

Quantifying trade barriers in financial services for CEFTA countries

Ivana Prica, Faculty of Economics, University of Belgrade

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Available data on CEFTA trade in services

- CEFTA data on services' trade flows
 - Extended BOPS data available (cover modes 1, 2 & 4)
 - Not by Partner country, not intra CEFTA
 - FATS data not available (cover mode 3), especially by service sector
 - Not available by modes of supply
- CEFTA barriers to trade in services
 - Information on applied regime often not transparent/ not available
 - WTO GATS Schedules as an alternative source
 - But only for WTO Members
 - May vary from the applied regime

Quantifying services trade barriers

- Frequency measures
- Liberalisation indices / services trade restrictiveness indices (STRI)
 - OECD STRI
 - WB STRI
 - EU STRI
 - CEFTA STRI
- Measuring costs of trade using gravity models, also could be used for weighting

Methodology for quantifying trade barriers in services

1. Collect and collate information on applicable measures
2. Decide on the appropriate aggregation of barriers by modes of supply, type of service and area of application
3. Establish a trade restrictiveness scale for applicable measures
4. Determine aggregation weights
 - Value of trade
 - Cost-based
 - Expert judgement
5. Calculate the index.

Methodology used for calculating Banking services liberalisation index

Method based on research by Mattoo (1999)

1. Gathered information from WTO/GATS
2. Aggregated MA and NT limitations by modes 1, 2 and 3, for:
 - Acceptance of deposits
 - Lending of all type
3. Developed restrictiveness scale: an interval scale (0,1), where 0 is fully closed (no commitment) and 1 full liberalisation
 - Mattoo (1999)
 - Borchert, Gootiiz, Mattoo (2012a)
 - Brochert, Gootiiz, Mattoo (2012b)

Limitations summarised and assigned the liberalisation scores: Mode 1

	Acceptance of deposits		Lending of all types	
Albania	No commitment	0	No commitment	0
Macedonia	No commitment	0	No commitment	0
Moldova	No commitment*	0	No commitment*	0
Montenegro	Full commitment	1	Full commitment	1

* Limitation that only domestically established banks may provide financial services is provided horizontally for sector 7.B. Banking and other financial services (excl. insurance)

Limitations summarised and assigned the liberalisation scores: Mode 2

	Acceptance of deposits		Lending of all types	
Albania	Full commitment	1	Full commitment	1
Macedonia	No commitment. None after application of phase II of SAA .	0	Full commitment	1
Moldova	Approval for capital transfers from residents to non-residents	0.5	Full commitment	1
Montenegro	Full commitment	1	Full commitment	1

Limitations summarised and assigned the liberalisation scores: Mode 3

	Acceptance of deposits		Lending of all types	
Albania	Full commitment	1	Full commitment	1
Macedonia	Foreign persons may not establish saving houses.	0.9	Foreign persons may not establish saving houses.	0.9
Moldova	Branches need licensing and same charter capital as banks	0.75	Branches need licensing and same charter capital as banks	0.75
Montenegro*	Cross-border branches may be treated less favourably	0.9	Cross-border branches may be treated less favourably	0.9

* Montenegro also has NT limitation regarding domestic employment or residency requirements of bank managers/board members

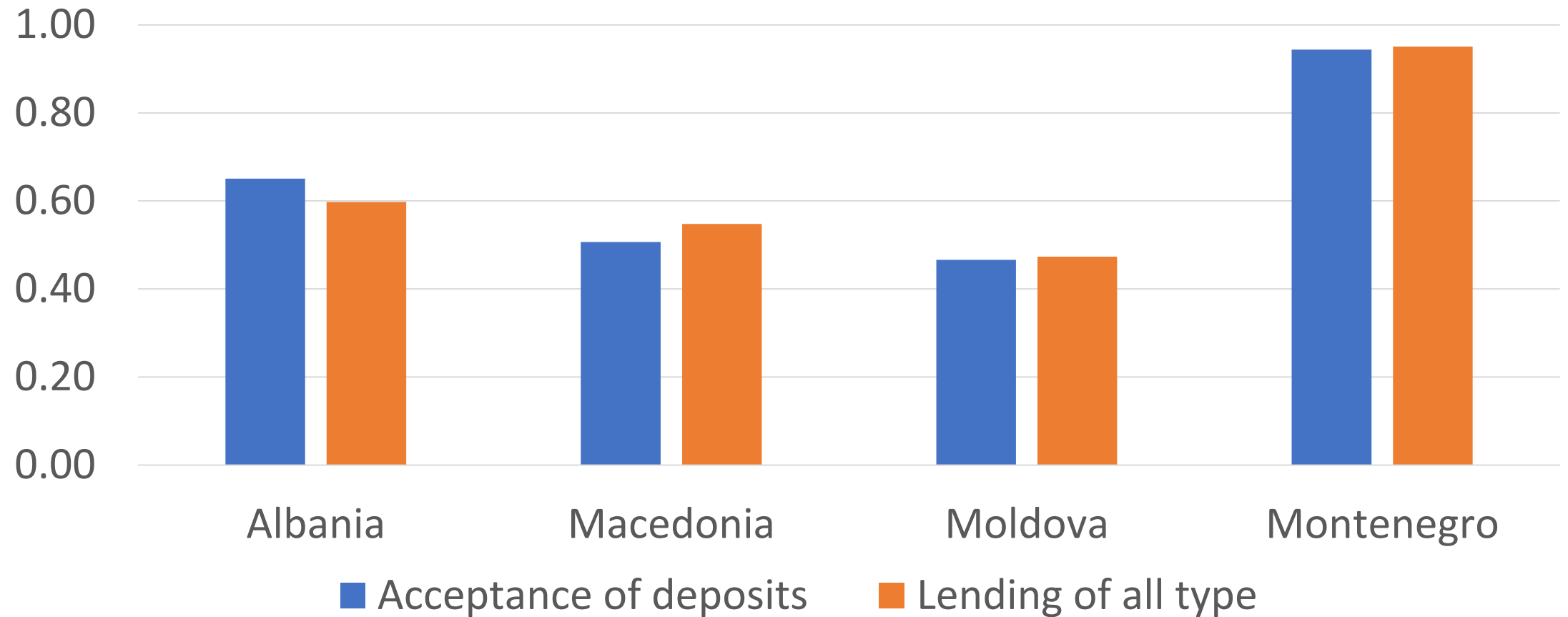
WTO/GATS Rules Specific to Financial Services

- GATS Art. XI, XII and footnote 8 to Art. XVI
 - Payments and current transaction, as well as capital transactions relating to a scheduled service shall be allowed, unless under BOP difficulties
- Annex on Financial Services
 - Prudential carve-out, but not as a means to avoid commitments under GATS
- Second and Fifth Protocol
 - Encompasses results of negotiations post-Uruguay
- Understanding on Commitments in Financial Services
 - Provides for additional committing, most new members adopt it

Methodology used for calculating Banking services liberalisation index (2)

4. Developed weights based on information from actual financial services' trade data by modes of supply for US
 - Started from approach in Mattoo (199)
 - Used most recently data available from BEA (BEA, OECD, EU, 2017)
5. Calculated the index

Banking services liberalisation indices



Methodology *Pro et Contra*

Pro

- Simple to use
- Applicable to all 140+ WTO members
- Fully comparable across countries

Contra

- Autonomous liberalization
- Arbitrariness due to prudential measures and domestic reg.
- Arbitrariness in constructing weights cannot be eliminated

Future research directions

- Include insurance sector
- Rethink positions on mode 2 and weights
- Employ the same methodology to the **applied regimes**
 - Also to include CEFTA Parties who are not WTO members

THANK YOU!