

Trade Policy Restrictiveness in Transportation Services

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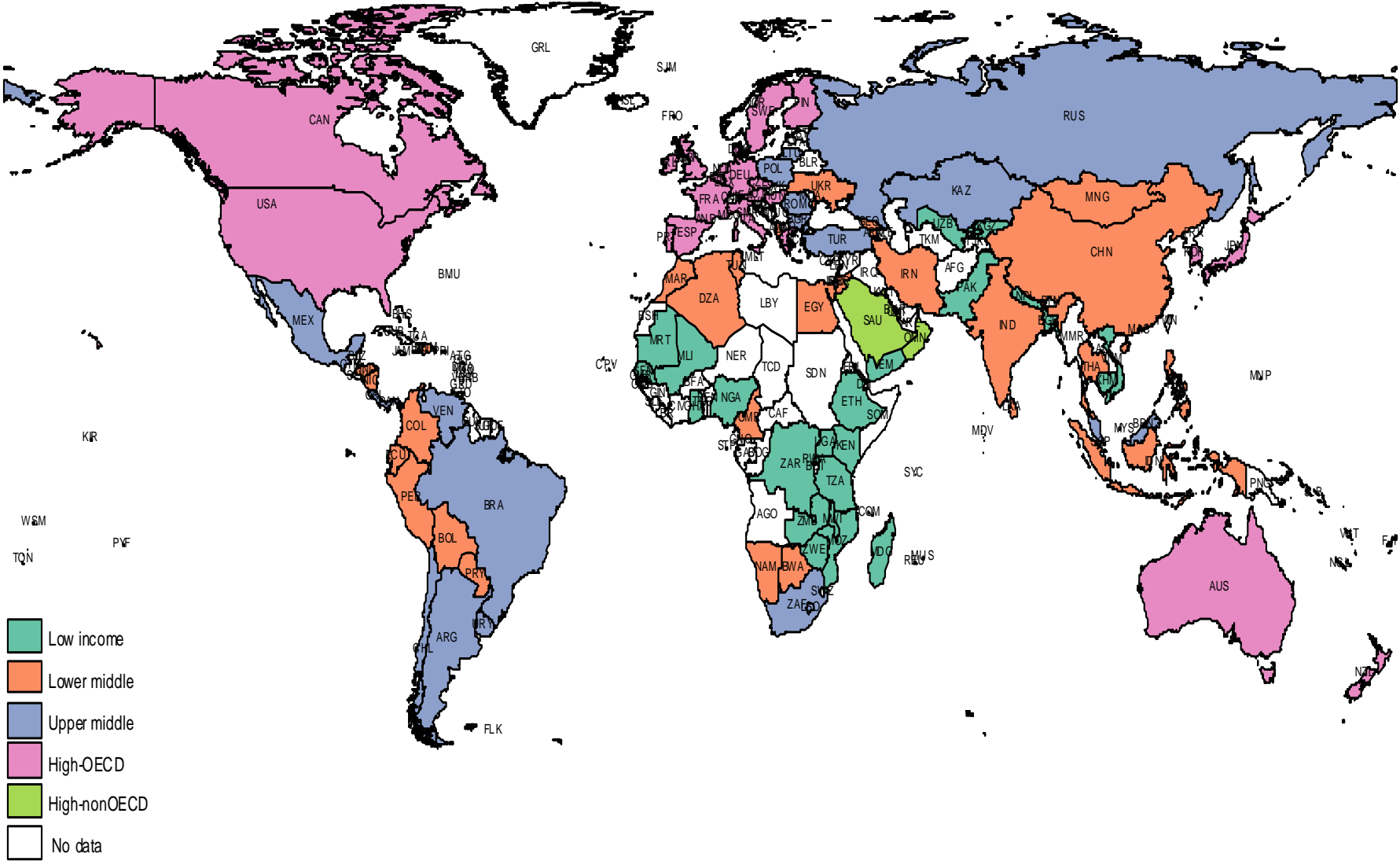
OECD Expert Meeting on Transport Services

15 November 2010

Agenda

1. WB Services Policy Restrictiveness Database
 - Measurement of transport policies
 - Quantification
2. Global Patterns of Protection
3. Examples of policy impact
4. Questions to kick off discussion

Services Policy Database: Coverage



Database Coverage

- 102 countries: 78 developing countries surveyed, comparable data for 24 OECD countries
 - Six broad services sectors; different modes of supply where applicable
 - Multiple policy dimensions but focus on discriminatory policy measures
 - Mostly cross-validated by governments
- ⇒ more than 3,000 country-subsector-mode combinations

Coverage: Transportation

Sector/Sub-sector	Mode 1	Mode 3
Transport		
Air passenger domestic		x
Air passenger international	x	x
Maritime shipping international	x	x
Maritime auxiliary services		x
Road freight domestic		x
Rail freight domestic		x

Coverage Transportation

— Mode 3 —

Regulatory Category	Measures considered
1) Market Entry	<ul style="list-style-type: none"> • License limit / quota on market entry • Significantly discriminatory licensing
2) Ownership, Legal Form	<ul style="list-style-type: none"> • Greenfield, acquisitions, subsidiary, branch, JV • Foreign equity participation limits
3) License procedures	<ul style="list-style-type: none"> • Discrimination in licensing criteria • Allocation • License length, renewal and due process for rejection
4) Aspects of Operations	<ul style="list-style-type: none"> • Nationality requirement for board of directors • Nationality requirement for employees • Restrictions on repatriation of earnings
5) Regulatory environment	<ul style="list-style-type: none"> • Regulatory authority • Appeal of decisions, prior notice.

Coverage Transportation

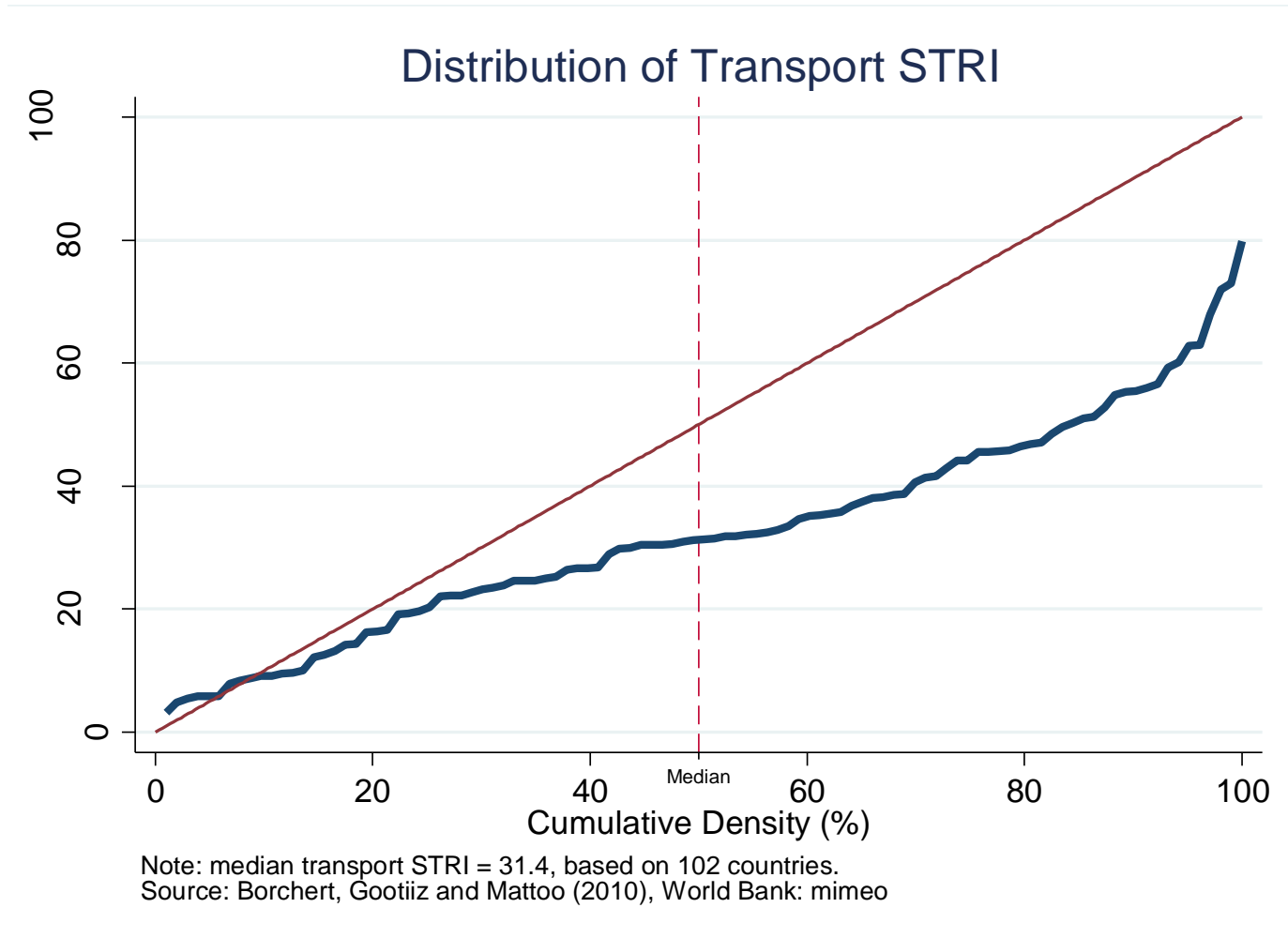
— Mode 1 —

Subsector	Measures considered
Maritime shipping	<ul style="list-style-type: none">• Cargo preferences (Liner / Bulk / Private / Government cargo)• Liner conferences exempt from competition law
Air passenger transport	<ul style="list-style-type: none">• WTO's Air Liberalization Index (ALI)

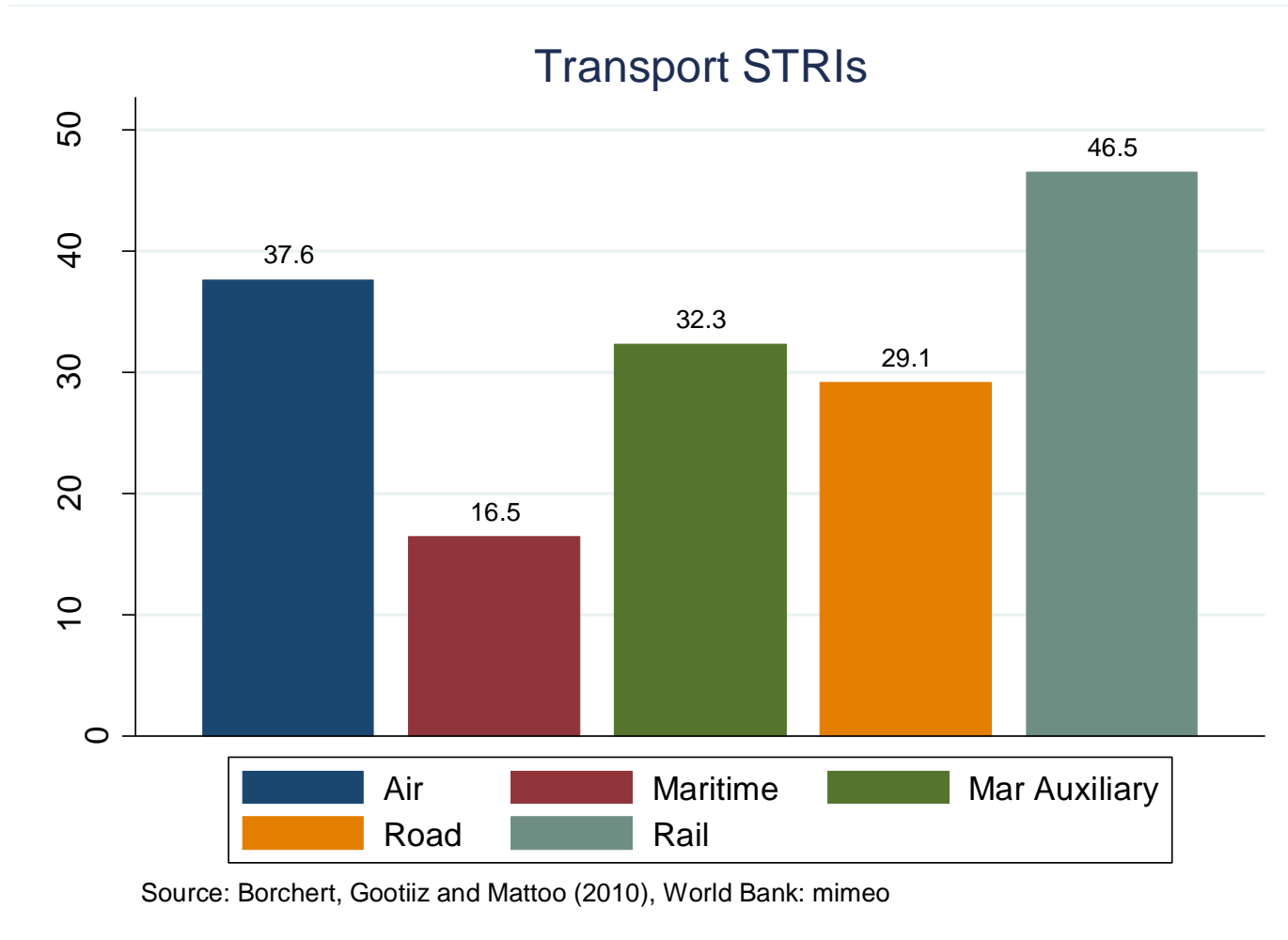
Quantification: STRI Score

- Word Bank's STRI: expert judgment
 - Policy summary + scoring rules
 - Mapping on 5-point scale: [0, 25, 50, 75, 100]
- Aggregation by weights
 - Modal weights: sector-specific
 - Sector weights: value-added based
- Problems: cardinality, subjectivity, non-additivity across modes

Restrictiveness of Services Trade Policy, 2008/09

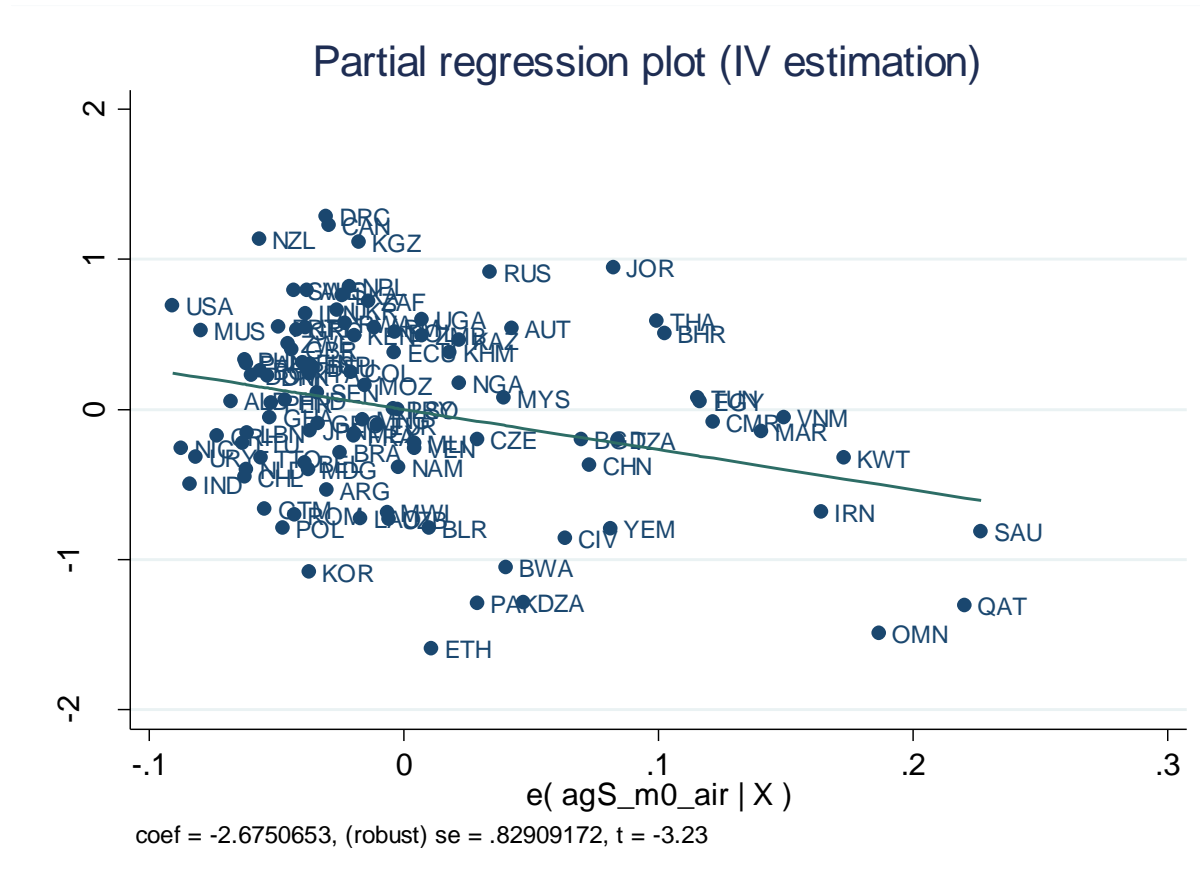


STRI by Transport Sectors



Example: competition in air transport

Higher STRI scores are associated with fewer airlines servicing a country:

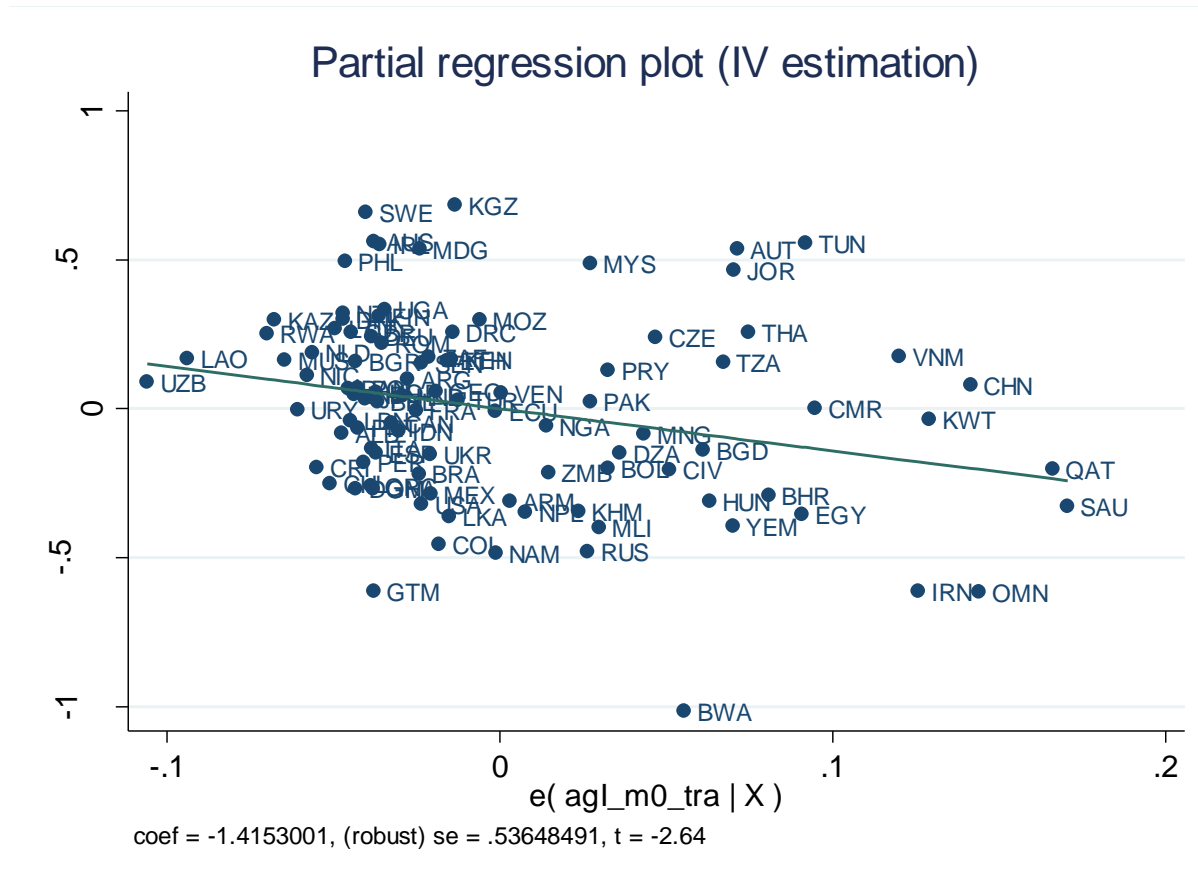


Covariates: log GDP, log GDP p.c., percent urban pop, pop density, landlocked dummy, Sub-Saharan Africa dummy, num large airports, air transport STRI.

Source: Borchert, Gootiiz, Grover and Mattoo (2010), World Bank

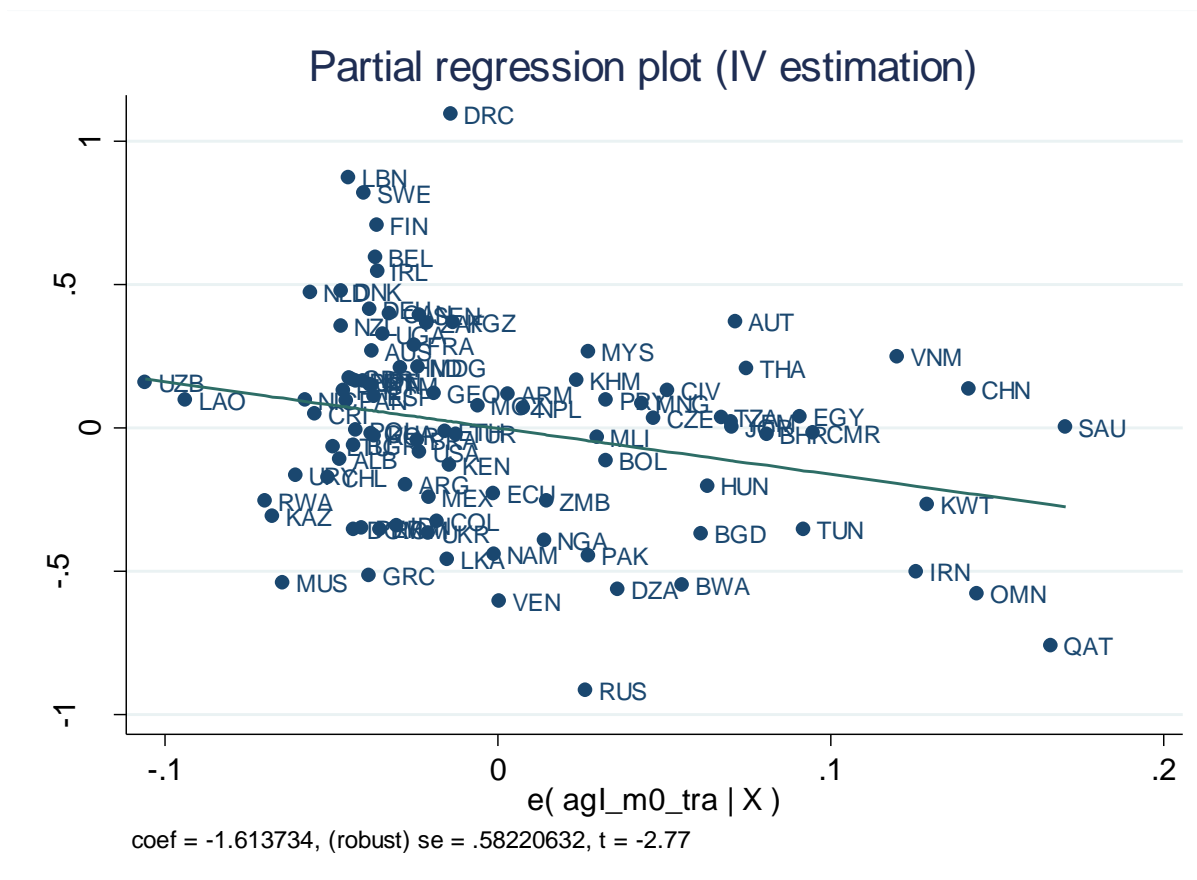
Example: logistics prices

More restrictive transport policies are associated with lower availability of competitively priced logistics services (LPI 2009):



Example: logistics quality

More restrictive transport policies are associated with poorer quality of logistics services (LPI 2009):



Covariates: log GDP, log GDP p.c., percent urban pop, pop density, landlocked dummy, Sub-Saharan Africa dummy, air transport STRI.

Source: Borchert, Gootiiz, Grover and Mattoo (2010), World Bank

Services reform vital for trade facilitation

- Landlocked countries' air transport policies almost twice as restrictive as in coastal countries
- “Trade-facilitating” investments will earn a poor return unless accompanied by meaningful services reform
 - 77% of IDA's transportation funding over last decade (\$8.6bn) committed to roads, highways
- But countries (including the landlocked) cannot unilaterally reform international transport
 - exclusion of transportation from a “Doha development round” would be a serious omission

What Other Aspects of Policy?

- Imperfect competition
 - ‘Tour de rôle’ in African trucking
 - Fink/Mattoo/Neagu (2002): private anticompetitive practices have greater impact on shipping prices than restrictive policies
 - ↔ Nov 9, 2010: EU commission imposes >\$1bn in fines on air cargo cartel
- ‘External effect’ of not enforcing competition policy
 - 12 countries still exempt liner conference from comp law
 - Not clear how far air transport services are subject to competition disciplines
- Other prudential / impartial regulation
 - e.g. airport slot allocation (Cairo)

Questions

1. Do preliminary results look reasonable?
2. Get policy measure interactions right:
 - a) Across modes of supply
 - b) Across modes of transport (multimodal, logistics supply chain)
 - c) Other policy areas outside services
3. Get regulatory impact right
4. How to measuring policy discretion, uncertainty?

Taking Stock

- For the first time describe policy patterns around the world; with focus on discriminatory trade policies
- Demonstrate how these measures matter
- Refinements regarding linkages across measures and across the logistics supply chain
 - Today's discussion!

Thank you for your attention!