



# Regional and Multilateral Approaches to Services Liberalization

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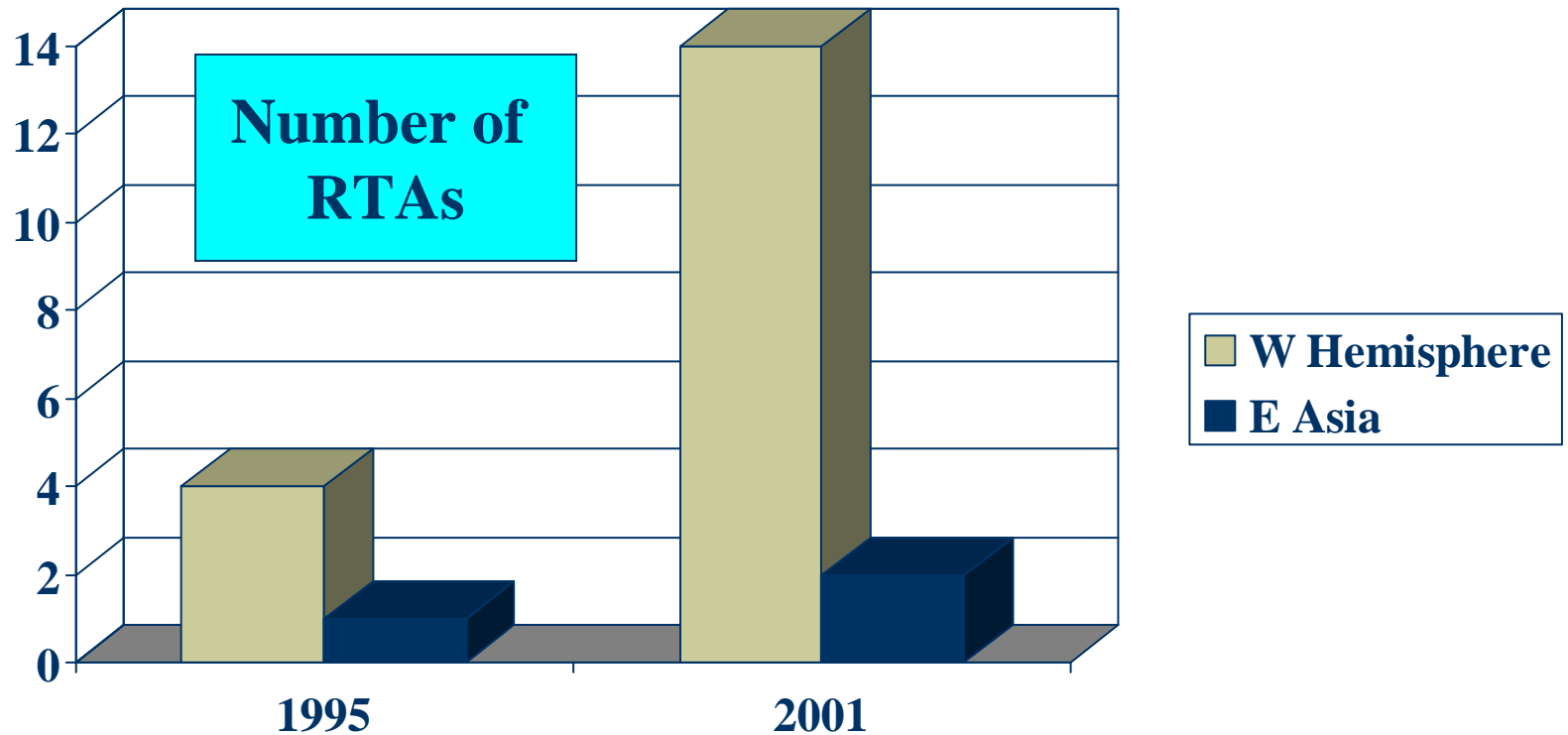


# Outline



- ◆ Growing number of RTAs concluded on services
- ◆ In what ways are RTAs different from GATS?
- ◆ Do RTAs go further than GATS?
- ◆ What have RTAs accomplished in terms of services liberalization?

# Regional Interest in SERVICES



Several new RTAs are currently under negotiation in both regions.

# How do RTAS Compare with GATS?



## SHARED OBJECTIVES

- 1) Transparency
- 2) Stability
- 3) Liberalization

# Review - WTO GATS

- ◆ PRINCIPLES OF GENERAL APPLICATION
  - MFN
  - Transparency
- ◆ PRINCIPLES OF SPECIFIC APPLICATION
  - Market Access
  - National Treatment
- ◆ UNFINISHED RULES
  - Subsidies
  - Government Procurement
  - Safeguards

# How does GATS fulfill the shared Objectives ?

## ◆ Transparency

- No knowledge besides committed sectors
- Confusing scheduling technique

## ◆ Stability

- Commitments not necessarily bound at level of application

## ◆ Liberalization

- Mostly 'status quo' in schedules

# Regional Trade Agreements

- ◆ Many have innovated over GATS - not just a developed-country phenomenon
- ◆ How?
  - Objectives
    - Far greater services integration
  - Approach to liberalization
    - Negative list approach
  - Domestic regulation
    - Harmonization of regulations
  - Depth of disciplines
    - More far-reaching disciplines

# Regional Forms of Integration: Must be GATS Plus- Subject to Article V

## ◆ Customs Union

- MERCOSUR
- CARICOM
- Andean Community
- Central America

## ◆ FTAs

- ASEAN
- CER
- NAFTA
- Group of Three
- Mexico-Costa Rica
- Mexico-Bolivia
- Chile-Canada
- Chile-Mexico
- Mexico-Nicaragua
- C.America-Dominican Rep
- Chile- Central America
- Mexico-Northern Triangle



# RTAs: Approach to Liberalization

## Positive list (Bottom-up)

National schedules list specific commitments to provide national treatment and market access for particular service sectors and modes of supply

## Negative List (Top-down)

All measures and sectors considered free of restraint unless otherwise indicated in lists of reservations -  
“non-conforming measures”

# RTAs: Approaches to Liberalization

- ♦ Positive list approach

MERCOSUR 1997  
ASEAN 1997

- ♦ Negative list approach

NAFTA	1994
Group of Three	1995
Mexico-C. Rica	1995
Mexico-Bolivia	1995
Chile-Canada	1997
Andean Community	1998
Chile-Mexico	1999
Mexico-Nicaragua	1999
C.America-Dominican Rep	1999
CARICOM	2001
Mexico-Northern Triangle	2001
Central America	2002

# RTAs: STRONGER DISCIPLINES

- ◆ Unconditional National Treatment  
(NAFTA; NAFTA-type RTAs)
- ◆ Unconditional MFN Treatment
- ◆ (Mercosur; Andean Com - no exceptions)
- ◆ Guaranteed Market Access  
(NAFTA-type RTAs)
- ◆ No local presence requirement

# RTAs: HEIGHTENED TRANSPARENCY

- ◆ **TRANSPARENCY** (NAFTA & NAFTA-type RTAs)
  - Right to prior comment on new regulations
  - Better listing techniques (NAFTA): Reservations divided between discriminatory and non-discriminatory non-conforming measures
  - Exchange of national inventories of measures (Andean Community, CARICOM)

# RTAs: GREATER STABILITY

- ◆ 'STATUS QUO' (CER, NAFTA, Andean Com.)
  - No new restrictions can be introduced
- ◆ BOUND AT LEVEL OF APPLICATION (CER, NAFTA)
  - Reservations taken out at level of application with reference to actual legislation

# RTAs : TARGET DEEPER INTEGRATION-1

## ◆ RECOGNITION

- NAFTA-type agreements & MERCOSUR encourage MRAs
- MRAs concluded at level of trade associations
  - MRA for Engineers & Legal Consultants in NAFTA; MRAs under discussion for other professions
  - CER Trans-Tasman Mutual Recognition Arrangement
  - MRAs for Architects, Agronomists, Geologists, and Engineers in MERCOSUR.



# RTAs: TARGET DEEPER INTEGRATION-2



- ◆ REGULATORY HARMONIZATION
  - Of essential regulations in main service sectors (Andean Community)
  - Elaboration of harmonized criteria for the exercise of professional services (MERCOSUR)

# RTAs: LIBERALIZING BIAS

## PROVISIONS INCLUDE

- ◆ Standard of Treatment  
(better of MFN or National treatment)
- ◆ 'Ratcheting'
- ◆ No residency or nationality requirements  
(CER, NAFTA, but not respected)



# RTAs OFFER ALTERNATIVE STRUCTURE (Negative List approach)

- ◆ Chapter for Cross-Border Trade - SERVICES  
(for modes 1, 2, and 4)
- ◆ Chapters covering BOTH GOODS & SERVICES
  - Investment
  - Procurement
  - Standards-Technical regulations
  - Monopoly practices
  - Temporary movement of business people

# What have RTAs been able to accomplish ?

- ◆ OBJECTIVES MORE FAR-REACHING
- ◆ TRANSPARENCY AND STABILITY GREATER
- ◆ DISCIPLINES DEEPER

→ BUT, HAS LIBERALIZATION GONE FURTHER?

# NAFTA

- ◆ Comparison of Mexico's GATS & NAFTA commitments
  - ◆ Relatively higher degree of regional openness

MEXICO



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graph TD; MEXICO((MEXICO)) --> GATS; MEXICO --> NAFTA;
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## ◆ NAFTA

- No equity limitations on foreign ownership
- Reservations for a small number of sub-sectors (23) -all sectors other than these sub-sectors are liberalized
- Certain sectors exempted from liberalization (e.g. Electricity, Satellite Communications; Telegraph services; Postal services; Radiotelegraph services; Railroads; maritime and inland ports; airports and heliports.)

## ◆ GATS

- Bindings less liberal than NAFTA (Most committed sectors have equity limitation at 49% of foreign ownership)
- Limited number of sub-sectors included in GATS schedule (40 out of 155)
- Less liberal commitments on mode 1

# ASEAN

- Comparison of Singapore's GATS and AFTA commitments
- Modestly higher degree of regional openness

SINGAPORE

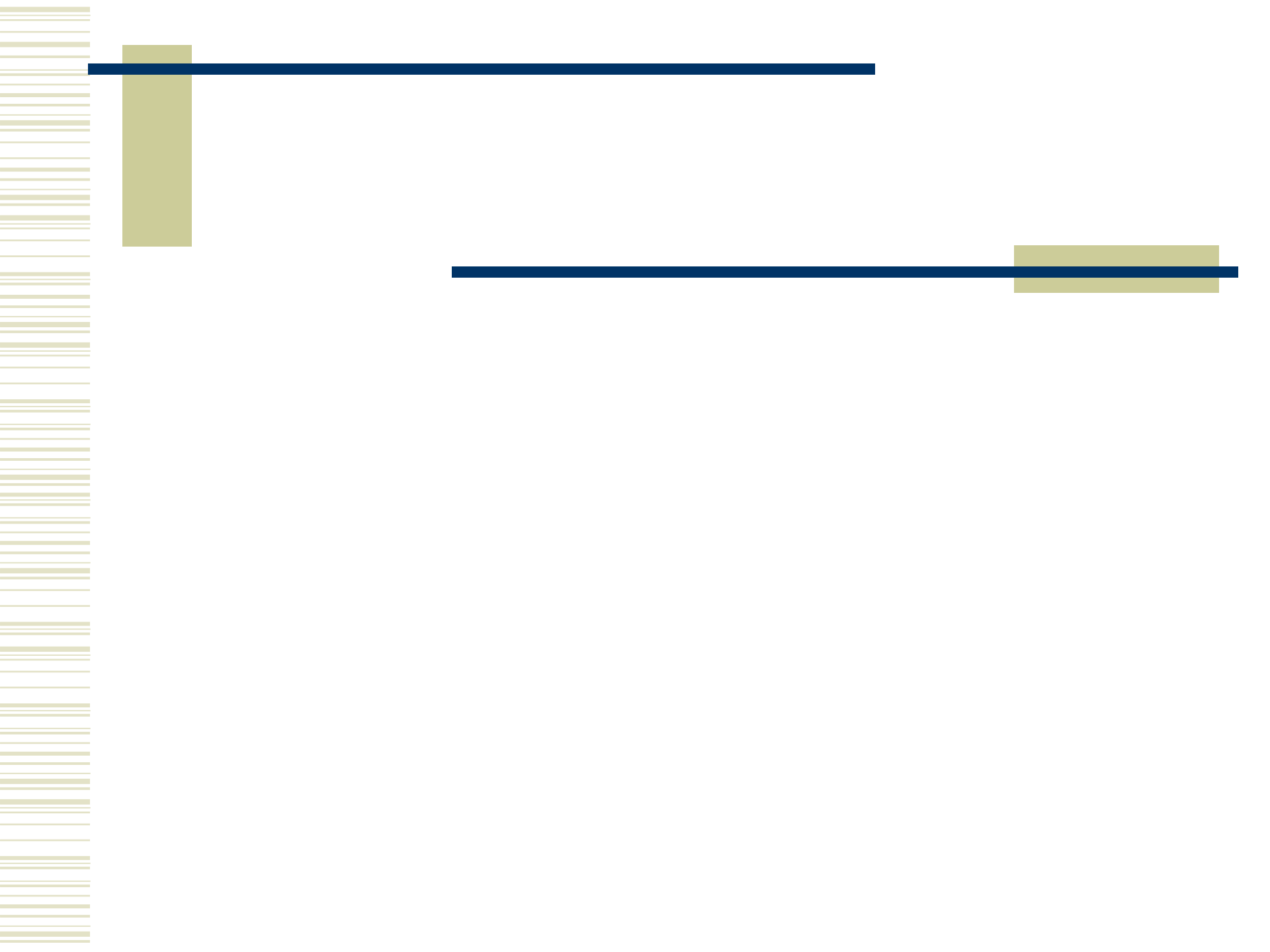
## ◆ ASEAN

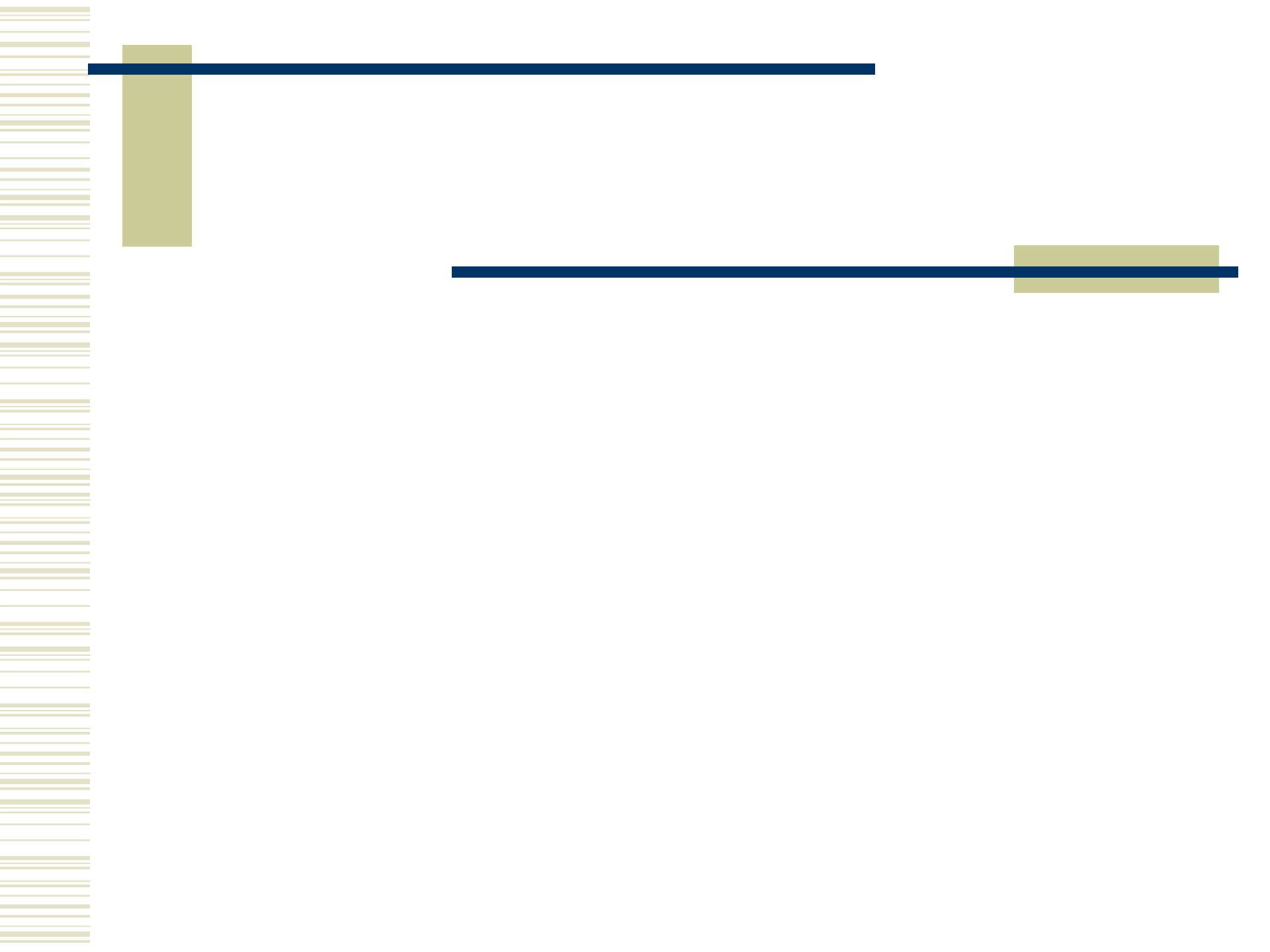
- More liberal commitments on services under AFTA for modes 1, 2, and 3 for a certain number of included sub-sectors

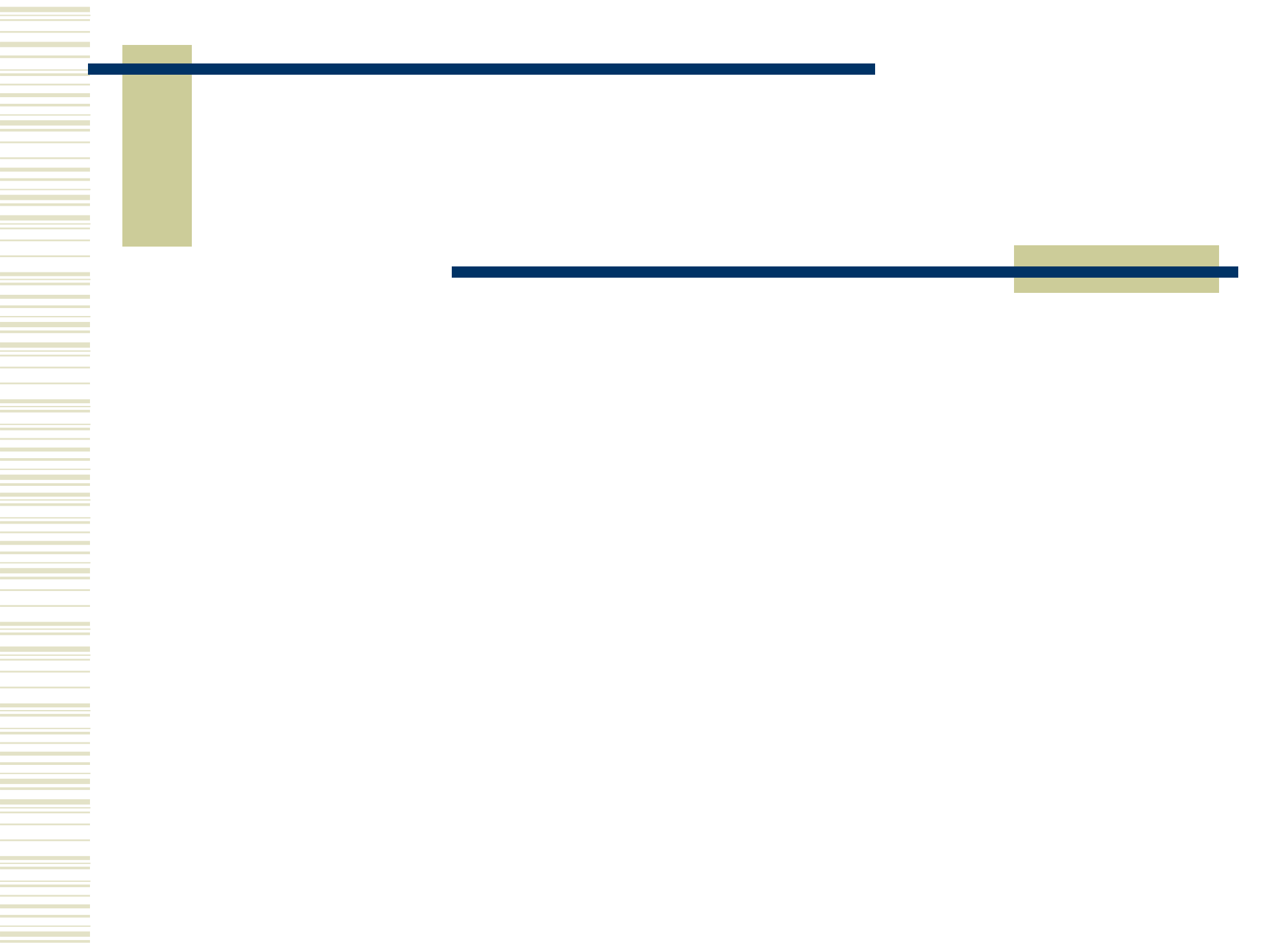
## ◆ GATS

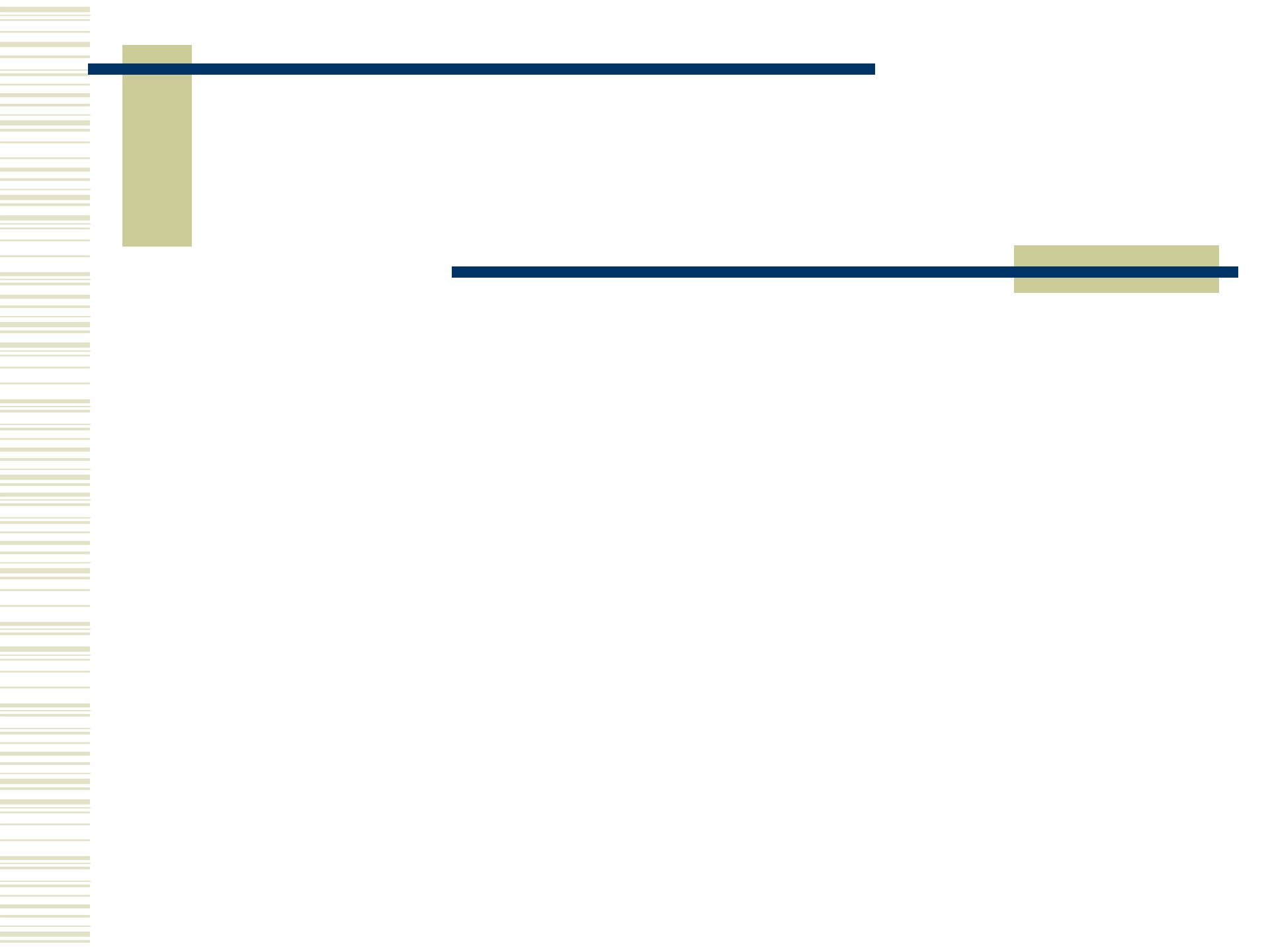
- Degree of openness of commitments variable, depending upon sector

→ Singapore specifies residency requirements for all services sectors in both GATS and AFTA.

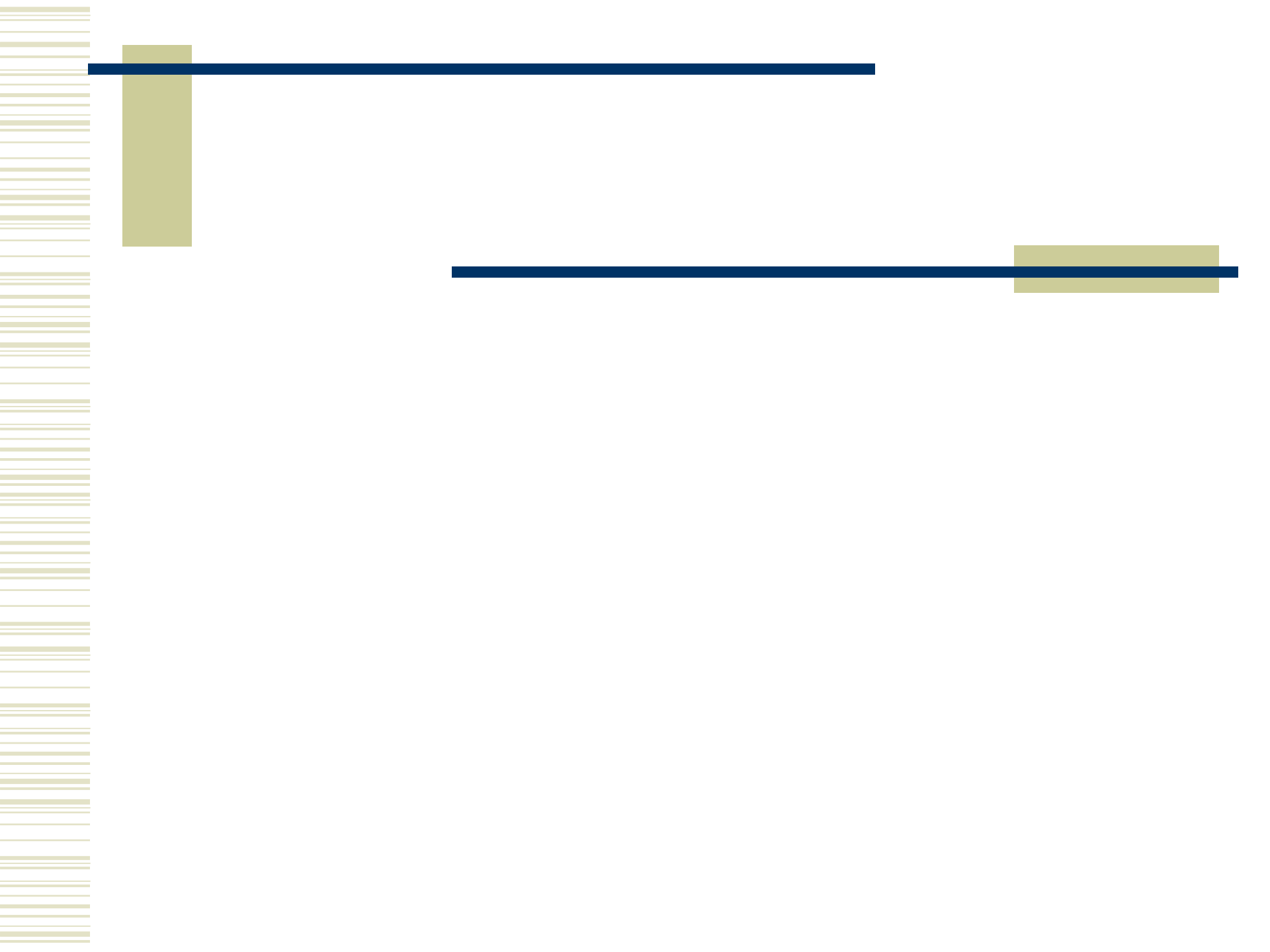












# Can RTAs help foster services liberalization?

- ◆ Easier to conclude MRAs at regional level
- ◆ Labor mobility (mode 4) easier to promote on a smaller scale (CER, CARICOM)
- ◆ Market opening may be perceived as less threatening by service providers among smaller group countries for some sectors





# Usefulness of RTAs - SERVICES



- ◆ PROMOTE BOUND LIBERALIZATION REGIONALLY WHERE POSSIBLE
- ◆ DEVELOP IMPROVED RULES AND ARCHITECTURE FOR SERVICES TRADE
- ◆ STIMULATE REGULATORY REFORM
- ◆ PROVIDE 'SIGNALING EFFECT' OF GOVERNMENT INTENTIONS