Integrating African Services Markets

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Introduction

Africa's trade volumes have risen since the 1990s. The share of non-fuel merchandise in total exports has increased, reflecting growth in exports of manufactured and agricultural products as well as trade in services. The geographic pattern of Africa's trade has also changed in recent decades. The EU as a bloc remains the continent's largest trade partner, but China and India have become the top two individual trading partner countries for Africa as a whole. Post-Brexit, the share of the EU will decline further. However, much also remains the same. Many countries remain heavily dependent on a limited number of exports. Intra-regional trade, despite rising steadily since 2008, stands at 18 percent of total trade, well below that observed in most other parts of the world (Hoekman and Njinkeu, 2017).

The African Union (AU) Agenda 2063 provides a vision for "an integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the global arena" (African Union Commission, 2015).[2] The agenda envisages a continent where there is free movement of people, capital, goods and services and a substantial increase in trade and investment among African countries. The institutional framework to support this is the Continental Free Trade Area (CFTA), supported by AU initiatives in the areas of trade facilitation, trade policy, productive capacities, trade related infrastructure, trade finance, trade information and factor market integration.[3] Integrating African product markets will require both deepening and rationalization of disparate regional integration processes. A first step in this direction has been taken with the agreement to consolidate the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA) and the Southern Africa Development Community (SADC) into the Tri-Partite Free Trade Area (TFTA), which was launched in 2015.

[1] This paper draws heavily on previous work, notably Hoekman (2018), as well as Hoekman and Njinkeu (2017), Fiorini and Hoekman (2015) and Hoekman and Shepherd (2017).
[2] See African Union website at: https://au.int/en/about/vision.
[3] AU, AfDB and UNECA (2016) develops and reports an index monitoring progress in achieving regional integration objectives. Afesorgbor (2017) provides a recent meta-analysis of the empirical literature estimating the effects of African regional integration initiatives in fostering intra-regional trade.

Realizing the ambitious intra-regional trade agenda is a multidimensional challenge. This paper focuses on one important dimension of this challenge: integrating markets for services. Services are increasingly tradable as a result of technological advances, investments in 'backbone' infrastructure and connectivity, and policy reforms that increase the contestability of services markets, including liberalization of FDI. Trade in services, broadly defined to span both cross-border exchange through telecommunications networks and the temporary movement of service suppliers or consumers, and FDI (establishment in a host country foreign affiliates that produce/sell services) are potentially important channels for increasing productivity growth. Trade in services is similar to trade in goods in allowing specialization according to comparative advantage, but differs in that it requires movement of providers, whether legal entities (firms) or natural persons (services suppliers). Both dimensions imply that a (much) broader range of policy instruments and underlying public policy concerns are relevant than for trade in goods. Another difference, at least in degree, is that many services are critical inputs for a large number of different industries, and thus that imports of services may be a particularly important channel for productivity growth. Integrating African services markets can help support greater cross-border services trade and investment flows, and thus help to generate productivity growth.

A well-known stylized fact of intra-African trade is that trade costs are high. This is not simply a matter of tariffs and red tape at borders that can be addressed through tariff removal and trade facilitation measures. Reducing trade costs in Africa is in (large) part a challenge of increasing productivity in a variety of services activities, most obviously in the areas of transport and logistics, less obviously in areas such as communications and financial services. The level of trade costs associated with moving goods and services (including services providers) from one country to another is in large part a function of the costs of the services that are needed to enable cross-border movement. Thus, one dimension of the net gains from integrating African services markets is that it can help to reduce trade costs, complementing goods trade liberalization and facilitation efforts (Miroudot et al. 2012). McMillan, Rodrik and Verduzco-Gallo (2014) have noted that in Africa the process of structural transformation in which workers move out of agriculture/rural locations into other economic sectors/urban centres has not been accompanied by the shift observed in East Asia in which this process can be characterized by a shift from low to higher productivity activities, with manufacturing absorbing a large proportion of the workers who move out of agriculture and an overall rise in economy-wide productivity performance. The pattern that is observed instead in many African countries is one of a shift of people from rural areas into the urban informal sector or into low productivity services activities (retail, personal services etc.), with little in the way of an expansion of the manufacturing sector.

Modern manufacturing involves many services activities. Globally, much of manufacturing is undergoing a process of servicification, involving the provision (sale) of the services that are generated by products as opposed to simply the fabrication and sale of tangible goods. Thus, dstinguishing between manufacturing and services sectors is rapidly becoming less meaningful. What matters from the perspective of structural transformation is not so much shifting resources out of rural agriculture into urban manufacturing assembly plants but moving resources into activities that generate high(er) value added and increase aggregate productivity (Balchin et al. 2016). Many services are relatively skill intensive and are associated with higher productivity, but even relatively low-skilled services activities offer opportunities for real wages that are higher than in agriculture – e.g., related to the tourism industry. Such activities will often revolve around or be classified as services, whether they take place in industry or as stand-alone services. A key factor then is to understand the drivers of investment in economic activities that generate higher productivity per worker and what regional integration can do to help address constraints to such investment.

This paper reviews some of the literature on trade in services and integration of services markets through trade agreements. Section 1 briefly reviews the role of services in development and growth, the potential role of trade in services, and recent evidence on the magnitude of services trade costs. Section 2 discusses prevailing services trade and investment policies and how these can affect the productivity of downstream firms. Section 3 turns to the design of trade agreements, highlighting the implications of recent research on the quality of economic governance as a determinant of the magnitude of the net gains of services trade liberalization. An implication of this research is that efforts to integrate services markets must go beyond a focus on removing services trade barriers. Efforts to improve and bolster regulatory regimes and implementing institutions are also important. Section 4 discusses what could be done through regional integration to reduce services trade barriers, the state of play in this regard in Africa and what research on services trade policy suggests should be on the agenda looking forward.[4] Section 5 concludes.

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[4] The external market access–related dimensions of further regional integration are not addressed in this paper. African economies have negotiated (or are in the process of negotiating) Economic Partnership Agreements (EPAs) with the European Union (EU) which may need to be revisited as Africa integrates. Relevant and important external dimensions of trade policy in this regard include Brexit, which may have significant effects for African exporters depending on what form Brexit takes and that LDCs have duty-free, quota free access to many high-income markets. Thus, different members of the CFTA will have diverse external market access conditions, with firms not only confronting possible variation in tariffs in export markets in the rest of the world but having to satisfy different sets of rules of origin depending on where they are located.

1. Services, trade and structural transformation

The share of services in total output and employment for the world as a whole has been increasing over time as countries become richer. This is nothing new (Kravis, Heston and Summers, 1983), but for any level of economic development the role of services in the economy is today more important than in the past as a result of advances in information and communication technologies and transport. Efficient services are critical for economic development. Many services are inputs into the production of other services and goods. As a result, their cost and quality impact on the growth performance of the economy. An important economic characteristic of many services is their "intermediation" role: intermediate or producer services support the process of ever-finer specialization associated with economic development. Producer services are not only differentiated intermediate inputs into production. They perform an important function in coordinating production processes, both within, and increasingly, across countries, in the process enhancing overall productivity performance.

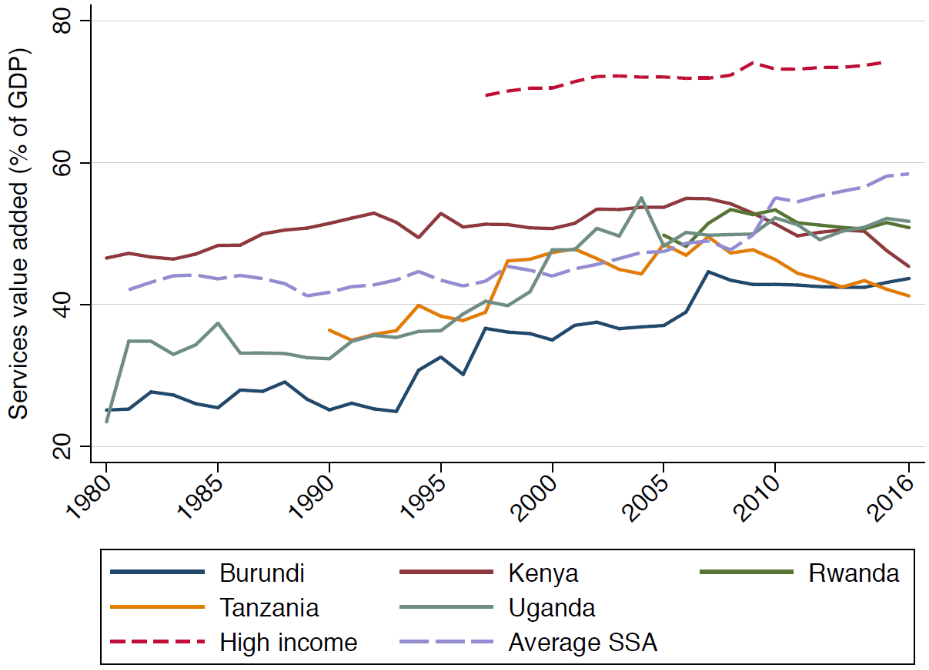
It is well known that in high income countries services account for the bulk of economic activity What is less widely recognized is that services also make up a significant part of the economy in developing countries, even low-income countries and least developed countries. Data on services for many African countries are very weak; many countries do not report detailed statistics and some do not report at all. This implies that analysis of available statistics is likely to give a misleading picture of the reality "on the ground" in Africa. On average, services account for some 50% of GDP in sub-Saharan Africa, while services trade is equal to about 10% of GDP. This compares to 62% and 13%, respectively, for the world as a whole, suggesting that African services trade intensity is quite similar to that of the world as a whole.[5] Travel (including tourism) is the major export category and has been growing faster than other categories of services. That said, a number of African countries have experienced significant growth in trade in commercial services. Although sub-Saharan Africa's share in global trade in services is small, its share is larger than it is for manufactured products, suggesting this is an area of revealed comparative advantage.

Figure 1 shows the proportion of GDP accounted for by services in Sub-Saharan Africa on average as well as for EAC countries. With the exceptions of Burundi and Tanzania, the share is reasonably stable over time at about 50%. Overall, EAC countries are less "services-intensive" than the average Sub-Saharan African country. In Tanzania, the share of services in GDP has fallen to around 40%, whereas in Burundi it has risen from a low level of 35% to over 40%. Of course, these data need to be taken with caution—as many Sub-Saharan African countries are known to have substantial data

[5] Data are from the World Bank's World Development Indicators.

quality issues. The national accounts do not include the informal sector, which is typically large in the region. Many services are provided informally, so the true level of contribution of services to the economy as a whole is larger than what the national accounts indicate. In any case, the point is that services account for a substantial share of all economic activity in African countries, a trend that is likely to intensify with economic growth and development.

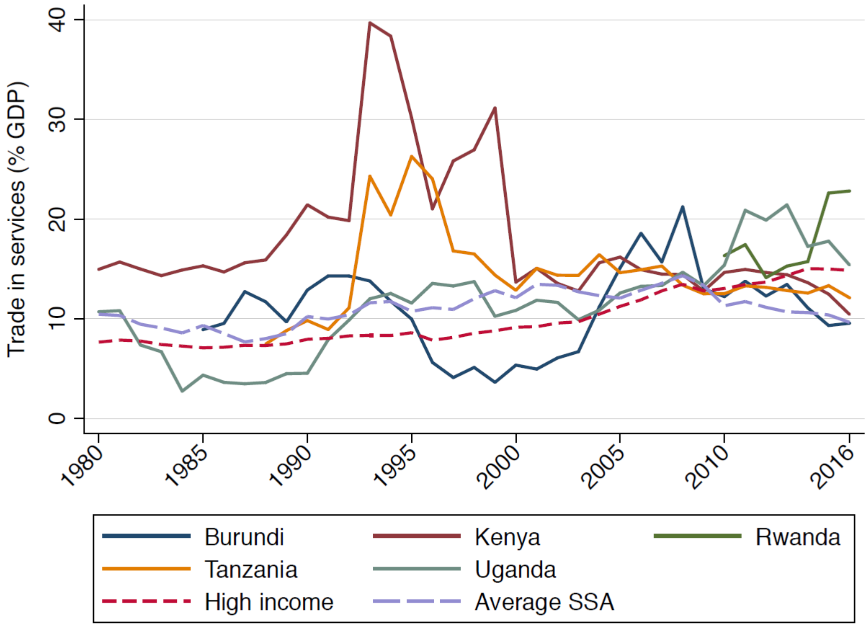
Figure 1: Services contribution to GDP, percent, 2000-2016



Source: World Development Indicators.

Services trade in Africa is growing in line with the economy as a whole. As a result, the ratio of services trade to GDP (Figure 2), while volatile over time – possibly reflecting data weaknesses – is relatively stable over time at 10-15%. Within the EAC, Rwanda is the most specialized in services exports, overtaking Uganda in recent years. On average, EAC countries have higher services trade/GDP ratios than Sub-Saharan Africa as a whole or high-income countries. Again, a caution is in order: this analysis is based on statistics taken from the Balance of Payments and so only accounts for, approximately, what is defined in the WTO as Mode 1 (pure cross border trade) and Mode 2 (movement of the consumer) transactions. The importance of services would be somewhat higher if all modes of supply were included, but data on Modes 3 (sales of foreign affiliates) and 4 (temporary movement of service providers) are notoriously scarce and of low quality. Despite this shortcoming, it is clear that services trade matters for African country, and that there is substantial heterogeneity across countries.

Figure 2: Services trade relative to GDP, percent, 2005-2016



Source: World Development Indicators.

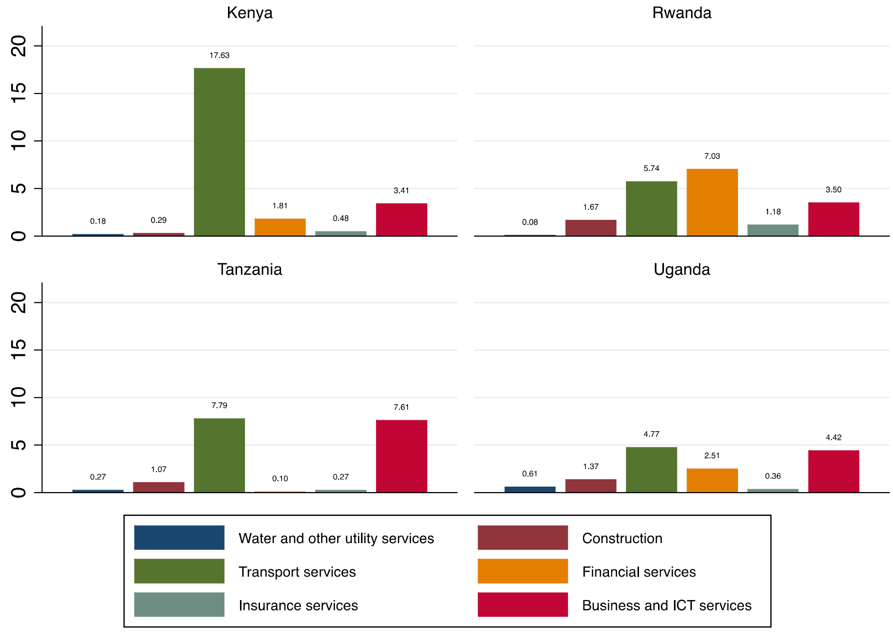
Case studies provide a sense of both recent developments in services trade and illustrate the potential for services trade growth for African countries. This goes much beyond the well-known potential to exploit national natural endowments through tourism. Innovative firms and entrepreneurs operating in a variety of services sectors have demonstrated that African firms can compete and that there is great scope for growth in intra-regional trade in services. Such trade is already significant. Based on surveys of firms and complementary innovative data collection methods in a set of Common Market for Eastern and Southern Africa (COMESA) countries, Dihel and Goswami (2016) conclude that more than 16 percent of interviewed accounting, architectural, engineering and legal firms engage in exports, mainly to neighbouring countries. They also document substantial trade in education, health, banking, insurance, and accounting services. Importantly, they also document that barriers affecting trade in services—for all modes of supply—lead many African service suppliers to engage in informal trade and/or significantly reduces their productivity. The case studies included in Dihel and Goswami (2016) demonstrate that entrepreneurs are able to circumvent formal barriers to cross-border trade in services and that there is substantial demand for services imports, suggesting that liberalization and services trade facilitation – to remove the need for bribes and more generally lower transactions costs and the ability of incumbent services industries (e.g., professional associations) to restrict foreign entry – has great potential to both expand trade further and increase welfare (the gains from trade).

Dihel et al. (2012) provide a case study of Kenya and discuss how new ICT technologies and improvements in ICT infrastructure and mobile internet connectivity has expanded mobile phone and internet access and supported to emergence of globally competitive services suppliers such as KenCall (business process outsourcing—BPO), Ushahidi (open source software platforms to visualize information in real time on mobile devices) and Safaricom (mobile telecoms; mobile payment services – M-Pesa). Kenyan services exports include insurance, accounting, non-bank financial and BPO services. The regional market – the EAC – is often the largest one for smaller firms providing professional/business service. More than half of Kenyan service exporters have clients in Tanzania and/or in Uganda and one third have clients in Rwanda. Regional markets are important for exports of accounting, architecture, engineering, insurance, and legal services. In BPO, Kenyan firms export an array of services ranging from inbound/outbound customer voice, email, and SMS support, phone-based marketing services and surveys of customers of client firms as well as a variety of back-office support services, including database management, storage and back-up facilities. Kenyan firms have also become exporters of software design services, apps such as games for mobile devices, user interface systems, as well as high-value technology solutions such as data recovery. While Kenya has developed a comparative advantage in such modern ICT-based and enabled services, similar trends can be observed in other African countries, including Nigeria, Mauritius, Ghana and Senegal. Space constraints prohibit an extensive discussion of specific cases—the main point of this sub-section is to illustrate that there are already substantial levels of trade in services occurring in Africa, that there is great dynamism in services trade and that much of this is regionally-focused.[6]

Services are an important part of international value chains. To illustrate this point, Figure 3 shows the degree of forward linkages observed for services sectors in the EAC countries for which data are available. This indicator captures the proportion of services that are used as inputs into other countries' exports, and is thus one good proxy for the degree of importance services have in value chains. As can be seen, performance varies considerably across countries and sectors. Transport and business services (including ICT services) stand out as having particularly strong forward linkages—which is unsurprising given their strong potential for internationalization. What emerges from the figure is that services are important sources of international business activity in East Africa, including through their linkages with other sectors.

[6] Dihel and Goswami (2016) provides a number of excellent case studies and informed discussion of trade in services in Africa. See also Cattaneo et al. (2010), Saez et al. (2015) and Balchin et al. (2016).

Figure 3: Forward linkages in East African services sectors (percent)



Source: World Bank EVA Database.

The development literature stresses that financial services can affect growth by facilitating capital accumulation and fostering innovation (Levine 1997). But other services activities may also influence growth potential and performance. For example, the telecommunications network and telecom services are a "transport mechanism" for information exchange and the dissemination and diffusion of knowledge. Road, rail and air transport services affect the cost of shipping goods and the movement of workers within and between countries. Accounting, engineering, consulting and legal services are critical in facilitating exchange and transmitting business process innovations across firms in an industry or across industries. Health and education services are key inputs into – and determinants of – the stock and growth of human capital.[7]

An increasing share of services in GDP and employment is part and parcel of economic development and thus a key feature of structural transformation. From a growth perspective there is nothing inherently negative about shifting resources into services, or in countries pursuing a development strategy (growth path) that involves rapid expansion in services activities and less in the way of manufacturing production than was the case in the past for countries that were successful in becoming high-income economies. Successful (desirable) structural transformation is not conditional on achieving significant growth in the share of manufacturing assembly operations – it is conditional on expanding the share of economic activities that generate higher average real wages (have higher

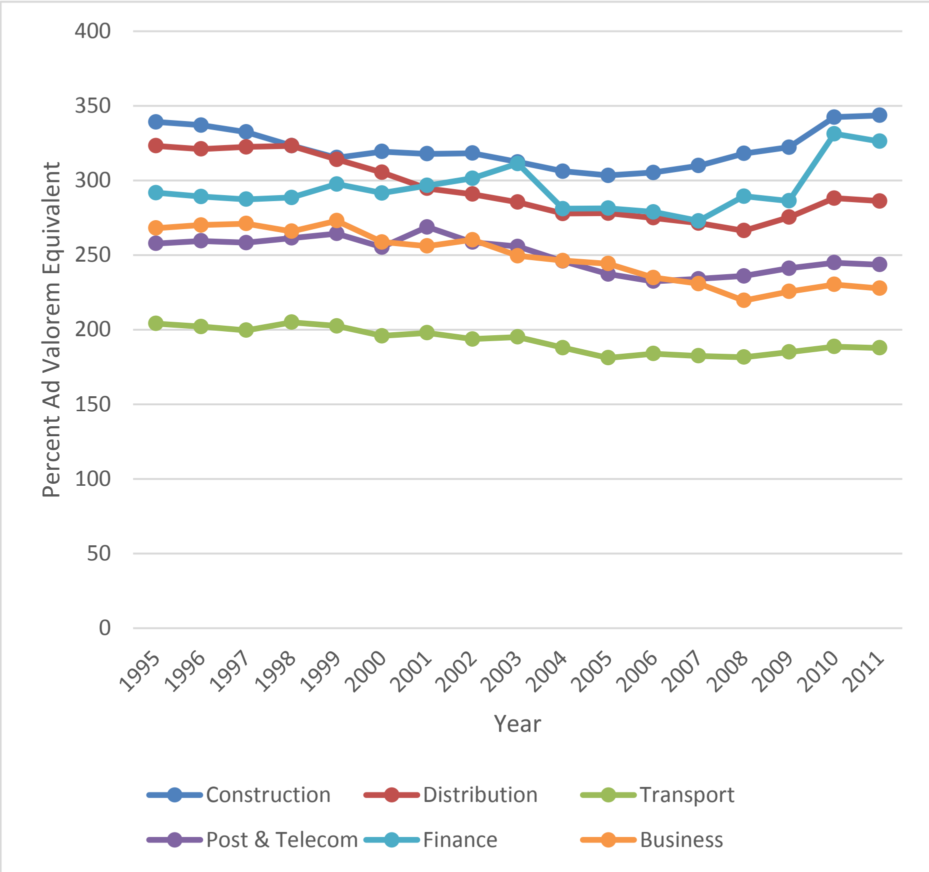
[7] Further discussion of these different linkages can be found in Schettkat and Yocarini (2006) and Eichengreen and Gupta (2009).

productivity). Such activities need not involve a preponderance of the types of industries and production that drove development in the past because technologies today (e.g., regional or global value chains) allow firms to specialize and outsource services that used to be provided within the firm. Most of the value added embodied in products –whether goods or services – reflects services inputs, whether provided through the market or within the firm.

Services lend themselves just as much to productivity growth as do manufactured goods production. Structural transformation is in part an inter-sectoral dynamic – from low productivity agriculture and informal services to higher productivity work in the formal sectors – both goods and services – but as important are sectoral shifts within sectors, including increasing demand for intermediate services (Berlingieri 2014). Within services resource allocation shifts are a driver of productivity growth in the same way as in goods-producing sectors. Young (2014) finds that average productivity growth in services is similar to that in other sectors. The presumption that most services are unproductive, is incorrect. Growth in the production (and consumption) of services as countries grow richer is not just a function of final demand patterns and income elasticities (Herrendorf et al. 2013).

Historically many services were nontradable, reflecting their nonstorable and intangible nature. An implication was that international trade in many services required the cross-border movement of providers – in turn involving the movement of capital and labor. The need for such factor movement has been declining as the result of technical change, but trade costs for services remain much higher than trade costs for goods. Figure 4 reports estimates of the ad valorem tariff equivalent of international trade costs for different services sectors. As can be seen, costs are high. One consequence of high trade costs is that many services tend to be traded indirectly. Recent initiatives to measure trade in value added have revealed that services account for a significant share of the value added of all sectors in the economy. As this value added is embedded in traded goods, services also play a much larger role in international exchange than is measured by a nations' balance of payments (BOP). At least 50 percent of global trade on a value-added basis comprises services: the sum of the value of services output that is traded directly and is captured in BOP statistics (some 20 to 25 percent of total exports), plus the value of services that are embedded in trade goods (another 25 to 35 percent) (Francois and Hoekman, 2010). Case study evidence suggests that at the level of the enterprise the services-content of output (the share of services in total costs or total value added) is high in both developing and developed countries (Low, 2013).

Figure 4: Estimates of trade costs for services



Source: Miroudot and Shepherd (2015).

The fact that high services trade costs mean that imports of services often entails inward FDI has implications for growth and employment impacts. As long as greater foreign factor participation is associated with increased competition, FDI inflows will expand the scale of activity, and hence increase the scope for generating growth-enhancing effects. Conversely, a larger scale achieved merely by eliminating domestic barriers to entry and attracting domestic resources from other sectors could also generate larger endogenous growth as resources are allocated to more productive resources. Even without scale effects and even if services sectors do not possess endogenous growth attributes, inward FDI following services sector liberalization can have positive effects on growth by bringing in new technology. Moreover, because services are produced locally, greater foreign competition through FDI will generally have less of an effect in forcing a reallocation of employment across sectors than in the case of liberalization of trade in goods (Konan and Maskus, 2006). There is substantial empirical evidence that FDI has positive effects on productivity by inducing greater competition and providing access to higher quality, greater variety and cheaper services (Francois and Hoekman, 2010).

An increasing number of studies and reports have analysed the role of services trade and related policies from an economic development perspective (see for instance Mattoo and Payton, 2007; Cali et al., 2008, Saez et al., 2015; Dihel and Goswami, 2016; Balchin et al., 2016), complementing studies of developed economies – e.g., Breinlich and Criscuolo (2011). This literature has generated findings that apply to both developing and developed country contexts, e.g., that firm heterogeneity plays an important role in shaping patterns of services trade, much as is the case for trade in goods, as do barriers to trade and regulatory regimes for product markets. What follows will discuss one important determinant of services performance and thus economy-wide productivity – policies towards trade and investment in services – focusing on the role that services play as inputs into production of both goods (manufactured) and other services.

2. Services trade policies and economic performance

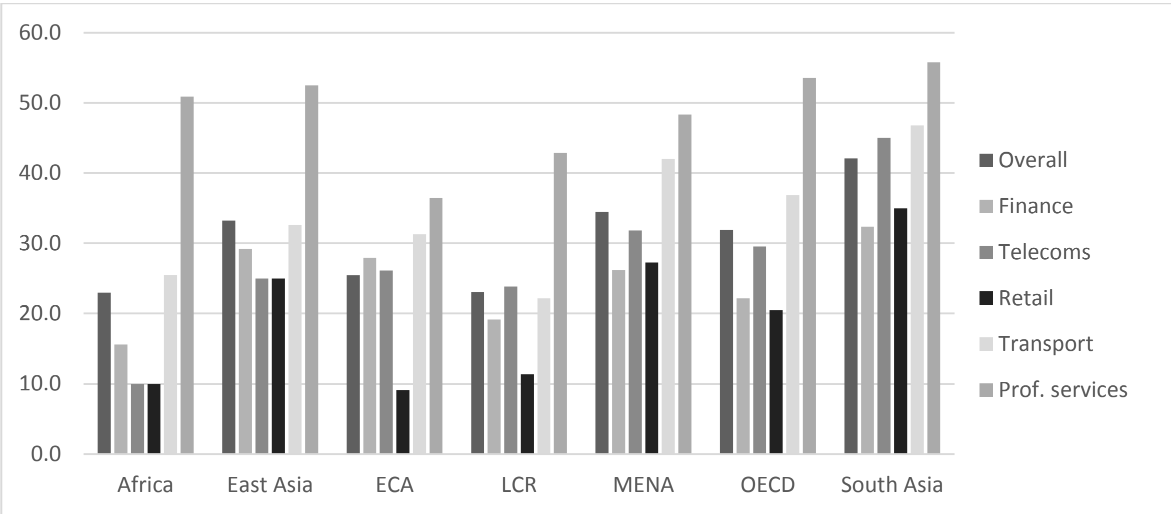
Services trade policies matter for many dimensions of economic performance. For example, services trade policy has also been shown to matter for product differentiation and diversification. Building a gravity framework for more than 100 countries Nordås (2011) finds that price-reducing liberalization in business services is associated with more product differentiation, particularly in the motor-vehicle industry. Based on these findings she argues that services market opening should be considered as an element of strategies for industrial upgrading in developing countries. Miroudot and Shepherd (2015) find that a 10% increase in the level of services trade restrictiveness is associated with an increase in trade costs of 2.7% to 3.1%, using trade costs data compiled by Arvis et al. (2015), with the biggest effects for postal services and telecommunications. Borchert et al. (2017) note that many landlocked African countries restrict trade in services that are particularly important for overall trade performance – e.g., on average air-transport policies are significantly more restrictive than in other countries, reducing connectivity with the rest of the world. The consequence is more concentrated market structures and less access to transport services. Even moderate liberalization of air transportation services by landlocked Sub-Saharan countries could generate a 20 percent increase in the number of flights.[8]

Research on the effects of services trade policies has been impeded by data limitations. Information on policies often is patchy at best, with time series data on key policy variables generally not being available on a cross-country, comparable basis, and such information frequently not existing at the country level either. This situation has changed with the development of new datasets that characterizes the restrictiveness of policies towards services trade and investment (Borchert et al.

[8] As noted below, there is substantial heterogeneity across African countries in the openness of services trade and investment policies, and these policies have been changing in the last decade or so. A number of African countries have very open air transport regimes.

2014). The World Bank database covers five services sectors and three modes of supply: cross-border trade, commercial presence (FDI) and temporary movement of service suppliers. Not all of these are relevant for all sectors, and in some case policies affecting a mode of supply apply to many or all sectors. The services trade restrictiveness indicators (STRI) are a numerical summary of applied services policies believed to affect trade flows. The more restrictive a country is towards trade and investment in services, the higher the STRI.

Figure 5: Services Trade Restrictiveness Index, late 2000s



Source: World Bank Services Trade Restrictions Database; Borchert, Gootiiz and Mattoo (2014).

Figure 5 summarizes the data. These are available for only one year at present, although work in ongoing by the WTO and the World Bank to update and expand these data. The reported STRIs present an overall indicator, in the sense of a summary number that covers all sectors and modes. The average STRI for sub-Saharan countries included in the database is 32. The general picture that emerges is that African countries are relatively liberal when it comes to Mode 1 (cross-border supply of services), but have higher levels of trade restrictiveness in place for Mode 3 (sales through establishment by foreign affiliates, i.e., FDI) (not plotted). However, policy measures vary considerably by sector and country. Although Africa is relatively liberal (open) on the basis of the STRI measures, it should be kept in mind that the STRI covers only one dimension of services policies – the extent to which policy discriminates against foreign providers. It does not capture the types of trade costs associated with corruption and inefficient border clearance for services suppliers or the performance of services sectors such as transport and logistics. As discussed below, the available evidence suggests that the quality of economic governance broadly defined plays an important role in determining the extent to which African firms and households benefit from reductions in services trade restrictions.

A more detailed breakdown of the STRI data for selected African countries is reported in Table 1. This illustrates the high degree of heterogeneity in policies that prevails across services sectors and countries. The data help to identify sectors where many countries are already open to trade and investment and those where there is likely to be a challenge in integrating markets. The indices range from totally open (1) to closed (100). The fact that the STRI data dates back to the late 2000s needs to be borne in mind – it may well be that reforms have occurred in recent years to open sectors (e.g., rail transport). Overall, although some countries maintain restrictive trade policies for many services sectors (e.g., Ethiopia), many African countries are relatively open and are roughly comparable to what is observed for large trading powers such as China and the US. In specific sectors – e.g., air transport, banking, retail distribution – many countries are mostly open; others – e.g., legal services – tend to be more closed. Most countries have some sectors with high STRIs.

Table 2 reports estimates of the ad valorem tariff equivalents (AVEs) that are implied by the STRIs. These are obtained from Jafari and Tarr (2017), who describe in some detail the underlying methodology and assumptions that were used to generate the estimates. This reveals that fixed line telecommunications . rail, and professional services (accounting, legal) and insurance have relatively high AVEs, while air and road transport (in several countries), banking (several countries), mobile telephony and retail distribution services have very low AVEs. While these data are indicative only and are somewhat outdated, they point to the fact that some sectors tend to be highly protected, and that this often concerns activities where greater trade and investment is likely to have an intra-regional dimension – e.g., transport, fixed line telecoms and professional services.

High AVEs matter as they reduce the incentive to engage in cross-border trade and investment. Research on the effects of services trade policies has documented that that liberalization of services markets can improve the productivity performance of "downstream" industries that use services as inputs into production – see, e.g., Arnold et al (2011) for the Czech Republic, Bas (2014) for India, or Duggan et al (2013) for Indonesia. Similarly, Van der Marel (2012) shows that services trade and investment policies are a determinant of TFP growth in services sectors. Hoekman and Shepherd (2017) use World Bank enterprise survey data for 58,000 firms in over 100 developing countries and find that service sector productivity matters for the productivity of downstream firms producing goods, with services productivity mattering more for those firms that use services relatively intensively in their overall input mix. The strength of the productivity linkages varies substantially across African countries in their sample, reflecting differing intensities of use of services inputs in the production process.

Table 1: Estimated Services Trade Restrictiveness Indices, Selected Countries

Sector	Cameroon	DRC	Ethiopia	Ghana	Cote d'Ivoire	Kenya	Rwanda	Senegal	S. Africa	Tanzania	Uganda	Zambia	China	USA
Accounting	32	37	25	37	65	34	27	59	41	55	51	33	40	60
Legal	44	46	92	32	71	92	19	83	92	66	62	34	92	41
Air	7	13	99	2	12	1	7	74	43	30	1	9	41	45
Rail	31	100	35	23	100	100	100	100	15	46	22	19	10	20
Road	25	35	100	0	34	0	21	19	15	9	20	30	13	13
Banking	1	4	99	40	22	2	18	17	8	16	2	7	28	3
Insurance	30	98	98	32	17	44	32	17	35	39	21	30	26	15
Fixed line	14	34	94	42	36	45	37	24	36	29	31	93	58	25
Mobile line	5	34	88	38	23	29	35	23	42	17	65	25	51	24
Retail	10	10	85	11	5	5	41	5	6	9	4	5	40	11
Maritime	20	32	80	37	19	16	na	16	19	34	n/a	na	30	17

Source: Jafari and Tarr (2017).

Table 2: Estimated Ad Valorem Equivalents of Services Trade Restrictiveness Indices, Selected Countries

Sector	Cameroon	DRC	Ethiopia	Ghana	Cote d'Ivoire	Kenya	Rwanda	Senegal	S. Africa	Tanzania	Uganda	Zambia	China	USA
Accounting	26	29	19	29	51	26	21	46	32	44	40	26	32	47
Legal	34	36	73	25	56	73	15	65	73	52	49	27	73	33
Air	0	0	84	0	0	0	0	81	70	54	0	0	68	21
Rail	56	84	62	26	84	84	84	84	0	72	18	0	0	0
Road	37	62	84	0	60	0	5	0	0	0	0	53	0	0
Banking	1	3	106	34	17	2	14	13	6	13	2	5	22	2
Insurance	25	104	105	26	13	38	27	13	29	33	16	24	21	12
Fixed line	29	915	915	915	na	915	915	60	23	915	915	915	13	2
Mobile line	0	1	37	1	na	1	3	1	1	1	4	2	2	1
Retail	2	2	14	2	1	1	7	1	1	1	1	1	6	2
Maritime	0	58	82	65	0	0	na	0	0	0	n/a	na	53	17

Source: Jafari and Tarr (2017).

Hoekman and Shepherd also find that lower barriers to services trade and investment increase the productivity performance of domestic manufacturing industries: at the average rate of services input intensity, a 10 percent improvement in services productivity is associated with an increase in manufacturing productivity of 0.3 percent, as well as higher exports of manufactures. As discussed further below, country-specific and institutional variables may play an important intermediating role in determining how services trade policies affect productivity.

The upshot of the foregoing is that (i) services trade barriers are quite heterogeneous across countries; and (ii) opening services markets can have substantial positive effects on economic performance. The latter observation is supported both by empirical analysis of the type alluded to above and by applied general equilibrium modelling of the welfare effects of liberalization. The latter incorporate estimates of the AVEs of services trade policies and show that the opportunity cost of not focusing on reform of services policies can be significant. Jensen, Rutherford, and Tarr (2009), for example, estimate that removing restrictive services trade and investment policies could increase welfare (real consumption) in Tanzania by 16 percent in the long run. In the case of Kenya, Balistreri, Rutherford, and Tarr (2010) conclude welfare gains would be even greater, with real consumption increasing by some 50 percent.

3. Beyond services trade liberalization: Regulation and governance

In designing trade policy reforms and pursuing efforts to liberalize regional trade in services it is not enough to focus only on the policies that result in high STRIs. Recent research has documented the importance of good governance for economic development—political stability, rule of law, control of corruption. Such factors impact on the gains from liberalization and may reduce net gains significantly. Regional integration can be used as one instrument to improve economic governance at the sector-specific or economy-wide level through agreement on enforceable rules of the game or the creation of common institutions. The question here is where rules/cooperation could have significant payoffs in the African context and how they could be structured.

Beverelli, Fiorini and Hoekman (2017) analyse the role played by governance quality as a determinant of the effects of trade liberalization and consider the implications for the design of (regional) integration initiatives. They use industry level data for 58 countries to assess the effect of STRIs on productivity in downstream manufacturing industries, taking into account the quality of prevailing economic governance. They find that countries with high STRIs are likely to benefit more from lowering barriers to trade in services if the quality of institutions, as proxied by indicators such as control of corruption and rule of law, is good. Conversely, if economic governance is weak, a country will benefit less from reducing average STRIs. An explanation for the sensitivity to institutional quality is that provision of many services requires a physical presence so that foreign firms will consider the national business environment they must operate in, and not just the level of the STRI that applies in a country.

The relationship between institutional quality and STRIs is illustrated in Table 3 for seven SSA countries in the sample analyzed by Beverelli et al. (2017). For each country, the effect of STRIs on labor productivity in downstream sectors is calculated for the largest and the 2nd largest manufacturing industry in the country – see (Hoekman and Njinkeu, 2017) for a summary description of the methodology used. "Impact" in Table 1 refers to the estimated percentage change in sectoral labor productivity of removing all barriers to FDI in financial, transport, communication and business services, as measured by the World Bank's STRI for mode 3. The column "current institutions" is simply the estimated impact, while the numbers in the columns labelled "High Institutions (Africa)" and "High Inst. (DNK) measures the effect on labor productivity under counterfactual scenarios where the governance variable (rule of law, regulatory quality, control of corruption, respectively, in panel A, B and C) is set at level of the African country with the best performance on each respective variable or at the level of Denmark, generally the highest performing country in the world in terms of economic governance indicators. The last two columns report the ranking of countries in terms of STRI levels (openness) and governance quality.

Food processing tends to be the largest or second largest manufacturing activity in the countries in the sample. Botswana and Mauritius have the best governance of this set of countries. If Botswana were to remove all mode 3 barriers, this would generate a productivity increase in the food and beverages sectors of some 24 to 34 percent, depending on the governance indicator that is used. Similar magnitude effects are estimated for Mauritius and South Africa. However, for the other countries, the impacts would be substantially smaller, despite the level of mode 3 restrictions being higher than in the other three countries. If, however, the four countries with weaker governance were to improve their institutional environment to that prevailing in the best performing Sub-Saharan African country the positive productivity impact of services liberalization would increase by a magnitude of four to ten. Moving towards the Danish benchmark would increase impacts by another 50 to 100 percent. While the magnitudes of the estimates are only indicative – the estimates for the four countries with weaker governance are not statistically significant – the results are nonetheless informative: they illustrate the importance of economic governance as a determinant of the gains from trade liberalization. The implication for national policy and regional integration initiatives is that attention should focus on governance, not just reducing STRIs.

Table 3: Impact of removing services FDI barriers on downstream labor productivity (% change)

	Biggest manuf. Industry				Second biggest manuf. Industry				Country Ranking	
			Impact				Impact			
	Sector	Current Inst.	High Inst. (Africa)	High Inst. (DNK)	Sector	Current Inst.	High Inst. (Africa)	High Inst. (DNK)	STRI	Institutions
Panel A: Rule of Law (Highest Africa: Mauritius)										
Botswana	furniture/nec	28.2	34.0	57.4	food/bev	31.4	37.9	63.8	6	2
Burundi	food/bev	-6.2	27.6	46.5	metals	-2.2	9.9	16.7	2	8
Ethiopia	food/bev	7.7	97.2	163.9	minerals	12.6	159.5	268.8	8	7
Malawi	food/bev	8.8	26.4	44.5	chemicals	8.5	25.4	42.8	4	4
Mauritius	textiles/app	18.3	18.3	30.9	food/bev	30.22	30.2	50.9	1	1
South Africa	food/bev	27.1	54.7	92.2	coke/oil	8.3	16.8	28.3	7	3
Tanzania	food/bev	9.4	41.2	69.4	minerals	12.0	52.4	88.3	5	6
Panel B: Regulatory Quality (Highest Africa: South Africa)										
Botswana	furniture/nec	24.9	26.72	55.3	food/bev	27.7	29.7	61.6	6	3
Burundi	food/bev	-7.6	21.64	44.8	metals	-2.7	7.8	16.1	2	8
Ethiopia	food/bev	-7.6	76.33	158	minerals	-12.5	125.2	259.2	8	7
Malawi	food/bev	4.8	20.73	42.9	chemicals	4.6	19.9	41.2	4	6
Mauritius	textiles/app	14.2	14.39	29.8	food/bev	23.3	23.7	49.1	1	2
South Africa	food/bev	43.0	42.97	88.9	coke/oil	13.2	13.2	27.2	7	1
Tanzania	food/bev	9.4	32.35	67.0	minerals	11.9	41.1	85.1	5	5
Panel C: Control of Corruption (Highest Africa: Botswana)										
Botswana	furniture/nec	34.3	34.32	62.2	food/bev	38.2	38.2	69.3	6	1
Burundi	food/bev	-1.6	27.80	50.4	metals	-0.57	10.0	18.1	2	8
Ethiopia	food/bev	20.1	98.05	177.8	minerals	32.9	160.8	291.6	8	7
Malawi	food/bev	6.4	26.63	48.3	chemicals	6.1	25.6	46.4	4	6
Mauritius	textiles/app	14.2	18.48	33.5	food/bev	23.5	30.5	55.2	1	2
South Africa	food/bev	34.7	55.19	100.1	coke/oil	10.6	16.9	30.7	7	3
Tanzania	food/bev	14.1	41.56	75.3	minerals	18.0	52.8	95.8	5	5

Notes: Source of governance variables: World Bank Governance Indicators. Services trade policies from the World Bank Services Trade Restrictiveness Database. Labor productivity (output per worker) from UNIDO industrial statistics database. Sectors based on ISIC 2-digit classification (Food/Bev: 15+16; Textiles/Apparel: 17+18+19; Furniture/nec: 36+37; Metals: 27; Mineral Products: 26; Chemicals: 24; Coke/Oil: 23). "Current institutions" estimates are statistically different from zero only for Botswana, Mauritius and South Africa.

Source: Fiorini and Hoekman (2017), based on the empirical analysis in Beverelli, Fiorini and Hoekman (2017).

This type of analysis is informative in pointing to the importance of governance quality as a determinant of the effects of services trade policy, and thus potential trade reforms, but it is only a first step. We do not know, for example, to what extent the country-level governance variables reflect sector-specific policies. Dealing with corruption or enhancing the rule of law clearly is important but from the perspective of the design of trade integration efforts such as the CFTA and sub-regional arrangements such as the EAC, ECOWAS, etc. it is necessary to know if and how specific sectoral policies interact with trade policies or customs/border clearance procedures.

As discussed below, this suggests it is important to inform the design of regional integration efforts and related policy reforms with detailed analysis and consultations with stakeholders, including the business community and national sectoral regulators (Hoekman and Mattoo, 2013). Particularly important is to recognize the need to go beyond the general findings relating to the importance of governance and to 'unpack' how different dimensions of the business environment and economic governance institutions, including sectoral policies and regulation, impact on different services industries (see the contributions in Mattoo and Payton, 2007 for an example of such analysis for Zambia). While trade policy, both as it pertains to goods <u>and</u> services trade, should not be neglected, even in countries with weak governance, given that an openness can be expected to be a force for better governance as more foreign firms enter the market, the point is that trade reforms need to be complemented by efforts to improve governance.

4. Integrating African services markets

Regional integration has long been a stated priority of many African countries. An increasing recognition by African leaders that the patchwork of partially overlapping regional economic communities was sub-optimal led to a decision to gradually move towards the creation of a continent-wide free trade area (the CFTA). A feature of regional integration efforts in Africa as well as the PTAs that African countries have been negotiating or have signed with non-African nations – most notably the Economic Partnership Agreements (EPAs) with the EU – is that the focus predominantly has been on policies affecting trade in goods. This is unfortunate from the perspective of the economic relationship between access to services and measures of economic performance, including the role that services play as determinants of productivity in agriculture, mining and manufacturing. For example, overall, across Africa, temporary cross-border movement of service suppliers often is quite restrictive and much remains to be done to address opposition by incumbent operators and sector associations to regional liberalization of services trade. Karingi and Davis (2016) note that the average African citizen needs to obtain a visa in advance of travel for 55 percent of the countries he or she may want to travel to. Dihel and Goswami (2016) and Dihel et al. (2012) document there are still many regulatory barriers as well as outright discrimination against foreign professional service providers in the East and Southern African context.

Insofar as barriers to trade in services and differences in regulatory regimes pertaining to services impede services trade, regional integration efforts will have less impact on performance. Moreover, insofar as incumbent (national) services suppliers and industries oppose opening up markets to competition from foreign firms, the exclusion of services from PTAs implies an opportunity cost, as the role that PTAs can play in changing political economy equilibria to allow pursuit of efficiency-enhancing reforms is removed from the table. While services have been left to the future in the context of the EPAs with the EU, intra-Africa RECs increasingly include a focus on services. Although in many cases the extent to which PTAs liberalize trade in services and result in domestic reforms is still limited, significant progress in some dimensions has been made in some contexts. An example is the EAC Common Market Protocol, which spans trade in services and imposes a standstill on new measures restricting intra-regional trade in services and has as objective the progressive liberalization of all four modes of supply. Liberalization follows a so-called positive list approach (as in the WTO), where governments make commitments to liberalize specific sectors and modes of supply. The sectors chosen for initial liberalization were business and professional services, communications, distribution, education, financial services, tourism and travel-related activities and transportation. Commitments in these sectors vary across EAC members and were to be implemented by the end of 2015.[9] They are complemented by efforts to mutually recognize professional qualifications obtained by service suppliers in EAC states. As noted below, assessments of the extent to which commitments were implemented suggest progress has been slow.

There are several reasons to focus more on services in the context of regional integration efforts. One important reason is that the potential for trade between neighboring or regional countries is significant and in many cases is greater than is often realized, especially if informal trade is taken into account. The case study evidence noted above illustrates that intra-regional trade in many services is already occurring and has been dynamic. Creating conditions to move transactions out of the informal sphere and to facilitate cross-border exchange will not only support existing regional trade by lowering transactions costs but allow trade to grow by encouraging firms to invest in higher value added services offerings and move along the extensive margin of trade.

In principle it should be easier to pursue services trade liberalization in a regional cooperative setting. One reason for this is that the type of political economy dynamics that prevail for trade in goods may in fact be easier to overcome in the case of services because of their role as inputs into the production of firms in many different sectors as well as many if not all households. Thus inclusion of services on the agenda of regional integration may help to overcome resistance by domestic services interest groups by mobilizing a much larger number of stakeholders who stand to benefit from liberalization. More generally, international cooperation often will be necessary condition for liberalization as there needs to mutual acceptance or recognition that regulatory norms and requirements in different countries are equivalent and/or satisfy minimum levels of quality. While unilateral opening of services markets will often be feasible and beneficial – subject to

[9] Of the EAC members, Tanzania made the fewest commitments (59) and Rwanda the most (101) (World Bank and EAC, 2016).

satisfaction of prevailing domestic regulation and norms – this does not ensure access to partner country markets. Pursuing reforms in the context of a trade agreement can help address political economy constraints to reforms by generating additional market access opportunities.

Various factors may explain the limited attention given to services in the context of regional integration efforts and the neglect of using these vehicles to pursue mutually beneficial reforms that would support greater trade in services. One reason is a lack of understanding of the importance for growth and productivity of services. While this has little to do with trade per se, it may be a factor that has led services trade to be neglected in trade agreements. Another likely reason is that even when policymakers recognize the need to deal with the services policy agenda, there is uncertainty about how to go about doing so in the context of trade agreements in a way that ensures that the domestic economy benefits (households and firms obtain greater access to better services; firms and workers will be able to utilize improved access to partner country markets; local services providers will not be swamped by foreign suppliers, etc.). This raises issues of the design of trade agreements (e.g., sequencing; safeguard provisions; adjustment mechanisms) and a need to ensure that regulatory institutions are adequate.

A third possible reason centres on the political economy of trade agreements. As noted above, in principle the political economy of services reform should be less difficult to manage that liberalization of trade in goods as there are many more industries and groups in society who would benefit from better access to services. However, if this is not evident to these groups or as is often the case these groups are not consulted and have no voice in trade negotiations – as will be the case if the focus is mostly on goods – these pro-reform dynamics may remain weak. One implication is that analysis is required to enhance understanding of the costs of status quo restrictive policies and the magnitude of the benefits (rents) that accrue to incumbent vested interests.

There are mechanisms that can be used in the context of regional integration efforts to both identify the need to address regulatory weaknesses and identify priorities for joint reform by the parties to a trade agreement (i.e., liberalization). One template is to create knowledge platforms that bring together all groups with a stake in a given set of activities that jointly impact on the performance of a sector or value chain. Take the case of trade facilitation, a priority for many countries. This goes beyond customs clearance and the operation of border crossings. Enhancing regional connectivity through trade facilitation and cooperation between Customs and tax agencies to establish joint border posts and single windows needs to be complemented by cooperation to create efficient road corridors and effective transit regimes that allow trucks and people to move across borders and along transport routes, and cooperation in the setting and enforcement of health and safety standards and certification/licensing of service providers. A knowledge platform (Hoekman and Mattoo, 2013; Dihel and Goswami, 2016) that brings together representatives of financial institutions (trade finance, insurance), clearing and forwarding agents, logistics providers, transport companies, and shippers can provide valuable insights into the design of reforms. Including import competing private companies and parastatal entities that may be benefiting from the existing policy and regulatory framework and actively oppose change is important in recognizing where there will be adjustment costs and addressing these in a credible manner.

An example of what such an approach might generate is provided by Rwanda. The National Logistics and Distribution Services Strategy was developed to help mitigate Rwanda's logistical challenges. The strategy (i) provided an enhanced role for Rwanda's logistics system; (ii) incorporated logistics services with value-added activities; (iii) strategically aligned logistics and distribution facilities to production centers; and (iv) led Rwanda to export logistics services. The strategy supported the development of projects and mobilization of investments in logistics facilities to capitalize on longer value chains in the horticultural sector; regional logistics centers and land bridge improvements for the extended market's transit traffic; and air cargo market development to respond to overlapping market opportunities. This provides an illustration how African countries can move up global value chains by leveraging regional opportunities (see Njinkeu and Hartman, 2015).

These considerations point to the need to think through (re-think) the design and approach towards negotiation and implementation of economic integration agreements to support welfare-enhancing opening of services markets. The empirical literature on the design (content) and effects of services trade agreements suggests most have not been very effective at opening services markets (Fink and Jansen, 2009; Miroudot et al. 2010). Unilateral reform instead appears as the prime channel through which steps toward liberalization have been made.[10] Regional reform programs need to go beyond a focus on specific technical issues and pay attention to political implications of the status quo – understanding who benefits and who loses, or who perceives they will benefit or lose from a policy or a proposed reform. This requires identifying the interests of the different stakeholders, how they are represented, how pro-reform coalitions can be built and strengthened and how anti-reform interests can be accommodated. The organized (formal) private sector will play an effective and proactive role if and when they see clear business opportunities.

[10] Djiofack-Zebaze and Keck (2009) for example show that the effect of WTO commitments in telecommunications services for the economic performance of the African telecommunication sector was weak, in contrast to a strong positive effect of unilateral reforms in this sector.

In East Africa, for example, as Kenyan firms have increased their investment in other EAC Partner States they have increasingly lobbied their government for implementing the EAC protocols of direct relevance to their sectors.[11] This has been particularly true for trucking companies that heavily invested and have aggressively lobbied for more competition and improved efficiency. They have generally supported efforts to eliminate restriction to foreign competition in the transport sector. Other businesses that are more focused on the domestic market have acted in a different direction. For example, the Kenya International Freight Forwarders and Warehousing Association and Tanzania Freight Forwarders Association have seen regional integration in the transport sector as a threat to their business and as a result they have been lobbying for lesser competition. Some members of these associations oppose foreign clearing and forwarding agents being able to handle domestic cargo, while others see it as an opportunity for partnerships and mergers between the Tanzanian and/or Kenyan forwarders and their counterparts in landlocked partner countries. Apex business association bodies can promote harmonization of business processes and better engagement with governments. In the case of the EAC, the East Africa Business Council, the Kenya Manufacturing Association, and the Kenya Private Sector Alliance, among others played such a role. The transport sector associations like Kenya Shippers Council and the Uganda Shippers Council have made the Shippers Council of East Africa a powerful advocate for regional integration. Partly as a result, EAC member states are making some progress on regulatory harmonization in the transport sector, particularly axle load harmonization through which all EAC member states use the same policy for axle loads.

Such successful examples suggest pragmatic acceptance of variable geometry-based approaches should be encouraged in the design/pursuit of regional integration initiatives. Tanzania, and to some extent Burundi, has for a long-time preferred a slower pace in integration of EAC than Kenya, Rwanda, and Uganda. Head of States of the latter three countries have supported a variable geometry-based time table in such areas as infrastructure development, single tourist visa, and enhanced labour mobility. This has facilitated the implementation of a Single Customs Territory along the Northern Corridor and has led to reduced border crossing times, elimination of many weighbridges and police checkpoints on the roads, and growing compliance with weight restrictions. For example, a Regional Customs Transit Guarantee scheme covers transit goods from or to the ports and has eliminated multiple national transit guarantees. The regional scheme is accepted throughout the customs territory and this has supported greater intra-EAC trade and lowered costs for firms using the Northern Corridor. This in turn has had positive spillover effects on Tanzania and Burundi, as well as South-Soudan and Eastern DRC.

[11] What follows draws on Njinkeu and Hartman (2015).

Flexibility in the design of cooperation and use of deliberation mechanisms such as knowledge platforms needs to be complemented by information on prevailing policies and objective analysis of their economic effects. Given agreement to commit to specific reforms it is also important to monitor implementation so as to inform stakeholders and policymakers on progress and to identify areas where progress is not being made and assess why. The EAC has developed a mechanism (supported by the donor community through TradeMark East Africa and the World Bank) to generate information through a "scorecard" that tracks compliance in implementing EAC services liberalization commitments. The latest scorecard (World Bank and EAC, 2016) indicates that the two large EAC counties are lagging behind other countries on road transport liberalization and that most instances of noncompliance –across all EAC members – are for professional services (some three-quarters of all nonconforming measures). The scorecard process makes transparent where progress has been achieved and where attention needs to focus. Between 2014 and 2016 only 6 out of 63 nonconforming services restricting measures were removed and two new ones put in place. The fact that most nonconforming measures in the EAC pertain to professional services and that there are fewer nonconforming measures for transport may be explained in part by the types of regional mechanisms mentioned previously focusing on regional transport and logistics.

5. Conclusion

Services play a critical role in economic growth and development. Trade in services is a key channel through which countries can exploit their comparative advantage. Sectors such as tourism or business process outsourcing are important activities that can generate substantial employment and foreign exchange earnings. More generally, however, it is important to recognize that that services activities affect economic development through a variety of indirect channels. Opening trade and investment in services to foreign competition is a source of new knowledge and new products that can have a major impact on the productivity, and thus competitiveness, of many firms in the economy. Services account for a substantial share of the total costs of production of many firms in many sectors. Reducing the costs and increasing the quality of available services is therefore a mechanism through which to increase economy-wide performance. That said, the economic research literature also makes clear that services liberalization is not a panacea. The quality of prevailing economic governance, implementing institutions and regulatory regimes will determine how much a country stands to benefit from opening services markets to foreign competition. This strengthens the case for a concerted and consistent focus on improving economic governance as a necessary condition for sustained growth. The more that trade agreements are designed to promote that goal the more valuable they will be from a development perspective. The question is how to do so, a subject that has not attracted the attention it deserves. Mechanisms of the type that have been put in place in the EAC context are steps in the right direction, but a precondition is that governments are willing to use regional integration processes to liberalize services trade and to identify where this needs to be complemented by regulatory reform and regional regulatory cooperation.

Trade agreements are primarily instruments to improve access to markets. Improving the quality of domestic regulation is generally not a major focus. Insofar as regulation is addressed in trade agreements, the aim is to constrain the use of measures that discriminate against foreign products and firms and thus erode the value of negotiated market access concessions. Inclusion of provisions aiming to improve the quality of services regulation could help enhance the welfare benefits of regional services liberalization. In practice, improving regulatory quality will require actions by the national governments concerned. Trade agreements can support such actions by creating a focal point for the consideration of regulatory quality and mobilizing resources to improve regulatory performance. Creating a focal point in trade agreements to improve regulatory quality can help ensure that this area of policy gets greater attention in domestic reform efforts and the allocation of external development assistance. Improving regulatory quality does not figure prominently in the allocation of foreign aid. For example, according to the OECD Creditor Reporting System the percentage shares of total official development assistance (ODA) disbursements by EU institutions in 2015 for policy and administrative management in the transport, communication and financial sectors were 1%, 0.04% and 0.9% respectively. The share of business support services and institutions was 0.8% (Fiorini and Hoekman, 2017).[12]

Revisiting the design of integration initiatives to include a stronger focus on improving the quality of services regulation can take different forms but a common denominator is that this requires analysis, deliberation, joint action and monitoring of outcomes and impacts. Deliberation among government officials, regulators, economic operators and consumer groups, informed by analysis, can help identify priorities for action and capacity constraints that need to be addressed. Meaningful forms of deliberation on the quality of regulation and its effects should encompass both transparency-related activities and permit a broad set of actors to participate in the identification of priorities (Hoekman and Mattoo, 2013). A complementary approach could center on efforts to agree on good regulatory practices and to use trade agreements as a mechanism to commit to their implementation. This could include linking services liberalization (market access) commitments to the adoption of good regulatory practices and the provision of technical assistance and aid as has been done in the 2013 WTO Agreement on Trade Facilitation (TFA). The TFA involves WTO members

[12] The relative neglect of support for economic regulation and related institutions is a more general feature of ODA disbursements. Similar ratios apply in the aggregate across all donors covered in the OECD database.

agreeing to implement what has collectively been determined to constitute good regulatory practices that will facilitate the cross-border movement of goods. However, countries have the flexibility to specify that specific trade facilitating measures will only be implemented after adequate assistance has been provided – thus ensuring that it will be able to realize the benefits from the agreement.[13] Whatever approaches are adopted, what matters is to increase the attention for improving the quality of services regulation so as to increase the benefits of services liberalization.

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[13] See Hoekman (2016) for an in-depth discussion on the TFA.

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