

# TRAINING COURSE ON TRADE IN SERVICES NEGOTIATIONS

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Session 1: Features of services trade and services liberalization in the context of multilateral trading system (GATS)

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# Points to cover

- ✓ Why is trade in services different?
- ✓ How is the GATS structured, and what is its scope and coverage?
- ✓ Was there any multilateral liberalization after Uruguay Round?
- ✓ How free is services trade?
- ✓ Services trade and LDCs

# Services are different from goods

- Intangibility
- Non storability
- Intermediation
- Protection behind the border
- High regulatory intensity
- Diversity

# But these features also change due to:

- Technological change

- Faster transport and telecoms make remote supply more feasible; less need for supplier to be in same time and place as consumer

- Regulatory reform

- Introduction of competition in previously closed sectors (telecom, banking, etc.)

- Expansion of goods trade

- Requires supporting services (transport, logistics, etc.)

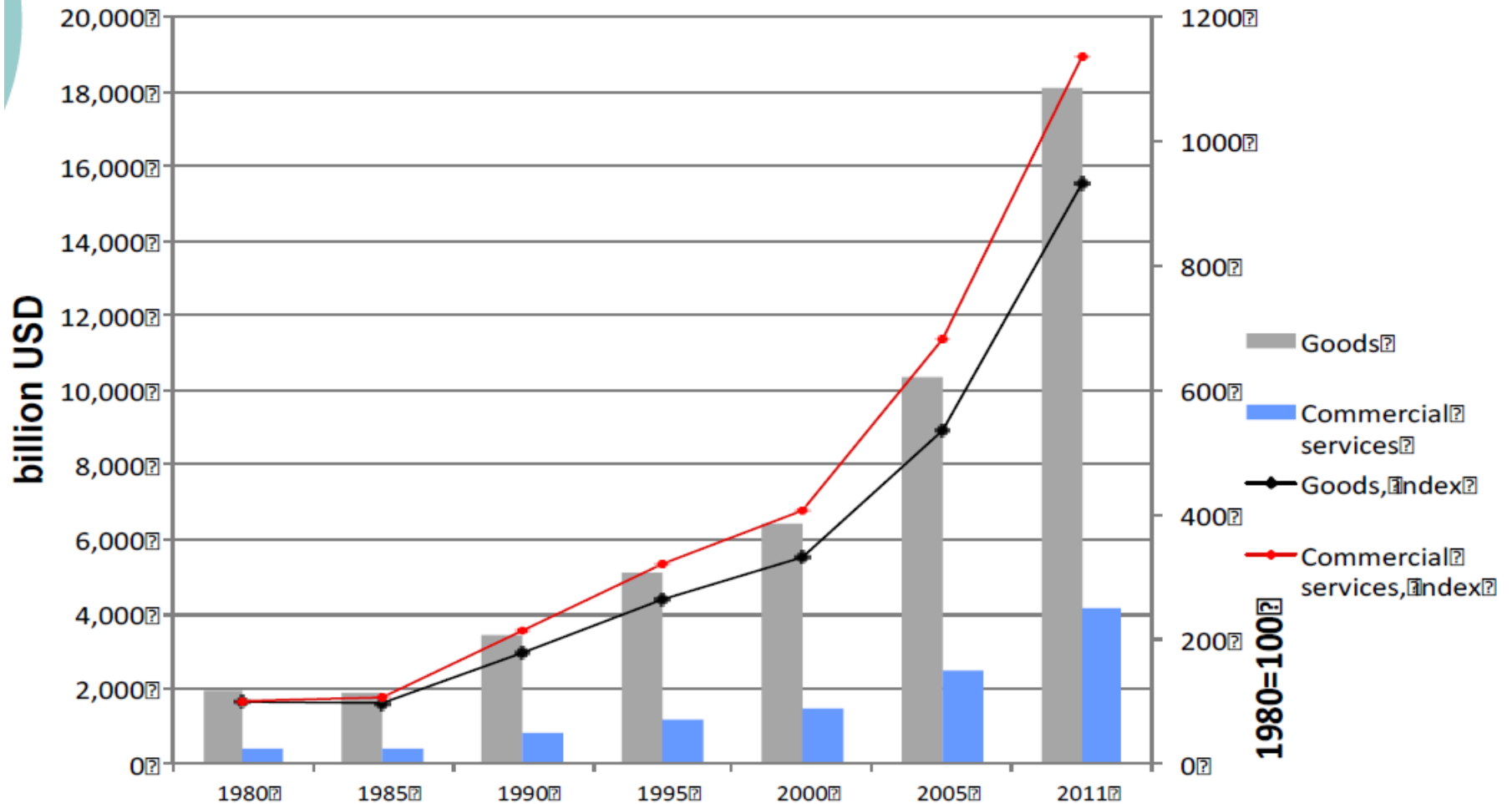
- Rise in trade of 'intermediates'

- Supply chains of unbundled goods and services increasingly cross borders

# So, services are now

- A major part of GDP, trade and FDI:
  - 60-70% of world production and employment
  - 2/3 of FDI flows
- A key production input into virtually all other goods and services:
  - 10-20% of production costs in manufacturing and agriculture;
  - 20-25% of costs in ready-made garments
- Faster growth in services exports than goods exports (since 2000, with some variations)

# Trade in services grew faster than trade in goods



# Why is services trade important?

- Trade can play a key role in developing countries' services sectors
- Opening up to services imports (including FDI) can increase efficiency in the domestic economy
- Services themselves offer new export opportunities (export diversification)
- Improves attractiveness to foreign investors
- Better integration in the global value chains based on services

Multilateral liberalization in  
services:

GENERAL AGREEMENT ON TRADE  
IN SERVICES (GATS)

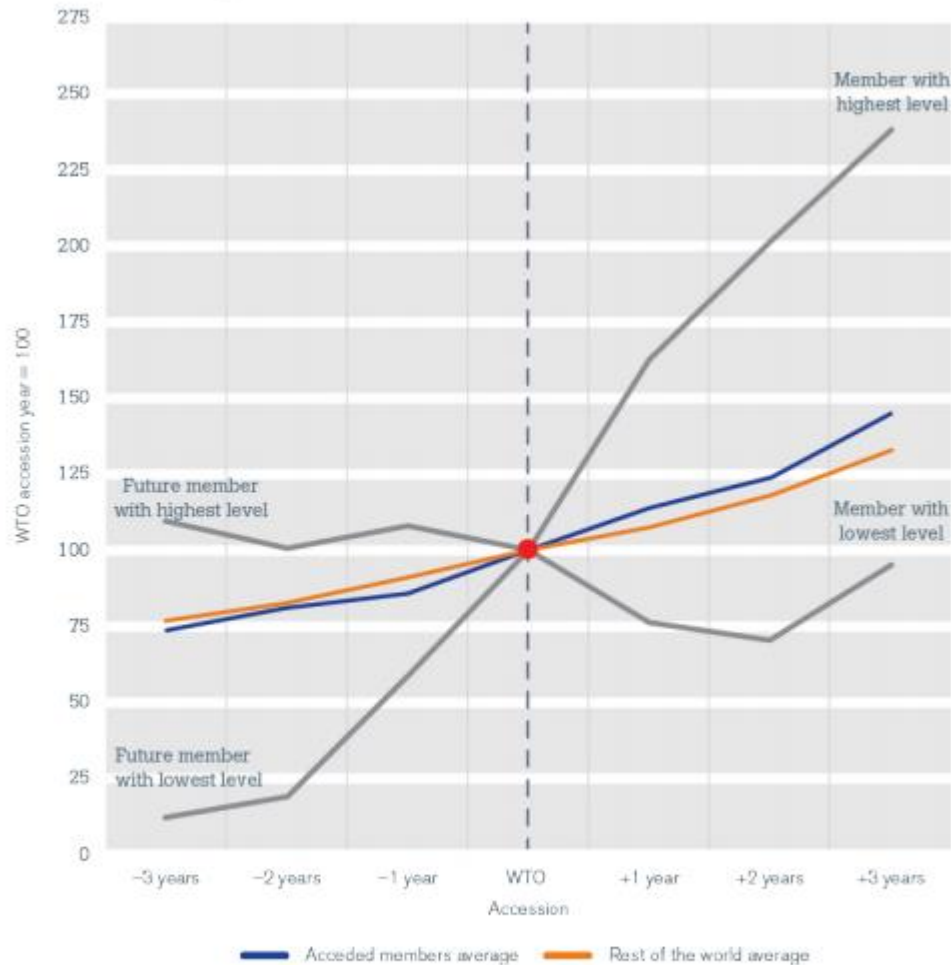
[part of Uruguay Round]



# Objectives:

- expansion of services trade through growing transparency and progressive liberalisation
- to promote all members' interests on a mutually advantageous basis
- to secure a balance of rights and obligations
- to respect members' right to regulate the supply of services within their territories in order to meet national policy objectives

## WTO acceding members' trade in services



<sup>1</sup> Based on the analysis of 26 recently acceded WTO members.

Accession  
to WTO  
leads to  
more  
services  
trade

# Structure of the GATS

- A common set of disciplines for all Members
  - Framework articles of the GATS
  - Annexes of the GATS
- But individual “schedules” of specific commitments for each Member
  - Market Access
  - National Treatment
  - Additional commitments

# Scope and Definition

- ALL MEASURES AFFECTING TRADE IN SERVICE
  - (At all government levels, including non-governmental bodies exercising delegated authority)
- DEFINITION OF TRADE IN SERVICES
  - (1) Cross border supply
  - (2) Consumption abroad
  - (3) Commercial presence
  - (4) Presence of natural persons
- UNIVERSAL COVERAGE OF GATS
  - (All services, except those provided in the exercise of governmental authority and air transport )

Business and Professional Communications Construction Distribution Education Environment	Finance and Insurance Health and Social Tourism Recreation, Culture, Sports Transport Other
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# Another look at modes of supply in GATS

Mode	Presence of supplier	Form of Delivery	Examples
Cross border supply	No	From abroad into the territory of the Member	Telecommunications, mail, services incorporated in goods
Consumption abroad		Delivery outside the territory of the Member	Movement of consumer or property abroad (e.g. tourism, ship repair)
Commercial presence	Yes	Through local establishment of legal entities	Corporations, joint ventures, representative offices, etc.
Presence of natural persons		Through physical presence of service supplier	Consultants, doctors, lawyers, interpreters, etc. (including employees)

Source: WTO

# And another....

## MEMBER A

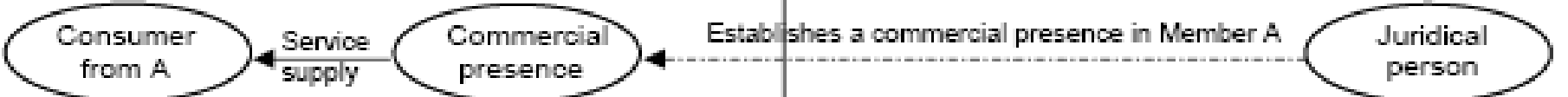
### Mode 1: Cross border supply



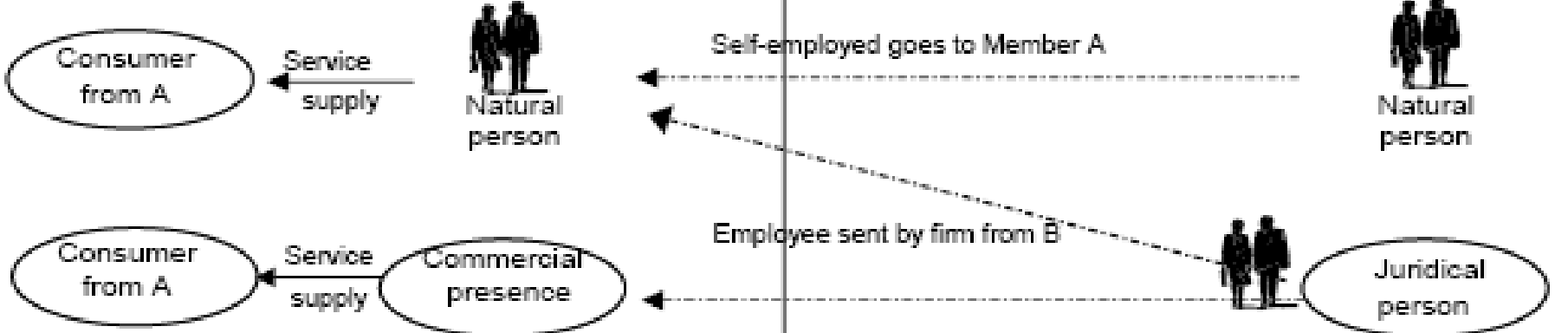
### Mode 2: Consumption abroad



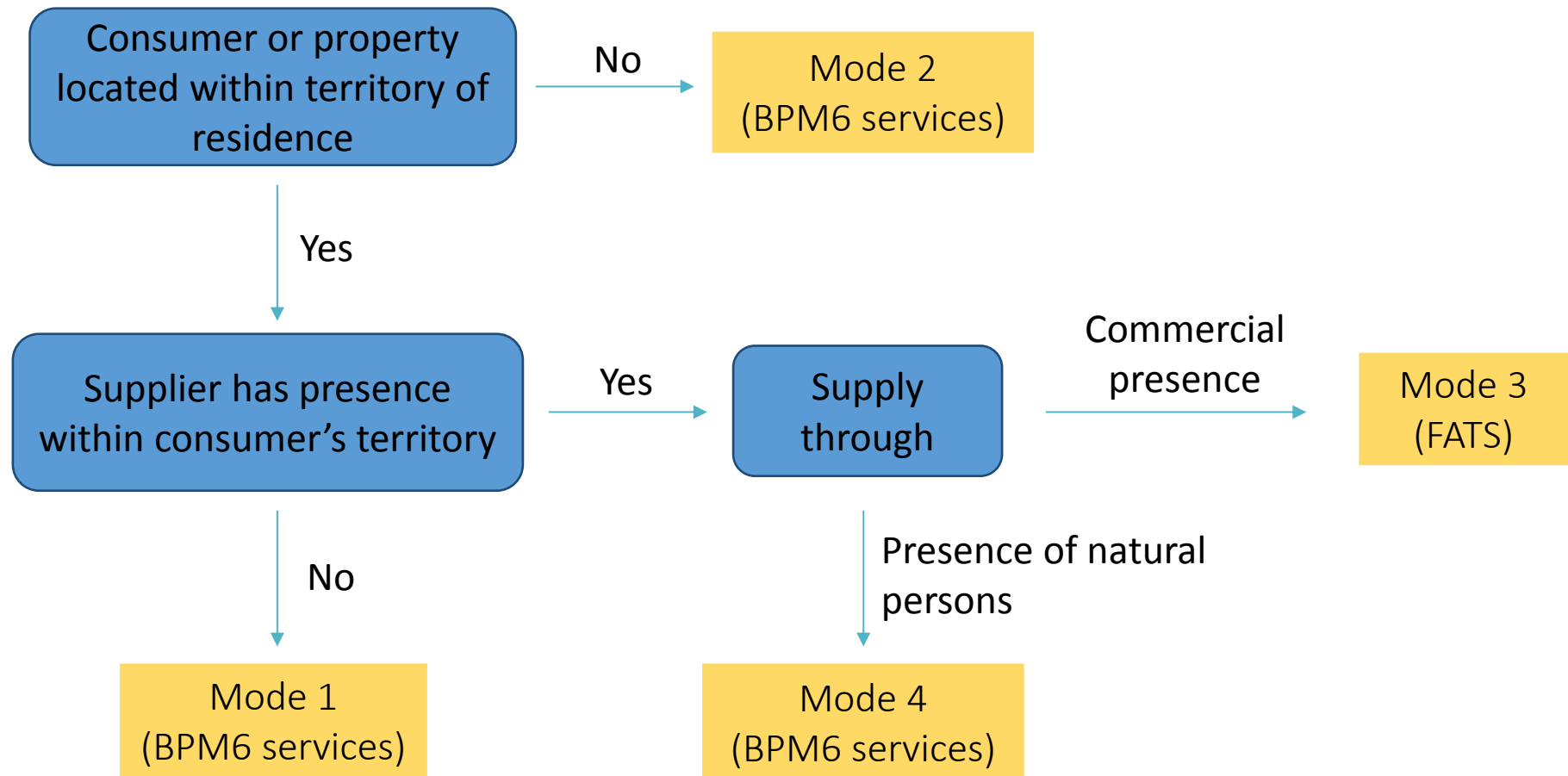
### Mode 3: Commercial presence



### Mode 4: Presence of natural persons

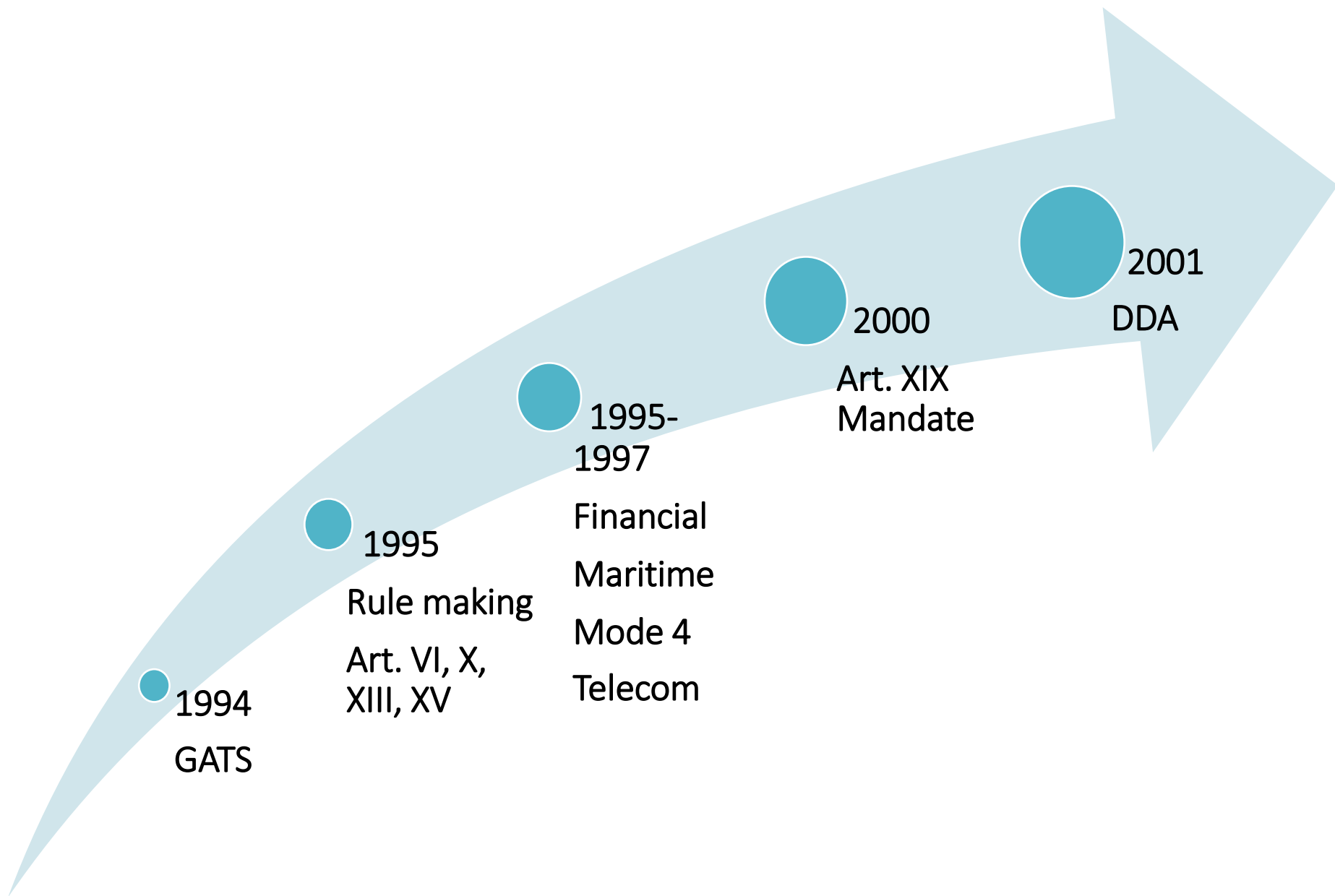


# And another.... (from APEC):



GATS after Uruguay round





# Doha negotiating issues

## Specific commitments (“market access”)

- Market access
- National treatment
- Other commitments

## MFN exemptions

- Annex on Article II

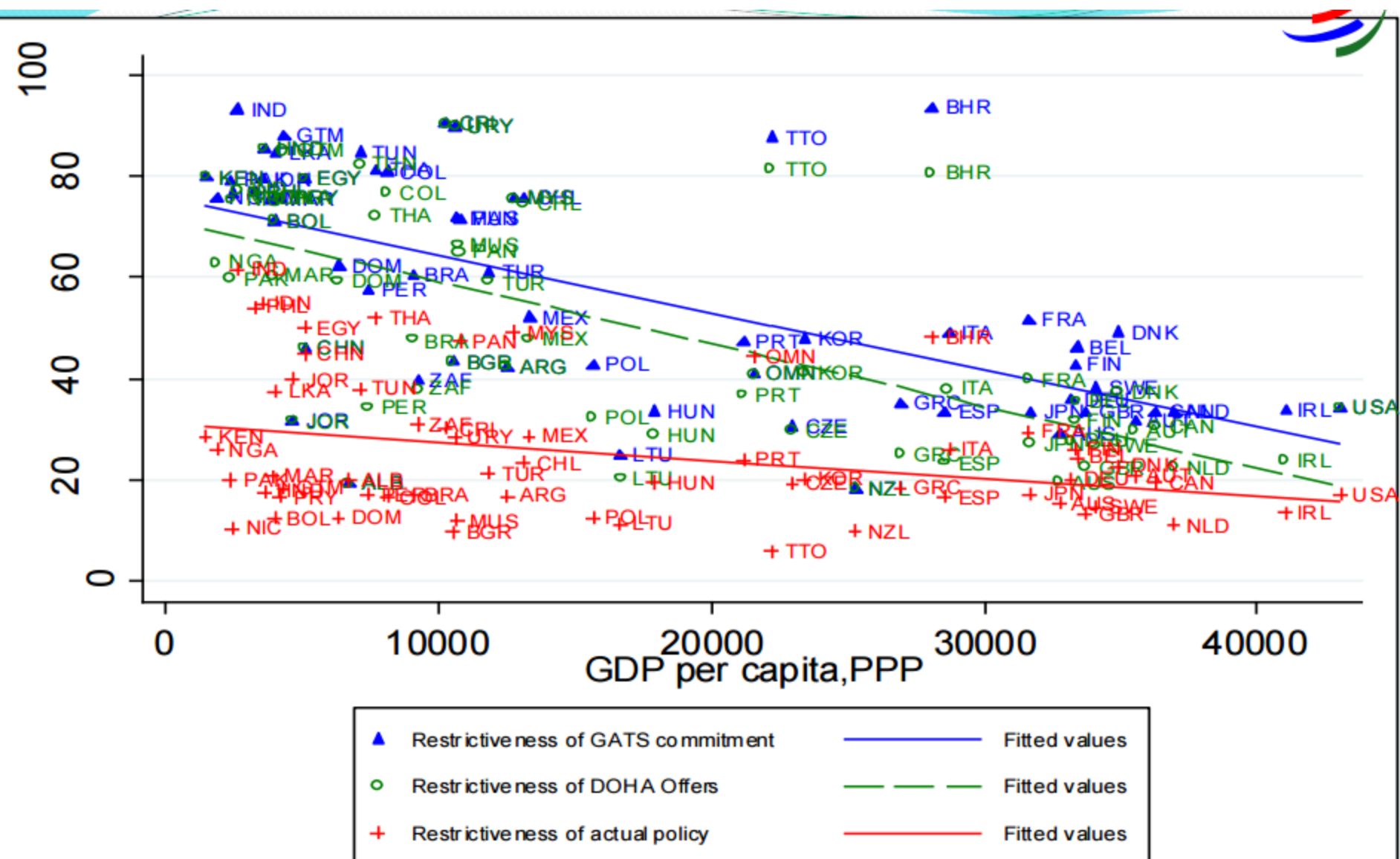
## Rules

- Domestic regulation
- Subsidies, Safeguards, Government procurement

## Implementation of LDC modalities

- Measures falling under LDC waiver

How “free” is services trade?

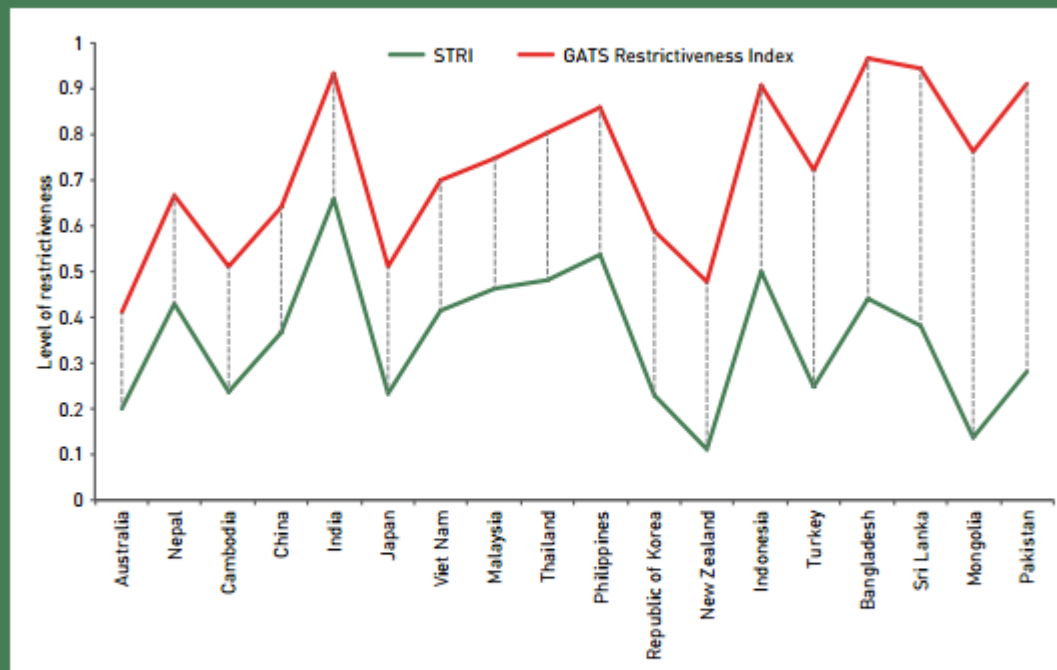


# Most countries more liberal than what they reflect through GATS commitments

FIGURE

"Water" in services commitments

(Percentage)



Source: ESCAP calculation based on the World Bank Services Trade Restrictions Database and World Bank World Trade Indicators.

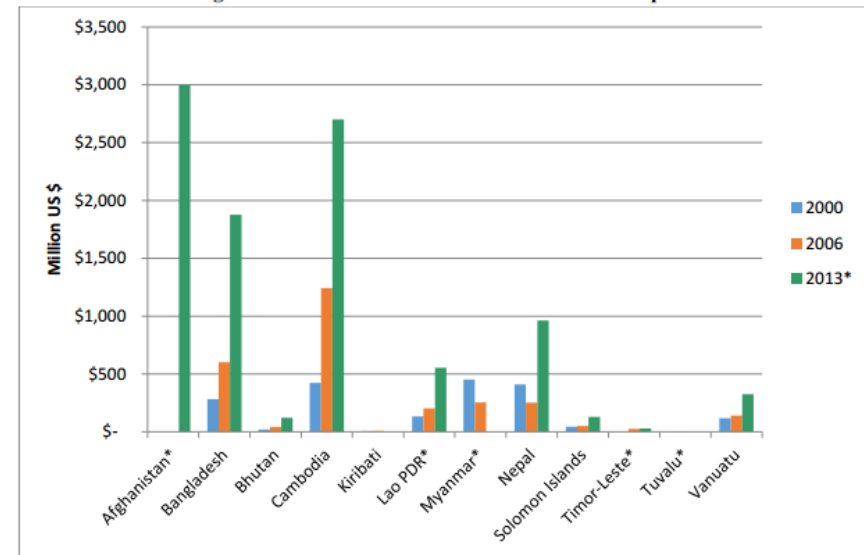
Note: Services Trade Restrictiveness Index (STRI) scores are based on the World Bank assessment of openness across five sectors: finance, transport, telecoms, professional services and retailing. The degree of restrictiveness of GATS commitments is based on World Bank Trade Indicators indices that cross the 12 standard service sectors in GATS. Scores have been adjusted to put them in the same range (0-1) as STRI scores.

# Services trade and LDCs

# Progress made for LDCs with “Services waiver”

- Developed and developing Members shall indicate sectors and modes of supply where they intend to provide preferential treatment to LDC services and service suppliers;
- A Member may accord preferences similar to those arising from preferential trade agreements to which it is a party;
- Targeted and coordinated technical assistance aimed at strengthening the domestic and export services capacity of LDCs
- The Council for Trade in Services shall periodically review the operationalization of the waiver

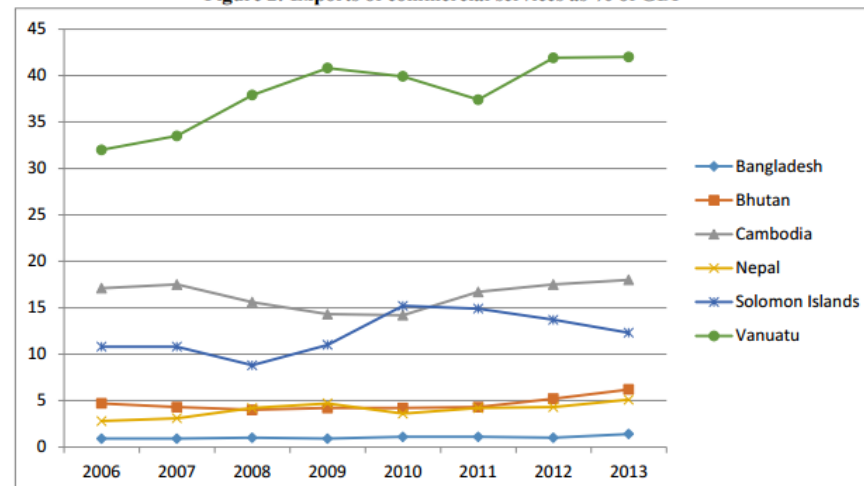
Figure 1: Asia-Pacific LDCs' commercial services exports



\*2013 or nearest year, depending on latest available data.

Source: ESCAP Online Database. Figures based on WTO.

Figure 2: Exports of commercial services as % of GDP



Source: ESCAP Online Database. Figures based on WTO. Note: Data not available for all LDCs.

# Post-Bali and challenges in services negotiations

- Linkage to other negotiating areas  
Especially agriculture & NAMA
- Difficult policy coordination in capitals  
Sectoral responsibilities scattered among different ministries
- Structure of GATS  
Schedules and modal structure too complex?
- Regionalism  
Diversion of negotiating resources?
- Lack of political leadership: Informal meeting of Trade in service council on 20 April 2015, etc.



Thank you!  
Q&A