

# Third-country Impacts of FTAs: The Case of Services

**ECIPE Seminar inviting Kommerskollegium**

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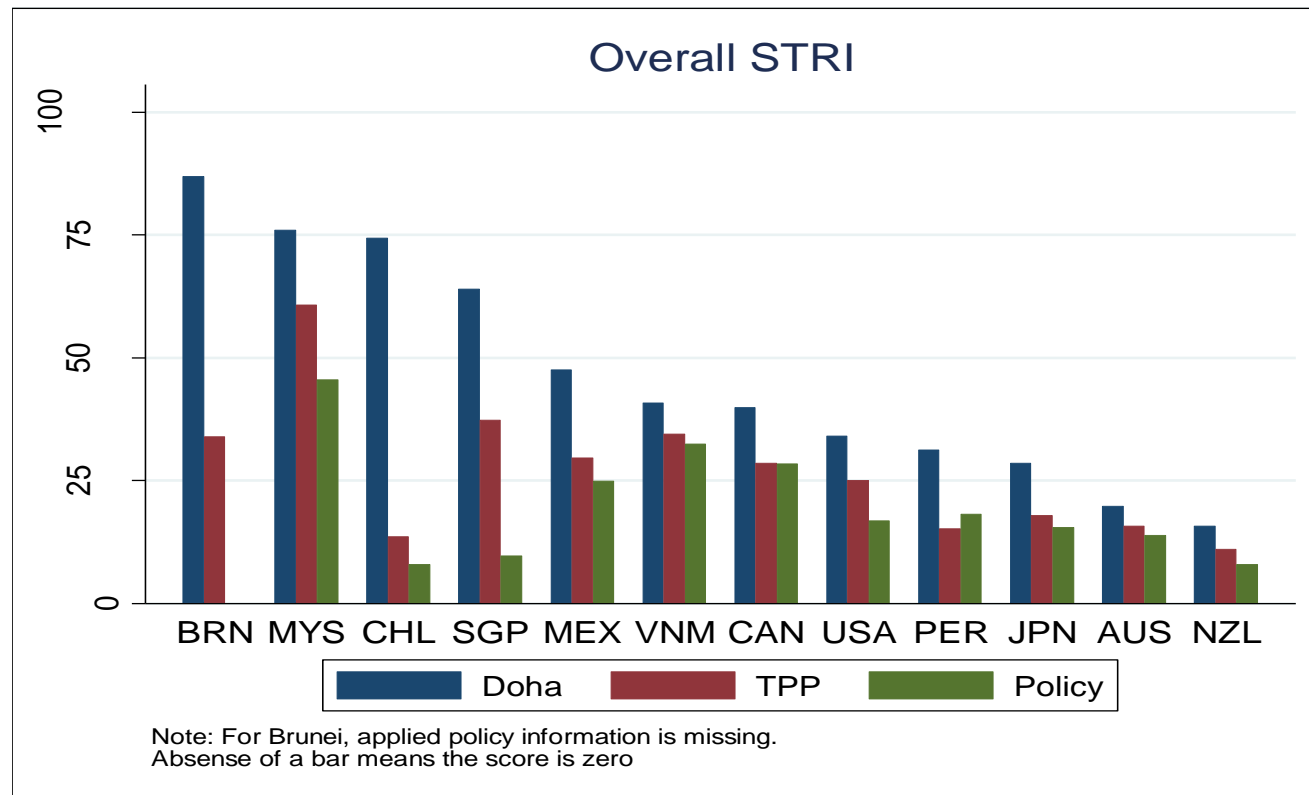


# Services

- **Third-party effect:** generally positive | services' nature
  - Consistent with empirical economic literature – **trade costs**
- Mode 1: extremely hard to distinguish
  - Lower barriers even positive for exports domestic firms (Nordås and Rouzet, 2015)
- Mode 3: also applied on non-discriminatory basis
  - No consistency with empirical economic literature / no data (screening)
- Mode 4: bit of an outlier because of its sensitivity

Regionalism too has deliver little incremental liberalization: e.g. the TPP too promised new rules and credibility but not much liberalization

## Services Trade Restrictiveness Indices for TPP Countries Doha Offers, TPP Commitments and Applied Policy



Source: Batshur Gootiiz and Aaditya Mattoo (2017), Does TPP Bring More Openness in Services? World Bank Policy Research Paper No. 7964.

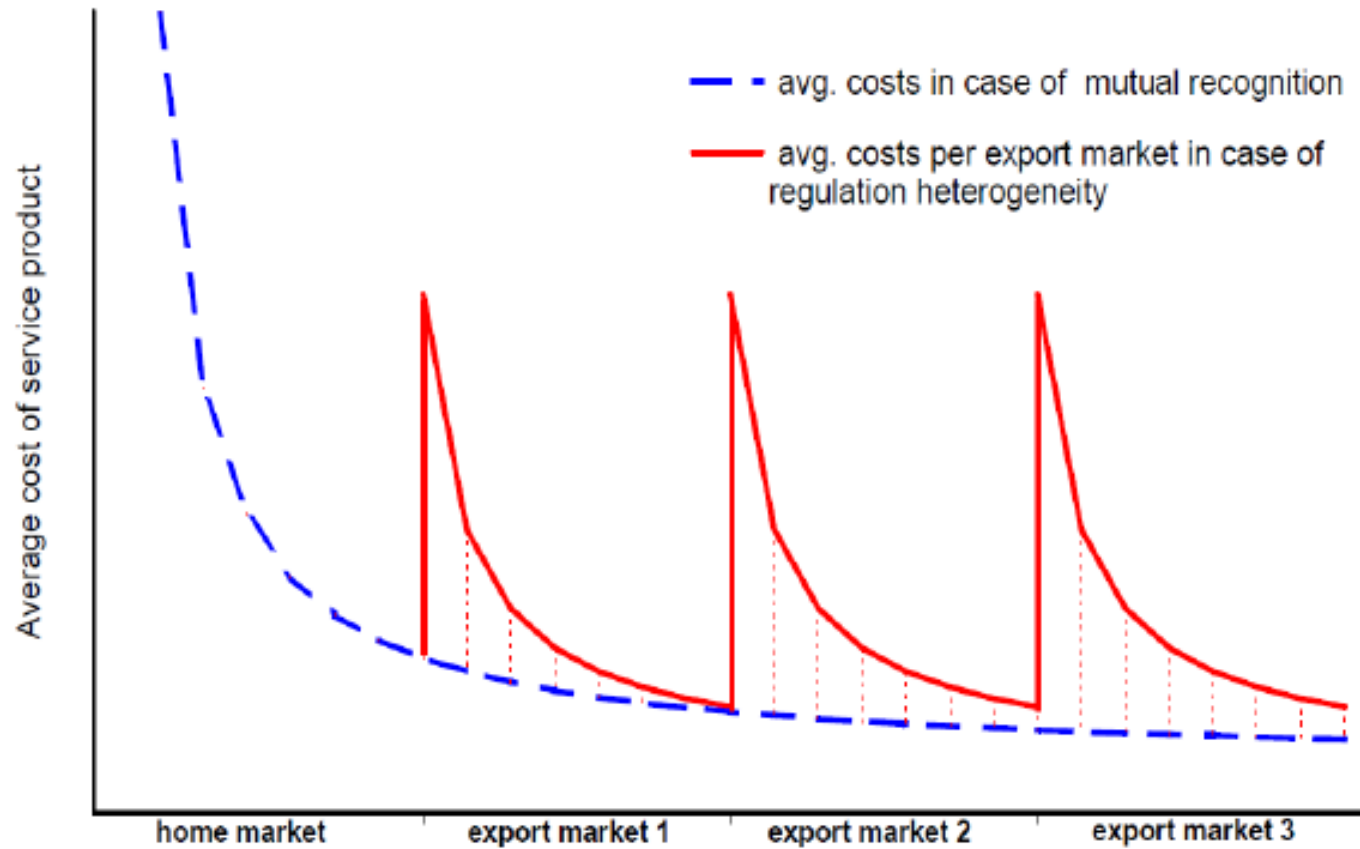
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- Host of other items that determine trade costs in services
  - Besides barriers: asymmetric information, certification, **variability**
  - In principle **non-discriminatory** basis: positive third-country impact
- However, although true..
  - Regulatory **heterogeneity** in extremely persistent
  - What about data regulations (e.g. data localization)? Mode 1
  - Role and quality of the regulators: positive impact
    - ≠ regulatory governance / transparency

# Impact regulatory heterogeneity on firm costs

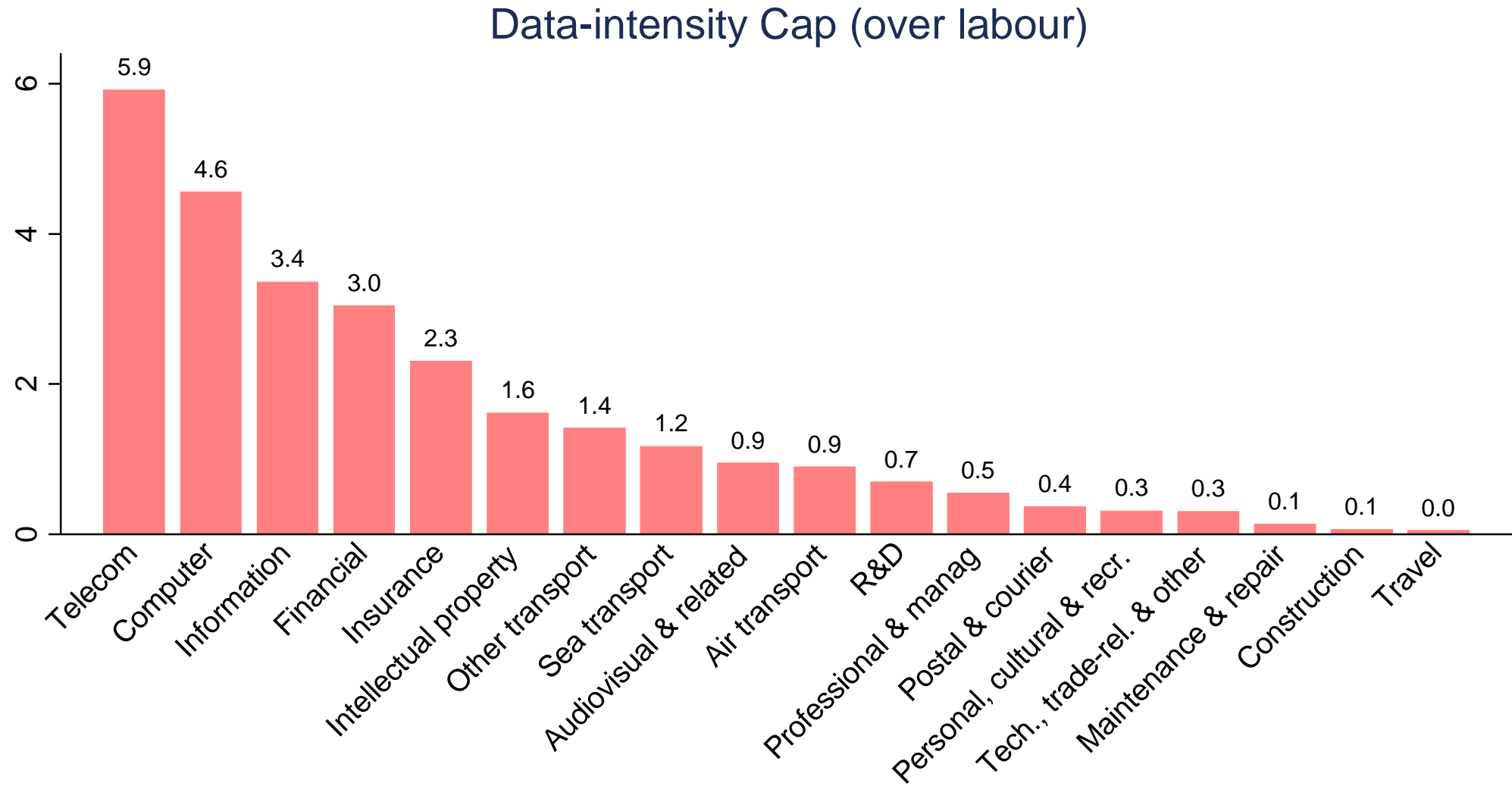


Source: Kox and Lejour (2005)

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# Mode 1 trade affected by data regulations





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