

The background features a gradient from dark blue at the top to teal at the bottom. Overlaid on this are several thick, wavy, ribbon-like shapes in red and dark red, which appear to flow and swirl across the frame.

Introduction

Services have become the most dynamic and dominant force shaping global economic patterns in the 21st century. Today, services account for over two-thirds of global GDP and more than half of global employment, and are the primary source of value added in most economies.¹

In 2023, services contributed approximately 54 per cent of GDP and more than 44 per cent of employment.² This transformative role extends beyond direct contributions to output and jobs: services are critical drivers of competitiveness, innovation and resilience, serving as key inputs in manufacturing and agricultural value chains and as catalysts for export diversification.³ For developing economies, services trade has over the years provided significant opportunities for export-led growth, economic diversification and integration into global markets.

Yet despite the sector's importance, services trade costs remain markedly higher than those for goods – exporting a service still costs more than four times the domestic price and almost a third more than trading manufactured goods.⁴ Small enterprises and women-owned businesses face an additional seven percentage point burden because, being smaller on average and less capital-intensive, they struggle the most with costly and unclear procedures for gaining access to services markets.⁵ These elevated costs are driven not only by traditional market access barriers but also by a complex web of domestic regulatory measures. As highlighted in the WTO's *World Trade Report 2019*, regulatory differences and weak governance – including opaque and unpredictable authorization and licensing regimes for service providers, duplicative requirements and lack of transparency – significantly restrict the supply of services across borders, discouraging both trade and investment.⁶

These challenges have profound implications. Lowering the cost of services trade has the potential to boost trade volumes and unlock economy-wide efficiency gains. What is more, services trade is increasingly vital for sustainable growth outcomes: it can support small and medium-sized enterprises (SMEs) and generate high-value jobs for young and skilled workers.⁷ It is also central to inclusion: in 2023, services accounted for 57.3 per cent of women's employment worldwide (compared with 45.5 per cent for men), highlighting the sector's role in fostering women's economic empowerment.⁸

The COVID-19 pandemic further underscored both the importance and the vulnerabilities of the services sector. While services that require physical proximity such as tourism and hospitality experienced severe disruptions, digitally deliverable services proved remarkably resilient, enabling the continuation of services trade across borders despite restrictions on movement.⁹ This acceleration of digitalization has reshaped services trade dynamics, expanded the cross-border tradability of services and created new opportunities – particularly for smaller businesses and developing economies – to integrate into global value chains (GVCs). These shifts, combined with the highly regulated nature of services, have also intensified the need for streamlined and adaptable regulatory frameworks.¹⁰

Against this backdrop, policy reforms to facilitate services trade and investment can take two main approaches. The first is to remove measures that restrict openness to international competition, namely measures liberalizing market access and national treatment – for example, removing limits on foreign ownership or relaxing nationality requirements for professionals.¹¹ The second, and the focus of this Handbook, is to establish regulatory improvements that enhance the transparency, predictability and efficiency of procedures without prescribing specific policy outcomes.

Since the 1990s, the concept of good regulatory practices (GRPs) has emerged as a tool to promote the quality, efficiency and accountability of domestic regulatory systems, irrespective of the level of market opening of different economic sectors. In light of their non-discriminatory nature, GRPs help facilitate compliance with existing laws and regulations – benefiting both domestic and foreign businesses alike. GRPs play a key role in improving governance and accountability of regulatory and institutional frameworks.

Importantly, reforms to implement GRPs can be pursued independently of decisions regarding market opening or the substance or stringency of underlying regulatory requirements.¹² Reductions in regulatory restrictiveness translate into several percentage point cuts in ad-valorem-equivalent trade costs in services – magnitudes that are in the same ballpark as many goods tariffs.¹³ Procedural reforms – such as moving licence applications online or allowing information and documents to be submitted through a single entry point to fulfil regulatory requirements (single windows) – are reported to have generated multimillion dollar savings within a single year.¹⁴

Over recent years, the adoption of GRPs in services has gained prominence at the international level. The WTO General Agreement on Trade in Services (GATS), in force since 1995, already set out several regulatory obligations, mainly concerning transparency and procedural fairness. Since then, significant progress has been made.

In 2021, new Disciplines on Services Domestic Regulation (SDR Disciplines) were agreed by a group of WTO members: they represent a landmark effort to enhance regulatory transparency and efficiency.¹⁵ The SDR Disciplines include key commitments on authorization procedures, public availability of regulatory frameworks, impartiality of decision-making as well as stakeholder engagement mechanisms. These commitments are echoed and further elaborated in preferential trade agreements (PTAs) adopted regionally or bilaterally, as well as in instruments such as the Organisation for Economic Co-operation and Development's (OECD's) *Recommendation on Regulatory Policy and Governance* (2012) and the APEC (Asia-Pacific Economic Cooperation) *Non-Binding Principles for Domestic Regulation of the Services Sector* (2018).

Across advanced and emerging economies, governments are actively upgrading their regulatory systems – digitizing authorization and introducing stakeholder engagement procedures and regulatory impact assessments (RIAs). Recent global diagnostics document this reform momentum across sectors and regions. For example, the OECD *Regulatory Policy Outlook 2025* – which covers 38 OECD member countries and the European Union – notes a positive trend as governments continue to improve on the use of digital means to call on the public to provide evidence on the impact of rules, introducing minimum consultation periods, as well as expanding consultation time frames.¹⁶

Moreover, the World Bank's *Business Ready (B-READY) 2024* report states that “economies do not need to be rich to develop a good business environment.”¹⁷ While high-income economies have been implementing reforms to provide higher quality public services to support businesses, all economies have room for improvement – especially when it comes to moving from the design of regulations to their actual implementation on the ground.¹⁸

Recent research by the WTO Secretariat highlights that the implementation of a common set of GRPs for services, such as those contained in the SDR Disciplines, could trim trade costs by up to 14 per cent for middle-income economies, saving businesses around US\$ 127 billion a year.¹⁹ It can also raise global real income by 0.3 per cent, and boost exports by 0.8 per cent.²⁰ In addition, analysis by the WTO Secretariat finds a positive correlation between higher-quality regulation and larger services sectors, stronger innovation capacity and deeper participation in GVCs.²¹ The latter point has been echoed by the World Bank which shows that streamlined processes – such as through online single windows – cut trade costs and help companies integrate into international markets.²²

From a development perspective, improved regulatory practices align with broader objectives, such as the United Nations Sustainable Development Goals (SDGs).²³ Efficient, transparent services regulation supports SDG 8 (promoting inclusive and sustainable economic growth, employment and decent work) and SDG 9 (building resilient infrastructure, promoting inclusive and sustainable industrialization, and fostering innovation).²⁴ In light of women's strong participation in the services sector, facilitating services trade can also support the achievement of SDG 5 on achieving gender equality and empowering women.²⁵ Additionally, enhanced regulatory practices in services sectors, such as telecommunications and logistics, are foundational for promoting digital inclusion and climate-resilient economic models. Together, this research makes a clear case for GRPs as a key driver of competitiveness, investment and inclusive growth.

Against this backdrop, this Handbook aims to provide practical guidance for policymakers and regulators on advancing domestic regulatory reforms that facilitate services trade while preserving and promoting legitimate public policy objectives. To do so, it provides an overview of progress in the domain of GRP with a focus on services trade – at the WTO, in services PTAs, as well as in other relevant forums. The Handbook underpins targeted technical assistance and capacity-building activities by the WTO Secretariat and the World Bank and serves policymakers as a resource to benchmark regulatory regimes and prioritize actions for reform.

This Handbook is structured as follows:

- **SECTION I** provides an overview of recent work on GRPs for services trade, from the GATS to the SDR Disciplines, and recent trends in services PTAs. Additionally, based on existing literature, it offers evidence of the impact of regulatory reforms on economic growth and development.
- **SECTION II** analyses a set of widely recognized GRPs, explaining their key features, rationale and objectives. For each GRP, the main legal basis – including in the GATS, the SDR Disciplines, and agreements in other areas of relevance for trade – are identified. In addition, dissemination through regional and bilateral frameworks is also discussed.
- **SECTION III** illustrates practical GRP reform experiences through case studies (Costa Rica, Indonesia, the Philippines, Thailand) – real-world examples of domestic implementation across service sectors and regions. The case studies examine the motivations and context for specific reform initiatives, legal basis and institutional arrangements, implementation experience, as well as any observable effects on business operations and lessons learned.

An overview distils cross-cutting insights on common success factors and recurrent implementation challenges.

- **SECTION IV** introduces a new “Diagnostic and Reform Planning Tool” to help policymakers benchmark existing frameworks against the GRPs set out in Section II, with a view to identifying gaps and prioritizing regulatory reforms. The Tool leverages the extensive information on services policies contained in the WTO–World Bank Services Trade Policy Database (STPD) while adding many new questions that assess GRP implementation in greater detail across 34 service sectors. The Tool also aims to capture de facto implementation of GRPs, by examining administrative and procedural practices, looking beyond legally mandated application of GRPs. Through a user-friendly visualization board, the Tool enables the mapping of existing domestic regulatory frameworks across sectors, including with a view to identifying possible priority areas for regulatory reforms. The Tool can also be used by WTO members to evaluate implementation of the GRPs set out in the SDR Disciplines, and use that evidence to assess adoption options, including capacity-building and designation of transitional periods.