

PECC SIGNATURE PROJECT: FTAAP 'PATHWAYS TO PROSPERITY'

POLICY BRIEF, SERVICES GOOD REGULATORY PRACTICE - INITIAL DESCRIPTION OF TOPIC

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The brief will explore how applying a longer-term perspective (that is, an “FTAAP approach”) to the adoption of good regulatory practice could help advance regional economic cooperation and integration. It will provide insight into the design of cooperative arrangements that are relevant to the delivery of the FTAAP concept in the longer term.

The issue

Divergences in regulation increase trade costs substantially. This source of trade costs is relatively more important for services than other sectors, where uncoordinated actions by domestic regulators working to their mandates have the effect of imposing additional costs on trade (particularly for MSMEs).

Attention to this issue from an FTAAP perspective would assist integration by exploring a consistent and extensive approach to reducing services trade costs. Not only does attention to services help capture opportunities for new sources of growth, but services also have an important cross-cutting role in the economy’s competitiveness.

Existing arrangements

There are existing frameworks for dealing with this issue. For example, there are regulatory bodies at the sectoral level as well as international standards bodies. Many economies and some regional organisations also provide guidance on how to proceed with regulatory design. Trade agreements also more frequently now have chapters on and institutional arrangements to support regulatory cooperation. Another reference point is the WTO Agreement on Technical Barriers to Trade, as well as the recently adopted joint statement on services domestic regulation which draws on a set of non-binding principles developed earlier by APEC economies. The ASEAN Handbook on GRP points to ‘good regulatory outcomes require cooperation’ and provides examples. Other Handbooks ask regulators to consider international experience.

However, these arrangements are often partial or qualified. They tend to be focused on trade in goods, rather than services, and can lack clarity on how to move toward implementation.

Recent developments

The digitisation of services, and its acceleration due to COVID, has widened the range of relevant regulatory matters receiving attention from policy makers, including through the work in APEC on structural reform in the services sector. Data and research activity (such as of the WTO, the OECD and the Economic Research Institute for ASEAN and East Asia), has also highlighted the extent of the costs involved, as well as the potential opportunities for achieving significant savings and improvements in trade policy.

The range of options for international cooperation on both the process of reducing the impact of divergences but also on standard setting has widened in recent years. The rapid growth of digital delivery of services makes such cooperation even more important.

Benefits of focusing on longer-term FTAAP goals

The FTAAP vision of a much more integrated regional economy will require substantially greater coherence between economies’ approaches to services regulation and a sharper focus on international cooperation as well as other important GRP principles such as transparency, analysis,

consultation etc. Without this, even the process of GRP at the individual economy level could lead to regulatory differences that would add to trade costs and significantly reduce the potential benefits.

An FTAAP approach will be applied to consider the international dimension and provide guidance on issues such as how to:

- advance international cooperation, taking into account economies' different circumstances, trading arrangements, value chains, emerging technologies etc
- build on existing measures, including domestic arrangements, regional cooperation, APEC activities and WTO undertakings
- identify domestic institutional arrangements that facilitate cooperation, including regulatory mandates, and
- contribute to inclusion and issues such as sustainability, health etc.

