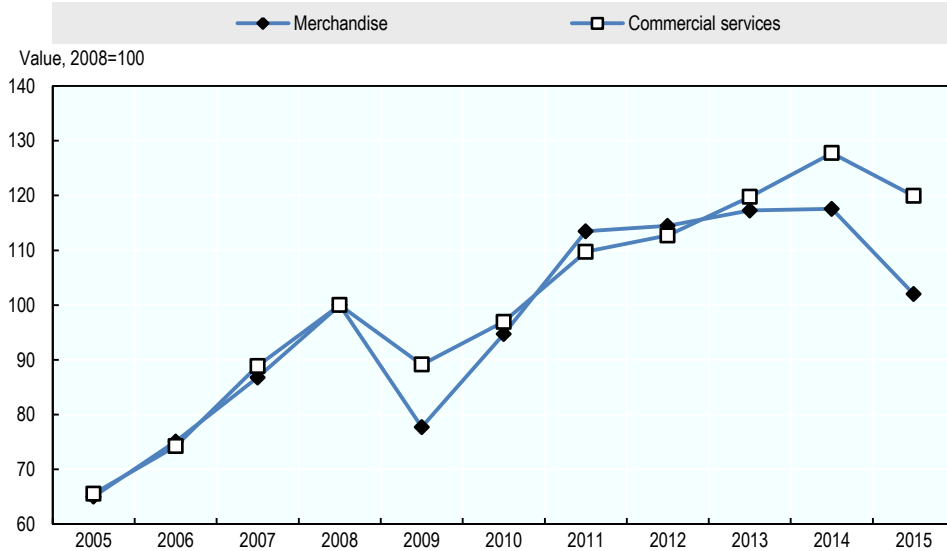


SERVICES TRADE AND GVC

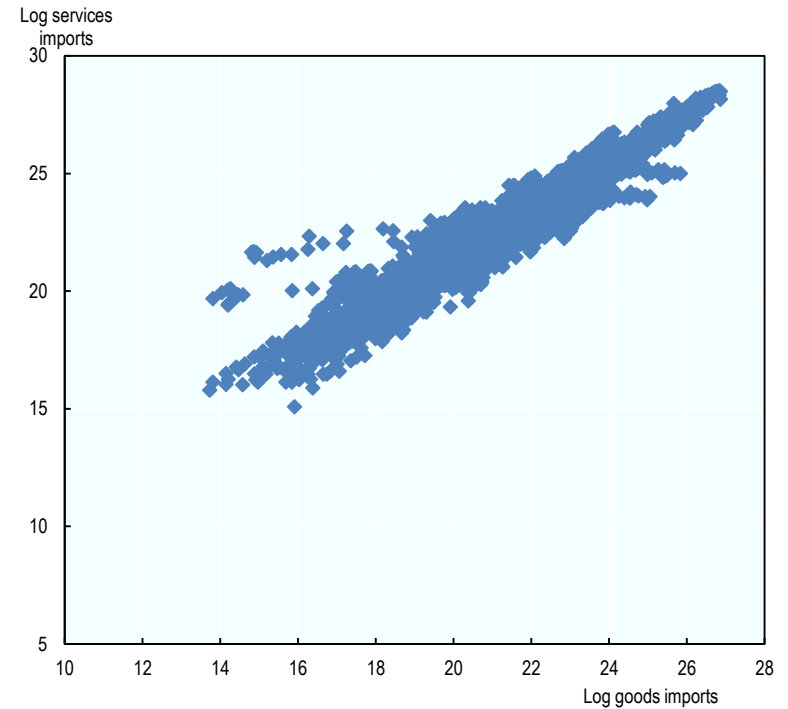


Goods and services trade complement each other

Global exports

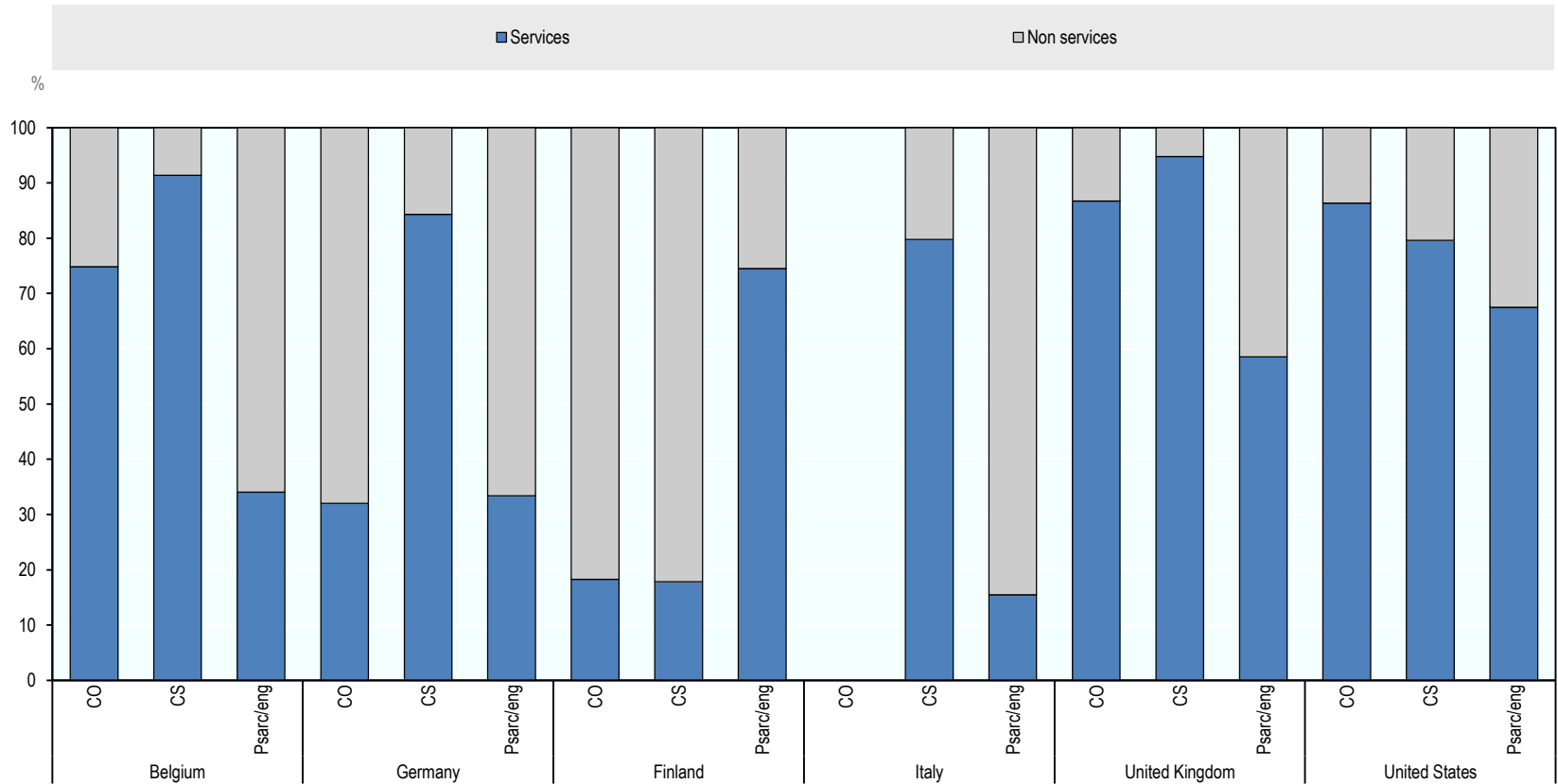


Imports all countries 1960-2015



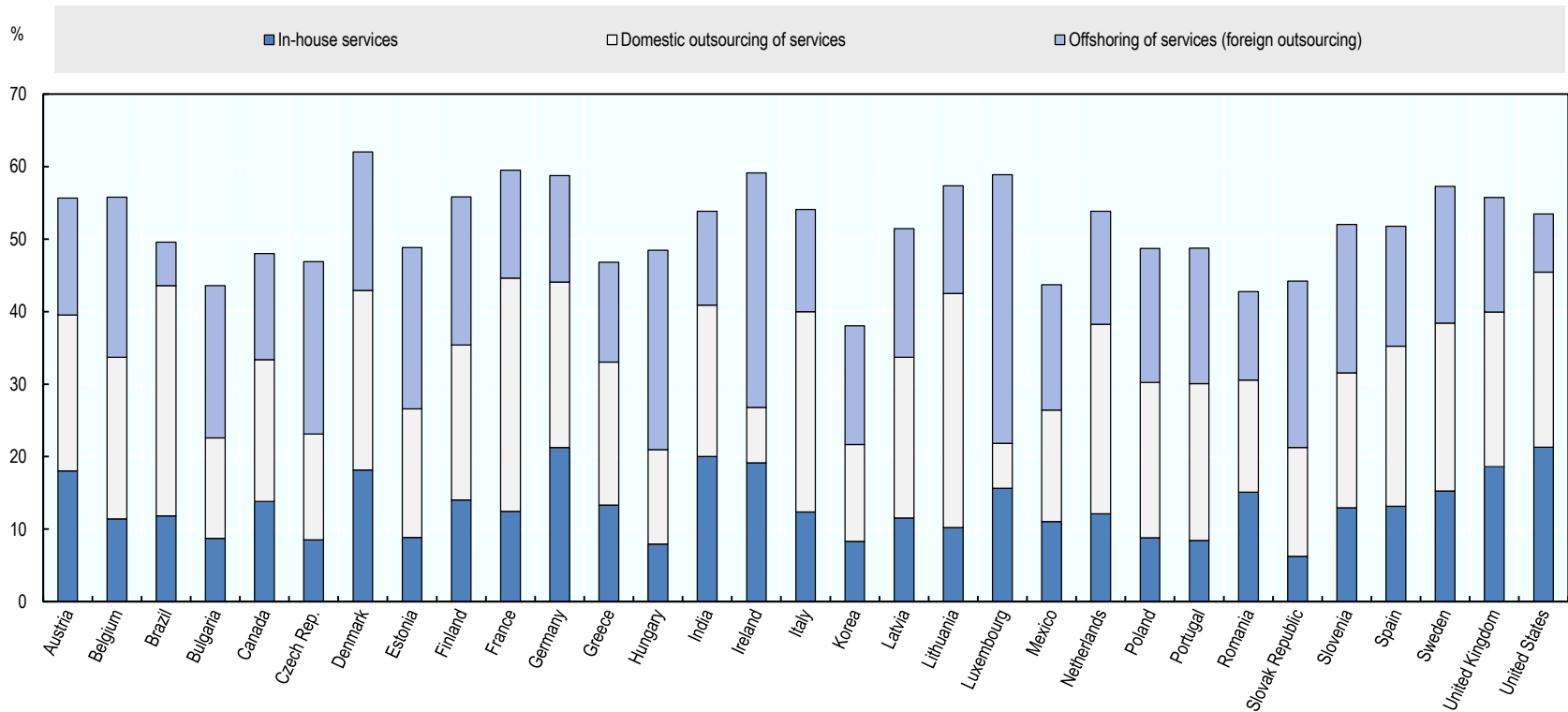


Manufacturing firms export services





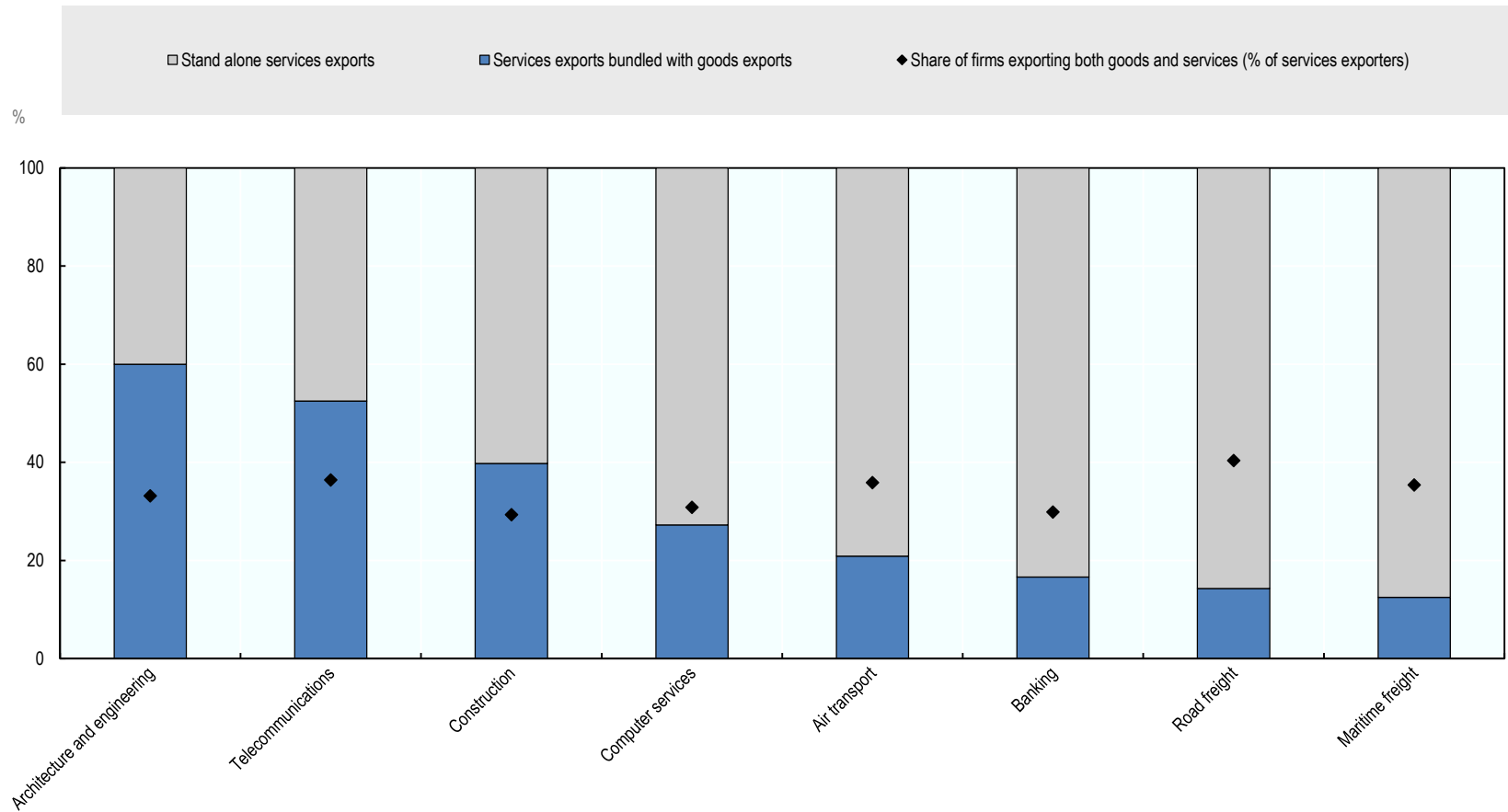
Services value added in manufacturing exports, 2011



Source OECD ICIO and Miroudot and Cadestin (2017)



Share of bundled and non-bundled services exports in Belgium, 2014



Source: Rouzet et al. (2017)



POLICY IMPACT ANALYSIS



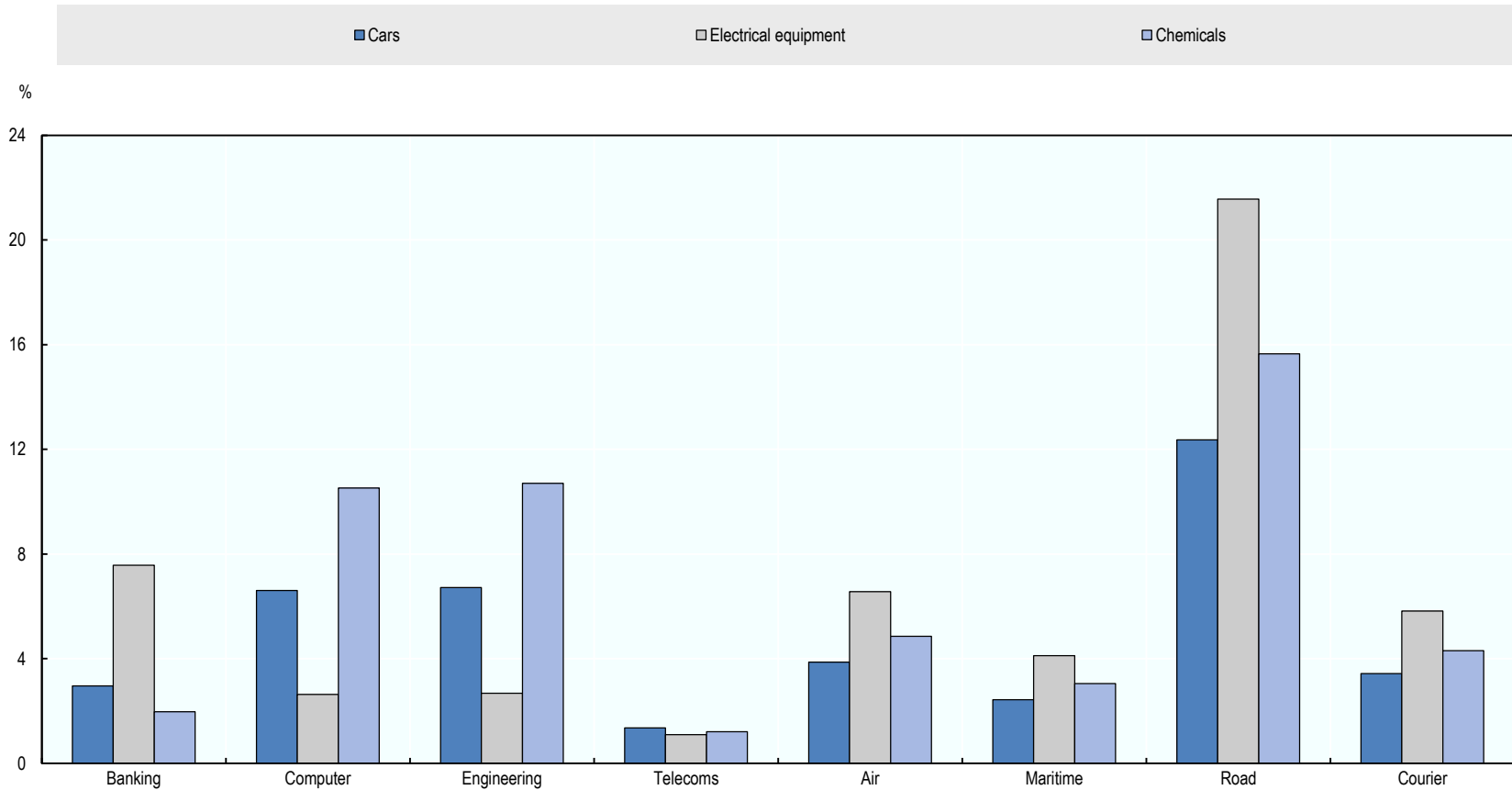
Services trade restrictions

- Impede services imports, but the impact on services exports is larger
- Protect incumbents allowing them to charge higher mark-ups
- Associated with a widening distance to best practice performance:
 - Lower telecommunications density and higher prices
 - Lower logistics performance indices
 - Less credit and higher interest margins in commercial banking
- The incidence of trade costs differs by firm, sector and country characteristics



Regulatory spill-overs to manufacturing exports

Impact of halving the distance to best practice STRI on manufacturing exports, average all countries

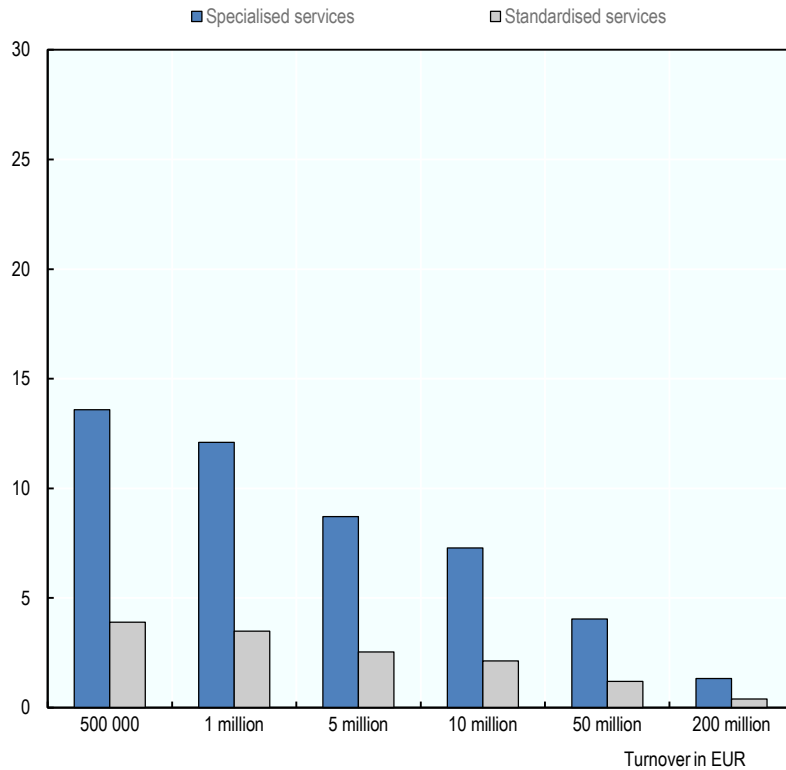




The burden of trade restrictions falls disproportionately on SMEs

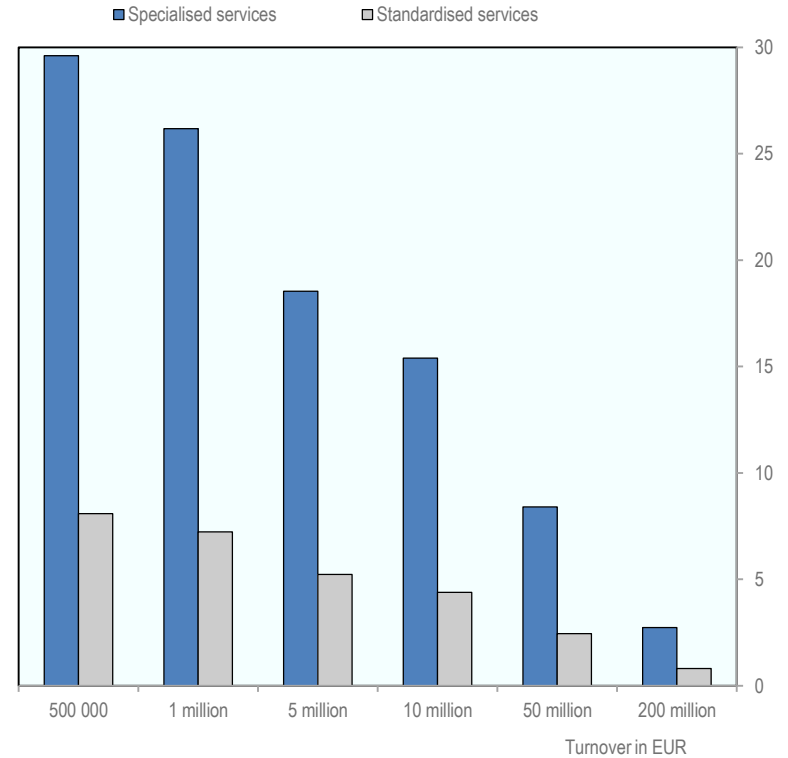
(a) On cross-border exports

Additional tariff equivalent STRI, %



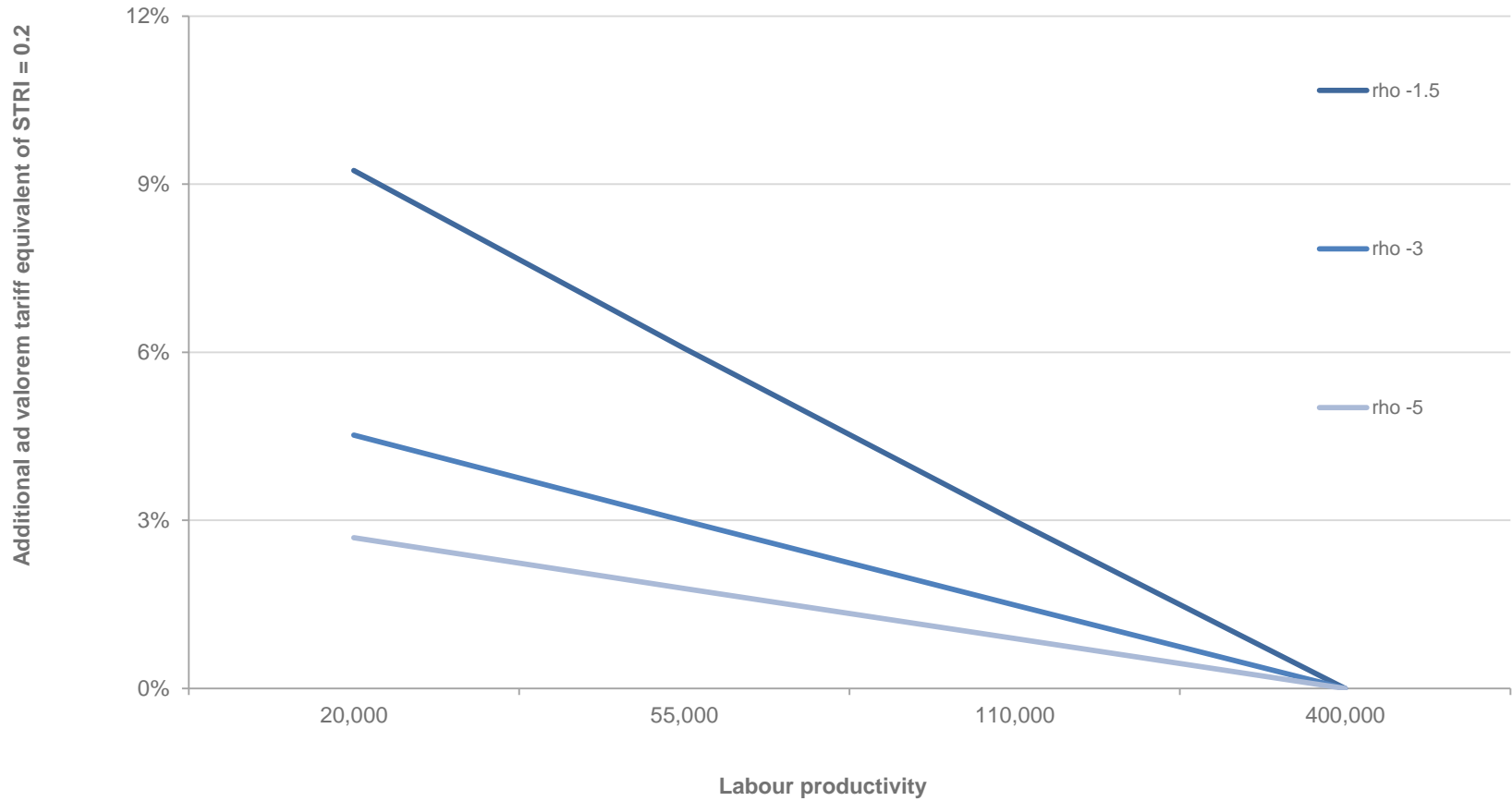
(b) On foreign affiliate sales

Additional tariff equivalent STRI, %





The burden of trade restrictions falls disproportionately on less productive firms





Implications for policy making

- Cost creating regulation has a larger impact on SMEs and start-ups than on incumbents
- Cost creating regulation has different trade effects depending on country size, geography and level of income
- Modes of supply are in many cases complementary
- Digitisation leads to changes in market structure:
 - Transforming some services to knowledge-capturing products
 - Changing the way production is organised
- Services trade costs affect the competitiveness of value chains
 - and the location of activities along the value chain
- Domestic reforms e.g. related to licensing, permits, qualifications, standards, enforcement of competition policy, enforcement of IPR can reduce trade costs significantly

