Identification and Classification of Regulations on Financial Services Integration and Liberalization

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Development of policymaking tools to

- inform policymaking and the public debate regarding existing and future opportunities to integrate globally, regionally and bilaterally;

- encourage civil society involvement in the making of economic policies;

- Improve quality of the political debate and foster government-citizen interactions through a better understanding of the economic mechanisms at play and by highlighting governments’ difficulties and achievements;

- Increase Arab governments’ credibility by substantiating the strength of their vow to improve people’s economic prospects through a careful monitoring and evaluation of their policy commitments’ implementation and enforcement.
Assessing Arab Economic Integration Report:
Volume II: Services Liberalization in the ESCWA region

Policymaking tools: our contribution

- Monitoring and evaluation system of Indexes (rankings at global, regional and bilateral levels) and scoreboards (enablers, outcomes, policies)
  - Easy to understand (non technical audience)
  - Effective to rise awareness and foster the debate
  - Effective first assessment and monitoring/evaluation
  - Allows to identify best practices and patterns

- GCE models for impact analysis
Steps of our approach

1- Identify regulatory barriers to services trade
   • law firms and governments, as opposed to an evaluation of the restrictiveness of the barriers done by private firms

2- Put together a matrix of regulatory barriers

3- Develop a matrix of bilateral FDI inflows by sector
   • we are working on the database with the Arab Investment Guarantee Corporation based in Kuwait

4- Explain the impacts of these regulations on FDI inflows
   • using cross countries econometric techniques

5- introducing the database on FDIs and the link between regulations and inflows in a global dynamic CGE model

6- formulation of liberalization scenarios and testing their impacts using the global CGE model
   • with Experts and Member Countries to identify barriers and scenarios
   • Potential partners CEPII and UNECA
Final goal, our contribution

- **Comprehensive identification of the barriers:**
  - go beyond the standardized assumptions and scenarios developed so far

- **Ensure straightforward linkages barriers and regulations – countries’ economic performance**
  - available empirical work performs poorly on that aspect
  - key to effective policymaking

- **Explain MC’s economic performances**
  - Index, scoreboards, models

- **Assist MCs**
  - identifying scenarios,
  - carry impacts analysis,
  - strengthen negotiation capacities,
  - Monitor and identify implementation issues (GAFTA, DCFTA, USA...)
Financial sector: Identifying the barriers

Scoping:

- **Barriers pertaining to lack of transparency.** Government and other relevant institutions' communication policies, quality of the social consultation process, right and process in place to discuss new laws, …

- **Most prominent restrictions on market access.** Nationality requirements, joint venture requirements, licensing regimes, etc... Mainly discriminatory measures

- **Public policy measures beyond the border.** Discriminatory and/or non discriminatory

- **Other measures.** Competition policy, taxes.

- **Barriers specific to Arab countries.**
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Financial sector: Identifying the barriers

Experts views

• The discrepancy between de facto and de jure regulation. If not taken into account, the sector’s restrictiveness could be over- or under-estimated.

• The influence of the State’s involvement in the sector. Restrictiveness could be underestimated if not introduced in the analysis.

Collaboration with international organizations

• Understand the regulations’ degree of burdensomeness by complementing surveys carried by law firms with surveys of firms might also be relevant to evaluate the impact (ICT, EGM, IGM, experts…)

• CEPII and UNECA (scenarios…)

Key role of Member States
Financial services trade barriers: Questions for discussion

- What is the extend of **multi modality** of financial services supply?
- Impact of **digital economy** on capacity to switch across delivery modes?
- Which other dramatic changes in the **future**?
  - What is the **role of FDI** in the delivery of financial services?
  - Collateral trade **effects of innocent regulations** and **international financial architecture**?
  - Unhealthy **race to the bottom** (taxes cut, etc..)

- **‘too little’ restrictions**: most methodologies measure ‘too much’ restrictions but for developing countries sometimes problem is ‘too little’ (environment, quality of institutional prudential framework, etc..)
Financial services trade barriers:
Questions for discussion

Which other relevant aspects of the sectors’ functioning and other barriers to introduce in the analysis?
THANK YOU!