



# The Increasing Proliferation of Services PTAs: Features and Implications

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# Plan of the presentation

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- Article V
- Current state of play
- Analysis of services RTAs: what has been achieved and how it compares with GATS
- Economic implications and impact on multilateralism



## Article V: Conditions

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- Substantial sectoral coverage (volume of trade, number of sectors, and modes)
- No a priori exclusion of modes, etc.
- Absence or elimination of substantially all discrimination “in the sense” of Article XVII (national treatment)
- Should facilitate trade among parties and not raise overall barriers vis-à-vis other Members
- If GATS specific commitments are affected, renegotiation according to Article XXI is required



## Article V: Flexibility

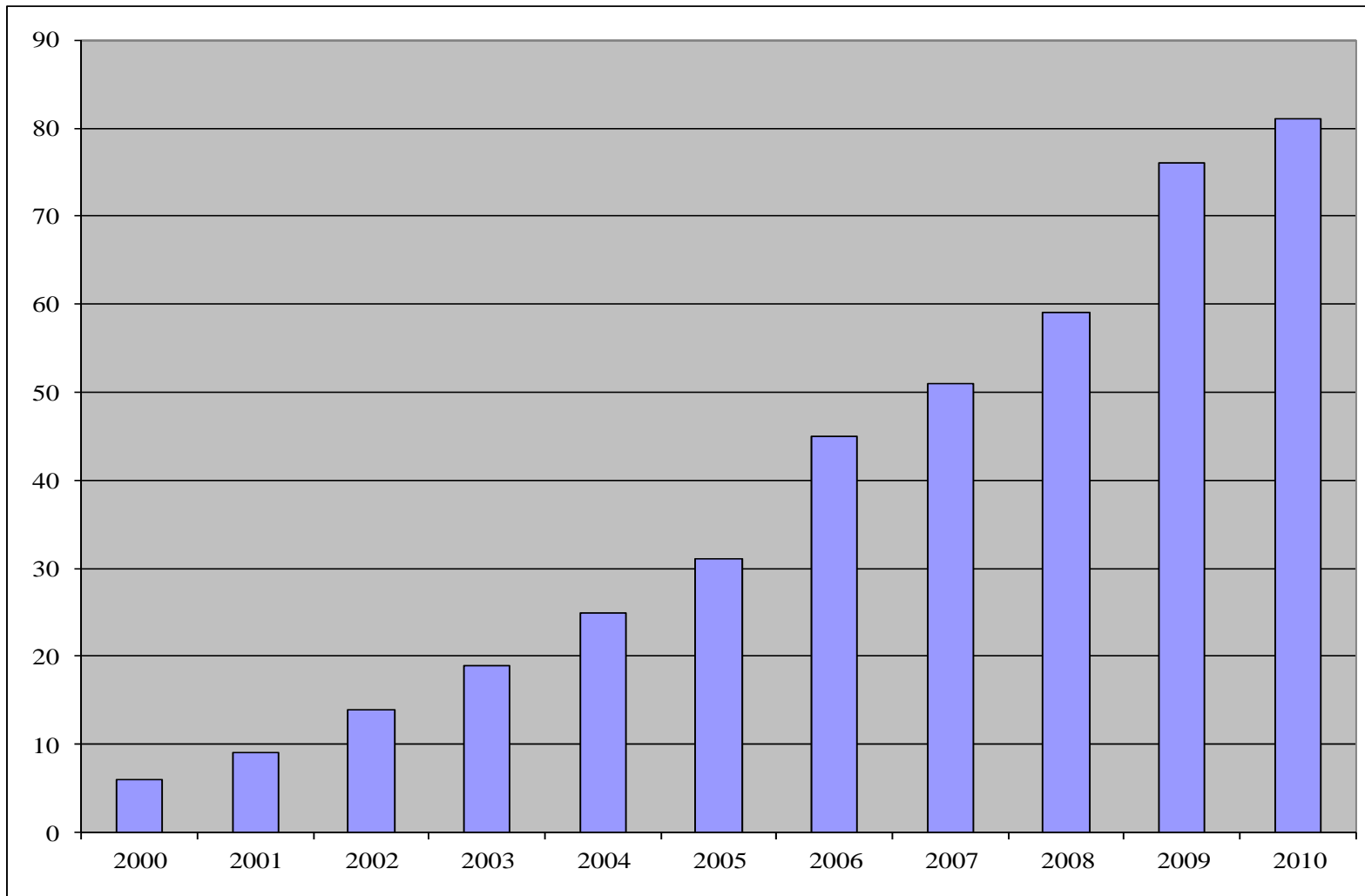
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- Elimination of discrimination can be achieved over “a reasonable timeframe”
- Conditions are relaxed if developing countries are parties to the agreement
- Consideration may be given to the relationship with a wider process of economic integration
- However: No discrimination of established suppliers (juridical persons) of third countries, except for agreements among developing countries



# Notifications under Article V

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## General Trends

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- Services PTAs are proliferating
  - 11 WTO Members involved in such PTAs before 2000. More than 75 now.
  - 5 services PTAs notified before 2000, more than 10 times that since 2000.
- Still a small fraction of all PTAs notified, but common feature of PTAs involving developed countries
- Regional imbalance in participation to services PTAs



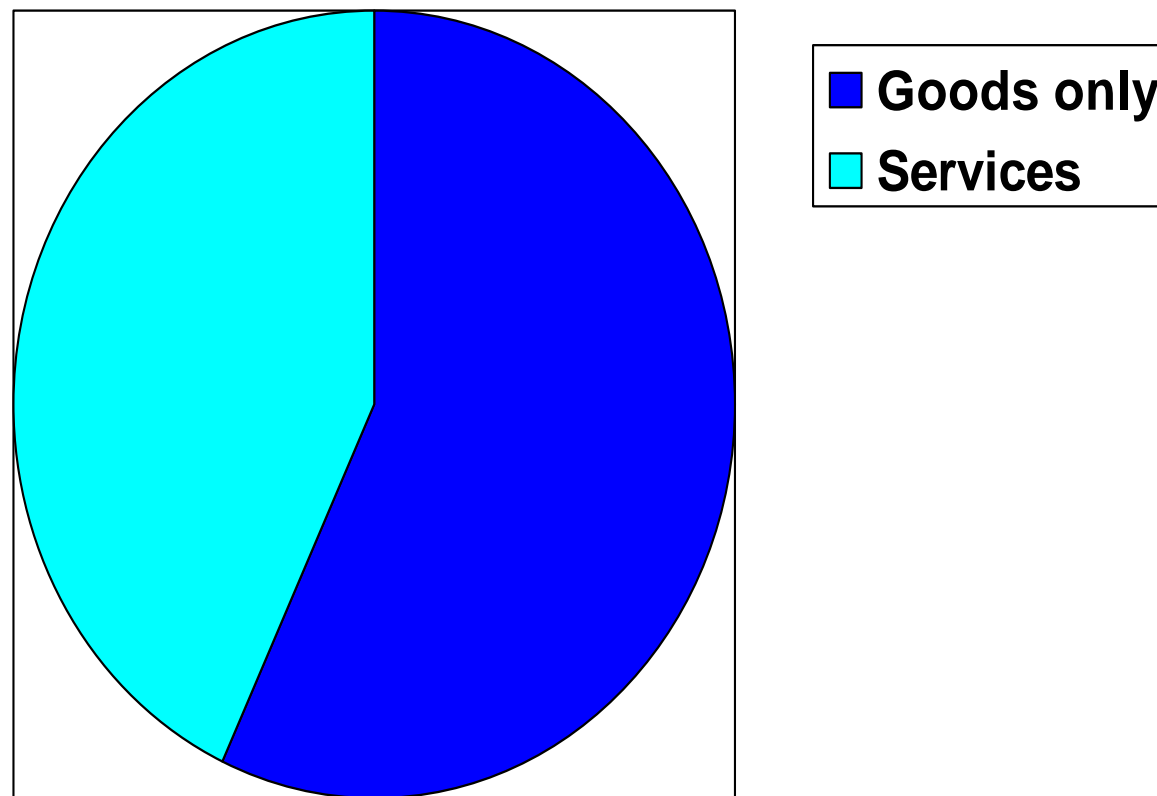
# General Trends

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- Most important trading Members are involved in this web, although no agreements link them
  - Top 25 exporters/importers of services are involved.
  - Main *demandeurs* in WTO negotiations all involved.
  - Also, services PTAs cover most WTO Members targeted by plurilateral requests
    - 26 of 36 Members recipient > 5 requests;
    - 45 of 63 Members recipient of at least 1 request)

# Services RTAs as part of all RTAs

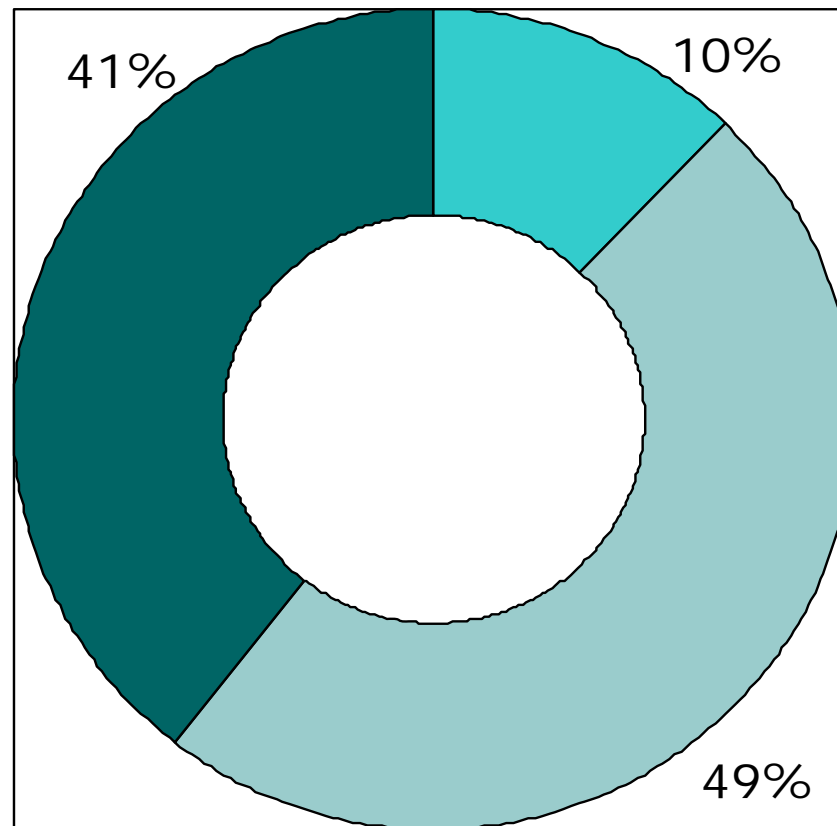
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# Level of Development of Parties to Services RTAs

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 **North-North**  
 **North-South**  
 **South-South**



# Features of Services RTAs

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- Part of comprehensive PTAs; Standard feature of PTAs involving developed economies
- Broad commonality among different PTAs, and vis-à-vis the GATS: scope, general provisions, exceptions...
- No major developments in 'rules', with some exceptions, re: DR and Transparency
- Largest difference relates to architecture and modalities:
  - Separate chapters on Financial, Telecoms, Business Persons, GP
  - Initially: GATS Model (positive list) vs. NAFTA model (negative list)



# Features of Services RTAs

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- With some innovations in the architecture more recently:
  - Best of both worlds? Negative-list with a GATS-type MA obligation (Article XVI)
- Other approaches:
  - Positive-list with standstill
  - Packages of commitments
  - Listing solely GATS+ agreements
- Various carve-outs from MFN
- Rules of origin: some exceptions to liberal ROF envisaged by Art.V(6)



# Motivations for Services PTAs

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- Politics
- To reflect new ways of doing business
- Security of access for services exporters
- Negotiating economy
- Regional Integration
- Encourage and consolidate reforms
- Part of trade-offs for preferential access in goods
- Bandwagon



## Assessing Commitments in Services RTAs

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- Analysis of MA and NT commitments by 37 WTO Members (EU as 1) in 40 PTAs.
- Focus on modes 1 and 3 examined
- RTA commitments have been compared to GATS commitments and GATS offers
- Rough attempt to take into account level of commitment.
- Starting point: Hoekman methodology
- ... with modifications to take into account the fact that various commitments of a given Member were analyzed.



# Methodology to Assess RTA Commitments

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Sector	GATS	PTA with Country A	PTA with Country B	PTA with Country C
<b>Legal Services</b>	No commitment	Better commitment than in GATS, but limitations remain (partial)	Even better commitment than in the PTA with A, but limitations remain (partial)	Even better commitment than in the PTA with B, but limitations remain (partial)
	0	0.5	0.75	0.875
<b>Accountancy Services</b>	No commitment	Full commitment	No commitment	Partial commitment
	0	1	0	0.5
<b>Advertising Services</b>	Partial commitment	No better commitment than in the GATS.	Better commitment than in the GATS, although limitations remain (partial)	Full commitment
	0.5	0.5	0.75	1

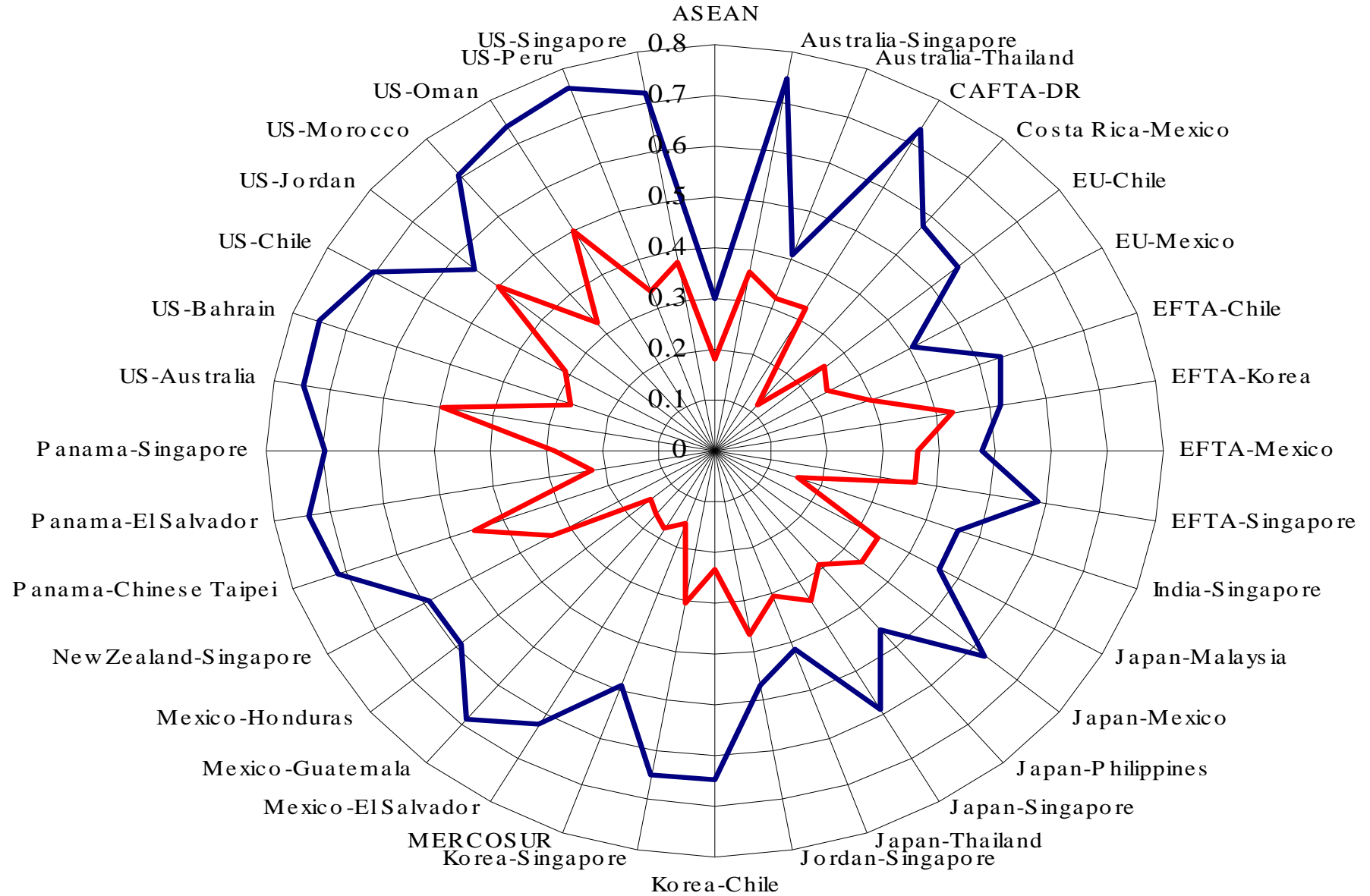


# Benefits of the Method of Analysis

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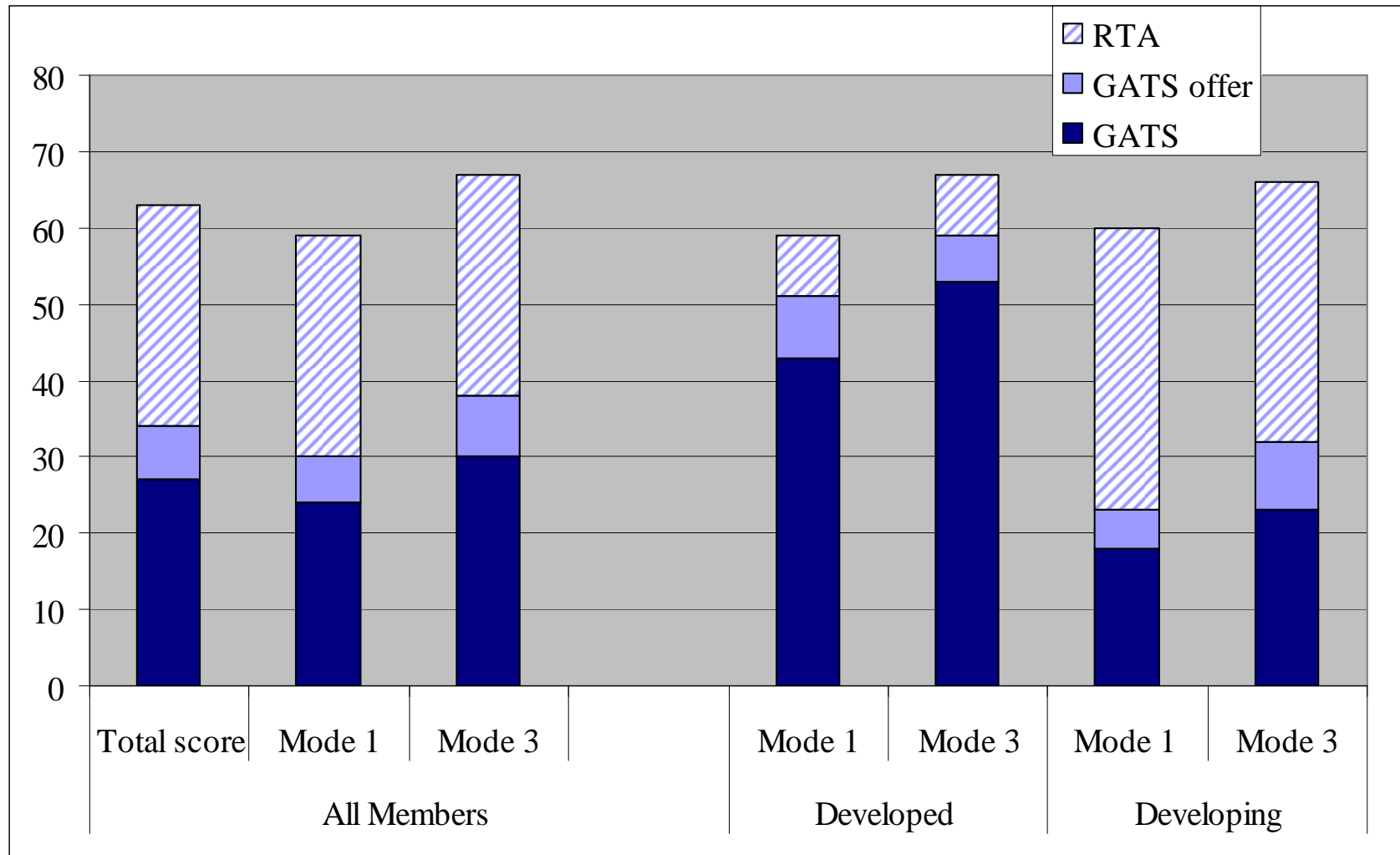
- Use of scoring methodology permits:
  - more 'precise' assessment of PTA commitments
  - Simple way to summarize and present results
  - Comparison of levels of commitments of a given Member in different PTAs, for example:
    - Compare commitments of county A in its PTAs with B, C, and D, as well as in the GATS context;
    - See which types of PTAs have yielded 'more commitments', for who, in what mode, and in what sectors.

# All services

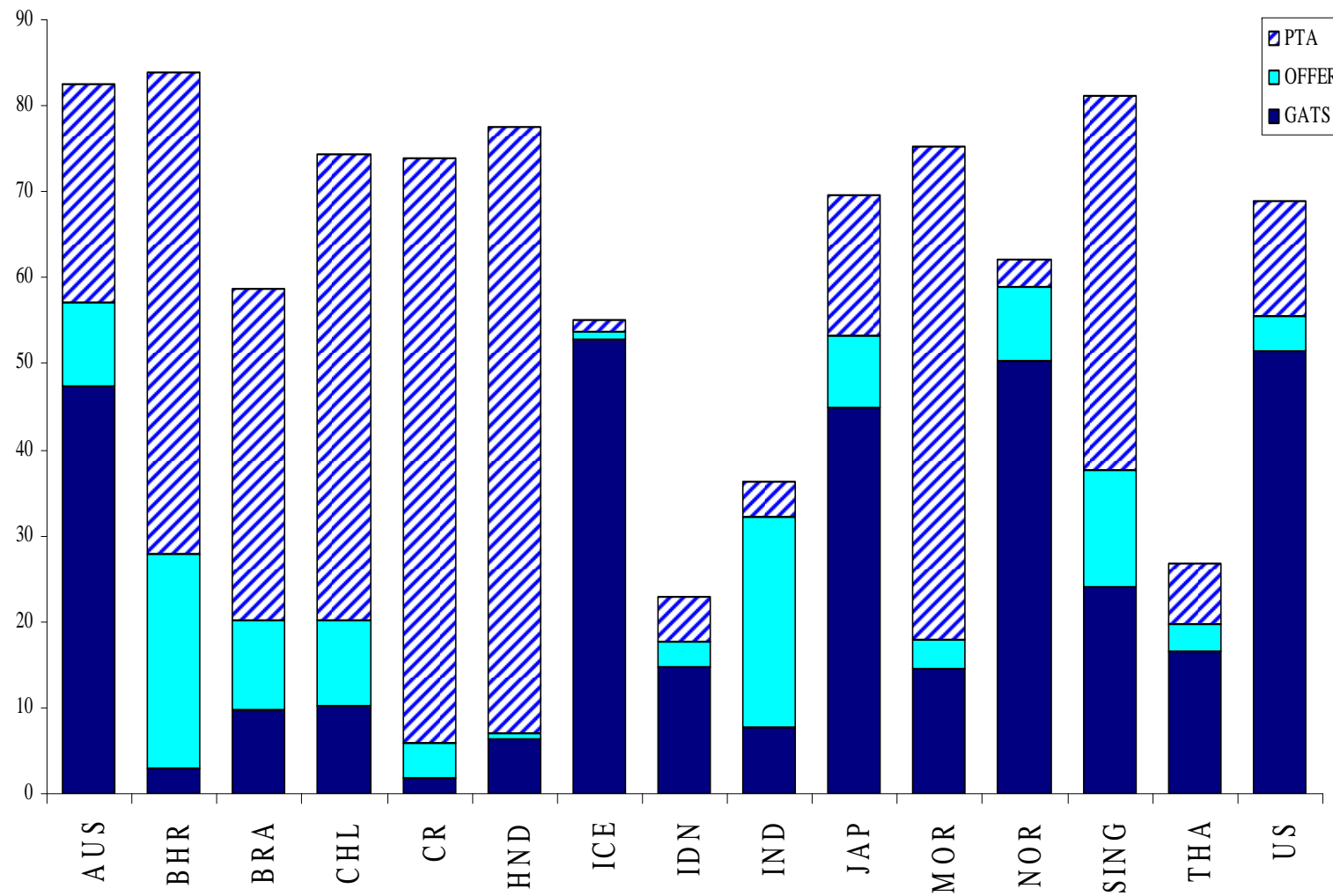




# Overall Scores (average for all Members reviewed)



# Scores by Member (sample)



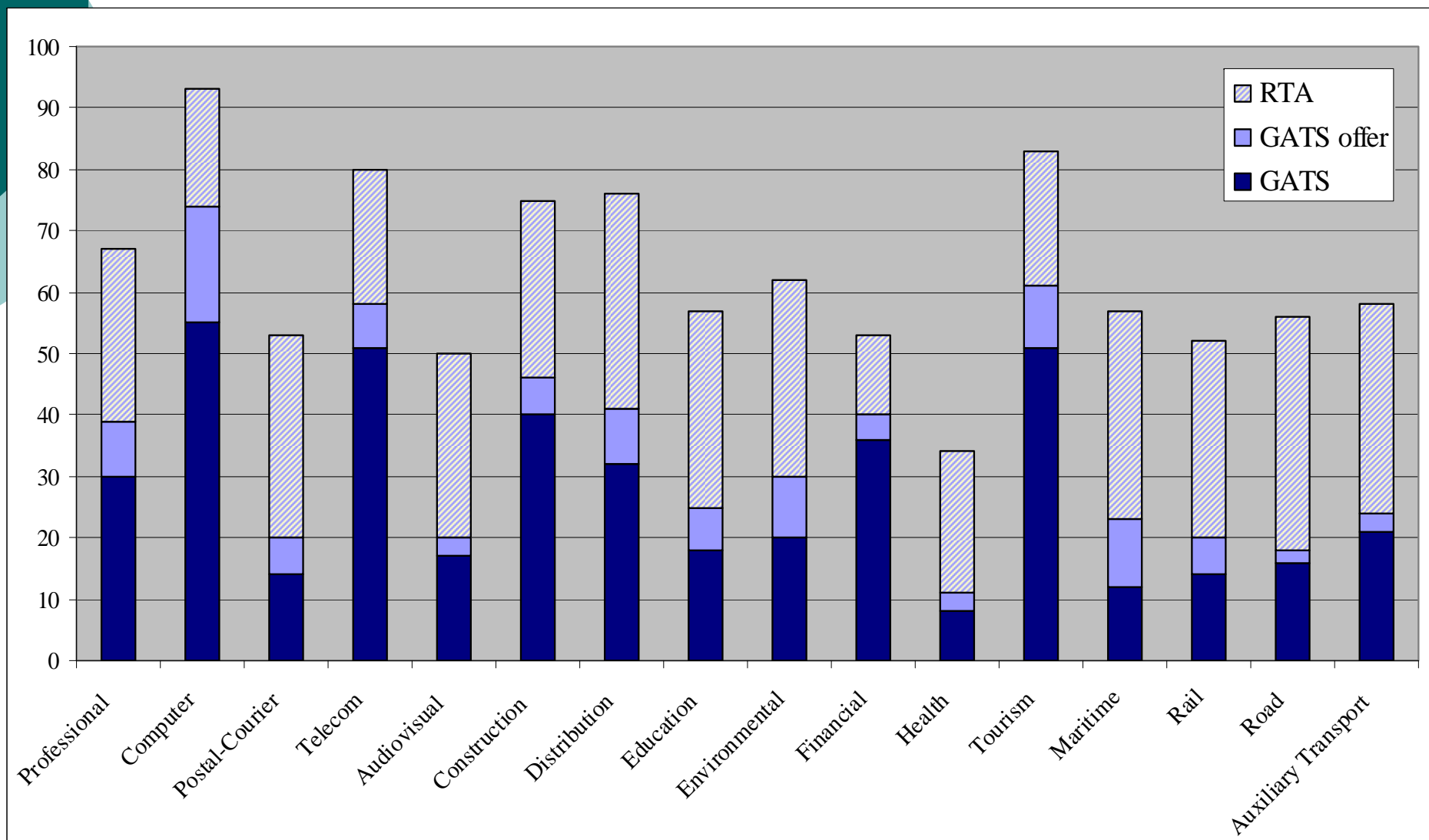


# RTAs: How Much Further than the GATS?

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- Overall PTA commitments tend to go significantly beyond GATS offers
  - For either M1 or M3, average score achieved by PTAs is more than twice that of existing GATS commitments
  - Value-added of GATS offers pales in comparison with PTA advances
- Unequal results across Members

# RTA Improvements, by Sector





## How Much Further than the GATS?

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- Those that have made the most important GATS+ commitments in RTAs had also modest DDA offers?
- Value-added of PTA commitments is fairly widespread across sector groupings
- That said, PTA advances tend to be relatively more modest in sectors that are more difficult at the multilateral level.



# Real liberalization in selected sectors

## Some examples

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Country	Sector	Liberalization commitment
Australia	Insurance	Branching in life insurance
Bahrain	Construction	Local presence requirement to be lifted
China	Professional	Will allow wholly owned operations in architectural, engineering, integrated engineering, and urban planning and landscape architectural services
Colombia	Audiovisual	Will reduce quotas for broadcasting of locally-produced TV programs from 50% to 30%
Costa Rica	Telecom	Full liberalization by 2007
Oman	Distribution	Full foreign ownership of retail enterprises worth more than \$1 million
Singapore	Legal	Existing Singaporean laws to be modified so as to relax conditions under which US law firms are permitted to provide legal services.
Thailand	Tourism, education & maritime transport	Will allow 60% Australian ownership in major restaurants or hotels, some tertiary education services,



# Determinants of PTA Advances

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- Analysis of each Members' commitments for each PTA suggests that the following factors are key:
  - Reciprocity
  - Economic importance of trading partners
  - Negotiating modalities



# Implications for Multilateralism

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- Negative Political Economy Implications?
  - PTA negotiations diverting resources from Doha negotiations?
  - Creation of vested interests opposing multilateral liberalization
  - PTA providing an incentive to “hold back” in multilateral negotiations?
  - Success of big trading partners in PTAs reducing their ambition in multilateral negotiations?
  - Tough issues do not get solved in PTAs
  - Losing leverage to deal with key issues in Doha
  - Chain reaction: the PTA bandwagon





# Implications for the Multilateral System

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- Relevant Considerations:
  - No loss of revenue as in the case of tariff reductions
  - Degree of economic distortion depends on applied discrimination against non-parties, which in turn depends on extent of “real liberalization”
  - Less so than for goods, but services PTAs *do* lead to new access, with potentially far reaching effects across the economy



# Negative Implications Should Not Be Downplayed

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- Relevant Considerations:
  - Discrimination against non-parties:
    - Single regulatory regimes for services may imply de facto extensions of preferences to third countries
    - Problems with rules of origin may not be as complex
    - BUT...



# Negative Implications Should Not Be Downplayed

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- BUT...

- cases of applied discrimination exist;
- information is lacking;
- licensing/authorisation process makes it difficult to discern preferences
- timing of the 'new access' is key: first-mover advantages



Thank you!

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