



# **SERVICES**

## **AND THE WTO: why, how and what next?**

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# 1. WHY SERVICES IN THE WTO?





# Services Paradigm Shift

- The old model: Public utility/government functions
- The new model: Private sector leads competitive market
- Fundamentally different role for governments



# Opportunities of the New Paradigm

- Higher quality, lower prices and wider variety of services
- Stimulating innovation in services
- Promoting investments in the sector
- Raising overall competitiveness of the economy
- Major contribution to social welfare



# Challenges of the New Paradigm



- Policy vision and direction of reform
- The regulatory challenge
  - Rules
  - Institutions
- Flanking policies
- Political leadership (policy vision, institutions, infrastructure)





## 2. THE GATS APPROACH TO SERVICES





# Purpose

- Response to the Paradigm Shift
- Institutionalizing new realities
- Defines new trade concepts
- Provides an enforceable legal framework
- A forum for continuing negotiations





# Conceptual Basis

- Liberalization as a means of growth and development
- Liberalization, not deregulation
  - the meaning of liberalization (market access and national treatment)
  - the right to regulate and need to regulate
- The role of liberalization in the process of development
- Progressivity of liberalization
- Transparency as a core concept





### 3. GATS TRACK RECORD



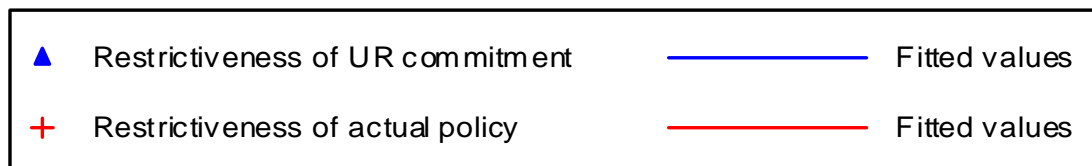
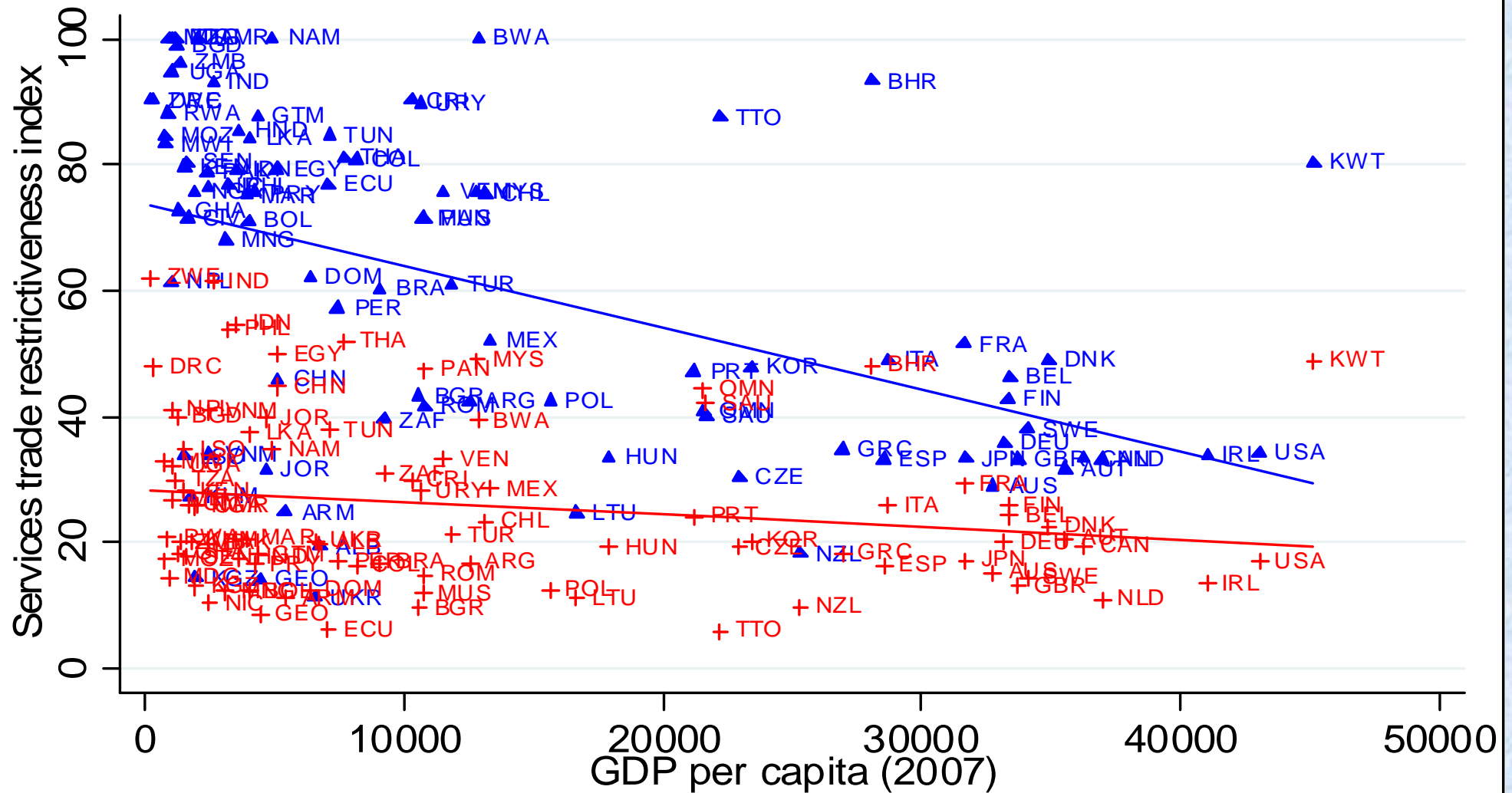


# GATS Track Record

- Most liberalization has been autonomous, driven by national self-interest and fuelled by:
  - Technological progress
  - Business innovation
  - Facilitation of cross-border movement of goods, capital, information and people
- Existing applied regimes are much more liberal than commitments



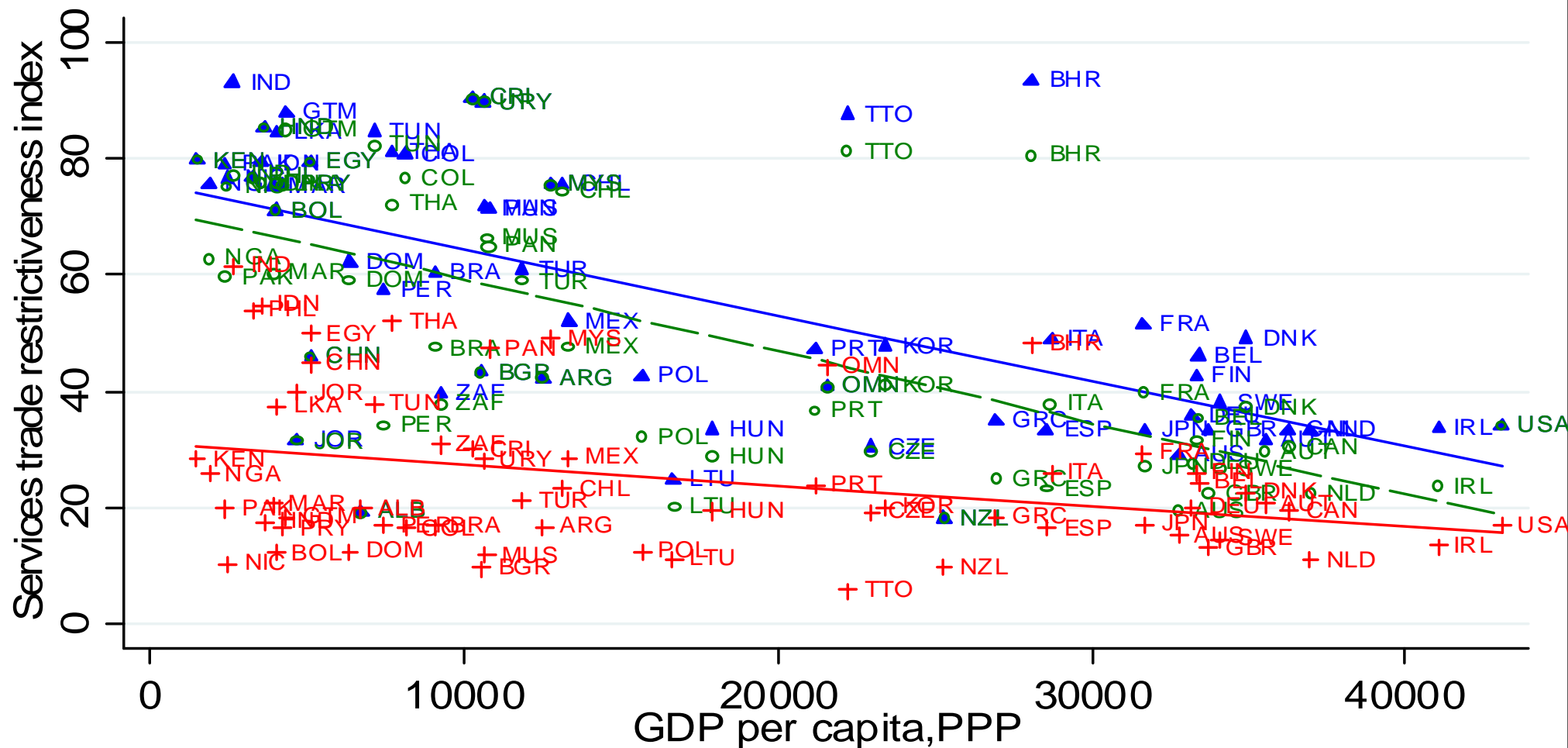
# Uruguay Round Commitments and Actual Policies



UR and applied policy -92 countries



# UR Commitments, Doha Offers and Actual Policies



- ▲ Restrictive ness of GATS commitment
- Restrictive ness of DOHA Offers
- + Restrictive ness of actual policy
- Fitted values
- - - Fitted values
- Fitted values

STRI for 61 countries, excluding Qatar and 31 countries that did not submit offers

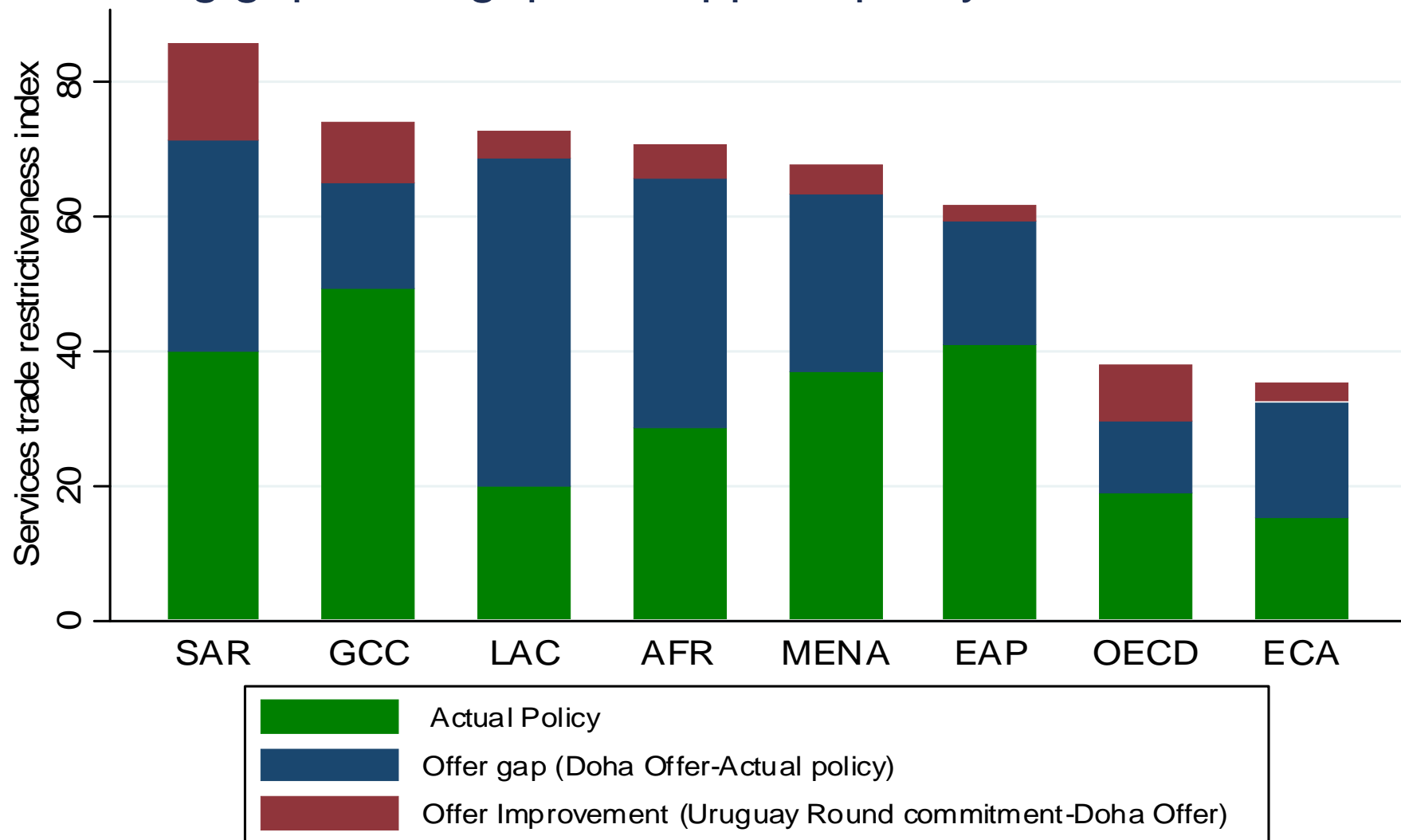
Source: Borchert, Gootiiz, Mattoo 2010



# Comparison of UR commitments, Doha offers, and actual policies by region



Binding gap, offer gap and applied policy for 93 countries





# The Built-in Agenda Negotiations

## “GATS 2000”



- Market Access (Art. XIX), aiming at “progressively higher levels of liberalization”
- Rule making
  - Domestic Regulation
  - GATS Rules (safeguards, subsidies, government procurement)
- Special treatment to LDCs
- Later folded into the DDA in November 2001
- Limited progress in the context of the single undertaking





- Dispute settlement
  - Five cases since the entry into force of the Agreement (EC-Bananas, Canada-Autos, Mexico-Telecom, US-Gambling, China-Audiovisual)
  - Land-mark interpretations of basic provisions and trade related legal concepts (e.g. scope of the GATS, national treatment, market access, MFN, etc.)
  - Informs future rule-making





## 4. WHAT NEXT?





# Way Forward

- Need to reenergize the broad services agenda of the WTO, including:
  - Implementation of the GATS
  - Consideration of Policy and regulatory issues
  - More focused analysis in reviewing trade policies of Members
  - Continuing and strengthening the monitoring function





# Way forward (continued)

- Rule-making mandates: Domestic Regulation
- Accession negotiations
- Technical co-operation
- Promote the role of the private sector