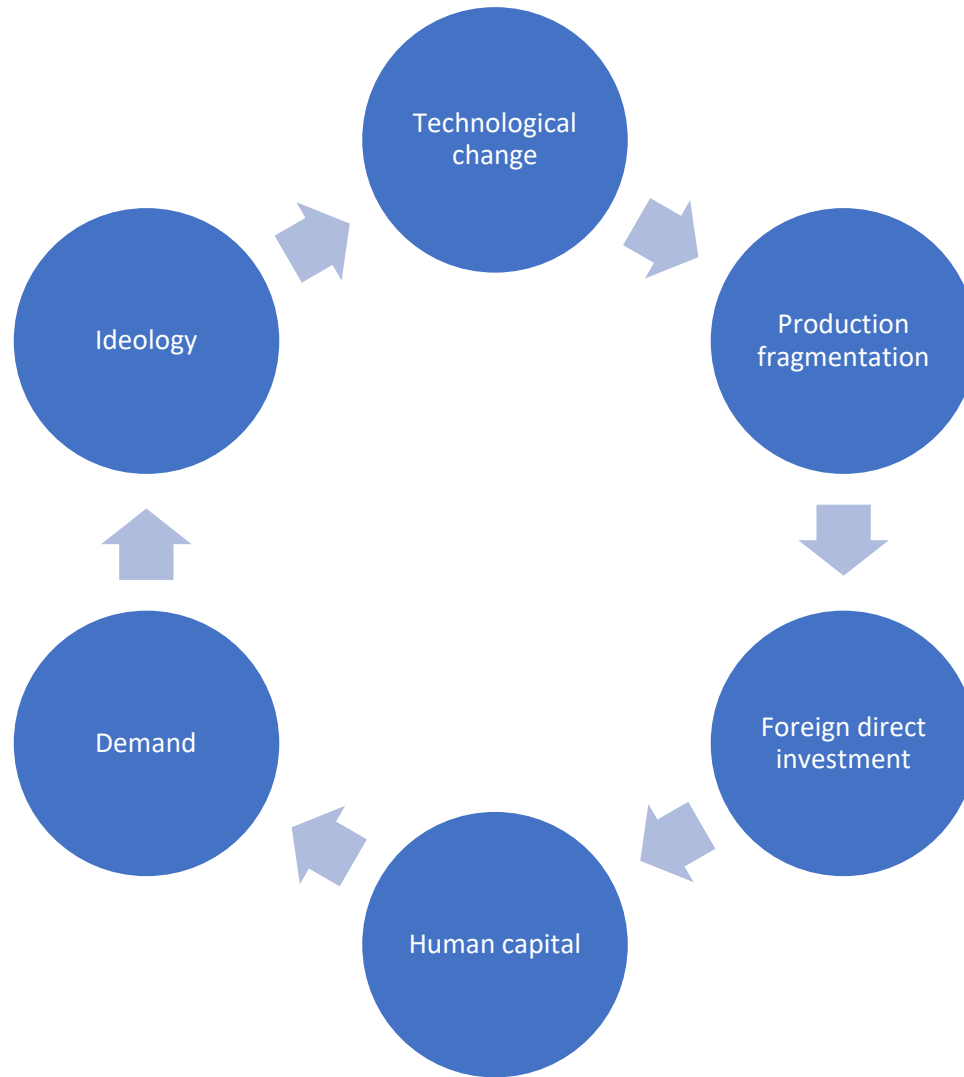


Trade in Services

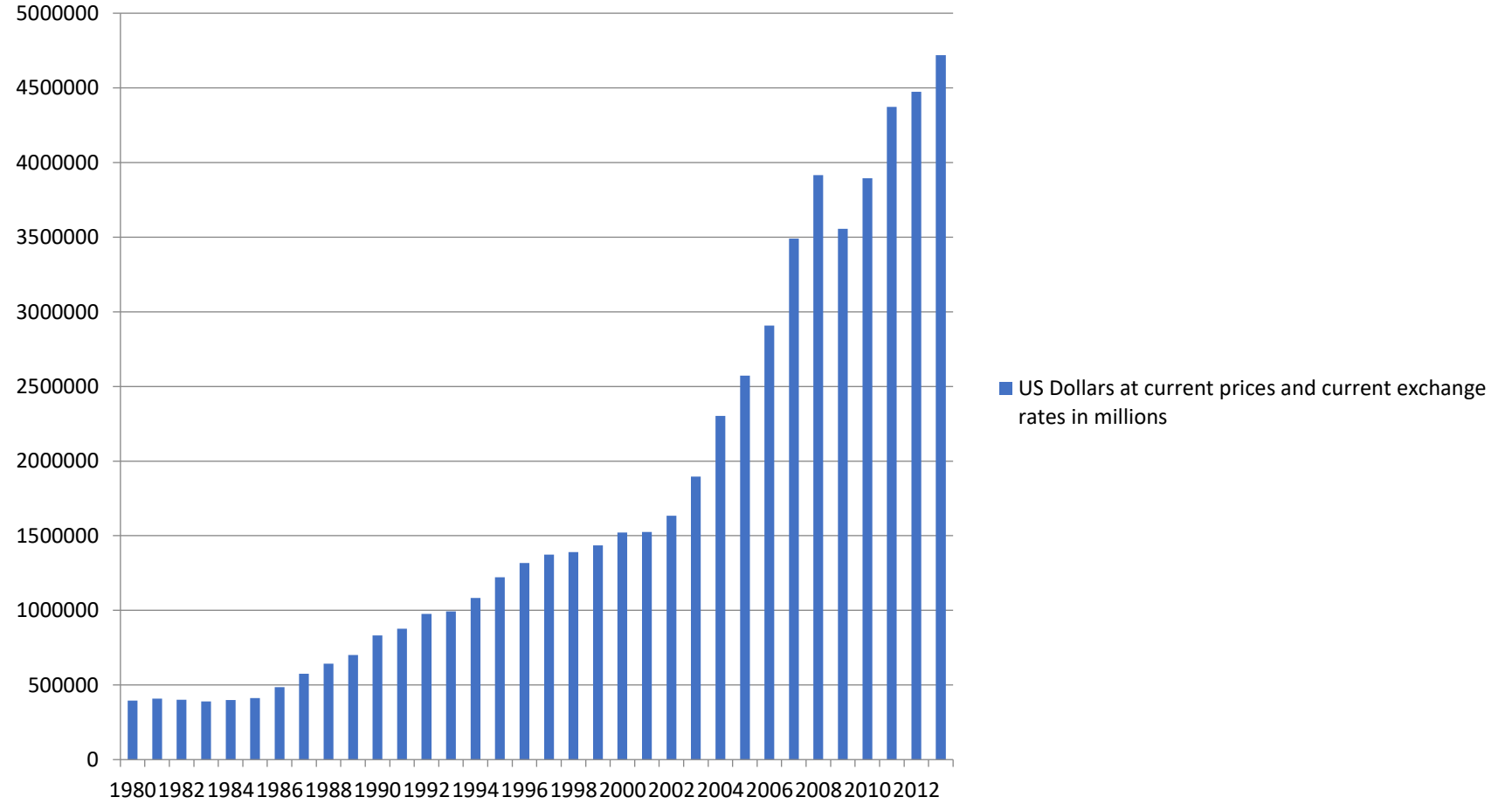
The basics

Date

Six drivers of services



The rise of services



YEAR	2005	2010	2015	2020	2021	2022
ECONOMY						
World	2 692 107	3 989 556	5 021 227	5 228 310	6 209 934	7 127 056

Trade in services, by value and category

World trade in commercial services by category, 2022

(Billion dollars and percentage)

	Value	Share				
	2022	2005	2010	2020	2021	2022
Exports						
Commercial services	7043	100.0	100.0	100.0	100.0	100.0
Goods-related services	245	3.4	3.3	3.9	3.7	3.5
Transport	1481	22.1	21.0	16.8	19.5	21.0
Travel	1116	26.6	24.7	10.9	10.4	15.8
Other commercial services	4202	47.9	51.1	68.4	66.4	59.7
Imports						
Commercial services	6509	100.0	100.0	100.0	100.0	100.0
Goods-related services	185	2.6	2.2	3.2	3.1	2.8
Transport	1713	26.7	25.8	21.2	24.6	26.3
Travel	1034	25.6	23.3	11.5	11.0	15.9
Other commercial services	3576	45.1	48.7	64.1	61.3	54.9

Note : For information on asymmetries, see the Metadata.

Leading services exporters

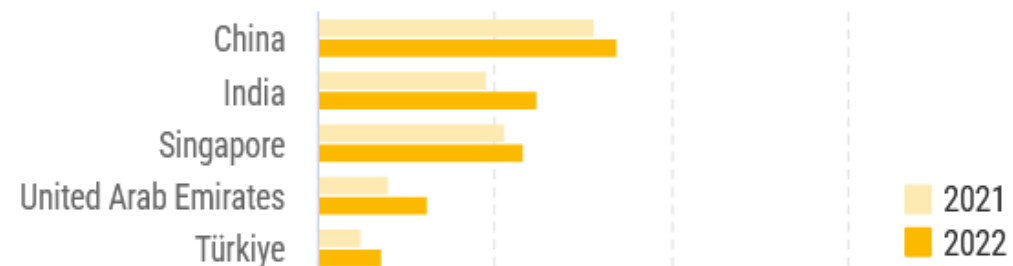
With \$929 billion worth of services sold internationally in 2022, the United States of America remained the world's leading exporter, capturing a 13 per cent share of the global market. It was followed, at some distance, by the United Kingdom (\$494 billion). China, the leading exporter among developing economies, ranked third (\$424 billion). The top five services exporters from the developing world were Asian. In 2022, they captured 18 per cent of the global market.



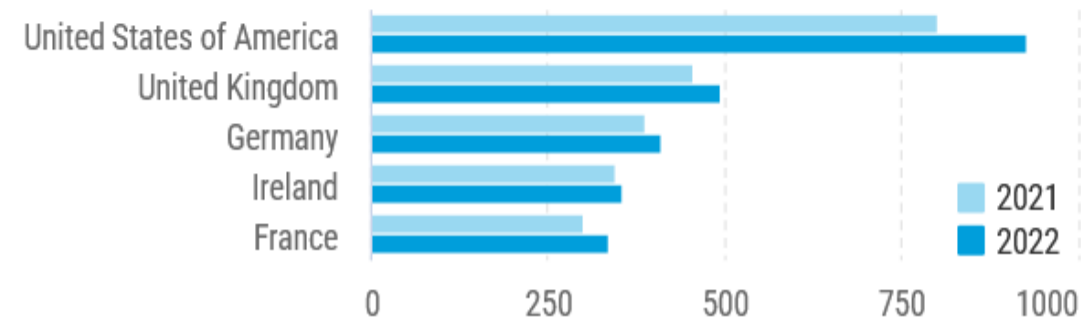
Figure 3. Top five services exporters, 2022

(Billions of United States dollars)

Exports from developing economies

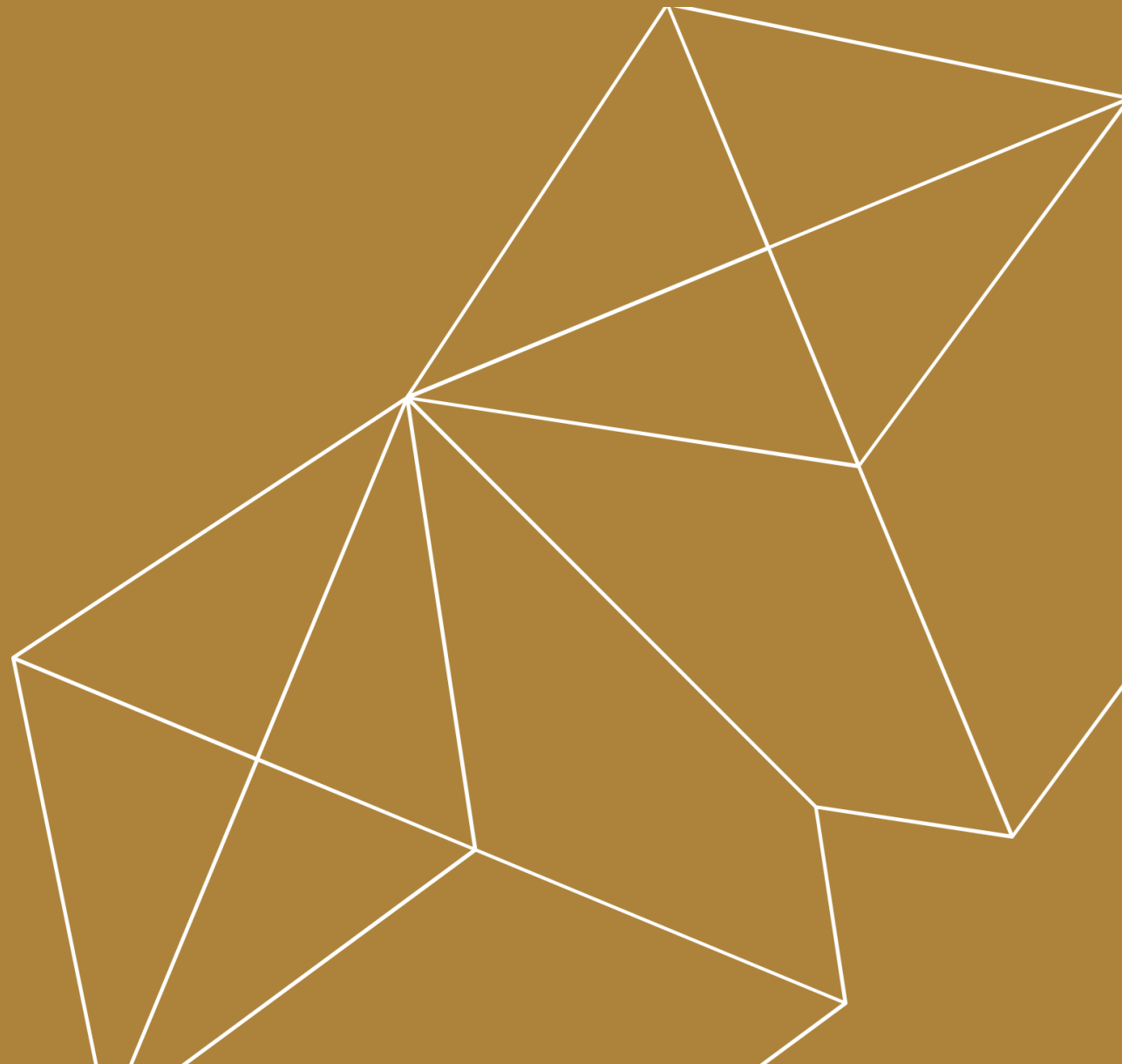


Exports from developed economies



<https://hbs.unctad.org/total-trade-in-services/>

Why negotiate trade in services



Trends in the negotiation of services

Services offer scope for large welfare gains



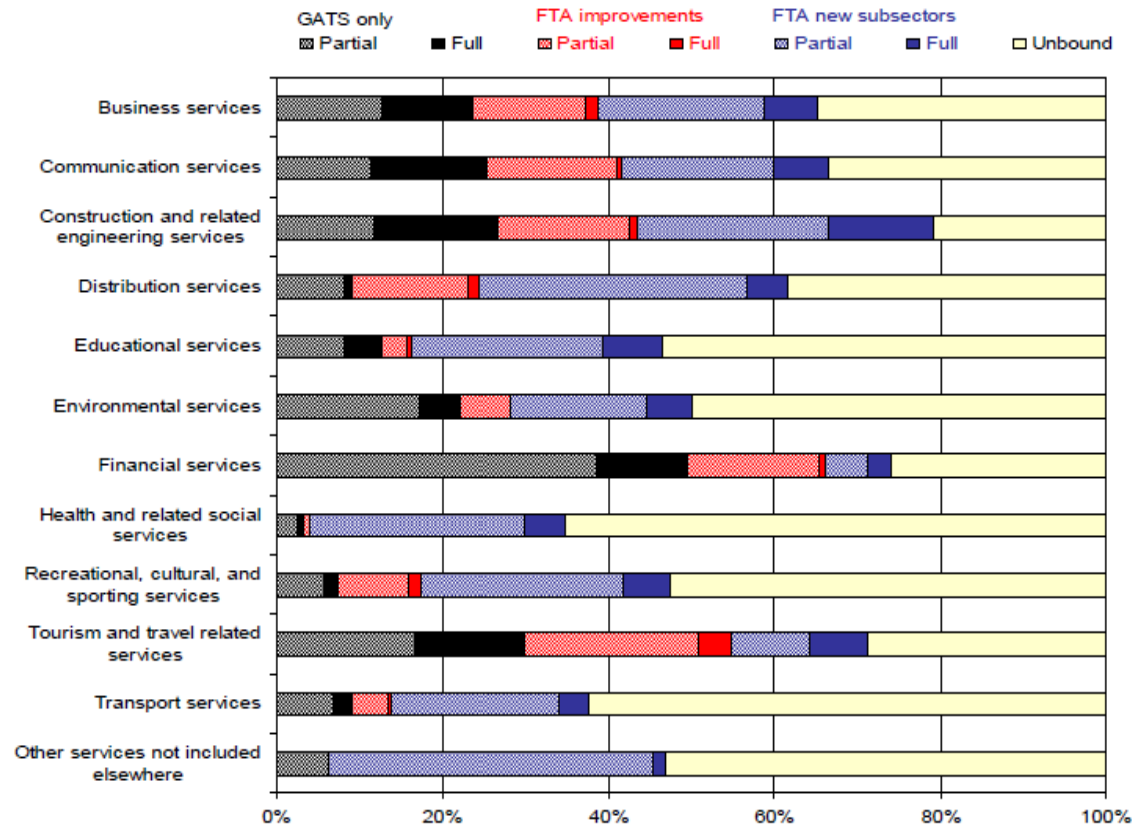
Uruguay Round/GATS remains incomplete, with deeper rules than commitments and several 'leftover' issues

Multilateral negotiations yet to yield meaningful results, while FTAs contain deeper commitments and unilateral reforms have been substantial

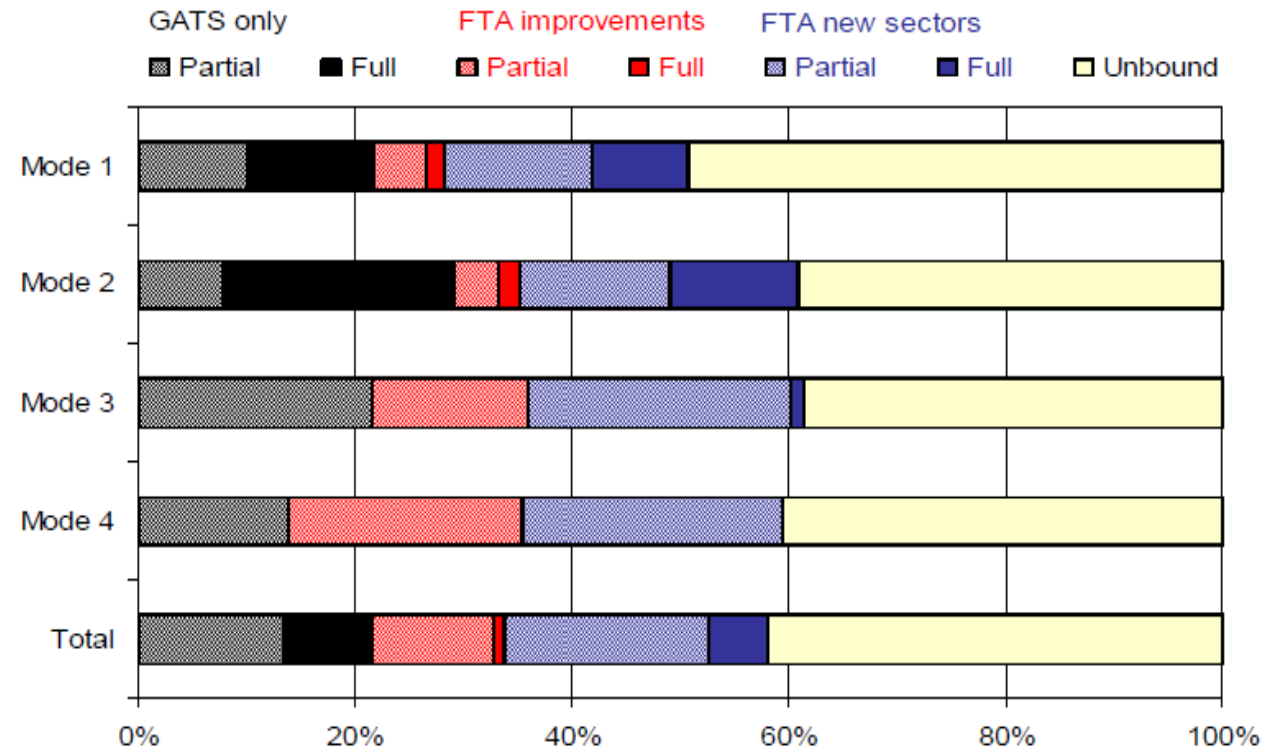


The 'newness' of trade in services has meant a precautionary approach to negotiations, with stakeholders seeking regulatory protection

GATS+ in Asian FTAs – by Sector and Mode

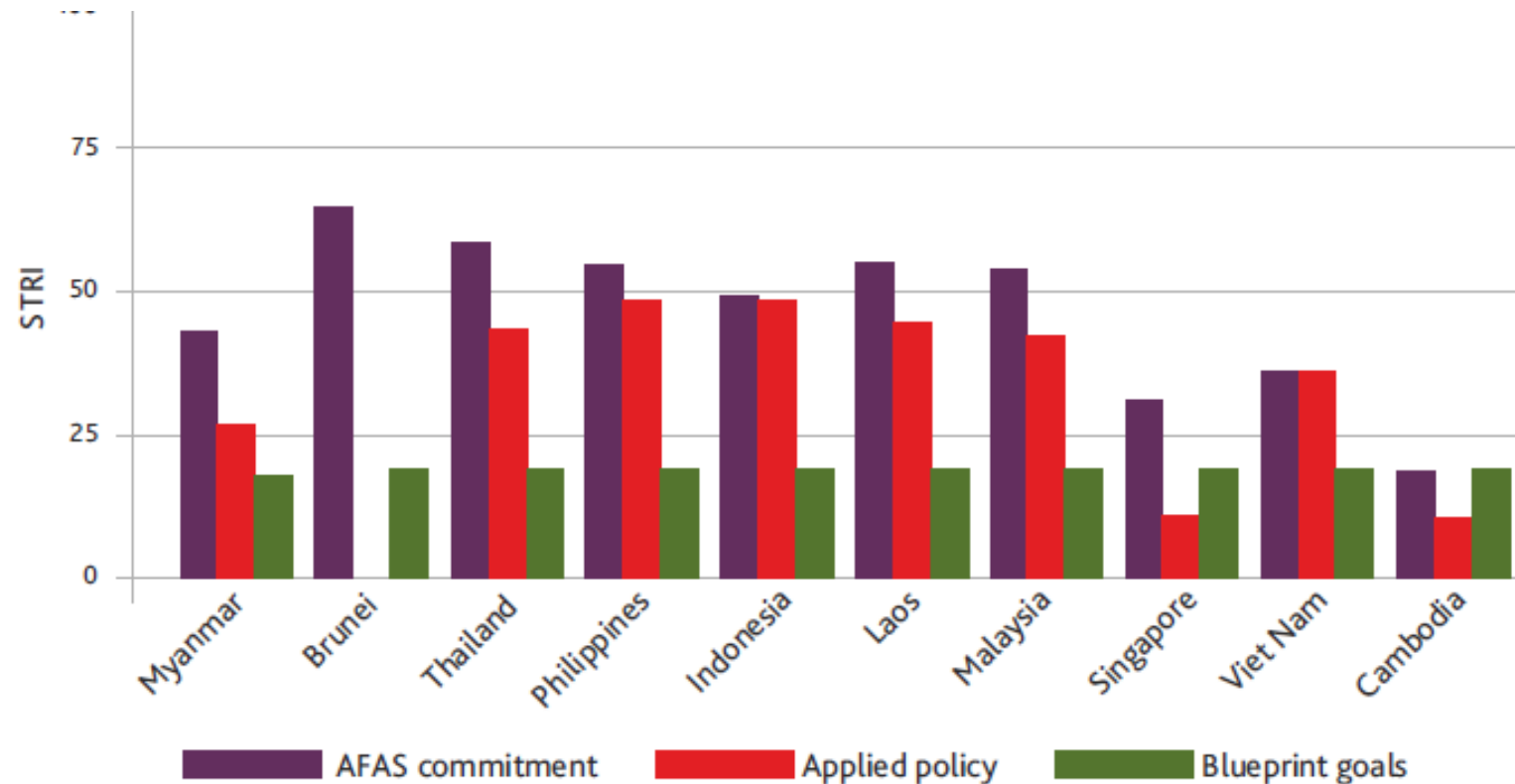


Source: Fink and Molinuevo (2007)



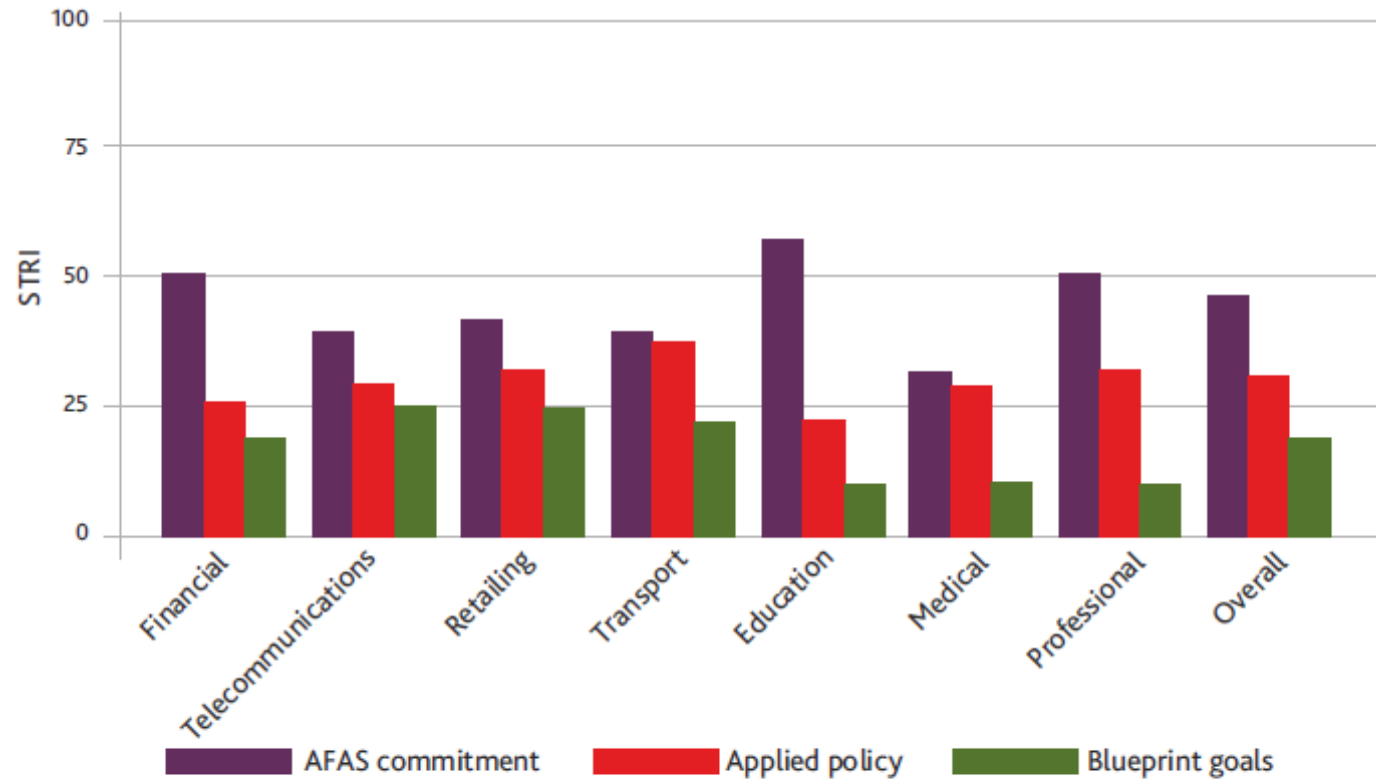
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Restrictiveness of AFAS commitments, applied policy, and 2015 Blueprint goals for ASEAN members, 2012 (by STRI)



Note: The figures indicate the restrictiveness of the commitments measured in STRI, which covers seven major services sectors (financial, distribution, telecommunications, transportation, higher education, health services, and professional services), with 100 equalling the highest level of restrictiveness. Applied policy information for Brunei is missing.
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Take-aways

Services, and trade of services, are growing in importance to domestic economies and to the global economy.

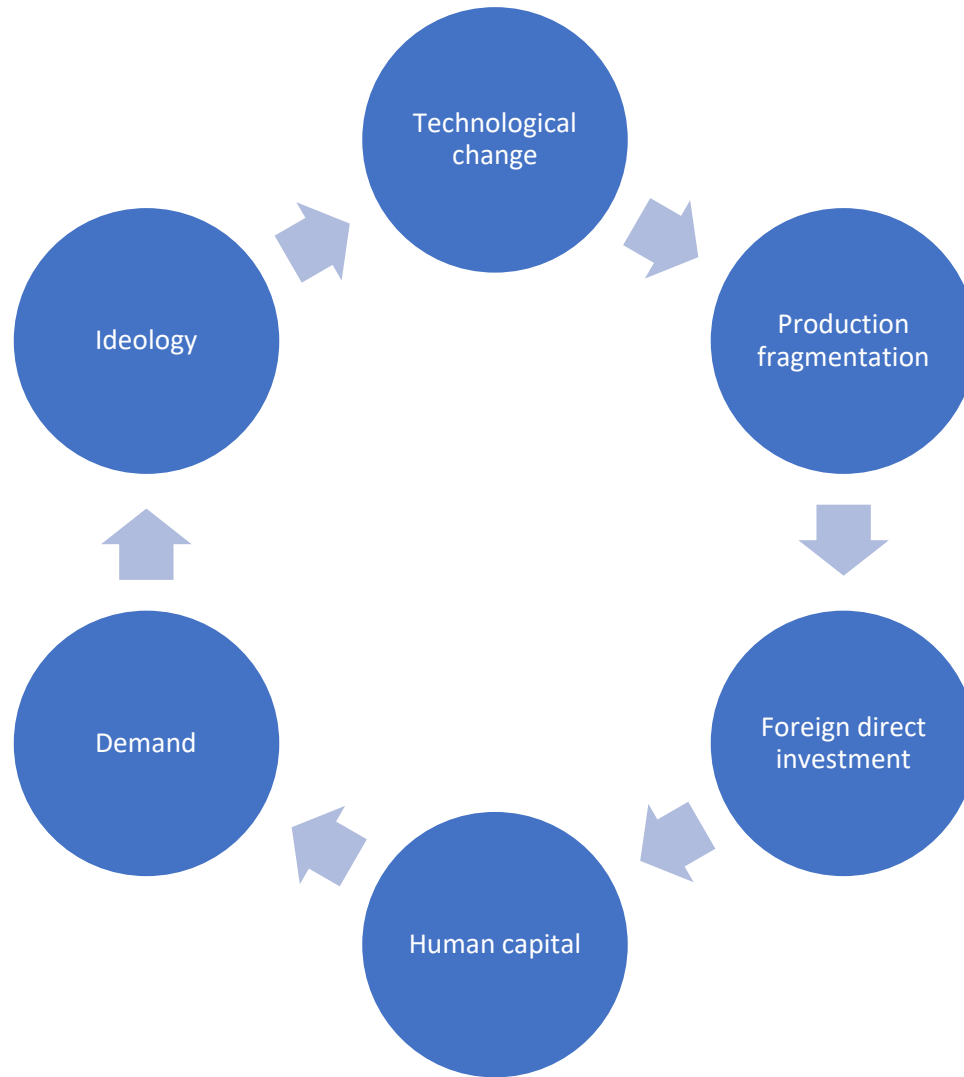
GATS is an 'incomplete' agreement. Bilateral and regional trade agreements can be used to further advance gains.

Trade in Services

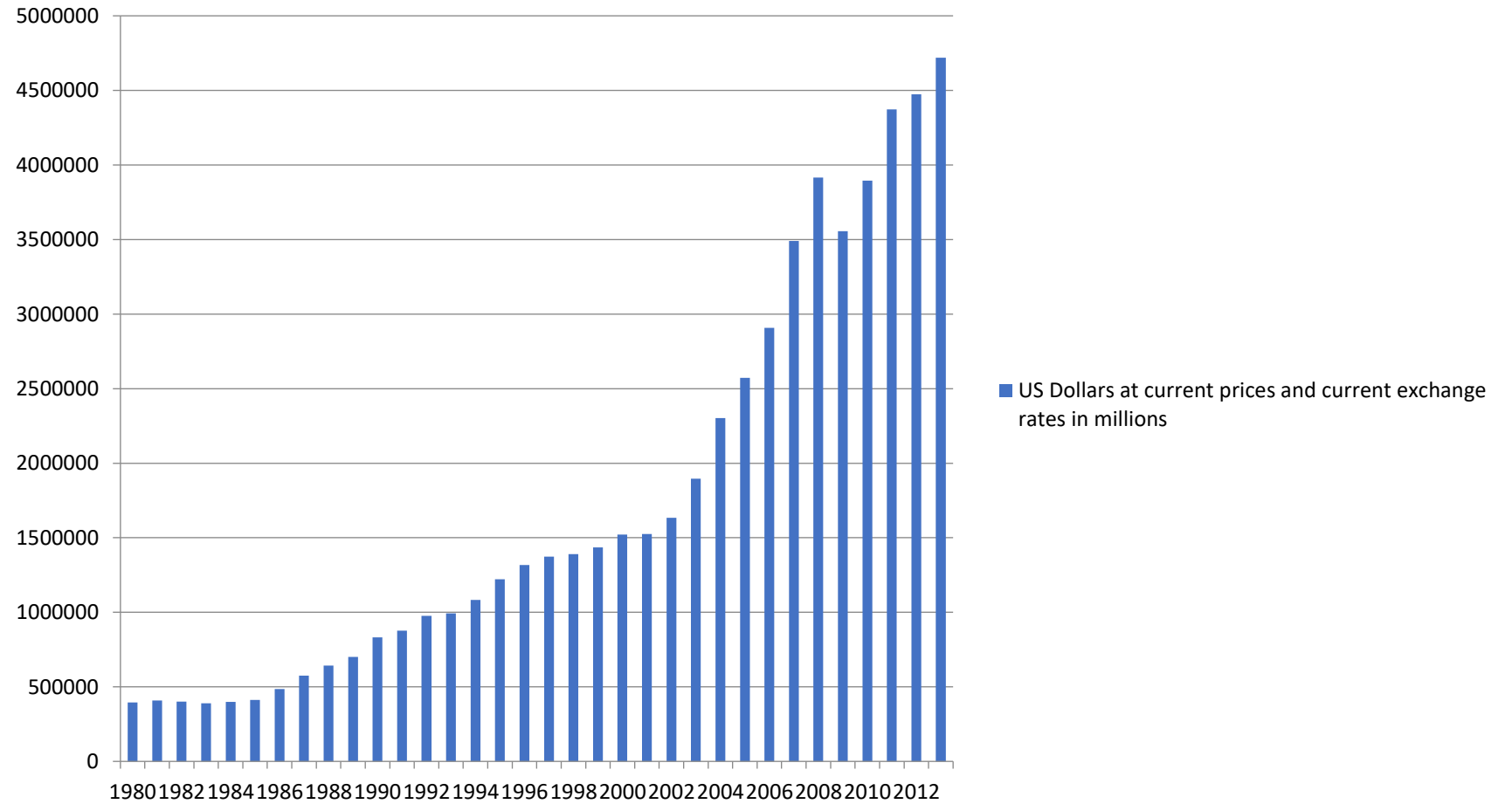
Why negotiate trade
agreements

Date

Six drivers of services



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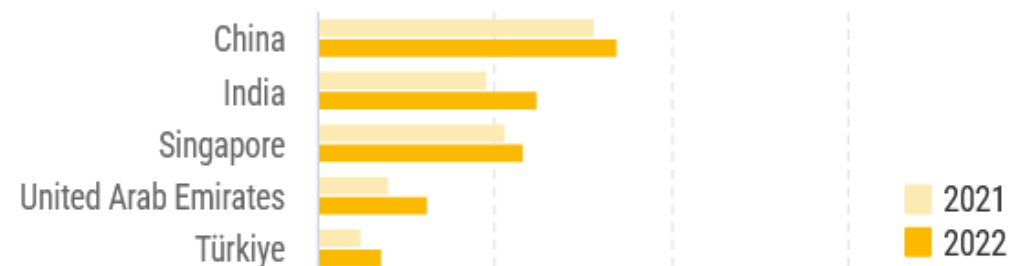
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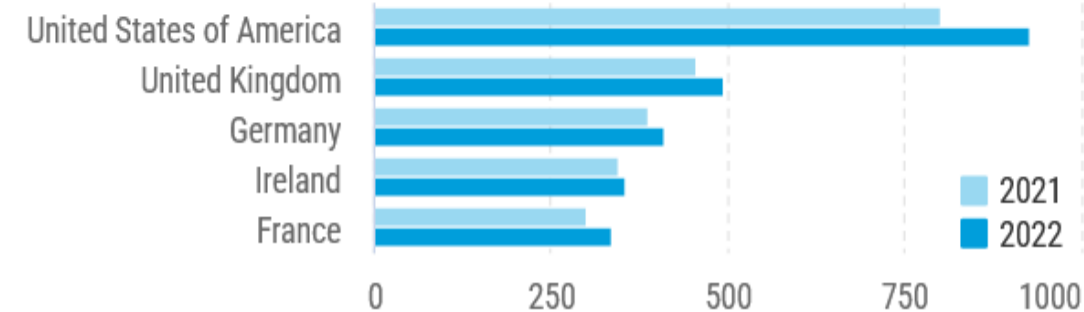
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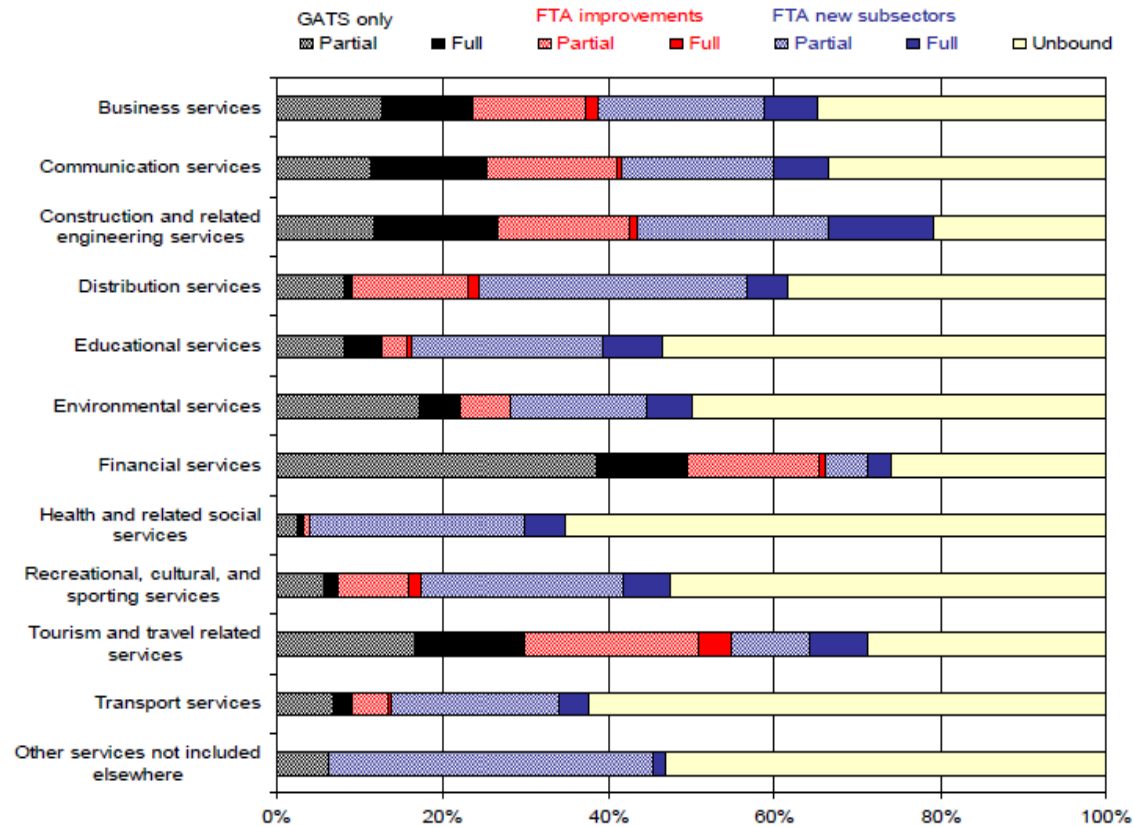
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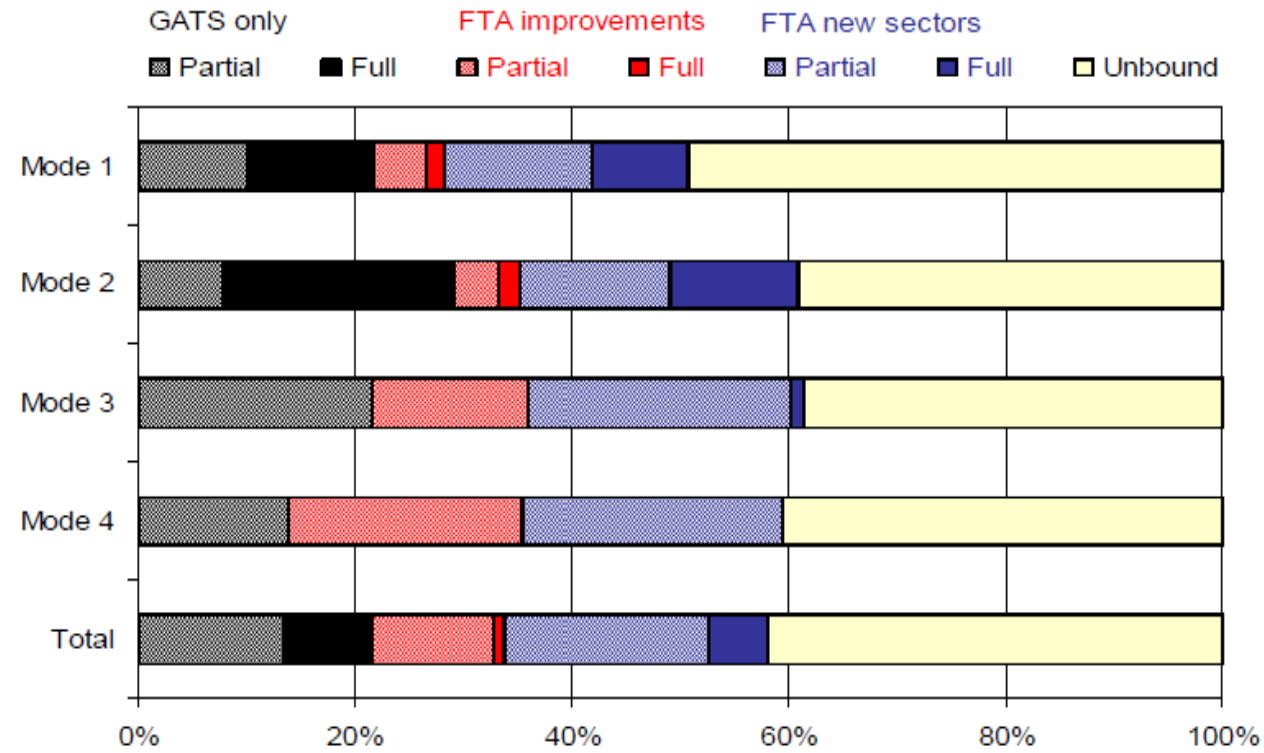


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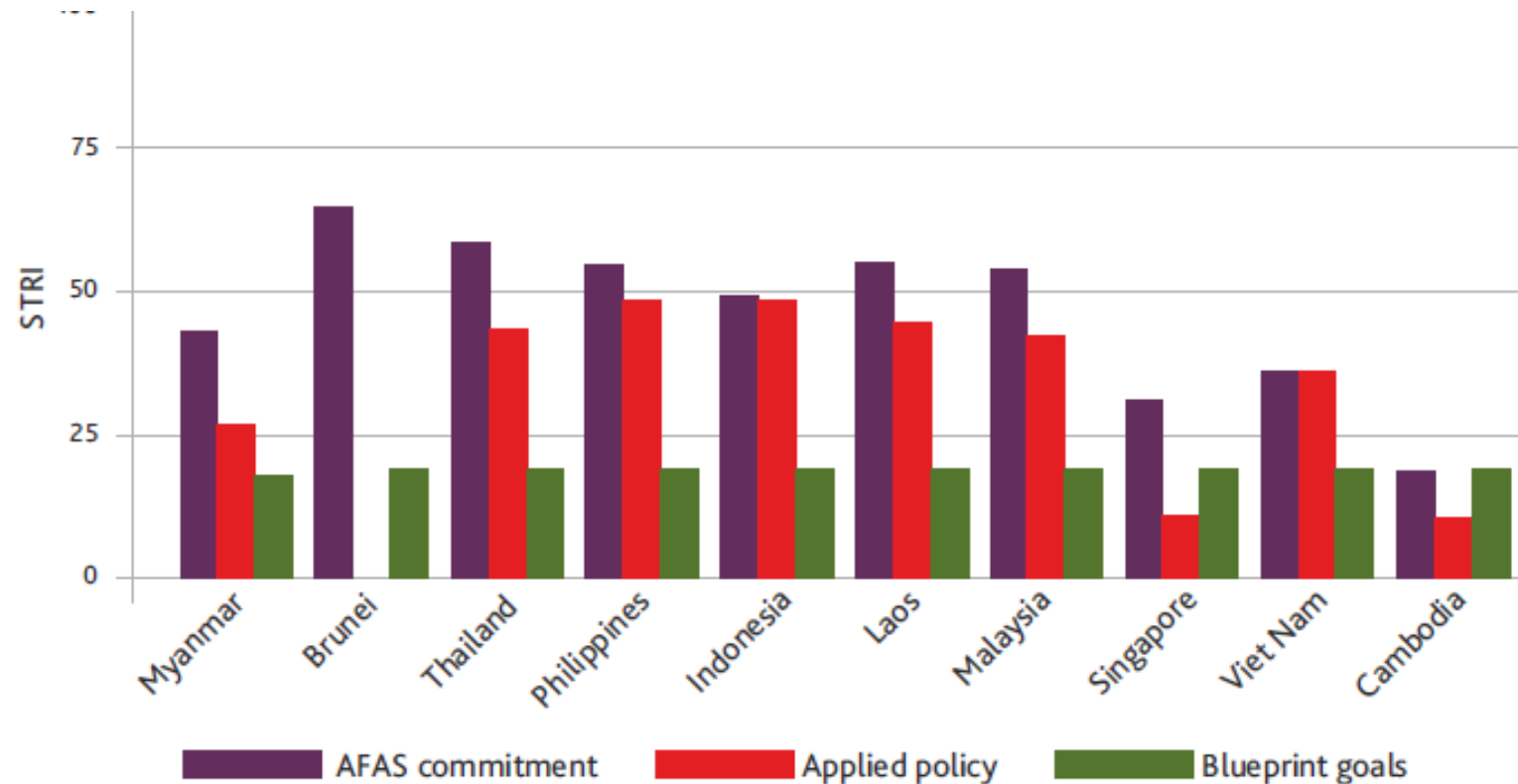


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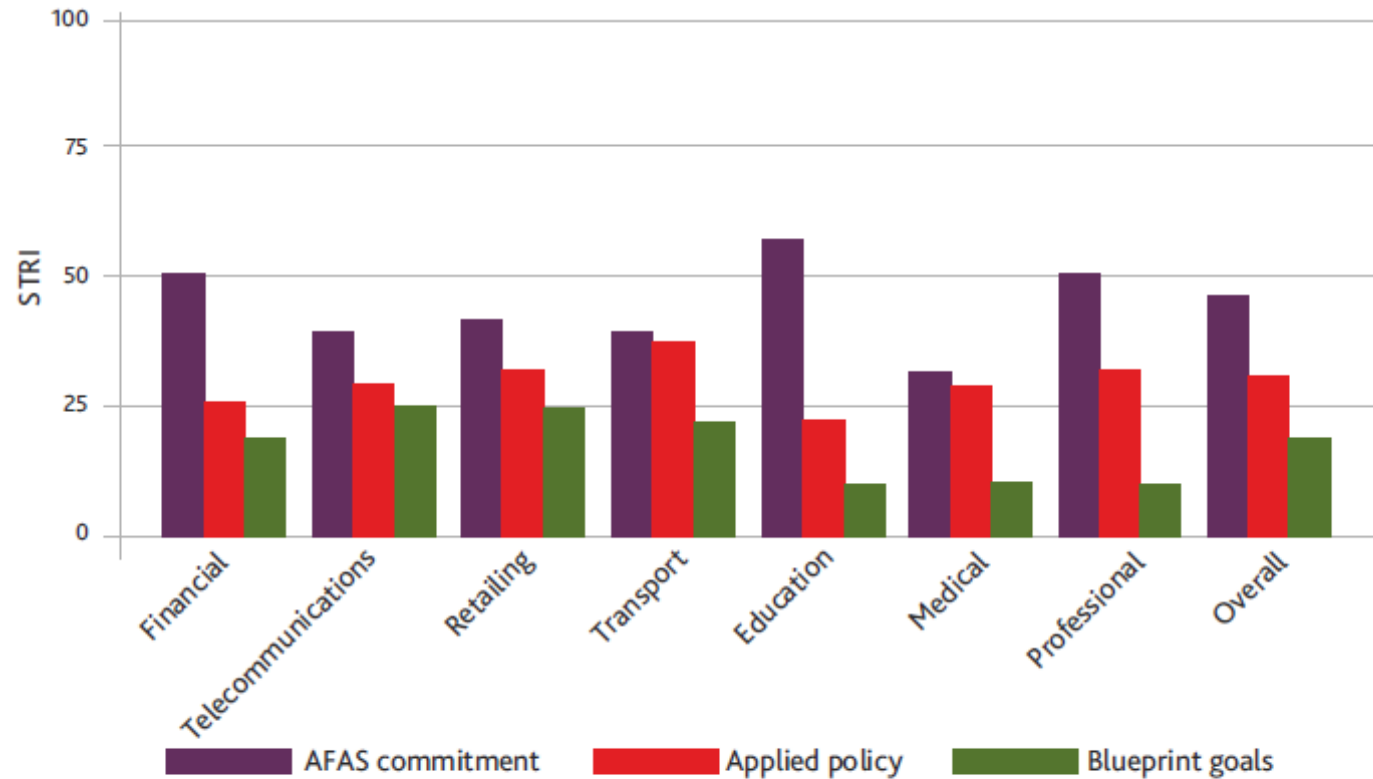
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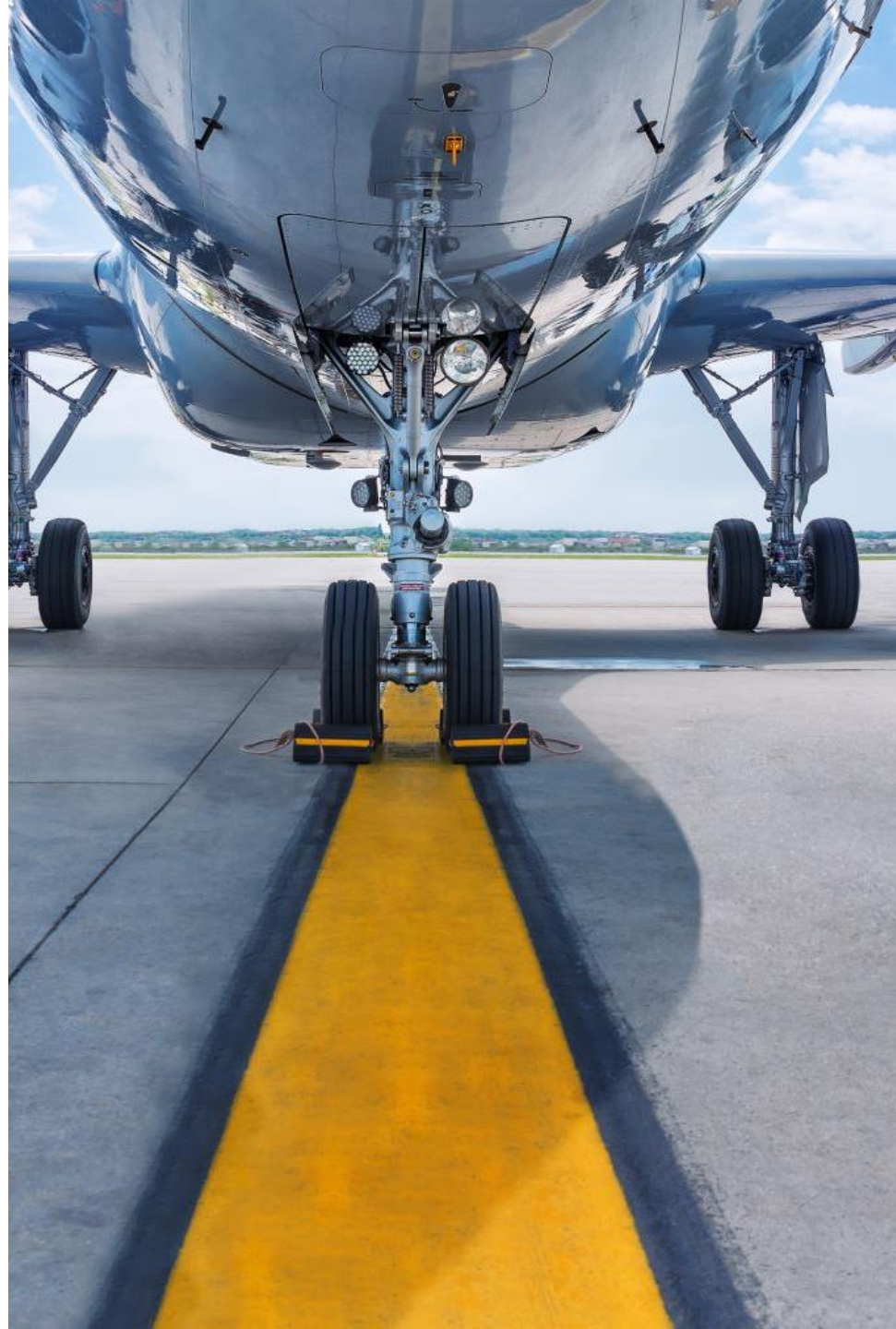
Trade in Services

Understanding the concept
of a 'service'

Date

What is a trade in service

- Major difference between goods and services: tangible (good) vs intangible (service)
- At the WTO, services are categorized by reference to a document – Services Sectoral Classification List as contained in document W120 which consists of 12 main sectors which are in turn sub-divided into 160 sub-sectors.
- More on sector-by-sector information at https://www.wto.org/english/tratop_e/serv_e/serv_sect_ors_e.htm



1. BUSINESS SERVICES

Section B

A. Professional Services

a. Legal Services	861
b. Accounting, auditing and bookkeeping services	862
c. Taxation Services	863
d. Architectural services	8671
e. Engineering services	8672
f. Integrated engineering services	8673
g. Urban planning and landscape architectural services	8674
h. Medical and dental services	9312
i. Veterinary services	932
j. Services provided by midwives, nurses, physiotherapists and para-medical personnel	93191
k. Other	

B. Computer and Related Services

a. Consultancy services related to the installation of computer hardware	841
b. Software implementation services	842
c. Data processing services	843
d. Data base services	844
e. Other	845+849

GATS: four modes of supply

1. Services supplied from one country to another (e.g. lawyer, architect), officially known as “cross-border supply” (in WTO jargon, “**mode 1**”)
2. Consumers or firms making use of a service in another country (e.g. tourism, education), officially “consumption abroad” (“**mode 2**”)
3. A foreign company setting up subsidiaries or branches to provide services in another country (e.g. foreign banks setting up operations in a country), officially “commercial presence” (“**mode 3**”)
4. Individuals travelling from their own country to supply services in another (e.g. fashion models or consultants), officially “presence of natural persons” (“**mode 4**”)

GATS: four modes of supply

Supplier Presence	Other Criteria	Mode
Service supplier <u>not present</u> within the territory of the Member	Service delivered <u>within</u> the territory of the Member, from the territory of another Member	CROSS-BORDER SUPPLY
	Service delivered <u>outside</u> the territory of the Member, in the territory of another Member, to a service consumer of the Member	CONSUMPTION ABROAD
Service supplier <u>present</u> within the territory of the Member	Service delivered within the territory of the Member, through the commercial presence of the supplier	COMMERCIAL PRESENCE
	Service delivered within the territory of the Member, with supplier present as a <u>natural</u> person	PRESENCE OF NATURAL PERSON

Preparing for a negotiation

At the national level, undertake a **regulatory audit** (laws, regulations, sector strategies etc.) & review statistics

The diagram consists of two blue circles connected by two light blue arrows. The top arrow points from the left circle to the right circle, and the bottom arrow points from the right circle back to the left circle, forming a cycle.

At the international and regional level, many sources are available:

- World Trade Organization (WTO)
- World Bank Group
- United Nations Conference on Trade and Development (UNCTAD)
- Organisation for Economic Co-operation and Development (OECD)

World Trade Organization (WTO)

- [Statistics on trade in commercial services](#)
- Regional Trade Agreements Information System: <https://rtais.wto.org/>
- **I-TIP database:** <https://i-tip.wto.org/services/>
- [Trade Policy Review: China2021](#)
- WTO website includes among others guide to GATS, commitments, MFN exemptions etc.
- Training provided by WTO Secretariat staff, plus <https://ecampus.wto.org/> for government officials (only).

World Bank

- [World Development Indicators](#) (WDI)
- [Services Trade Restrictions Database](#) (STRI)
- [Export Value Added Database](#) (EVAD)
- WBG reports (selection!):
 - [Trade in Services Negotiations : A Guide for Developing Countries](#)
 - [Cambodia Services Trade : Performance and Regulatory Framework Assessment](#)
 - [Services Negotiations in Southeast Asia](#) (2018)

UNCTAD

- [UNCTAD STAT](#)
 - Trade in goods and services (e.g. [Maritime Profile](#))
 - Foreign direct investment
- [World Investment Report](#) (WIR)
- [Investment Policy Hub](#)
 - International Investment Agreements (keeping track!)
 - Mapping of IIA content

Organisation for Economic Cooperation and Development (OECD)

- [Services Trade Restrictiveness Index](#) (STRI) provides an up-to-date snapshot of services trade barriers in 22 sectors across 44 countries, representing over 80% of global services trade.
 - [Sector Notes for Services Trade Restrictiveness Index](#)
- [FDI Regulatory Restrictiveness Index](#) is not specific to services, but includes services sectors. It measures how restricted a particular sector is. The database includes regularly updated information but is only available for a small subset of countries (the OECD and associate countries).

Trade in Services

The architecture of services
trade agreements

Date

Basic Principles of Services Liberalisation

- ***Transparency***
- ***Most-Favoured-Nation (MFN)***
- ***Non-Discrimination***
- ***Market Access***
- ***National Treatment***
- ***Progressive Liberalisation***

Overview of the architecture of services agreements

Positive-list approach

Negative-list approach

Hybrid approach

GATS: Objectives

The GATS is a means of promoting the growth of all countries, especially the development of developing countries.

Premised on two key Pillars:

- Ensuring increased transparency and predictability of relevant rules and regulations governing trade in services; and
- Promoting progressive liberalization through successive rounds of negotiations.

GATS: Framework

- Scope and coverage
- Member driven: policy space and flexibilities

Mode	Definition	Example
Mode 1	Cross-border supply.	The service that is being traded crosses national borders (for example if an architect in Indonesia emailed a design to a client in Singapore)
Mode 2	Consumption Abroad	An individual from one country travels to another country and consumes a service there (for example, a Laotian travels to Thailand for medical treatment)
Mode 3	Commercial Presence	A firm based in one country establishes an affiliate in another country and supplies services to consumers in that country from its local presence (for example, a Cambodian company sets-up an affiliated office in Myanmar and provides tourism services to Myanmar residents from that office). Mode 3 – Foreign equity ownership
Mode 4	Temporary presence of natural persons	The service is delivered when the individual service provider travels overseas on a temporary basis to supply a service (for example, an Indian IT Expert travels to Malaysia to assist on a ICT project or work in Malaysia Multimedia Super Corridor)

GATS: Structure

- The GATS is structured as follows:
 - (1) framework agreement;
 - (2) eight Annexes addressing sector-specific issues; and
 - (3) individual Members' Schedules of Specific Commitments.
- The GATS applies to all* but not on all
 - Certain obligations apply to all services that are subject to the agreement
 - *e.g.* Most Favoured Nation (MFN)
 - Subject to MFN exemption list (a negative list)
 - *e.g.* Transparency and administration of laws and regulations
 - Other obligations apply only to sectors listed by each Member in its National Schedule (positive list)
 - *e.g.* National treatment and market access, with listed restrictions

GATS: Obligations and Commitments

- National Treatment
- Restrictions on Market Access – 6 types of restrictions:
 - (a) Number of service suppliers
 - (b) Value of transactions or assets
 - (c) Total number of operations or output quantity
 - (d) Total number of natural persons
 - (e) Type of legal entity
 - (f) Foreign capital participation
- Additional commitments

GATS: Limitations

- Even where a sector is listed, obligations can be limited in the national schedule regards to National Treatment and Market Access
- “Horizontal limitations” can reserve discriminatory measures favouring domestic providers in all listed sectors

GATS: Limitations

- Specific commitments
 - Sector/sub-sector (using WTO/CPC code)
 - 4 modes
- Market access (Art XVI(1))
 - Six exhaustive limitations must be inscribed if partial commitments made (Art XVI(2))
 - Covers both discriminatory (against imports) and non-discriminatory measures
- National treatment (Art XVII(1))
 - Covers *de jure* & *de facto* discrimination
 - Covers any measure which modifies competition against imports

Reading a GATS Schedule

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

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
<p>8. HEALTH RELATED AND SOCIAL SERVICES</p> <p>A. <u>Hospital Services</u> (CPC 9311)</p>	<p>1) Unbound</p> <p>2) Unbound</p> <p>3) Only through incorporation with a foreign equity ceiling of 51 per cent</p> <p>4) Unbound except as indicated in the horizontal section</p>	<p>1) Unbound</p> <p>2) Unbound</p> <p>3) None</p> <p>4) Unbound except as indicated in the horizontal section</p>	

Carve out of GATS National Schedule of Commitments

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

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
Commercial presence (Except banks which are dealt with in Part B, Section 7)	3) None, other than: - The acquisition of control of a Canadian business by a non-Canadian is subject to approval* for all direct acquisitions of Canadian businesses with assets not less than a monetary amount established and published in January of each year in the Canada Gazette The monetary amount for 1994 is \$C153 million to be adjusted thereafter annually for changes in nominal GDP - The acquisition of control of a Canadian business, or establishment of a new business related to Canada's cultural heritage or national identity*, by a non-Canadian is subject to approval*	<div data-bbox="1352 714 2038 811" style="border: 1px solid blue; padding: 5px; color: blue; font-weight: bold;"> A "horizontal limitation" </div>	

