



THE WORLD SERVICES MARKET REGULATION AND WTO.

A Training seminar

by

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- **Knowledge, Financial and insurance services, Audiovisual. Cases, China, E. Europe**
- **This text with modifications was presented in Moldova in 1999-2000**

A general view of the agreement and WTO

Background, main concepts, modes of supply 1

- 1.The world services market represents 20% (1300 bn\$/y) of the global trade of goods and services
- 2.Given its rate of growth the services market is estimated to double in volume in the next 15-20 years.
- 3.Financial, telecommunications, transport and tourism services are today among one of the most dynamic sectors in the world trade.

Background, main concepts, modes of supply 2

4. Services firms buy over 60 %of products from the manufacturing sector. They also account for up 70 % of the value added to manufactured and agricultural products

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5. Main exporters and importers of services are USA, UK, France, Germany, Italy and Japan, with about 47 % of the world services trade.

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6. Developing and Eastern European countries control about 11% of market shares. China, Turkey, Thailand, India, Mexico, Poland and Russia are most important services exporters. On the import side we must include Malaysia, Indonesia and Brazil

GATS-General Agreement of trade and services

Purpose:

- a) setting up a set of rules to regulate international trade of services
- b) overcome domestic resistance to change
- c) improving conditions for sector growth
- d) easing overall economic efficiency

GATS-what is this, why, who, how?

- *GATS-General Agreement of trade and services*

Purpose:

- a) setting up a set of rules to regulate international trade of services
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8. GATS

- **consist of three main components:**
- A set of general obligations apply to all services
- Sectoral annexes detailing rules how the rules apply to specific sectors
- Specific commitments on market access and national treatment that apply to a subset of services, on sector by sector and country by country basis

9. Who and How?

- Took part in GATS all GATT members (112) during 8 years of negotiations, (1986-94)
- Opposition from many developing countries
- Obstacles, legislation, infant industries
- Nat. Treatment, exemptions, time limitation
- Not all sectors are bound, Reciprocity

10. GATS and Protocols.

- Include sectors that continued negotiations after 1994. Its results are attached as “protocols”.
- Financial Serv.-Second (July97) & fifth (Nov97)
- Movement Nat. Persons- third protocol (July95)
- Basic telecommunications fourth protocol (April 97)

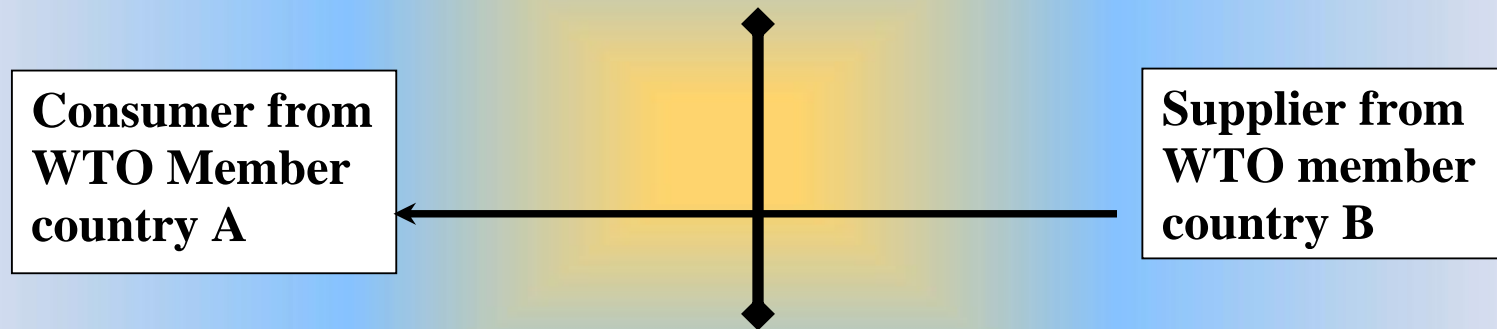
Mode 1. Cross-border supply

Country A

Country B

Mode 1: *cross-border supply*

The international service crosses the border



1. This **mode** does not require the **physical movement of supplier or consumer**. Example: international telephone calls, electronic data transmission, distance learning, satellite use and internet sales, others

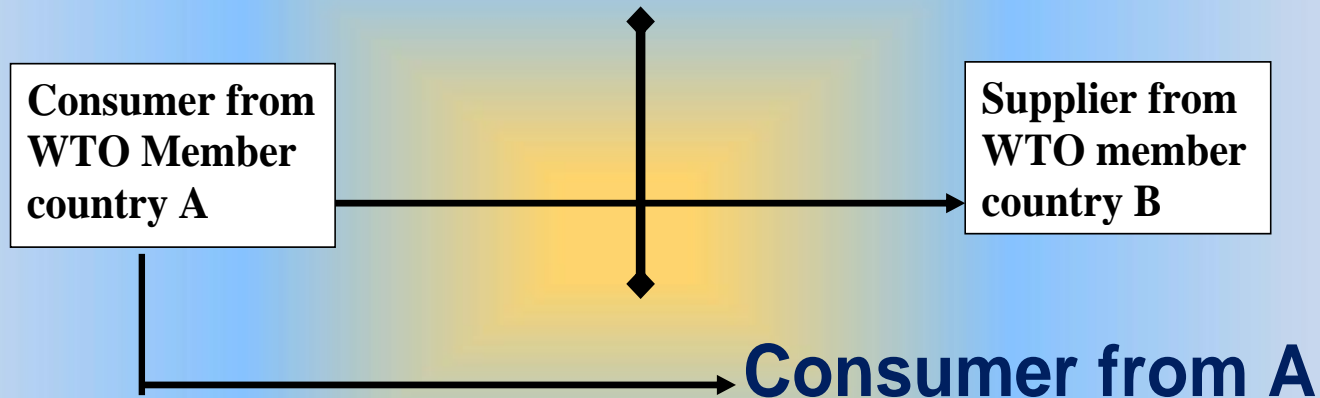
Mode 2 Consumption Abroad

Country A

Country B

Mode 2: consumption abroad

The international service crosses the border



1. Is the case of tourism, training abroad of executives or students, participation in international conferences etc.

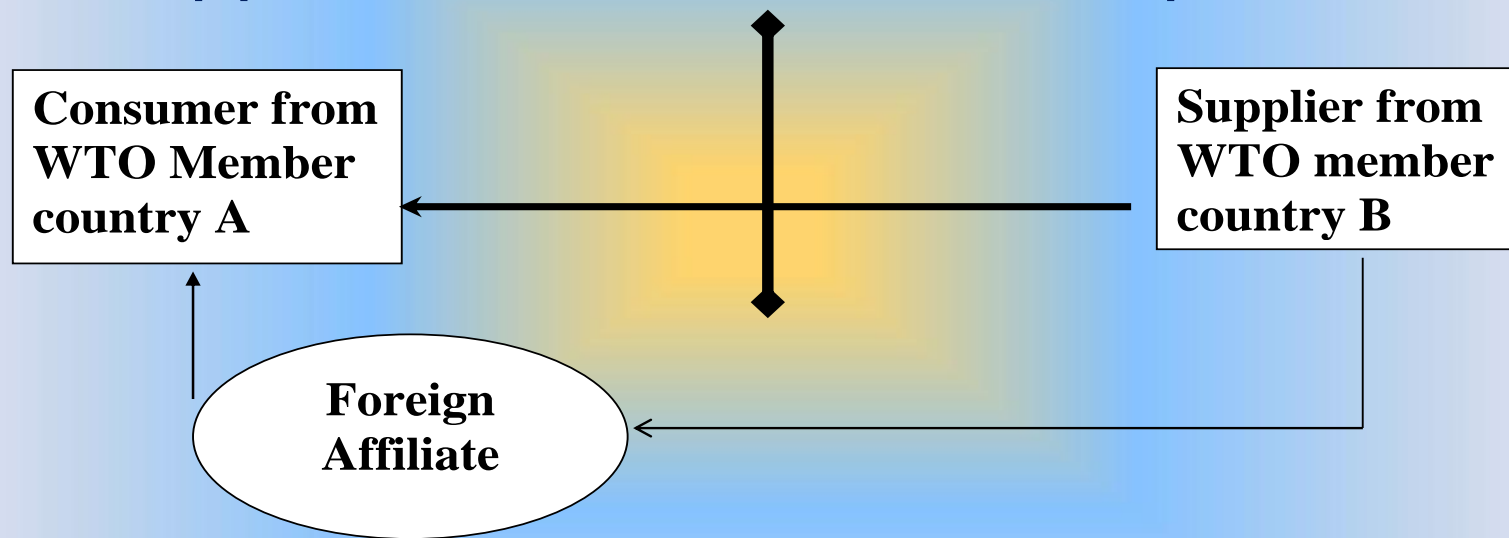
Mode 3. Commercial Presence

Country A

Country B

Mode 3: *Commercial Presence*

The supplier needs a commercial presence.



1. Case of banks, insurance firms, hotels chains, engineering services and others. This mode is close linked to investment conditions.

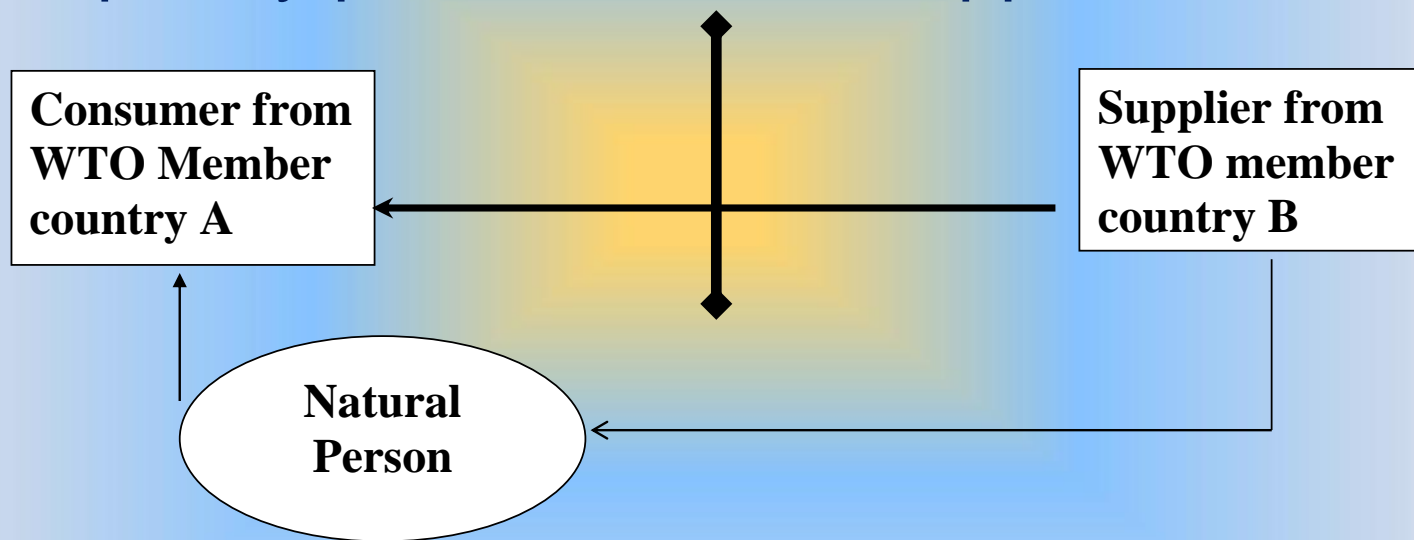
Mode 4a. Presence of natural persons

Country A

Country B

Mode 4: *Presence of Natural persons*

Temporary presence of the supplier abroad



1. It is the case of consultants, fashion models, technicians and health experts and others.

This mode required long negotiations in URA.

Mode 4b Presence of natural persons.

- 1. Temporary entry of employee from a firm of country B in A- market research, conferences
 2. Temporary entry under short term contracts- include salaries. Case Engineering projects, architects, consultants etc.
 3. Temporary entry with commercial presence, include salaries. Setting up new firms, banks, hotel construction
 4. Include salaries getting in A, by individual workers. Agriculture, home employees, nurses

Schedule of Commitments in Services

Commitments	Mode of Supply	Market access conditions & limitations	National treatment conditions & qualific
Horizontal Commitments	Cross border supply	None	None
	Consumption Abroad	Unbound	Unbound
	Commercial Presence	Maximum foreign equity stake is 49%	Subsidies unbound. Approval for +25% equity
	Temporary Entry of Natural Person	Unbound except for intra-firm transferees of Sr Exec.	Unbound except for categories listed in market access column
Specific Sector Commitments	Cross border supply	Commercial presence required	Unbound
	Consumption Abroad	None	None
	Commercial Presence	25% of senior management to be nationals	Unbound
	Temporary Entry of Natural Person	Unbound, except as indicated in Hor. Comm.	Unbound, except as indicated in Hor. Comm.

Market access limitations under GATS

- **Consists of:**

1. The number of service supplier allowed.
2. the value of transactions or assets
3. the total quantity of service output
4. the number of natural persons to employ.
5. the type of legal entity through which a supplier can sell its service (branches vs subsidiaries)
6. the share of equity ownership of a foreign investor or the absolute value of FD Investment

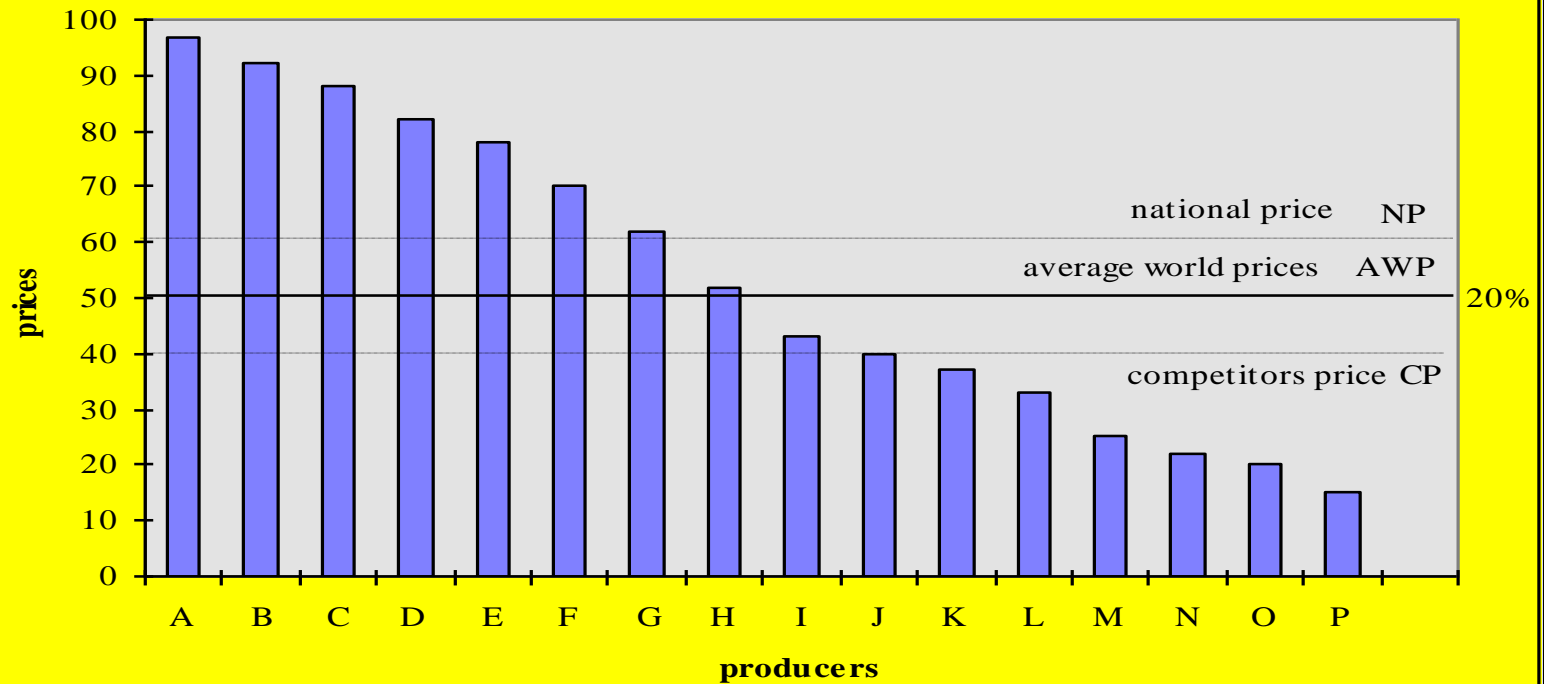
RE-STRUCTURING & WTO ACCESSION

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1. It is **rare** that a country link clearly its process to re-structuring program or long-term macro policy
2. **Trade Policies** strategies are absent as well as analytical studies, export and investment promotion policies for sectors and regions
3. The accession process must be strongly linked to **re-structuring program.**
4. To that end clear **goals & strong coordination** is necessary between the involved Ministries

Example for discussion : Industry and competitiveness

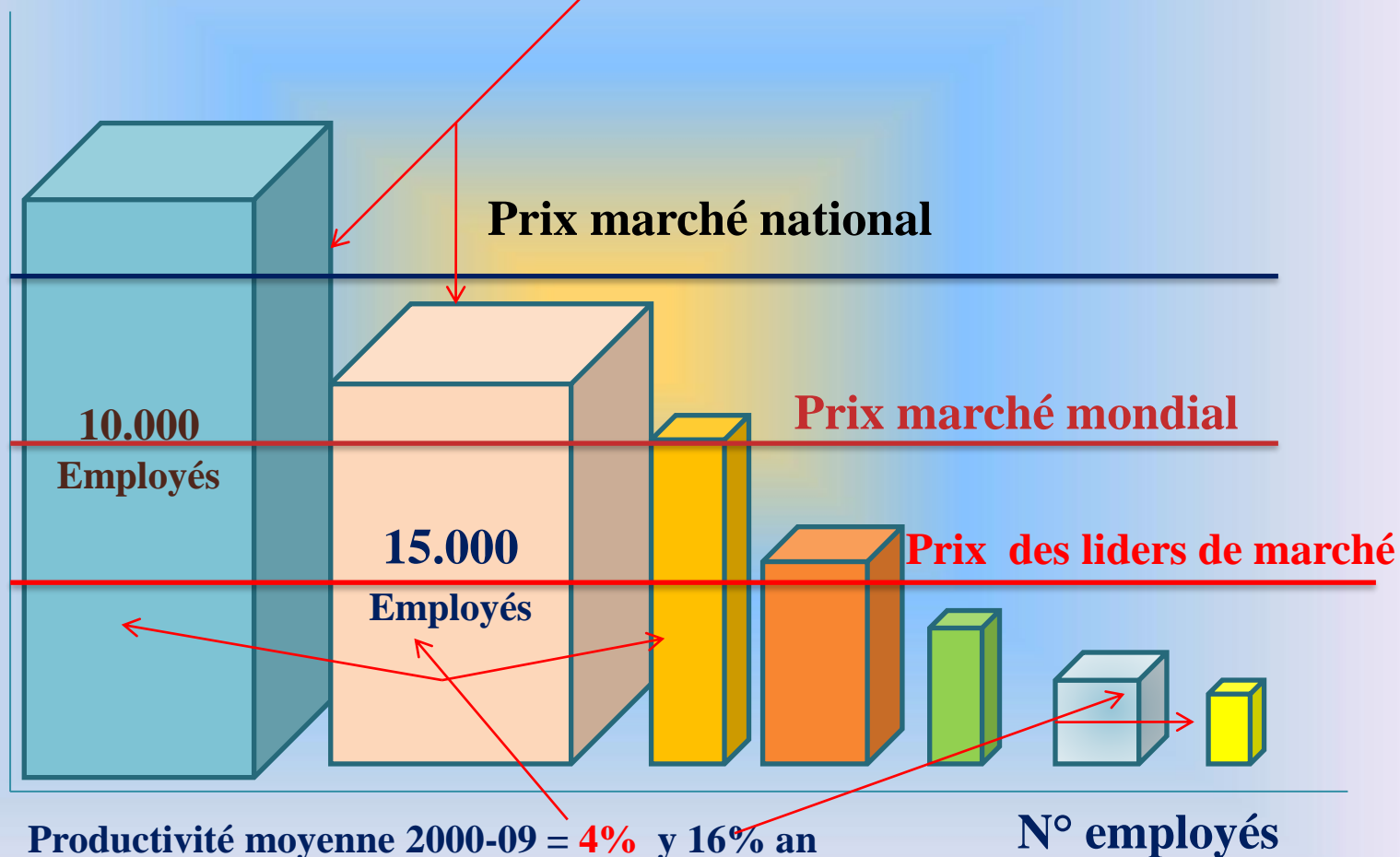
Figure 1: Production and market prices



Industrie Nationale et Compétitivité

Evolution des salaires des employés 2000-09 = 6%/a; Exécutives +30% annuel

Prix



- **lakuyu za uvagu**
- **Spaciva za binimanie**
- **Mulumesc pentru atentie**
- **Thanks for your attention**

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