GENERAL AGREEMENT ON TRADE IN SERVICES (GATS)

Overview, Recent Developments and Challenges Ahead

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Services

• Services are embedded in the goods production process

PRODUCTS
- GOODS (tangible)
- SERVICES (intangible)

PRODUCTION

• Key role in the economy
  - transport, telecommunications…
  - long term benefits – environmental, educational services…
  - main field of innovation
  - greatest share of employment and productivity
Infrastructure services as a key to economic activity

- Agriculture/commodities
- Industrial goods
- Other Services
- Transport
- Banking & Insurance
- Computer & Software
- Business Services
- Telecommunications
- Energy
Share of Services Value Added in GDP, 2011 (selected countries)
World exports of goods and commercial services 2000-2013

- Goods
- Commercial services

bn USD


Values:

Graph source: World Trade Organization
Some characteristics of Trade in services

- 50% of world trade on the VA basis; 2/3 of world GDP, 2/3 of all FDI flows
- Intangible and non-storable
  - Simultaneity of production and consumption
  - Role of local establishment
- Strong government involvement
  - Public service obligations, infrastructural importance
- Conventional trade statistics does not cover all international trade in services
  - Services delivered by foreign affiliates
• Certain services – international transport and communication – have been traded for centuries

• Services are supplied in conjunction with goods (finance, insurance, marketing, etc.)

• Services have become tradable as a result of:
  ❖ technical progress (e-banking, tele-medicine, distance learning)
  ❖ government retrenchment
  ❖ market liberalization and regulatory reform

• Proliferation of Global Value Chains (GVCs)
  ❖ Boosting demand for transport, communication, other support services (finance, insurance, legal, accounting)
  ❖ ‘Servicification’ of production activities (economies are becoming more services intensive)
GVCs & ‘servicification’
GATS: Objectives (Preamble)

- Expansion of services trade
- Progressive liberalization through successive rounds of negotiations for promoting growth and development
- Transparency of rules and regulations
- Increasing participation of developing countries
The GATS
System of rules covering international trade in services

- Measures affecting trade in services at all government levels
- Covers all services
  - except: air traffic rights and services supplied in the exercise of governmental authority
- Identifies 4 modes of supply of services
  - Cross-border supply
  - Consumption abroad
  - Commercial presence
  - Presence of natural persons
- Applies to product (service) and producer/distributor (services supplier)
Components of the GATS

GATS Structure

- Framework agreement: XXIX articles
- Annexes on specific issues
- Lists of specific commitments
- Lists of MFN exemptions

Commitments under GATS

- By services sectors
- By mode of supply
Services Sectoral Classification List (W/120)

1. Business services
2. Communication services
3. Construction and related engineering services
4. Distribution services
5. Educational services
6. Environmental services
7. Financial services
8. Health-related and social services
9. Tourism and travel-related services
10. Recreational, cultural and sporting activities
11. Transport services
12. Other services not included elsewhere
Modes of Supply

**Mode 1: Cross-border**

- **Service supply**
- The service crosses the border

**Mode 2: Consumption abroad**

- The consumer is abroad

**Mode 3: Commercial presence**

- Establish commercial presence
- $ $ $ $ $
The GATS Modes of Supply (2/2)

Mode 4: Presence of natural persons

A self-employed goes to country A

Natural person

An employee is sent by a company of country B

Juridical person

Temporarily!

Mode 3 supply

Mode 4: Presence of natural persons

Service supply

Controlled affiliate

Consumer

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4 modes of supply: Education services (example)

- **Mode 1:** Online courses
- **Mode 2:** Study abroad
- **Mode 3:** Foreign-owned university
- **Mode 4:** Self-employed teacher goes to work temporarily in a foreign country
### Share of Services supply by Modes

<table>
<thead>
<tr>
<th>Mode of Supply</th>
<th>Estimated share</th>
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</thead>
<tbody>
<tr>
<td>1 – cross-border supply</td>
<td>30 %</td>
</tr>
<tr>
<td>2 – consumption abroad</td>
<td>10 %</td>
</tr>
<tr>
<td>3 – commercial presence</td>
<td>55 %</td>
</tr>
<tr>
<td>4 – presence of natural persons</td>
<td>less than 5% (Approx. 220 billion USD)</td>
</tr>
</tbody>
</table>
How do WTO Members liberalize?

- Rounds of negotiations
- Unilateral liberalization
- In their schedules Members specify the extent of liberalization guaranteed
- General layout of a schedule:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Market access limitations</th>
<th>National treatment limitations</th>
<th>Additional Commits.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(4 modes)</td>
<td>(4 modes)</td>
<td>(optional)</td>
</tr>
</tbody>
</table>
### Example: Russian Federation, Education services

Modes of supply:  
1. Cross-border supply  
2. Consumption abroad  
3. Commercial presence  
4. Presence of natural persons

<table>
<thead>
<tr>
<th>Sectors and sub-sectors</th>
<th>Limitations on Market Access</th>
<th>Limitations on National Treatment</th>
<th>Additional commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td>C. Higher education services (CPC 923*)</td>
<td>(1) None.</td>
<td>(1) None, except the following:</td>
<td>Unbound with respect to subsidies and other forms of State support, including access to the financial and other material resources of the State.</td>
</tr>
<tr>
<td></td>
<td>(2) None.</td>
<td>(2) None, except the following:</td>
<td>Unbound with respect to subsidies and other forms of State support, including access to the financial and other material resources of the State.</td>
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<tr>
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<td>(3) Unbound.</td>
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<td>Unbound except as indicated in Part I &quot;Horizontal commitments&quot;.</td>
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<tr>
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<td>(4) Unbound except as indicated in Part I &quot;Horizontal commitments&quot;.</td>
<td></td>
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Example: Russian Federation, Education services
SERVICES NEGOTIATIONS AT THE WTO AND RTAS
DDA: Negotiating issues

- Trade liberalization
  - New/better commitments
  - Market access
  - National treatment
  - Additional commitments
  - MFN exemptions (removal/reduction)

- Regulatory framework
  - Domestic Regulation (Article VI) – WPDR (Working Party on Domestic Regulation)
  - Subsidies (Article XV), Safeguards (Article X), Government Procurement (Article XIII) – WPGR (Working Party on GATS Rules)

- Implementation of LDC modalities
  - Measures falling under the LDC waiver
Milestones in the DDA negotiations

- **2005 Hong Kong Ministerial Declaration**
  - Annex C sets out ‘modalities’ for services negotiations
  - Sectoral and modal negotiating objectives
  - Timelines for conclusion of services negotiations

- **2008 Mini–Ministerial Meeting**
  - Draft text on services
  - Signalling Conference
  - Principle of LDC waiver

- **Bali Ministerial Conference (Dec 2013)**
  - Post-Bali work program

- **Nairobi Ministerial Conference (Dec 2015)**
  - LDC waiver implementation (until 31 December 2030)
UR Commitments, Doha Offers and Actual Policies

Source: Borchert, Gootiiz and Mattoo, 2010
Number of RTAs notified to the WTO
Participation in services RTAs
(notifications to WTO, 2015)

Source: https://www.wto.org/english/tratop_e/region_e/rtas_participation_map_e.htm
A new approach – TISA initiative

- Agreement (‘TiSA’) is aimed at capturing substantial part of liberalization achieved in other trade negotiations
- Members: Australia, Canada, Chile, Chinese Taipei, Colombia, Costa Rica, the EU, Hong Kong China, Iceland, Israel, Japan, Korea, Liechtenstein, Mauritius, Mexico, New Zealand, Norway, Pakistan, Panama, Peru, Switzerland, Turkey and the United States.
- Comprehensive scope, substantial sectoral coverage, no a priori exclusion of any sector or mode of supply
- Market access corresponding as closely as possible to actual practice plus opportunities for improved access
- New and enhanced rules
- Work intensified from September 2012 on these concepts
THANK YOU!

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