



High-level Symposium on Industrial and Trade Policies:
Promoting Exports and Developing Employment in Iran

Iran Trade Policies
Connecting to the Markets
Towards a Trade Policy Framework for Iran

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Outline

- Context
 - Global trade trends, stylized facts on Iran's recent economic/trade performance
 - Main changes in trade expected after lifting of sanctions
- Trade in goods
 - Structural changes in export profile, revealed comparative advantages
- Trade in services
 - Export profile, revealed comparative advantages, the potential of services
- Trade and development
 - Coherent, best-fit policy mix, sustainable development goals, jobs and gender
- Supply and export capacity
 - Multidimensional trade policy, upgrading, services and infrastructure services
 - Global value chains (GVCs), regional integration, trade facilitation
 - Drivers of competitiveness
- UNCTAD technical cooperation
 - Trade Policy Frameworks (TPFs), Services Policy Reviews (SPRs)
- Case-study
- Conclusions



Trends in trade and development

Slow pace of trade expansion

- After a modest increase of 3.2% in 2014, world trade volume is expected to increase by 3.8% in 2015;
- This reflects the slow pace of the global economy:
 - World output grew 3.2% in 2014 and is expected to grow 3.4% in 2015;
 - Stagnation in major economies and economic slowdown in China contribute to weak global demand affecting trade prospects;
- And there is a decline in trade responsiveness to output growth:
 - Ratio of world trade growth to world output growth was 2:1 before the crisis and only 1:1 in 2012-2014;
 - Among the possible reasons is the deceleration of global value chains (GVCs) trade, as major players increasingly source inputs domestically.



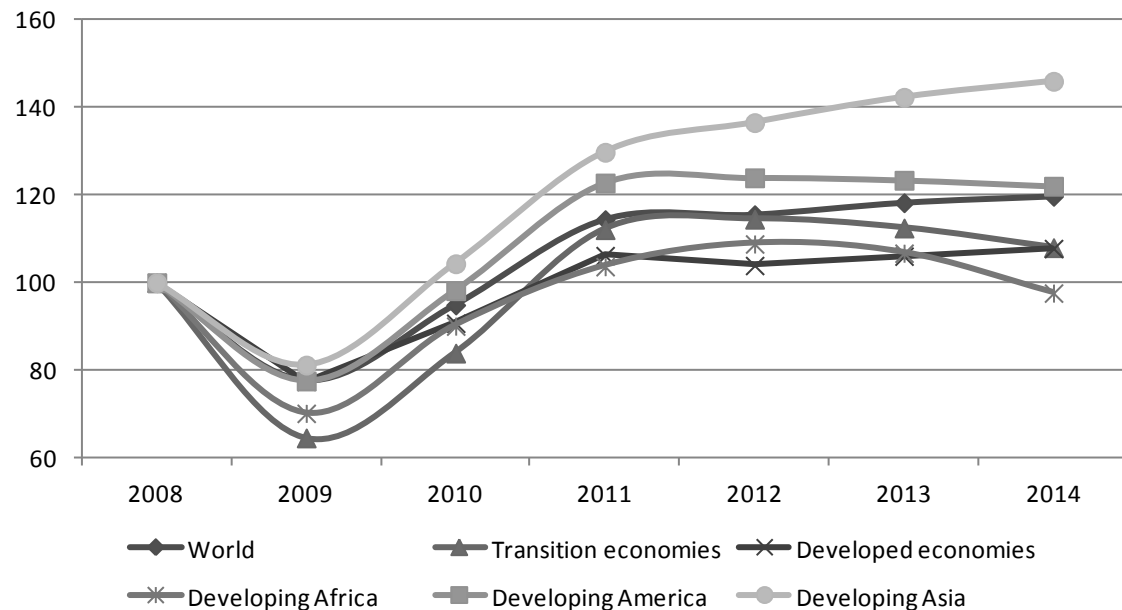
Trends in trade and development

Deceleration in merchandise trade

- World goods exports reached \$18.9 trillion in 2014:
 - Most developing regions and transition economies contracted or decelerated;
 - Only developing Asia expanded (strong engagement in global value chains, with intraregional trade accounting for 54% of exports) but is now also decelerating;
 - Intra-African trade is also increasing although from a lower base.

Evolution of merchandise exports by region, 2008-2014 (index 2008=100)

Source: UNCTAD



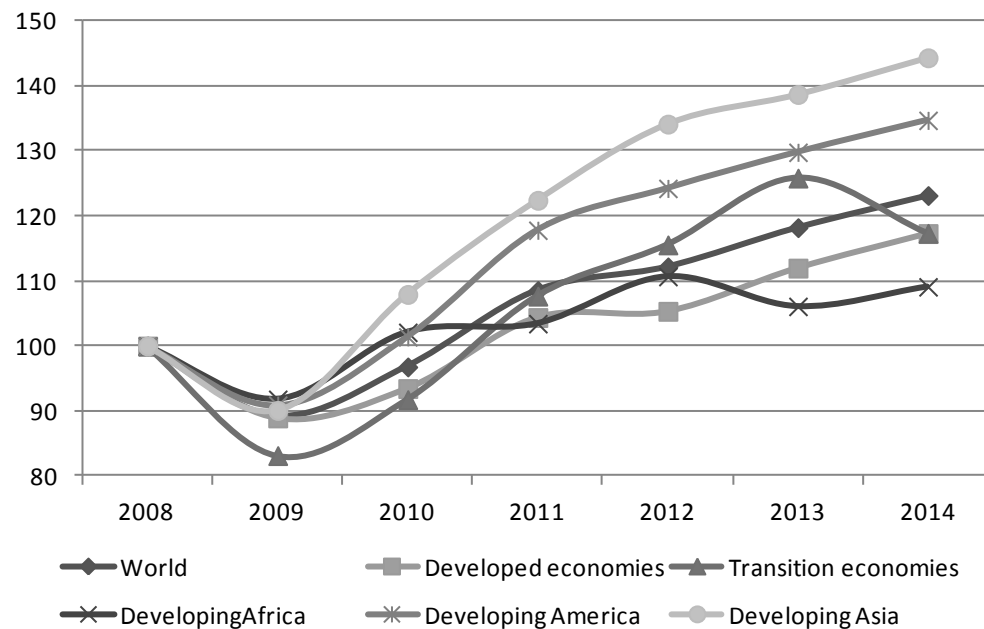
Trends in trade and development

Strong growth in world commercial services

- World services exports reached \$4.9 trillion in 2014, almost doubled the value over the past 10 years:
 - Growth came mostly from developing countries, in particular Asia and LAC;
 - Dynamism was sustained by travel, construction, financial, telecommunication and other business services. Transport and goods-related services stagnated.

Evolution of services exports by region, 2008-2014 (index 2008=100)

Source: UNCTAD



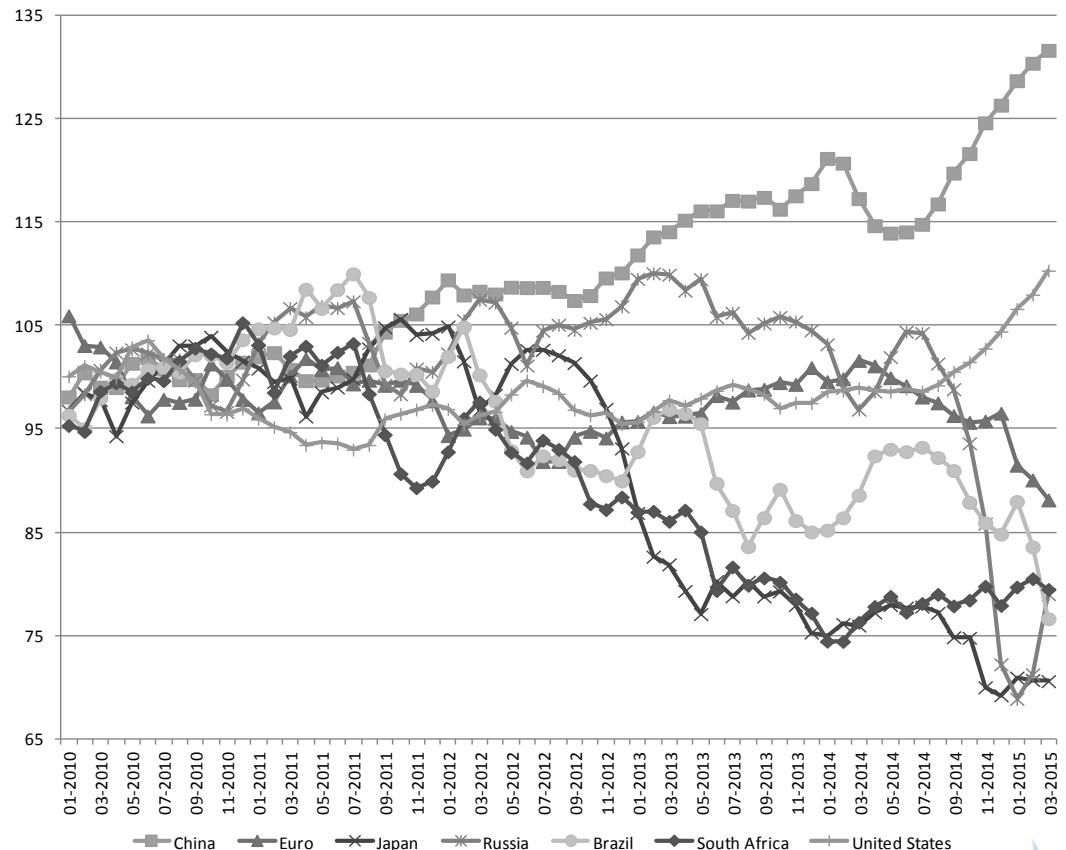
Trends in trade and development

Fluctuations in exchange rates affected export competitiveness

- In real terms, until March 2015 the USD and the yuan appreciated, reducing US and China's export competitiveness and influenced dollar-denominated trade and commodity price statistics;
- Others depreciated, as the EU and Japan (expansionary monetary policy) and Brazil and Russia (falling energy prices).

Real effective exchange rates of selected economies, 2010-2015 (index 2010=100)

Source: UNCTAD



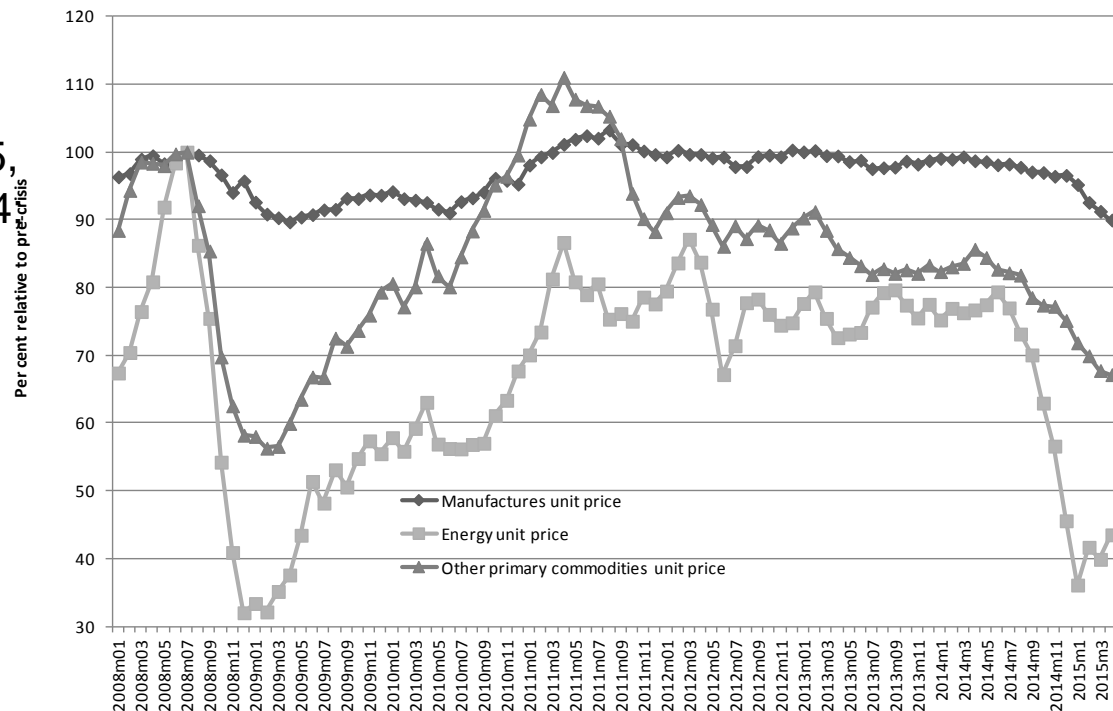
Trends in trade and development

Dropping energy prices worsen terms of trade in commodity-exporting regions

- Energy prices dropped sharply in 2014:
 - Brent Crude oil price reached a 5 year low of \$45 per barrel in Jan 2015, a 50% drop from Jun 2014
 - Because supplies raised and weak demand;
- The combined effect of exchange rates and energy prices offset the increase in world trade volume with a decrease in unit values since Apr 2011.

Trade unit prices of manufactures, energy and other commodities, 2008-2015 (% relative to pre-crisis)

Source: UNCTAD



Context

Stylized facts on recent economic performance:

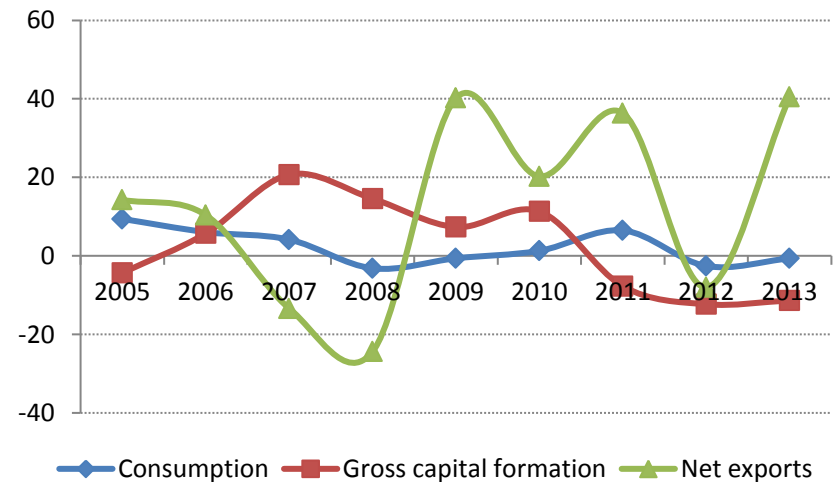
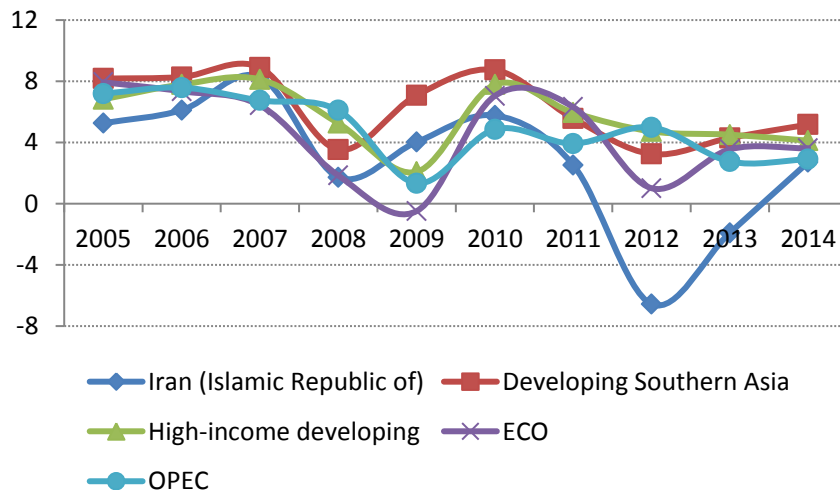
- International crisis reduced GDP growth in 2008/2009. Sanctions lead to negative GDP growth in 2012/2013 and partial relief was accompanied by positive growth in 2014 (left figure);
- International trade is the most responsive component and explains much of the economic performance (right figure).

Selected economies: GDP annual growth rate, 2005-2014 (%)

Iran: GDP annual growth rate by type of expenditure, 2005-2014 (%)

Source: UNCTADStat

Source: UNCTADStat



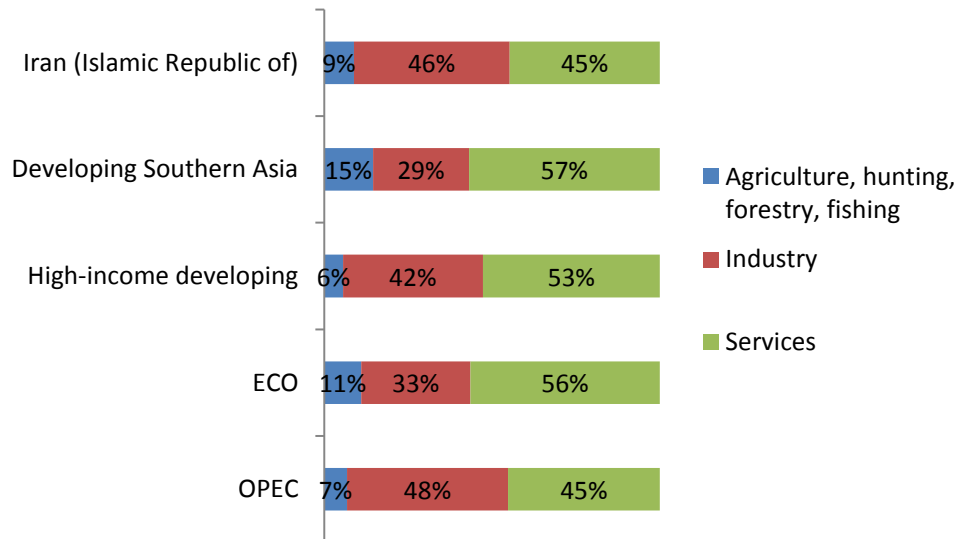
Context

Stylized facts on recent economic and trade performance:

- Output relies mainly in industry and services (left figure);
- Trade is dependent on goods, with surplus. Services trade is lower, with deficit (right fig.). Trade in services' potential (e.g. for upgrading and diversification) is probably under registered / under exploited.

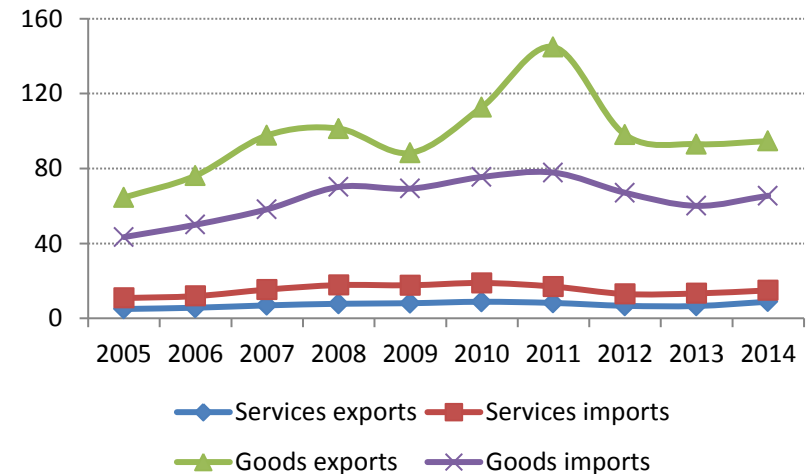
Selected economies: GDP by type of economic activity, 2013 (%)

Source: UNCTADStat



Iran: exports and imports of goods and services, 2005-2014 (billion USD)

Source: UNCTADStat



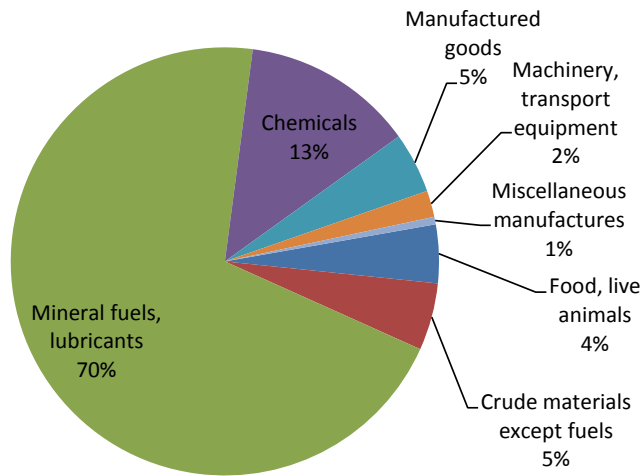
Context

Stylized facts on recent trade performance:

- Trade is mainly dependent on oil (left figure) and hence is connected to prices and volatility (right figure);
- This underpins the need to diversify the composition of exports.

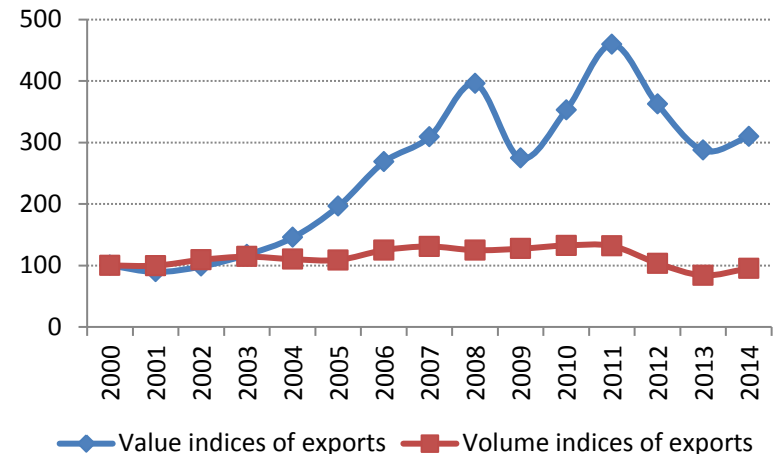
Iran: distribution of goods exports, 2014 (%)

Source: UNCTADStat



Iran: value and volume indices of exports, 2000-2014 (2000=100)

Source: UNCTADStat

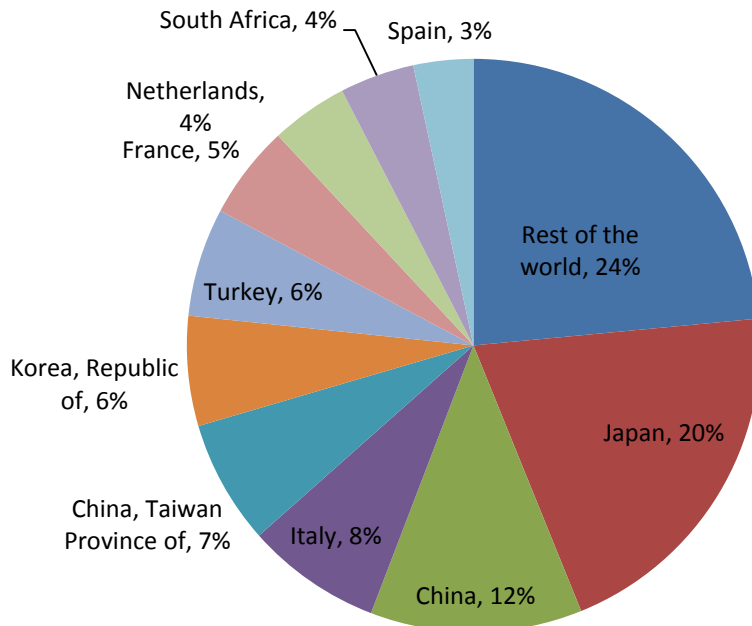


Context

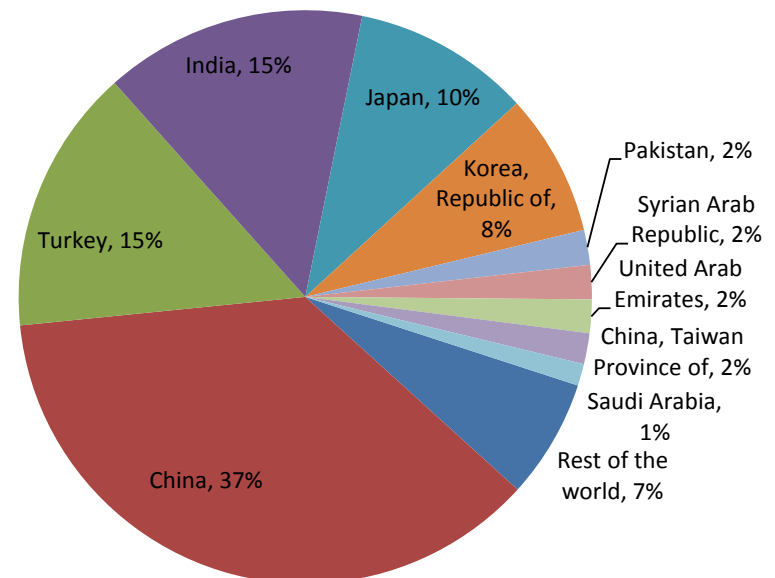
Stylized facts on recent trade performance:

- Trade declined, shifted away from Europe towards Asia and Middle East, and become more concentrated in terms of export markets - the 10 main markets represented 76% in 2005 and 93% in 2014.

Iran: distribution of goods exports by partner, 2005 (%)
Source: UNCTADStat



Iran: distribution of goods exports by partner, 2014 (%)
Source: UNCTADStat



Context

Main changes in trade expected after lifting of sanctions:

- Oil exports increase, with stocks partially compensating for gradual recover of recent under investments. Positive effects of increased revenues should outweigh negative effects of decreasing oil prices;
- Non-oil trade will also benefit by more open markets and by the reduction of foreign trade costs. Lower costs of imports, investments (enhanced by the slowdown in some emerging economies) and production can increase supply and export capacity;
- Recent research (World Bank) estimates that exports will increase mainly in some partners (with likely positive effects on the diversification of export markets): China, India, Saudi Arabia, Turkey and UK, followed by Hong-Kong China, Pakistan, Republic of Korea, Russian Federation and Tajikistan;
- The appreciation of the exchange rate will render imports cheaper and exports more expensive;

A sustainable positive outcome requires a coherent and best-fit policy mix including trade and industrial policies.



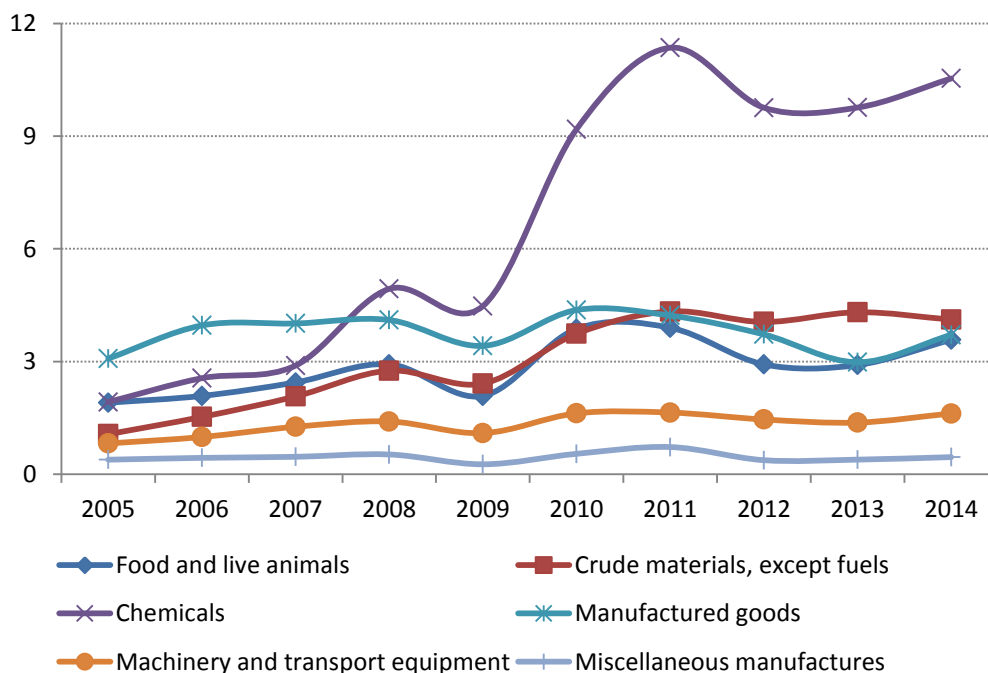
Trade in goods

Structural changes in export profile:

- Between 2005-2014, biggest annual growth was on chemicals (21%) and crude materials except fuels (16%). These have also the higher shares in non-oil exports in 2014 (13% and 5%, respectively);
- In the same period, there is also important annual growth on machinery and transport equipment (8%) and food and live animals (7%).

Iran: non-oil
goods
exports,
2005-2014
(billion USD)

Source:
UNCTADStat



Trade in goods

Revealed comparative advantages in 2005 and 2014:

- Some product groups gained comparative advantages:
 - "Crude materials except fuel" (1.2), including "hides, skins and furskins" (1.1) and "metalliferous ores and metal scrap" (2.0);
 - "Chemicals" (1.1), including "organic chemicals" (2.4), "inorganic chemicals" (2.9), "fertilizers" (2.4) and "plastics in primary forms" (2.7);
 - "Gas, natural and manufactured" (2.3) within mineral fuels and lubricants;
- Some product groups increased existing comparative advantages:
 - "Live animals" (1.1 to 1.2) and "vegetables and fruits" (2.0 to 2.3) within food and live animals;
 - "Crude fertilizers" (2.0 to 4.0) within crude materials except fuel;
- Some product groups decreased existing comparative advantages:
 - "Mineral fuels and lubricants" (5.8 to 4.0), including "petroleum and petroleum products" (6.9 to 4.5).
- Trade and industrial policies could seek to take advantage of these comparative advantages to support exports and market diversification, especially in activities with higher value-added and productivity.

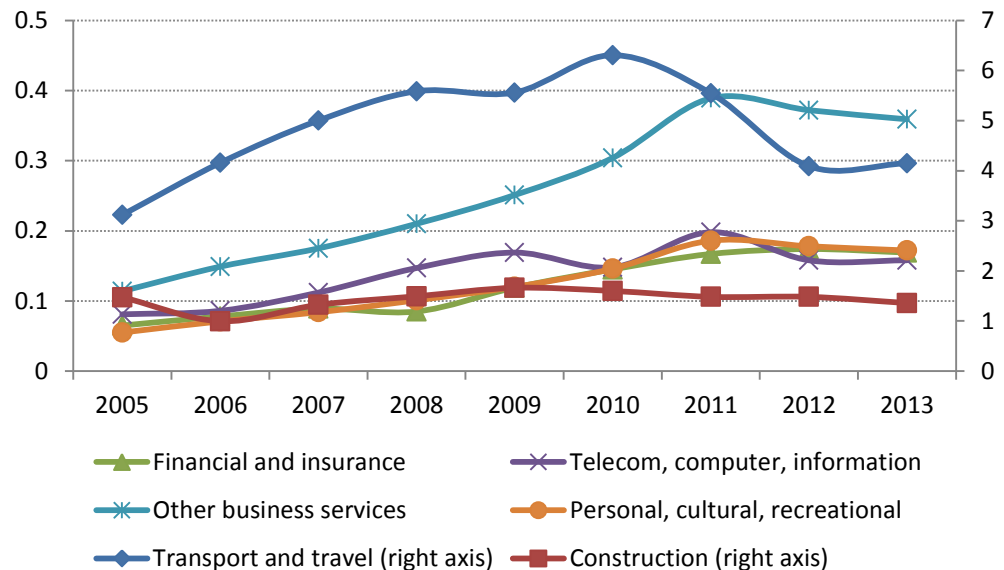
Trade in services

Export profile:

- Between 2005-2013, biggest annual growth was on "other business services" (15%), "personal, cultural and recreational services" (15%) and "financial and insurance services" (12.7%). Still, these have low shares in services exports in 2013 (3%, 3% and 5%, respectively);
- The biggest shares in services exports in 2013 are from transport and travel (65%) and (21%).

Iran:
services
exports,
2005-2013
(billion USD)

Source:
UNCTADStat



Trade in services

Revealed comparative advantages in 2005 and 2013:

- Some categories increased existing comparative advantages:
 - "Transport" (2.1 to 2.2) and "personal, cultural, recreational services" (1.2 to 2.8);
- Some product groups decreased existing comparative advantages:
 - "Construction" (16.5 to 9.7).

Underestimation of the potential of services:

- There are data challenges associated with their intangibility and with the allocation of flows by partner country and by mode of trade (e.g. a single transaction can be composed of several modes of supply);
- Mode 3 of trade in services, commercial presence, and mode 4, presence of natural persons, are particularly under registered;
- Harvesting the potential of trade in services requires focused efforts to improve trade in services data, including by enhancing the institutional framework (e.g. the national statistical office, tax authorities, social security agencies, etc. need to cooperate to produce meaningful data on mode 4).



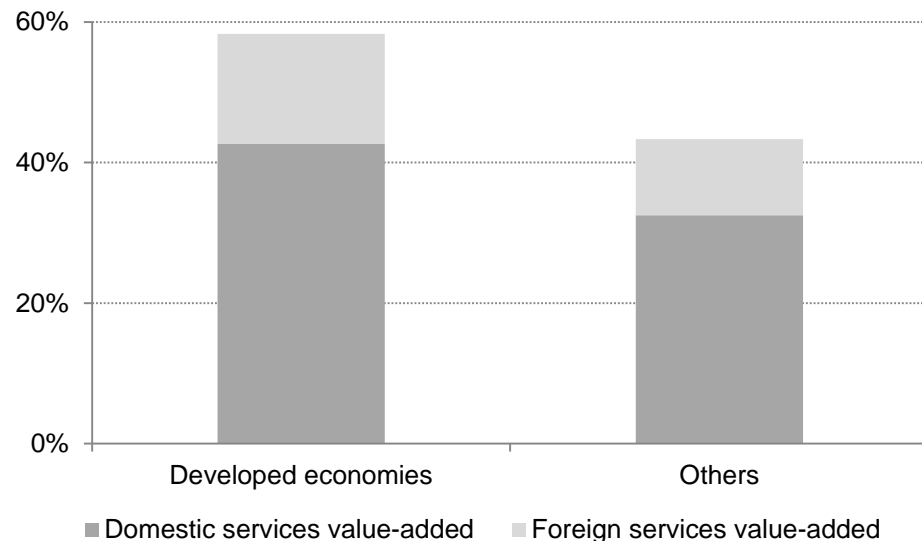
Trade in services

Underestimation of the potential of services:

- Most current statistics may not reflect the full importance of services for trade by not considering the significant part of the value added embedded in exports of goods that services represent;
- In value-added terms, services were the main contributor to world exports in 2011, with more than 60% for developed economies and more than 40% for other economies.

Services value added in gross exports, 2011 (%)

Source: UNCTAD, based on the OECD-WTO Trade in Value Added database



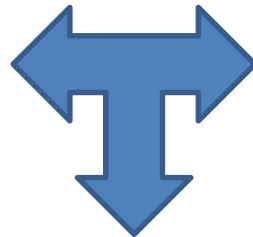
Trade and development

Sustainable trade outcomes require a coherent and best-fit policy mix including trade and industrial policies:

- A set of policies from different areas are needed to harvest development benefits from international trade;
- These include monetary and fiscal, labour, industrial development and technology, regulatory and institutional frameworks, trade and investment, services, infrastructure, education and social policies;
- The policy mix must be pursued, designed, implemented with real actions, coherently, tailored to specific needs - no one-size-fits-all.

The external environment:

- Trading conditions
- Economic conditions (growing interdependence, economic volatility)



The domestic environment:

- Building resilience
- Policy/regulatory framework
 - Supply-side capacity
 - Social impact of trade (flanking policies)
- Institutional frameworks

The "pending agenda"
for policy reform



Trade and development

Trade and trade in services' importance is recognised in SDGs:

- Goal 1. End poverty;
- Goal 2. End hunger, achieve food security:
 - 2.b Correct and prevent trade restrictions and distortions in world agricultural markets, including through the elimination of export subsidies and all measures with equivalent effect;
- Goal 3. Ensure healthy lives:
 - 3.b Provide access to affordable essential medicines and vaccines, in accordance with the Doha Declaration on TRIPS;
- Goal 7. Ensure access to energy:
 - 7.1 Universal access to affordable energy;
- Goal 8. Promote sustained, inclusive, sustainable economic growth:
 - 8.2 Economic productivity by diversification, technological upgrading, innovation;
 - 8.a Aid for Trade, including by the Enhanced Integrated Framework to LDCs;



Trade and development

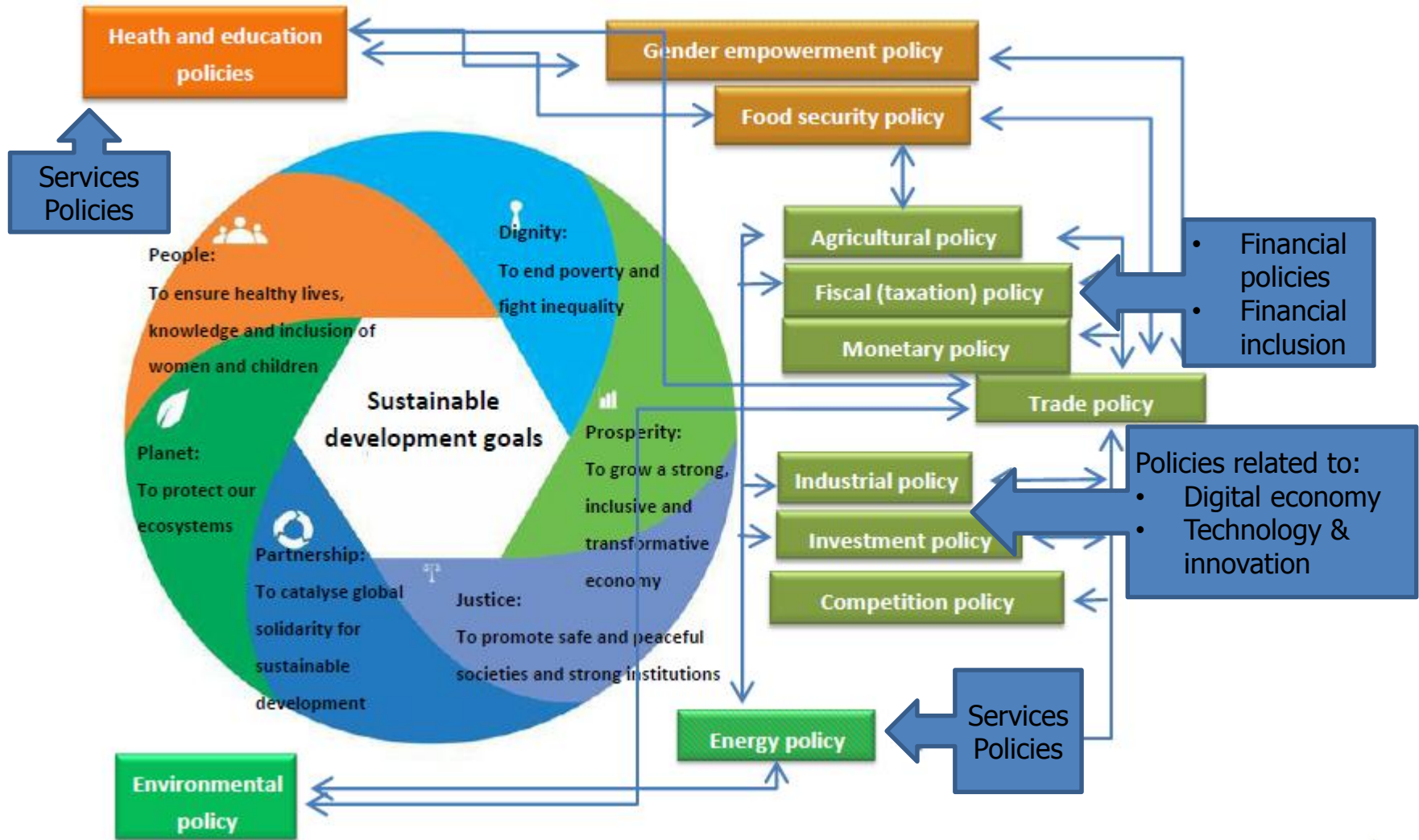
Trade and trade in services' importance is recognised in SDGs:

- Goal 9. Infrastructure:
 - 9.1 Quality, reliable and resilient infrastructure, including regional / transborder;
- Goal 10. Reduce inequality:
 - 10.a Special and differential treatment (SDT) for developing countries;
 - 10.c Reduce to less than 3% remittances' transaction costs;
- Goal 14. Oceans:
 - 14.6 Prohibit certain forms of fisheries subsidies;
- Goal 17. Means of implementation:
 - 17.10 Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system (MTS) under the WTO, including through the conclusion of the Doha Development Agenda (DDA);
 - 17.11 Increase exports of developing countries, double LDCs% of global exports;
 - 17.12 Duty-free Quota-free market access for all LDCs, including through preferential and transparent rules of origin (RoO) for LDCs.



Trade and development

Trade / trade in services policy coherence is envisioned on SDGs:



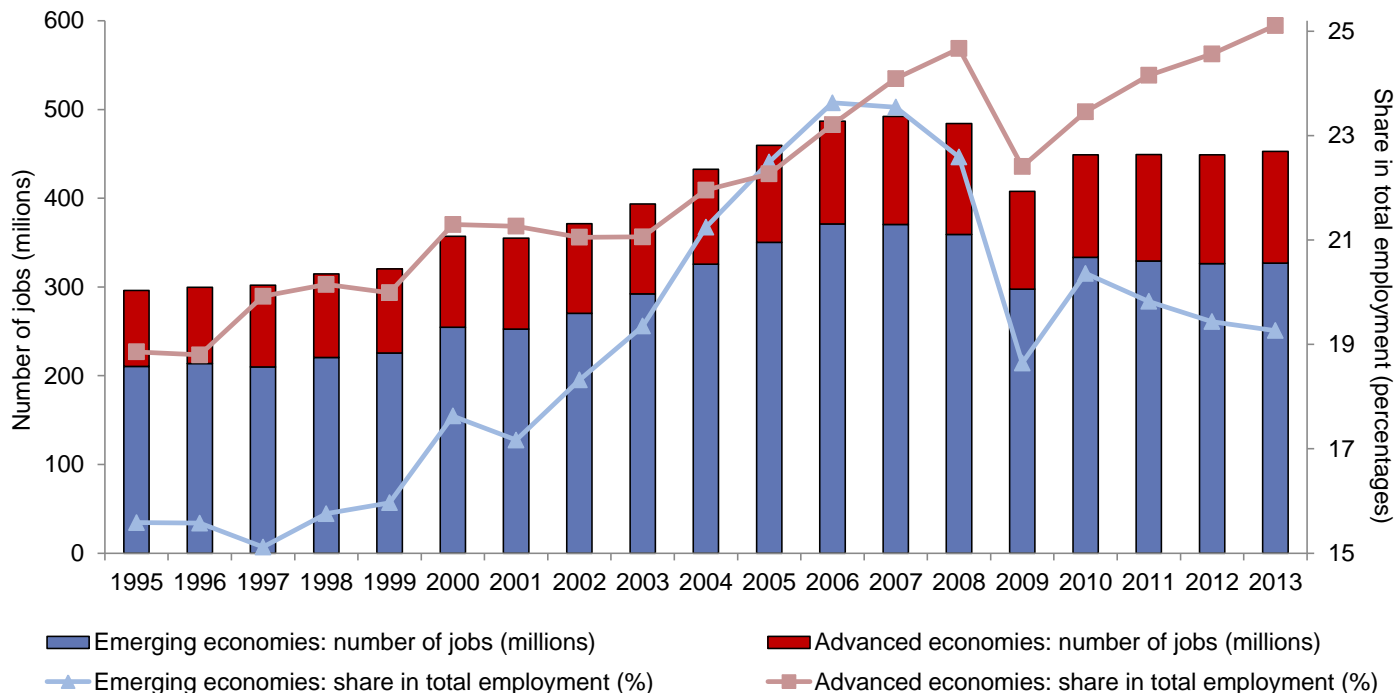
UNCTAD (2015): "Trade development policies and the post-2015 sustainable development agenda, and formulation of national policies in the context of existing regional trade agreements"

Trade and development

Trade and global supply chains have the potential to create jobs:

- The bulk of these jobs is in emerging economies, although they still represent a lower share of total employment in those countries;
- Figure shows data for 40 countries (66% of the global labour force).

Jobs linked to global supply chains, 1995-2013 (millions and %)
Source: ILO



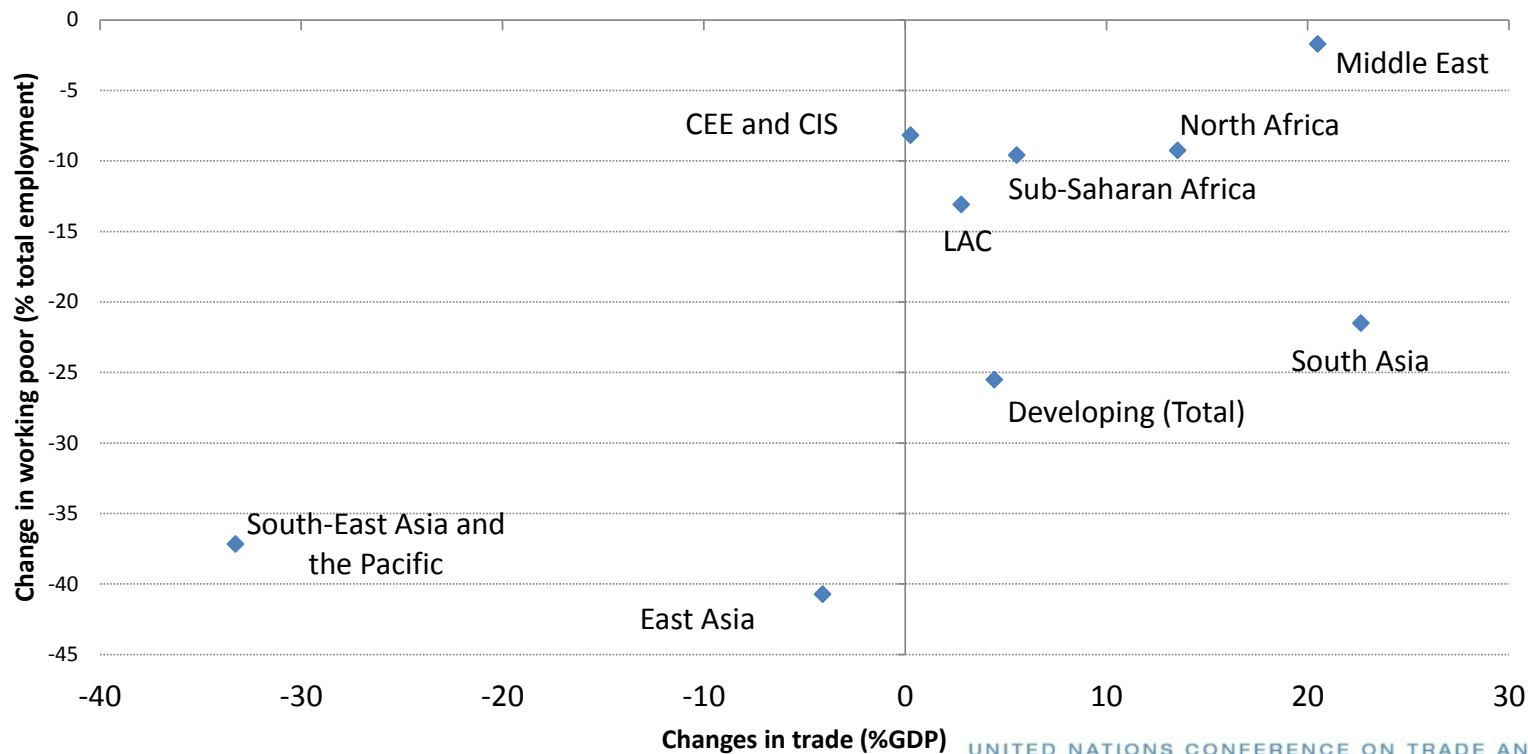
Trade and development

Trade's employment gains are not automatic:

- Increasing trade has heterogeneous results in reducing the working poor. This confirms the need for a coherent mix of flanking policies to enable the development benefits of international trade.

Changes in trade and working poor (2\$ a day threshold), 2000-2012 (%)

Source: ILO, partially based on UNCTADstat



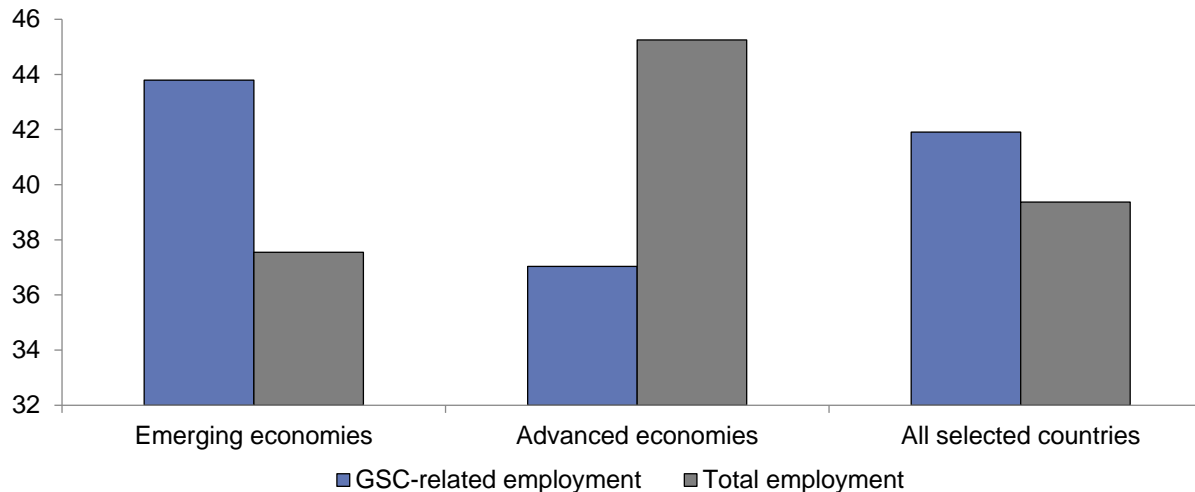
Trade and development

Trade and global supply chains have potential gender benefits:

- In emerging economies, the share of women in global supply chains related jobs is higher than their share in total employment;
- The biggest job creation is in manufacturing and services.

Share of women in global supply chains related jobs and in total employment, 2013 (%)

Source: ILO



Trade and development

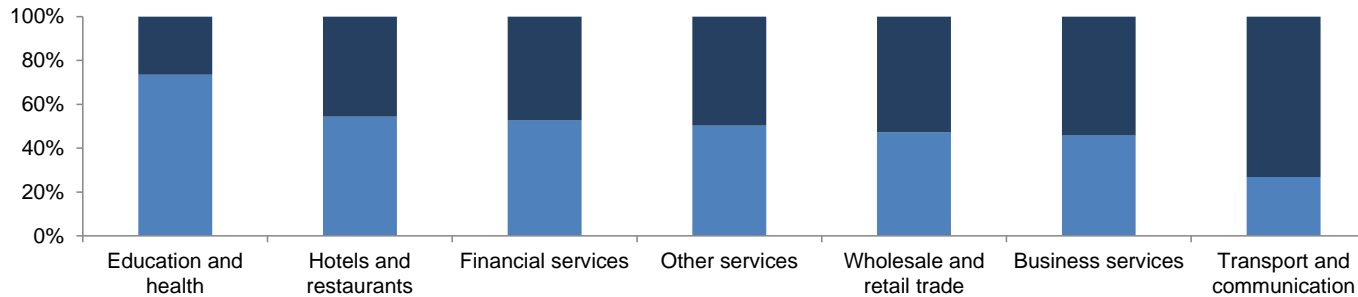
But trade and global supply chains have mixed gender results:

- Women are not well represented in the services sectors where global supply chain related jobs are increasing the most (e.g. business services).

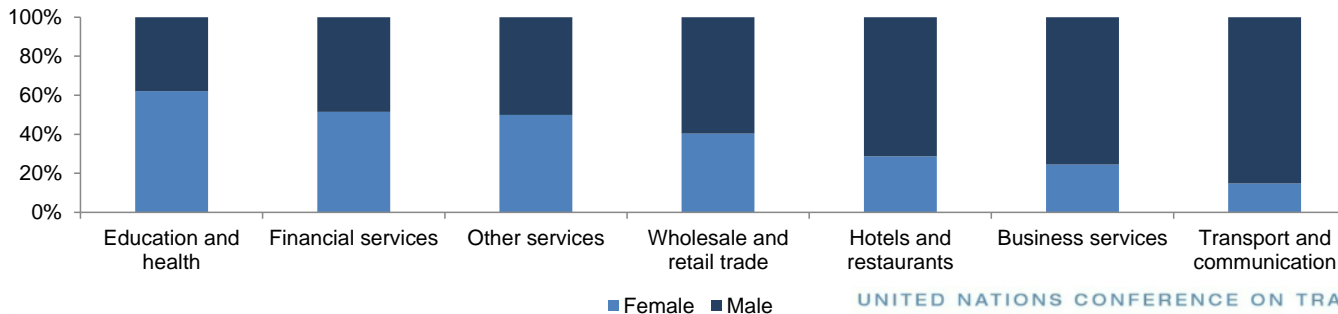
Share of women in services employment, 2014 (%)

Source: ILO

Developed economies



Emerging economies



■ Female ■ Male

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

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Supply and export capacity

Trade policy is multidimensional:

- Trade policy should rely on a coherent set of initiatives:
 - Negotiation of agreements to provide market access opportunities and remove trade barriers;
 - Market intelligence and export promotion to translate market access into market penetration;
 - Cooperative initiatives should be pursued for opportunities in e.g. infrastructure development, economies of scale, trade facilitation, mobility of natural persons and mutual recognition;
- The network of agreements should also:
 - Contribute to product and market diversification and enable linkages with industrial, investment and other policies;
 - These linkages are particularly important because otherwise international trade may create short term incentives to specialize in activities that reflect the existing structure of factor endowments;
 - Defying existent comparative advantages may support long term development benefits, in particular when it promotes higher value added activities against external and internal asymmetries and structural heterogeneity.



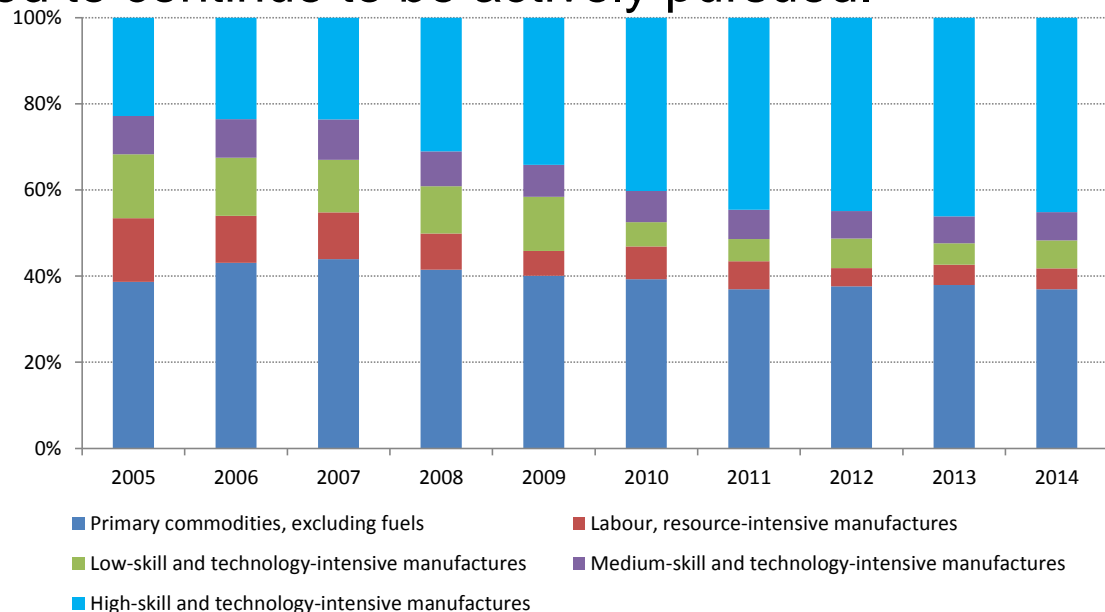
Supply and export capacity

Upgrading is important:

- Technology, innovation and networks are necessary;
- The educated labour force in Iran will be more expensive and may not adequately compete through low costs as it is often the case in low technology industries. It reinforces the need to focus on higher value added industries that compete more through differentiation;
- Structural shifts in recent years seem to be in line with these objectives, but need to continue to be actively pursued.

Iran: non-oil goods exports by type of technology, 2005-2014 (%)

Source: UNCTADStat



Supply and export capacity

Services and infrastructure services are important:

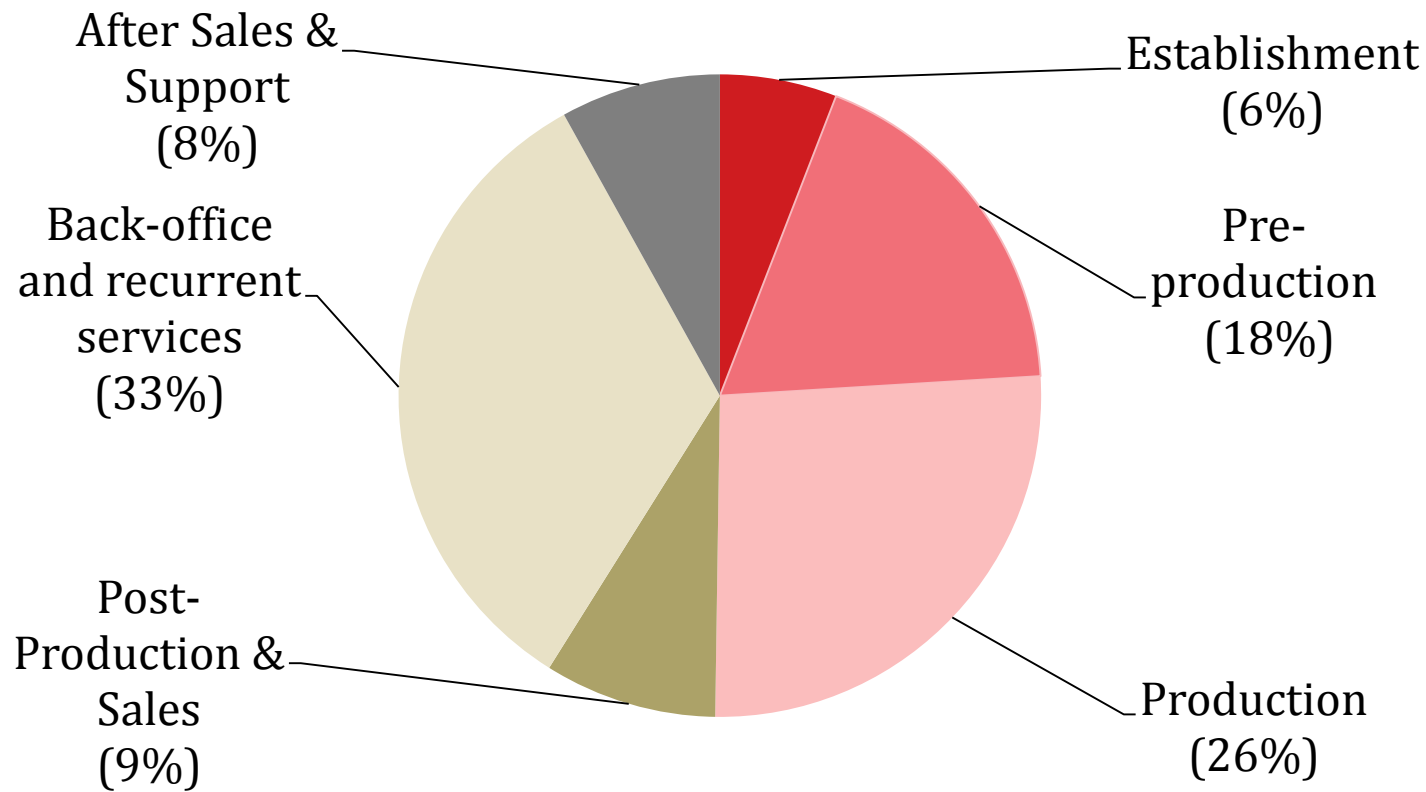
- Services contributes to improve efficiency and competitiveness for all economic sectors:
 - Research and development, product design and marketing services can often add higher value added, underlining the importance of considering the potential of the services sector to diversify and improve supply and export capacity;
 - Knowledge, technology and innovation services are thoroughly considered in the SDGs proposal as they contribute to diversification, structural transformation and sustained growth and development;
- Infrastructure services (e.g. energy, transport, telecommunications, financial services) are essential to the efficient functioning of productive capabilities and overall economies:
 - They provide fundamental inputs to all economic activities, both related to goods and services, and are as such a direct determinant of countries' competitiveness;
 - Importance recognised by SDGs, namely: goal 1 (end poverty), 2 (hunger, food security), 4 (education), 5 (gender equality) , 7 (energy), 8 (economic growth), 9 (infrastructure, industrialization, innovation) , 11 (cities, human settlements) and 17 (means of implementation);
 - National infrastructure is presented as extensive in many dimensions but lacking quality, namely in roads, Internet and telecom services (WB).



Supply and export capacity

Services and global value chains (GVCs):

- Services provide inputs that allow other activities to enter GVCs;
- Services participate in all stages of GVC (input providers and/or outsourcing):



Asia Global Institute (2015): "The role of services in Global Value Chains"

Supply and export capacity

Example of services in a value chain (construction machinery):

Establishment Stages	Pre-manufacturing	Manufacturing	Post-manufacturing	Back-office and recurrent	After-sales
1. Business liaison services	6. Raw material procurement agent	16. Production management services	31. Land transport of vehicles to distributors	38. Auditing on financial accounts	63. Customer complaints and compliments handling
2. Company registration and licensing services	7. Customs-related services	17. Quality control and standards compliance	32. Sea transport of vehicles to distributors	39. Financial services	64. Technical support for customers
3. Information and statistical services	8. Quality inspection services of inputs	18. Cleaning services of factory	33. Retail trade services - By distributors	40. Internal auditing	65. Information services for customers
4. Visa and immigration services	9. Freight transportation services of raw materials	19. Engineering Services	34. Retail services on a fee or contract bases	41. Insurance for machinery	66. Satellite services for remote monitoring
5. Business establishment consultants	10. Fleets repair and maintenance	20. Gardening services for factory lawn	35. Retail operation management	42. Insurance for staff	67. Data center services for remote monitoring
	11. Storage – general storage	21. Security guards services	36. Storage and warehousing services for machineries at distributors	43. Business and management consultancy services	68. Ground radio communication services for remote monitoring
	12. Storage – tank farm	22. Sewage water treatment services	37. Hire purchases and financing services for customers	44. Company secretary	69. Global Positioning System (GPS) services
	13. Conception and design of product	23. Equipment maintenance		45. Corporate communications,	70. Repair and maintenance of machines for customers
	14. Patent acquisition	24. Waste collection and recycling		46. Courier, postal and local delivery services	71. Buy back services to buy used parts and machines from customers
	15. Product development/ R&D for new technology	25. Government safety/ environmental inspection		47. Estate management	72. Remanufacturing and refurbished services
		26. Catering services		48. Human resources management	
		27. Workers' dormitory		49. Personnel search and referral services	
		28. Medical services		50. I.T maintenance and support	
		29. Recreation facilities and services for workers		51. Safety and security	
		30. Employees transportation services		52. Telecommunication	
				53. Uniform -Design and alternation	
				54. Uniform -Laundry	
				55. Legal services	
				56. Advertisement administration	
				57. Advertisement agencies services	
				58. Advertisement designers' services	
				59. Advertisement – cameramen, directors, photographers and models.	
				60. Electricity supply	
				61. Gas supply	
				62. Water supply	

Supply and export capacity

Global value chains are by definition a connection to markets:

- Opportunities for industrialization, specialization and diversification:
 - Specialization in low-skill and low-technology activities should be avoided through structural transformation and/or upgrading;
 - This requires an enabling policy mix and lead firm cooperation;
- Policies necessary to foster participation in GVCs:
 - Policy consistency, sound institutions, ease of doing business;
 - Eliminate labour market restrictions (visa, openness to foreign labour, entry and stay periods) and other restrictions (e.g. foreign equity);
 - Adequate regulatory framework, intellectual property rights, and trade facilitation;
 - Availability of services and infrastructure services;
- Policy approach may depend on the level of development:
 - Developed economies tend to develop and promote sustainable business practices across value chains;
 - Developing economies tend to support innovation and diversification to allow for upgrading within value chains;
 - LDCs tend to lower trade costs to support expansion of value chains.

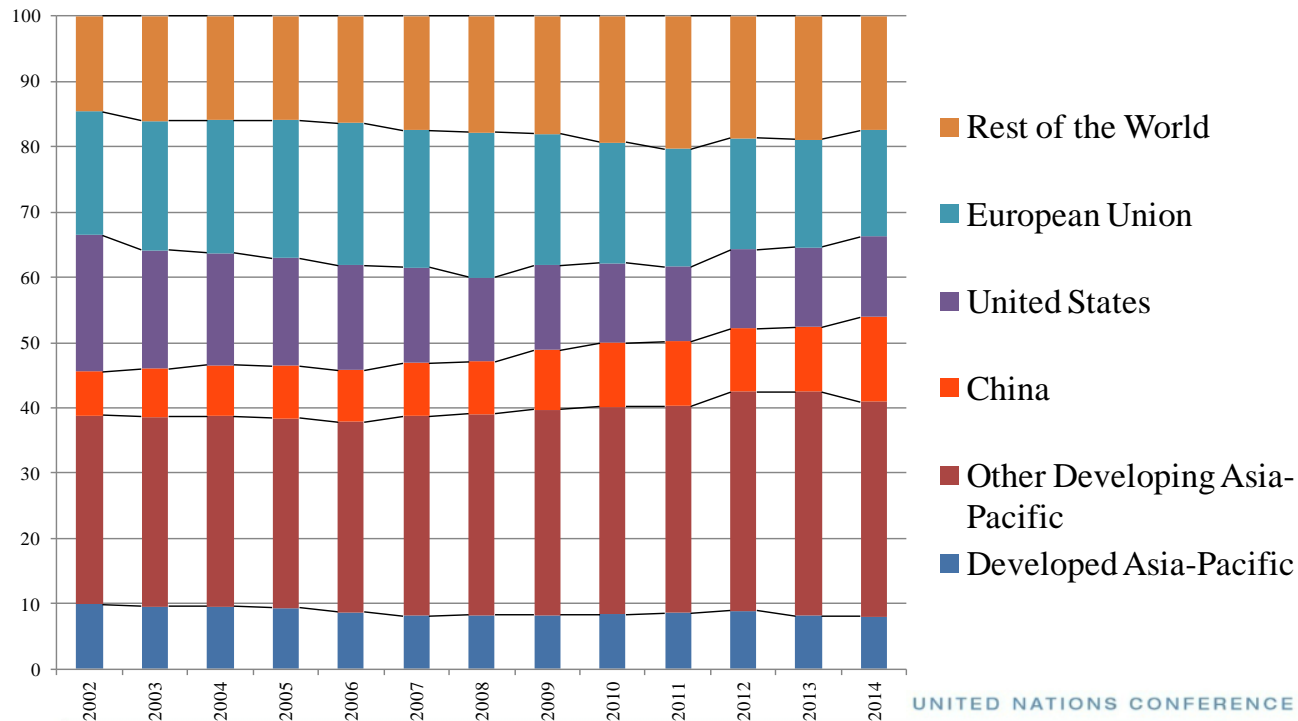
Source: ESCAP and Asia Global Institute (2015): “*The role of services in Global Value Chains*”



Supply and export capacity

Trade and regional integration:

- Regional integration enlarges markets, creates economies of scale in investments and efficiencies in production, expanding capacity;
- South-south / intraregional trade are important (see example in fig.):
 - Intraregional trade tends to be more technological intensive;
 - Intraregional trade also allows to explore complementarities, leading to export diversification and enhanced resilience against international shocks.



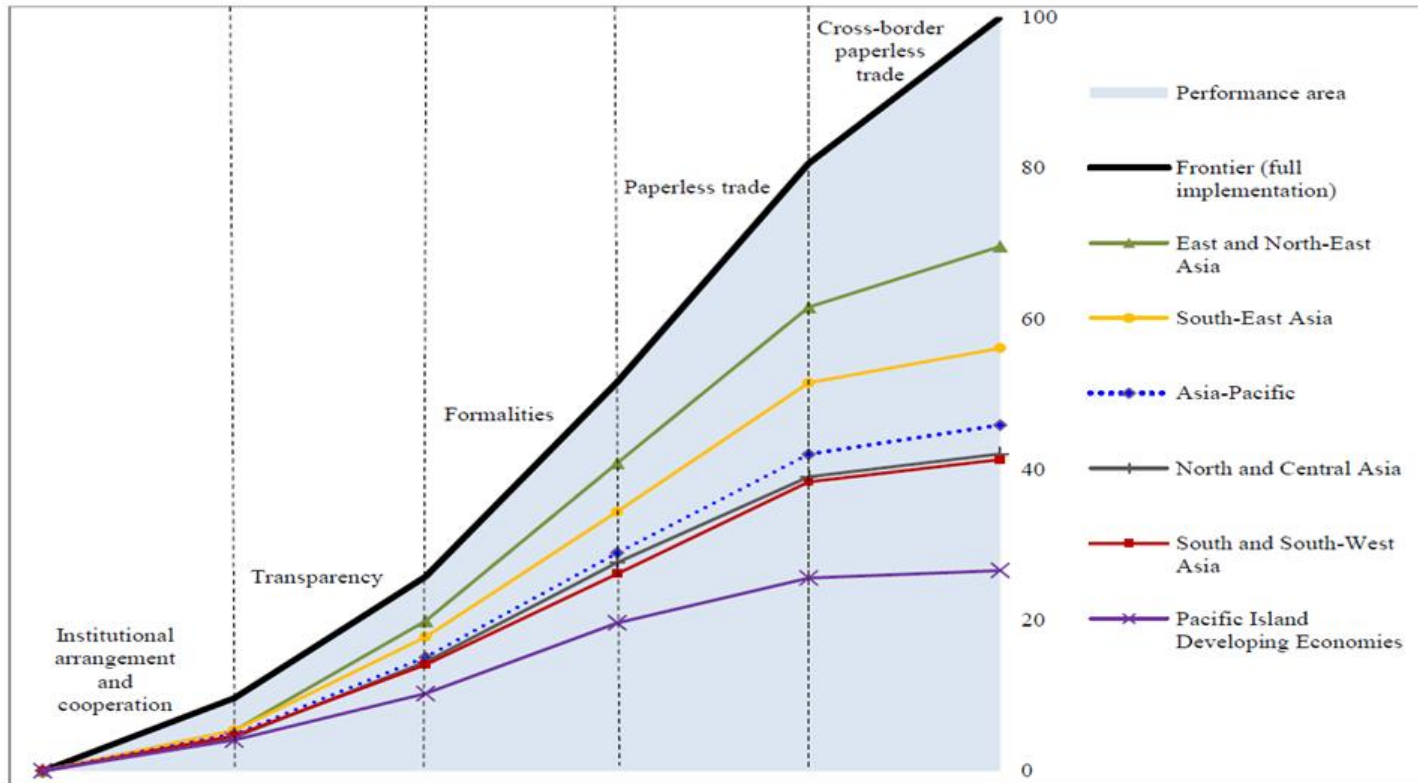
Export destination for Asia Pacific, 2002-2014 (%)

Source: ESCAP

Supply and export capacity

Trade facilitation:

- Includes measures related to transparency, formalities, institutional arrangements and cooperation, automation and transit facilitation;



Cumulative implementation of trade facilitation measures (%)

Source: ESCAP

Note: the figure shows cumulative trade facilitation implementation scores of Asia-Pacific sub-regions for five groups of trade facilitation measures included in the survey. Full implementation of all measures = 100.



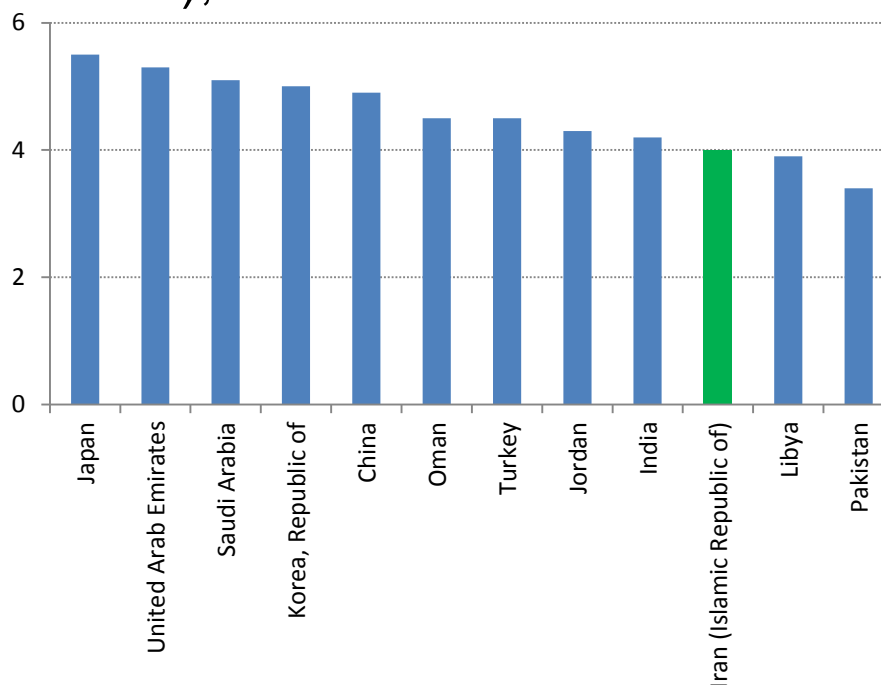
Supply and export capacity

Drivers of competitiveness (Global Competitiveness Index):

- Iran ranked 83 out of 144 in 2014/2015, below several countries in the region and trade partners;
- This places the country in a transition stage from a factor-driven economy to a efficiency-driven economy and still far from a innovation-driven economy. The rank has declined in recent years (in 2012/2013 ranked 66 out of 144);

Iran and selected economies: global competitiveness index, 2014/2015

Source: UNCTAD, based on the World Economic Forum



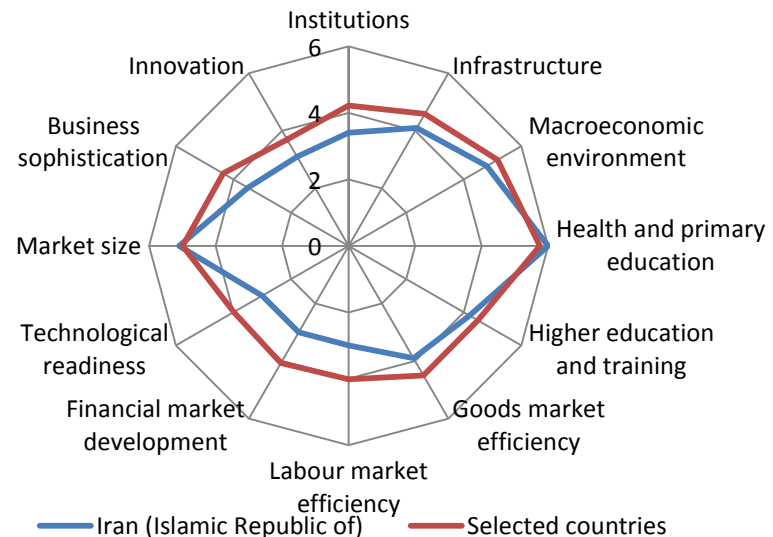
Supply and export capacity

Drivers of competitiveness (Global Competitiveness Index):

- Iran performs better than some countries in the region and trade partners (average) in health/primary education and market size;
- In the same analysis, Iran lags behind mainly on financial market development, labour market efficiency, technological readiness, business sophistication and institutions (in the WB Doing Business 2015, it ranked 130/189 overall and 13/20 in the MENA region);
- To a lesser extent, it also lags behind on innovation, goods market efficiency and infrastructure.

Iran and selected economies: global competitiveness index by pillar, 2014/2015

Source: UNCTAD, based on the World Economic Forum



Trade Policy Frameworks

UNCTAD Trade Policy Frameworks (TPFs) - technical cooperation for trade and development:

- Strengthening capacities for the formulation and implementation of trade policies towards development goals. Focus on:
 - Analysis of the trade development nexus towards achieving development goals, sustainable economic development and employment - customized assessment to address specific needs of beneficiaries;
 - Recommendations on the policy mix for the development of trade policies and improving supply and export capacity, strengthening selected sectors;
 - Consultations with local government, academia and private sector stakeholders to strengthen local capacities, to ensure that the work builds on what already exists and to ensure usefulness of validated recommendations;
 - Capacity building through experience sharing and information exchange on regional and inter-regional meetings, and on best-fit practices;
- Trade Policy Frameworks:
 - Conducted in Angola, Jamaica, Mexico, Papua New Guinea, Rwanda, Tunisia, Zambia;
 - On-going in Algeria, Botswana, Dominican Republic, Namibia, Panama.



Trade Policy Frameworks

UNCTAD Trade Policy Frameworks (TPFs) analyses address several issues and challenges:

- The specific national context on trade performance, policy framework, and trade related regulations and institutions:
 - Trade agreements at the multilateral, regional and bilateral level;
- Diversifying exports (products, markets), structural transformation:
 - Incentives that do not lead to expected trade/investment results;
- Taking advantage of market opening/trade agreements:
 - Persistence of non-tariff barriers to trade;
 - "Quality" concerns in destination markets (e.g. agro-industrial products);
 - Constraints in supply capacity (e.g. human capital, access to infrastructure);
- Creating forward and backward linkages (domestically, regionally and internationally):
 - Enclaves with no linkages with the rest of the economy;
 - Informal sector with low productivity;
- Formulating and implementing appropriate policies:
 - Design, monitoring and evaluation of policies.



Trade Policy Frameworks

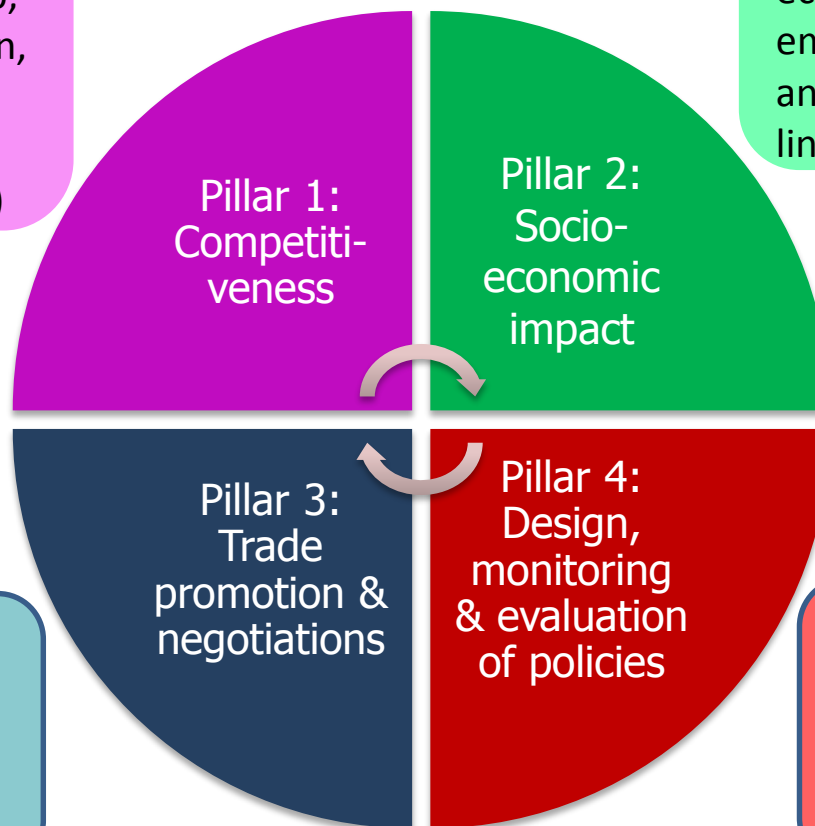
An effective trade policy is based on coherence:

Pillar 1 is about:

Policies + regulations for:
Supply capacity (human resources, entrepreneurship, SMEs, technology, innovation, services, infrastructure, financial inclusion, regional integration and cooperation)

Pillar 2 is about:

Policies + regulations for:
Maximizing impact on socio-economic variables (e.g. employment, inclusiveness and equitable share of gains, link to SDGs)



Pillar 1:
Competitiveness

Pillar 2:
Socio-economic impact

Pillar 3:
Trade promotion & negotiations

Pillar 4:
Design, monitoring & evaluation of policies

Pillar 3 is about:

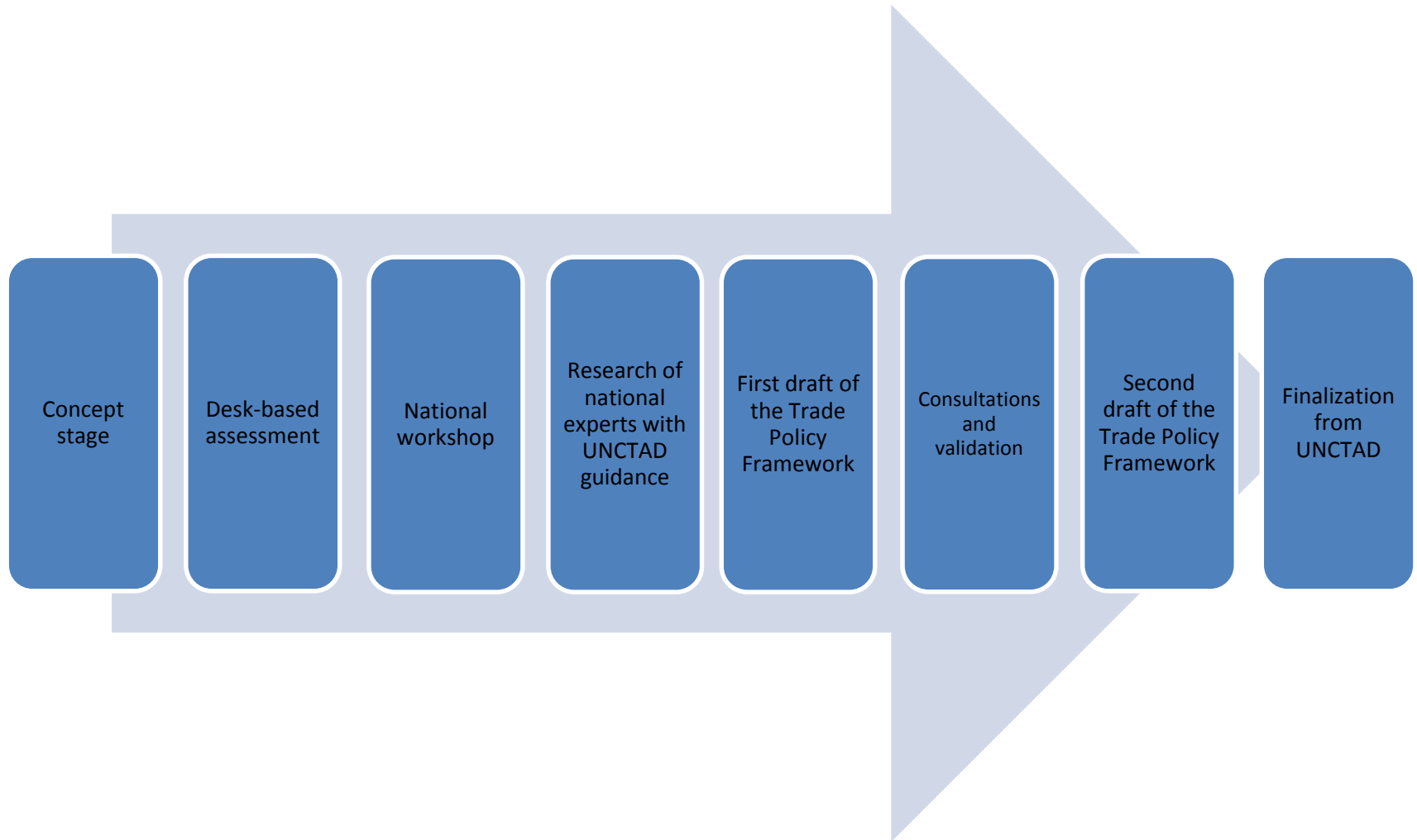
Policies/regulation for:
Promoting exports, access to markets, trade facilitation and reduction of distortions

Pillar 4 is about:

Institutions
Strengthening the institutional framework

Trade Policy Frameworks

Methodology:



Services Policy Reviews

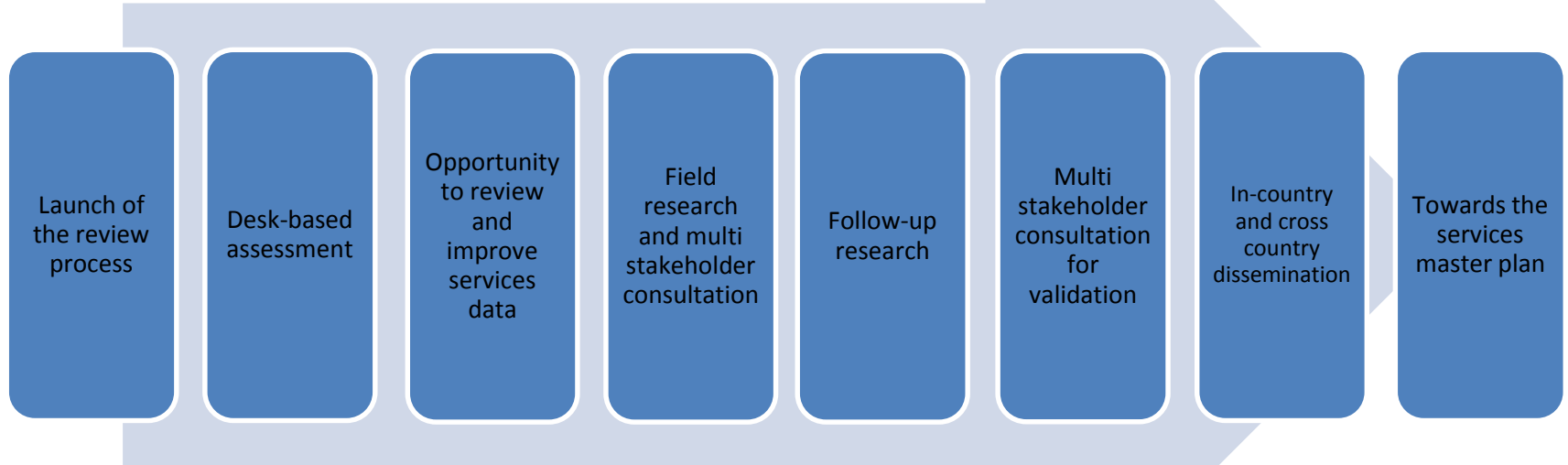
UNCTAD's toolkit to enhance regulations and institutions:

- Services provide an opportunity for economic diversification, structural transformation and sustainable development:
 - Policy, regulatory, institutional frameworks are important to harness benefits of services but remain a critical challenge as services are complex/multifaceted;
- (1) **Global Services Forum**
 - Platform to share best practices and form partnerships in trade in services;
- (2) **Multi-year Expert Meeting on Trade, Services and Development:**
 - Platform for expert deliberation through an exchange of country experiences and lessons learned to identify best-fit practices on services, trade and development;
 - They have identified recommendations and areas for deeper research;
- (3) **SPRs serve as a toolkit for policymakers and regulators:**
 - Identify constraints and offer practical recommendations on a best-fit policy mix;
 - Ensure policy coherence, build institutional capacities, enhance productive/trade capacity in services, enhance competitiveness and meet development goals;
- (4) **Country survey, case studies & dedicated research:**
 - E.g. surveys of infrastructure regulators/competition authorities (part I on ISS regulation/institutions, and part II on trade of ISS), which provide useful insights.



Services Policy Reviews

Methodology:

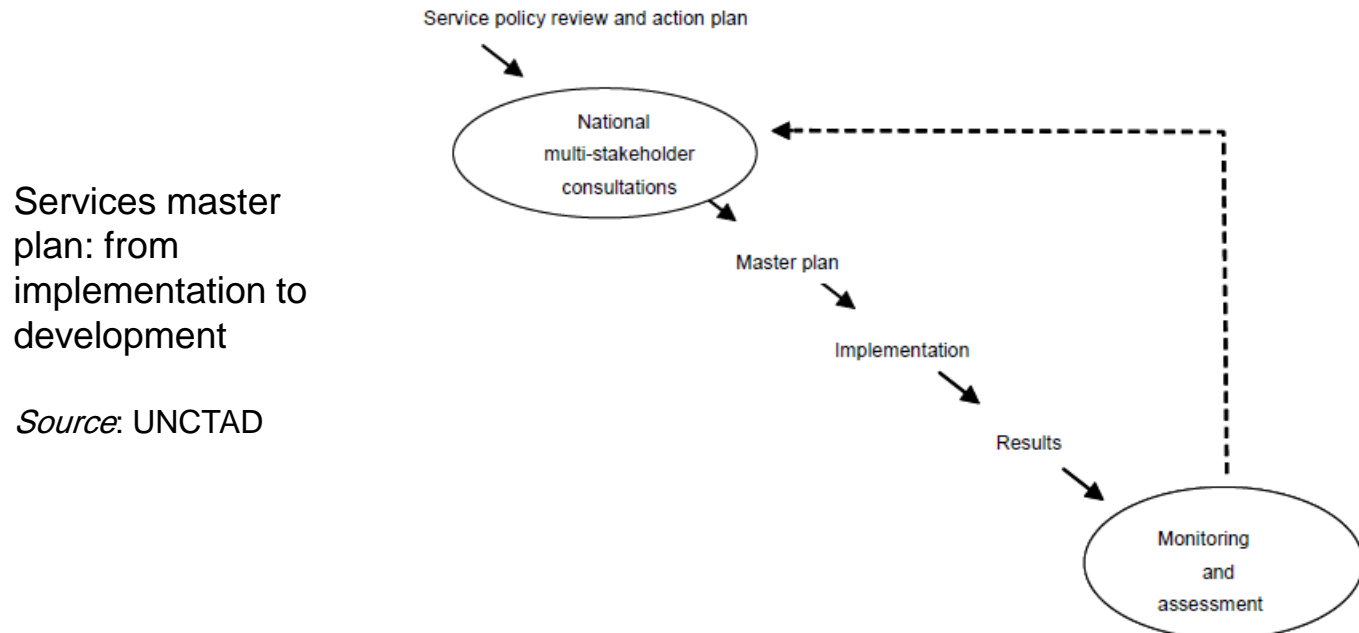


- Reviews were conducted for Bangladesh, Kyrgyzstan, Lesotho, Nepal, Nicaragua, Paraguay, Peru, Rwanda and Uganda (I and II);
- 20 years of experience in supporting national assessment of services (e.g. India, Jordan, Mexico, African countries and SADC).

Services Policy Reviews

Towards the services master plan

- SPRs are expected to catalyse and institutionalise an endogenous process of services policy formulation, implementation and review:
 - Where an action plan is developed, it provides clear steps and timelines for a reform process that is expected to lead to a services master plan;
 - The sponsoring ministry can ensure regular monitoring of the implementation and impact assessment of implemented measures. The related conclusions can be presented to stakeholders providing the basis for the master plan revision.



TPFs and SPRs

Cross-cutting lessons learned on best-fit practices:

- Policy coherence and coordination:
 - Refers to horizontal and vertical coordination, not only between sectoral policies but also with trade, investment, competition, industrial, social and other policies;
 - The overall services strategy should factor in several attributes of each category: value added, sophistication of skills, knowledge and technology intensiveness;
- Effective institutions and governance:
 - Includes national, regional and international levels of multi-stakeholder (public and private) coordination, strategy definition, and resource allocation;
 - Independent regulators are essential in ensuring neutral, effective and procompetitive regulation. Cooperation between regulatory bodies is important;
 - Regional/international cooperation is important for trade facilitation, infrastructure development, standard recognition/harmonization, mobility of natural persons;
- Trade policy is multidimensional:
 - The network of agreements has to feed diversified market opportunities, remove barriers and promote linkages with industrial, investment and other policies;
 - Cooperative initiatives should be pursued, particularly at the regional level;
 - Trade facilitation, market intelligence and export promotion translate market access into market penetration.



TPFs and SPRs

Cross-cutting lessons learned on best-fit practices:

- Enabling productive, technology and business environment:
 - Diversifying the economy (e.g. industry, services, green and blue economy) minimises risks from external shocks and supports market diversification;
 - Productive clusters promote cooperation and coordination among firms, create scale economies to reduce operational costs/enhance competitiveness, facilitate integration in higher value-added segments of regional/global value chains;
 - Enhancing technology and a national innovation system is important to integrate firms in higher value added segments and to promote structural transformation;
 - Business facilitation and formalizing the economy can create an enabling environment to SMEs and their capacity to establish linkages with the economy;
 - Regional integration enlarges markets, creates economies of scale in investments and efficiencies in production;
 - Regional and global value chains provide opportunities for industrialization, specialization and diversification;
- Evidence-based policymaking:
 - Builds on improved collection, treatment and analysis of data.



TPFs and SPRs

Cross-cutting lessons learned on best-fit practices:

- Services and infrastructure services:
 - Services contribute to efficiency and competitiveness in all economic sectors;
 - Infrastructure services provide fundamental inputs to the efficient functioning of productive capabilities and contribute to competitiveness;
 - Knowledge, technology and innovation services contribute to diversification and structural transformation towards upgrading;
- Labour skills development:
 - A qualified workforce promotes knowledge and technology intensive services;
 - This requires a sound education strategy, both at technical and higher levels, that matches labour demand and provided skills. Strong links and interaction between private sector, academia and policymaking bodies facilitates the identification of skills gaps and academic solutions;
 - Agreements with foreign universities could facilitate academic exchanges and international accreditations.



Case study Republic of Korea

A success story:

- Trade volume in 2014 was the 9th highest in the world;
- Exports reached in 2014 an all-time high, exceeding USD 1 trillion for the 4th year in a row;
- Ranks 7th in the world in terms of export volume for the 5th consecutive year;
- It ranked 4th in the world in terms of trade surplus. The country has enjoyed a trade surplus of more than USD 400 billion since the late 1990s;
- Some sectors had also impressive global exports ranking in 2012:
 - Ships in 2nd;
 - Steel in 3rd;
 - Telecommunication equipment in 4th;
 - Semiconductors in 4th;
 - Automobiles in 5th.



Case study Republic of Korea

Using the several dimensions of trade policy:

- Network of agreements for market access:
 - Multiple negotiations were important to guarantee market access. The Republic of Korea has 11 FTAs in effect, covering 60% of world GDP. It has also concluded more 4 FTAs. Together, this network of agreements covers 52 countries and 73.5% of world GDP;
 - This network ranks 3rd in the world, after Chile and Peru;
 - The Republic of Korea has FTAs with a large number of economies that are OECD, including the European Union and the United States of America;
 - Trade with FTAs partners is now 62.4% of its total trade;
 - The Republic of Korea FTA with China provided liberalization of 90% tariff lines and 85% of import value;
 - Take lead on RCEP by fully utilizing the FTA with China and the FTA with Japan;
 - Pursues win-win FTAs with emerging economies, meeting their demands on development and cooperation;
 - Expressed interest in the TPP and final decision on participation will be made upon in-depth analysis and stakeholders' comments;
 - The Republic of Korea intends to increase its commitment in multilateral negotiations under the WTO.



Case study Republic of Korea

Using the several dimensions of trade policy:

- Pursue cooperation initiatives under regional circumstances:
 - Infrastructure cooperation with SE Asia;
 - Energy partnerships (power plant, nuclear plant, renewable energy) with the Middle East;
 - Cooperation on industry and energy infrastructure needs with Central Asia;
 - With Europe, SME policy coordination and innovation for creative economic cooperation;
 - Cooperation in public service sectors with the Americas;
- Market intelligence and export promotion for market penetration:
 - Intensify marketing through Expos and trade missions (e.g. China, North America, Europe);
 - Tailored information on foreign markets, FTA utilization and NTBs (e.g. Chamber of Commerce, call centres on FTAs and call centres on foreign certification acquisition);
 - NTB Council for information gathering and response mechanisms (published the 2nd Trade Barrier report in December 2014);
 - Monitor import restriction trends and develop response methods.



Case study Republic of Korea

Trade policy evolves to allow new focus on policy linkages:

- Since June 2013 the focus is on serving policy linkages e.g. trade-investment-industry-energy;
 - This moves from a separation between negotiations and domestic measures towards a single track: negotiate-implement-utilize-assist;
 - For example, it considers that the Trade in Services Agreement and the Information Technology Agreement will give a renewed opportunity to enhance the competitiveness of its industrial base in an increasingly globalised market;
- The Government is establishing mechanisms to:
 - Pursue SMEs integration into global value chains, making the best use of FTAs;
 - Ensure that FTAs support the attraction of foreign investments (e.g. targeting the huge Chinese market);
 - Ensure that FTAs enhance the competitiveness of *inter alia* energy, innovative new enterprises and creative economy;
- These mechanisms include:
 - Development of business infrastructure, high-value-added manufacturing and knowledge services industries;
 - A 3 year plan for economic innovation with 3 strategies: an efficient economy, growth through innovation, balance between exports and domestic consumption.

Conclusions

Maximizing the contribution of trade to sustainable development:

- Requires improving trade outcomes;
- Equitably share of gains from trade among the population;
- Support by robust productive capacities and employment;
- Achieving these objectives requires ensuring coherence and integrated approach to the linkages among different policy spheres, e.g.:
 - Development;
 - Macroeconomic;
 - Competitiveness and productive capacities, investment, technology, innovation;
 - Socio-economic impact;
 - Sector-specific plans;
 - Institutional frameworks.



Conclusions

Connecting to the Markets:

- Coherence and integrated approach:
 - Setting deliberate and supportive policies, regulations and institutions;
 - Setting technology, innovation and entrepreneurship policies;
 - Structural transformation moving from resource based to knowledge and innovation based economy;
 - Strengthening supply capabilities and meeting quality standards;
 - Integration into regional and global value chains and trade in intermediate goods;
 - Services have a key role in diversification and competitiveness;
 - Appropriate sequencing, pace and content of reform, liberalization and integration;
 - Lowering trade costs through services and trade facilitation;
 - Strengthening education and human capital, tailored to the needs of the market;
- UNCTAD's Trade Policy Frameworks and Services Policy Reviews can improve that coherence:
 - Allow to tackle more effectively the “pending” trade agenda through research, capacity building, recommendations on the policy mix and experience sharing.
- UNCTAD has a comprehensive programme on Accession to WTO, from which Iran has benefitted.





Thank You

More information on trade policy:

<http://unctad.org/en/Pages/DITC/TNCD/Trade-Negotiations-and-Commercial-Diplomacy-.aspx>

More information on services, trade and development:

<http://unctad.org/en/Pages/DITC/Trade-in-Services.aspx>

