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Trade and FDI in services

The benefits and risks of liberalisation

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Project outline

- We looked at:
 - The contribution of services to the economy
 - The benefits of services trade liberalisation
 - The associated risks
 - Complementary policies required
- Focusing on telecoms, financial services, tourism, health services, energy services and Mode 4

Overall story

- Services are fundamentally important to the economy, and liberalisation can bring big gains
- But services liberalisation is difficult, involving domestic policy and regulatory reform
- And there are risks if you get it wrong!
- Developing countries need assistance with trade negotiations and domestic regulatory reform to facilitate services liberalisation which benefits the poor

Why are services important?

- 50% of low income countries' GDP
- Crucial for the rest of the economy:
 - Infrastructure, energy, transport
 - Access to finance and ICT
- Crucial for poor households
 - Roads, water, sanitation, health, education



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Why is services liberalisation important?

- improves performance, reduces costs, stimulates competition and innovation, brings best practice, skills and knowledge, brings foreign capital
- increased opportunities to sell into foreign markets (e.g. outsourcing to India)

But liberalising services is difficult

Governments must:

- Remove regulatory barriers
- Sequence reforms appropriately:
 - regulatory framework, privatisation / commercialisation, restructuring
- Promote competition:
 - through appropriate contracts, competition law
- Promote access:
 - universal service obligations, subsidised contracts
- Overcome resistance to reform
 - compensation packages, tackling corruption



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The End

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