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CEIUC

TRADE IN SERVICES: HOW TO MOVE FORWARD?

Centro UC
Estudios Internacionales
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Jorge Sahd K.
Director

Center for Internacionales Studies UC

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AGENDA

I. CURRENT CONTEXT

II. TRADE IN SERVICES IN THE PACIFIC ALLIANCE

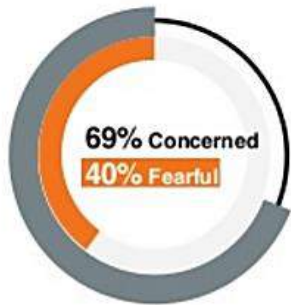
III. IMPORTANCE (AND COMPLEXITY) OF TRADE IN SERVICES

IV. MOVING FORWARD

THE CONTEXT CHALLENGES TRADE

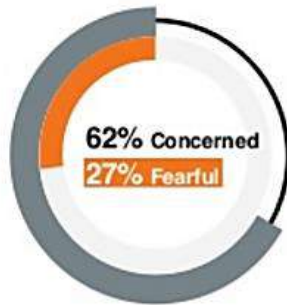
Percent of respondents who are concerned or fearful regarding each issue

Corruption



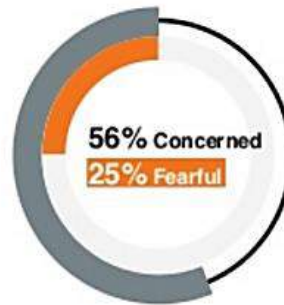
Widespread corruption
Compromising the safety of our citizens
Makes it difficult to institute the changes necessary to solve our problems

Globalization



Protect our jobs from foreign competition
Foreign companies/influence damaging our economy/national culture
Foreign corporations favor their home country
Most countries cannot be trusted to engage in fair trade practices

Eroding Social Values



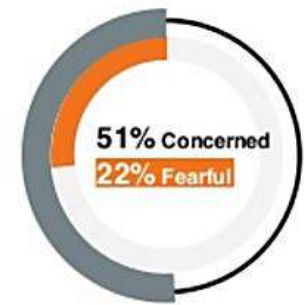
Values that made this country great are disappearing
Society changing too quickly and not in ways that benefit people like me

Immigration



Influx of people from other countries damaging our economy and national culture

Pace of Innovation



Technological innovations happening too quickly and leading to changes not good for people like me

Source: Edelman Trust Barometer, 2017.

THE CONTEXT CHALLENGES TRADE

Support for Anti-Business Policies

Protectionism

Nearly **1 in 2** agree

“We should not enter into free trade agreements because they hurt our country’s workers.”

Protectionism

69% agree

“We need to prioritize the interests of our country over those of the rest of the world.”

Slower Growth

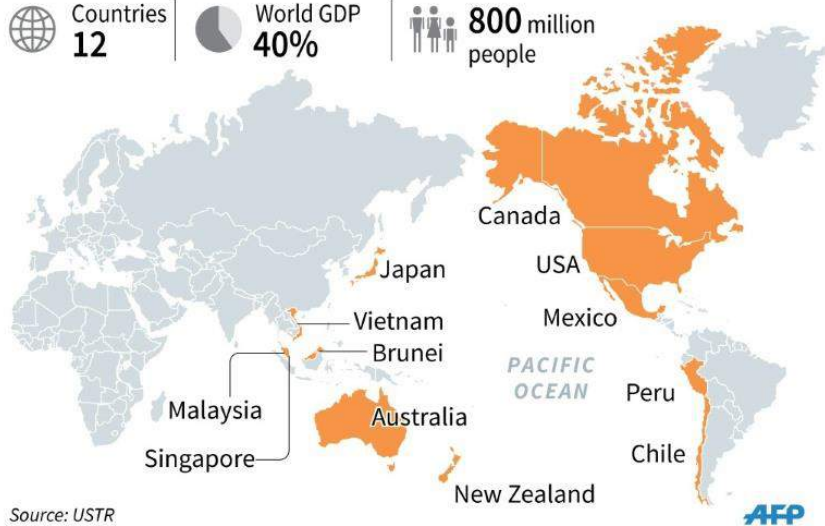
72% agree

“The government should protect our jobs and local industries, even if it means that our economy grows more slowly.”

Source: Edelman Trust Barometer, 2017

TRUMP'S TPP WITHDRAWAL HAS OPENED NEW POSSIBLE PATHWAYS

Trans-Pacific Partnership Agreement



"It's a rape of our country," Donald Trump said at a rally Tuesday. | Getty

Trump calls trade deal 'a rape of our country'

Possible pathways

FTAAP

Pacific Alliance and Associated States

RCEP

TISA (under pressure?)

BUT THE PACIFIC ALLIANCE IS A REMARKABLE
EFFORT OF INTEGRATION

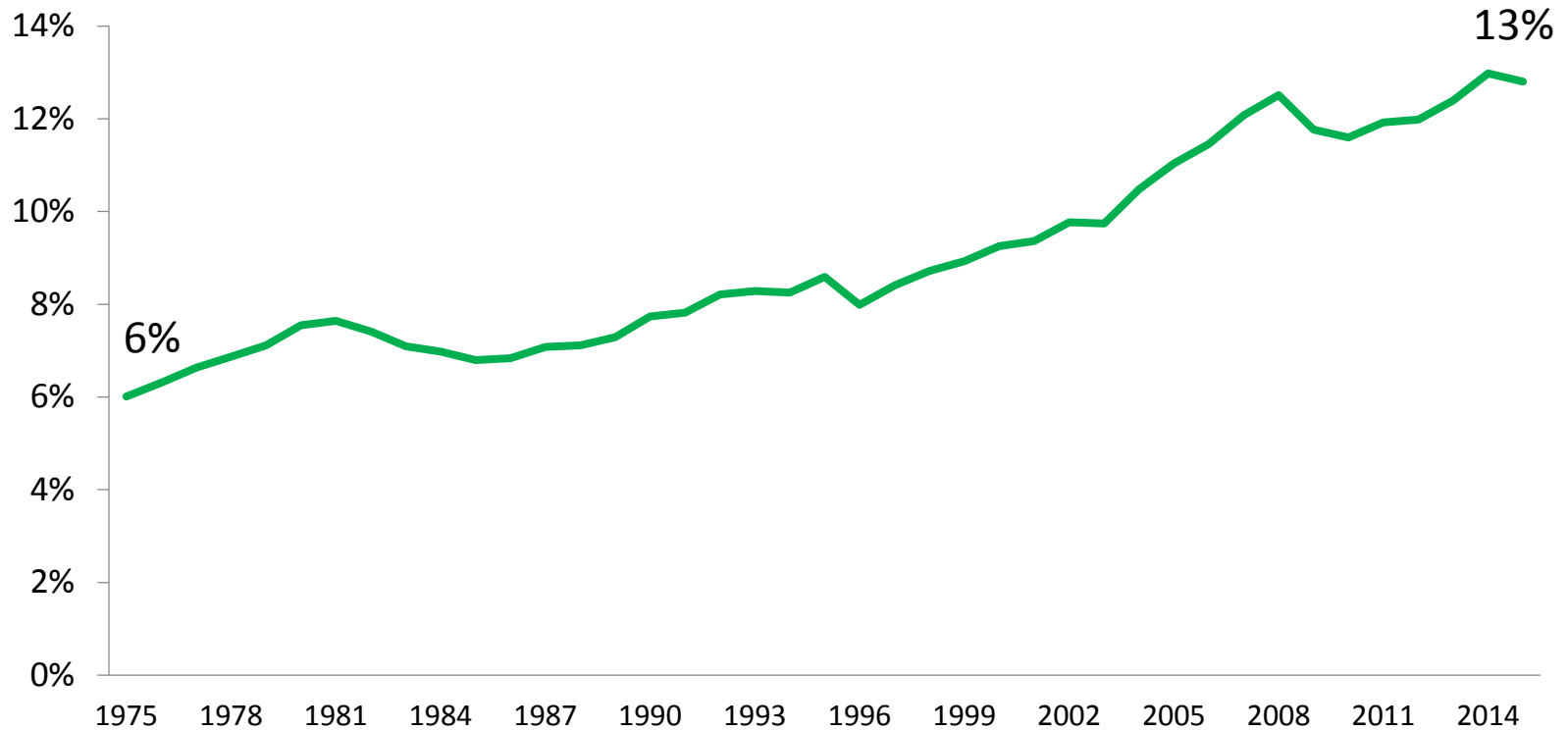


Alianza del
Pacífico



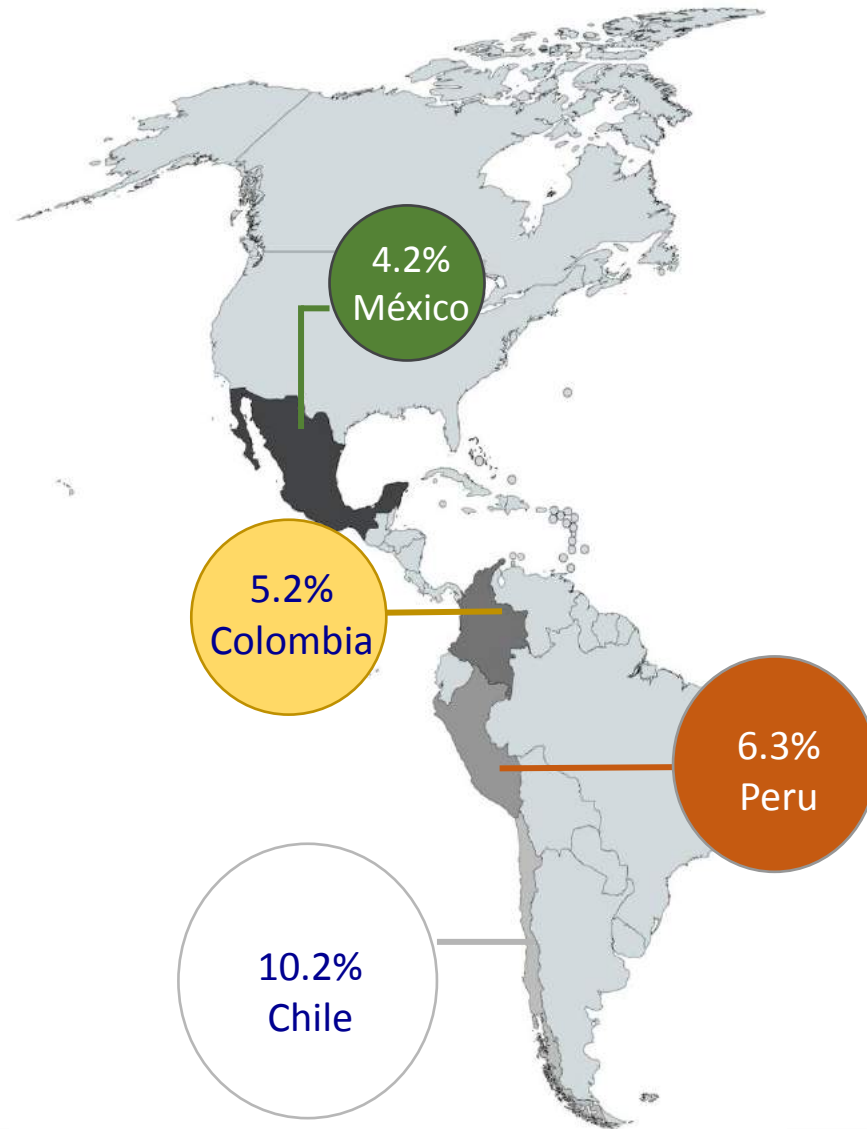
IMPORTANCE OF TRADE IN SERVICES

Trade in Services
(% of GDP)



Source: World Bank

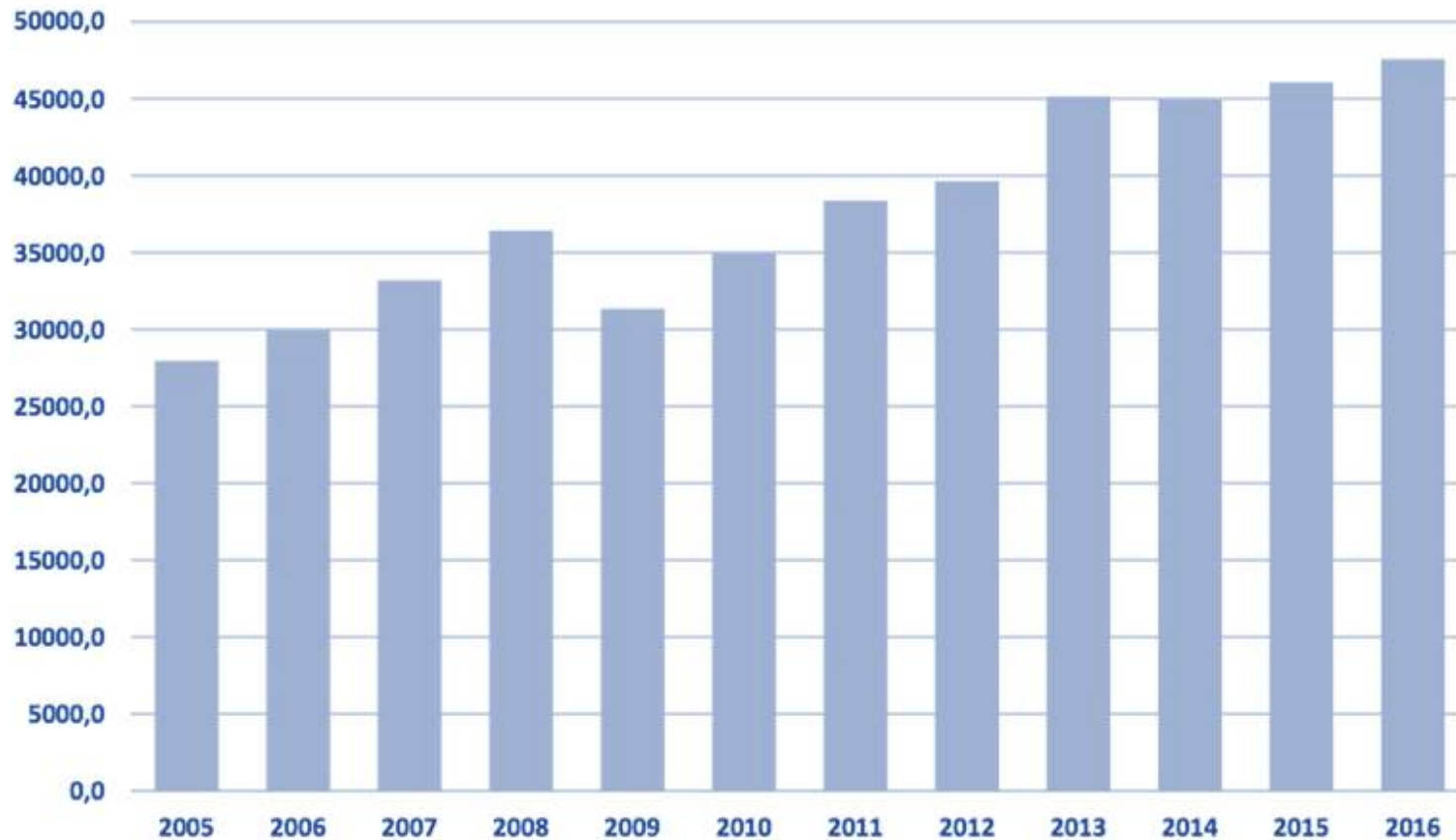
SERVICES IN TRADE AS % OF GDP



Source: Deloitte, 2016

TRADE IN SERVICES IN THE PACIFIC ALLIANCE

- Trade in services in PA has grown 70% between 2005-2016.



Source: WTO. MM dollars

AP ADDITIONAL PROTOCOL (CHAPTER 9): CROSS-BORDER TRADE IN SERVICES

Definitions

Scope of Application

National Treatment

Most-favored-nation Treatment

Local Presence

Access to Markets

Non-conforming Measures

Transparency

National Regulation

Recognition

Subsidies

Complementary Services

Transfers and Payment

Service Trade Statistics

Service Subcommittee

Denial of Benefits

THERE IS A ROOM FOR IMPROVEMENT

Chile – Barriers to trade of services

Accounting	●	Architecture	●
Engineering	●	Legal	●
Motion Picture	●	Broadcasting	●
Sound Recording	●	Telecom	●
Air Transport	●	Maritime Transport	●
Rail Freight Transport	●	Road Freight Transport	●
Courier	●	Distribution	●
Commercial Banking	●	Insurance	●
Logistic Cargo-Handling	●	Logistics Storage and Warehouse	●
Logistic Freight Transport	●	Logistics Custom Brokerage	●
Construction	●	Computer	●

● = more trade-friendly

● = less trade-friendly

● = around all country average



Source: Services Trade Restrictiveness Index, OECD

THERE IS A ROOM FOR IMPROVEMENT

Mexico – Barriers to trade of services

Accounting



Architecture



Engineering



Legal



Motion Picture



Broadcasting



Sound Recording



Telecom



Air Transport



Maritime Transport



Rail Freight Transport



Road Freight Transport



Courier



Distribution



Commercial Banking



Insurance



Logistic Cargo-Handling



Logistics Storage and Warehouse



Logistic Freight Transport



Logistics Custom Brokerage



Construction



Computer



= more trade-friendly



= less trade-friendly



= around all country average



Source: Services Trade Restrictiveness Index, OECD

THERE IS A ROOM FOR IMPROVEMENT

Colombia – Barriers to trade of services

Accounting



Architecture



Engineering



Legal



Motion Picture



Broadcasting



Sound Recording



Telecom



Air Transport



Maritime Transport



Rail Freight Transport



Road Freight Transport



Courier



Distribution



Commercial Banking



Insurance



Logistic Cargo-Handling



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Construction



Computer



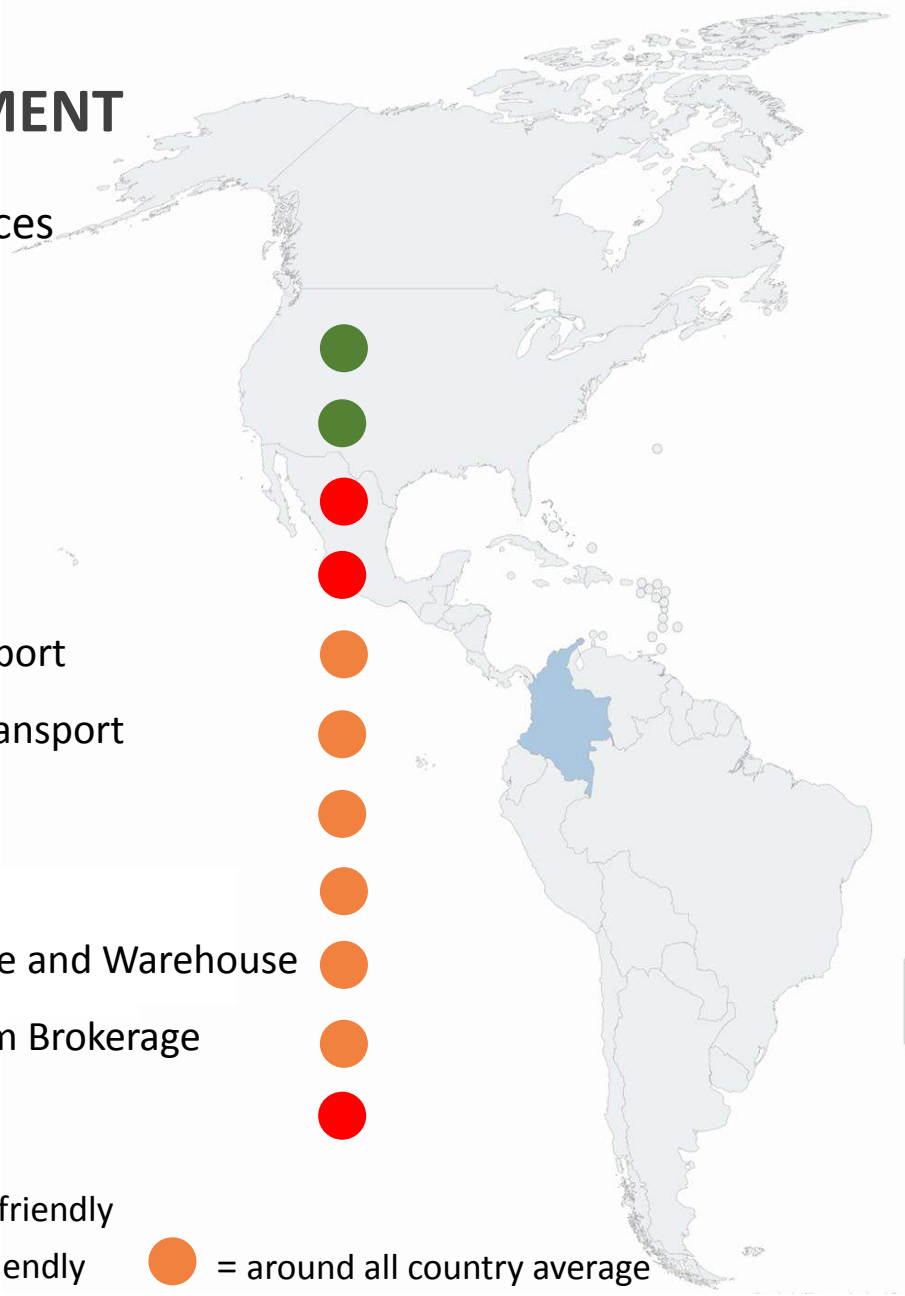
= more trade-friendly



= less trade-friendly



= around all country average



Source: Services Trade Restrictiveness Index, OECD

IMPORTANCE (AND COMPLEXITY) OF TRADE IN SERVICES

SERVICES SECTOR

Diversity

- Telecommunication
- Financial services
- Transport
- Tourism
- Professional services
- Construction, etc.

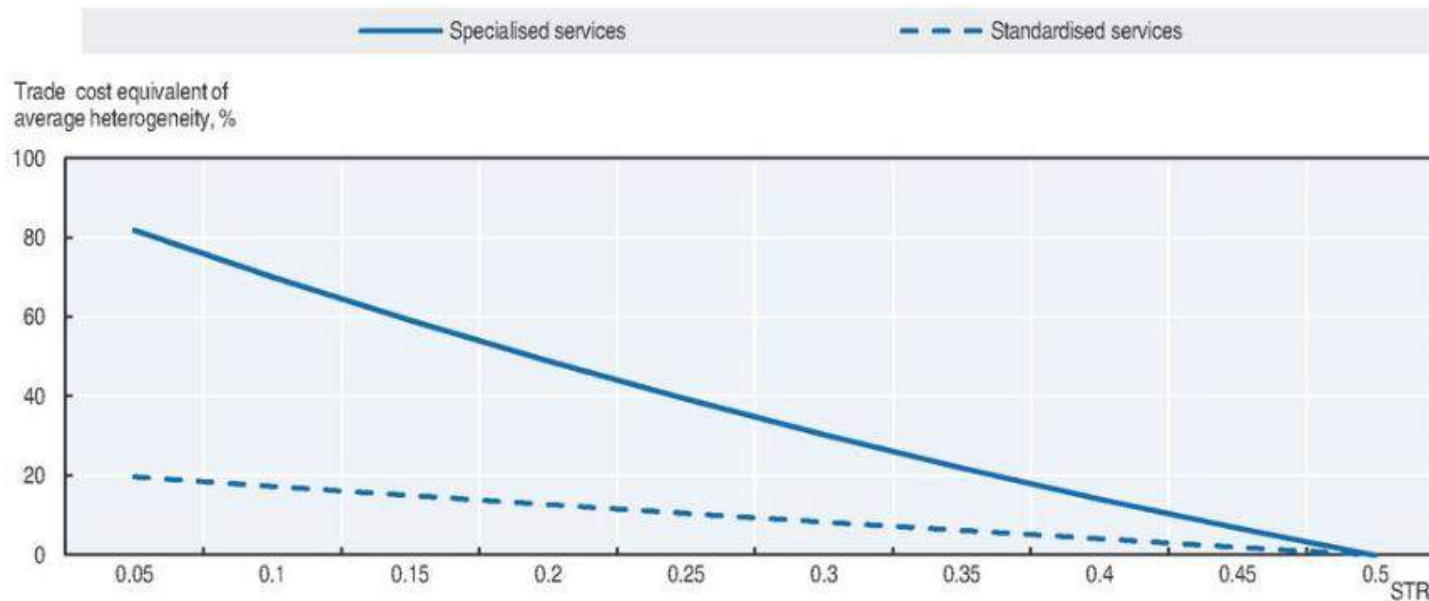
Regulations and Restrictions

General Agreement on Trade in Services (GATS):

- cross border trade
- consumption abroad
- commercial presence
- movement of natural persons.

OECD SERVICES TRADE RESTRICTIVENESS INDEX (STRI)

Figure 3.4. The cost of regulatory heterogeneity for cross-border exports

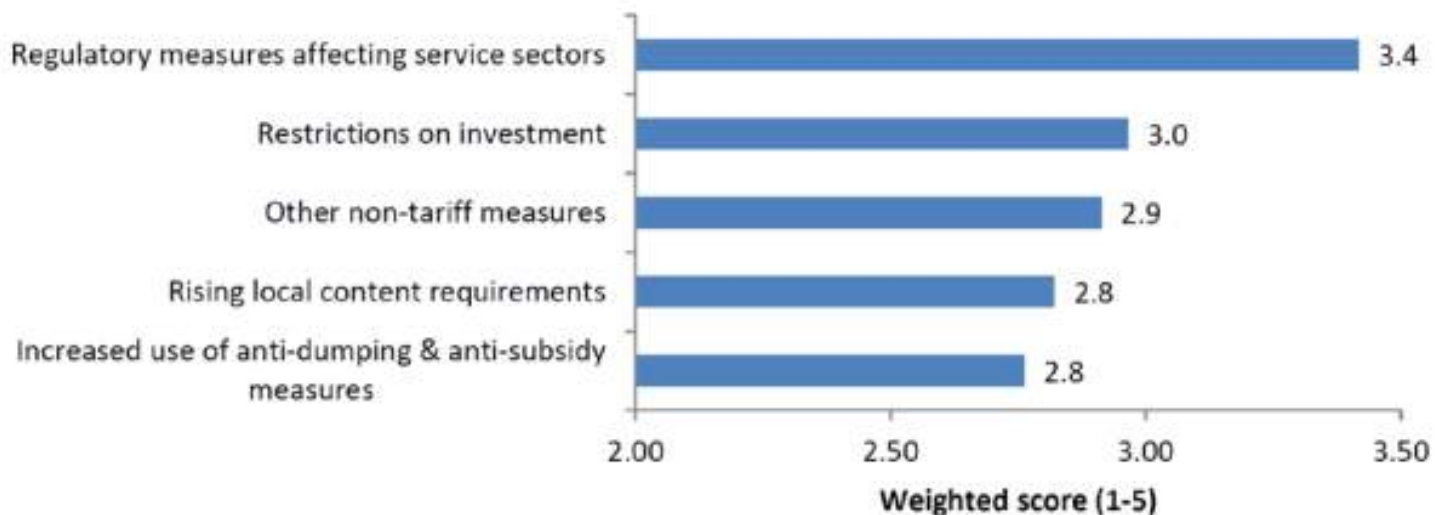


Note: Specialised services correspond to an import demand elasticity of -1.5, and standardised services to an import demand elasticity of -5. Average regulatory heterogeneity among the 44 countries in the STRI database is 0.28. Regression lines are based on a pooled sample of cross-border exports between countries in the STRI database.

Source: OECD calculations; see Nordås (2016).

RESTRICTIONS

Figure 4.11 Seriousness of impediments to trade



Source: PECC (Pacific Economic Cooperation Council), *State of Trade in the Region 2015* (Singapore: PECC, 2015).

INTERNATIONAL ORGANIZATIONS AGREE ON THE TARGETS

APEC

Services Competitiveness Roadmap
(2016-2025)

Promotion of open **services markets**

Regulatory principles: – To enhance **transparency** and predictability
– To facilitate services delivered electronically
– To facilitate services delivered through the presence of natural persons

OECD

Open a well regulated **services market**

Global value chains

Regulatory cooperation

Movement of professionals

Domestic regulation (including competition telecom) and **transparency**

FTAAP

“We need to recognize that **services liberalization** is an important facilitator of foreign investment, which in turn drives overall investment in the APEC region. An eventual FTAAP’s treatment of services trade and investment could have a **critical role in growing trade in services** in the region. Liberalization of services is **challenging**, requires sequencing and warrants support through technical assistance”

HOW TO FOCUS? OECD SERVICES TRADE RESTRICTIVENESS INDEX (STRI)

Restriction of Foreign Entry

Restriction on Movement of People

Other Discriminatory Measures

Barriers to Competition

Regulatory Transparency

MOVING FORWARD

1. CONVERGENCE PA-APEC

Financial integration
Business travel card
Qualifications and visas

Joint Roadmap to facilitate services trade among AP and APEC



Chile
A WORLD
OF SERVICES

Listen. Think. Go.

MOVING FORWARD

2.

REGULATORY COOPERATION


Coherence
Predictability
Transparency

Set of good practices on **domestic regulations** on service sectors

MOVING FORWARD

3.

TAXATION



- Broader concept of services
- Double taxation agreement
- Harmonization of tax regulation

Focus: how to avoid **double taxation**

MOVING FORWARD

4.

FREE MOVEMENT ON PEOPLE

Flexibility for business
visitors
Degrees recognition

Initiative: create de **PA Business Card**

MOVING FORWARD

5. PUBLIC AGENCIES

TS promotion programs
Administrative procedures
(digital certificate of residence,
single window)

Public agencies need to **change the paradigm**

FINAL THOUGHTS

Trade in services needs to be more visible in public policies

PA, APEC and FTAAP can sustain these efforts over time

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