



Asia-Pacific Economic Cooperation

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## **New Template for Regional Agreements in Services**

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Conference

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**APEC Study Centers Consortium**  
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**LAEBA**



# The New Template for Regional Trade Agreements in Services

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# Themes for discussion

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- “Second Wave” RTAs after 2000 have deepened the normative treatment of services and pushed the liberalization envelope as well
- Gap between multilateral and regional disciplines and liberalization of services is growing : what are the possible consequences?

# What are the “Second Wave” RTAs on Services?



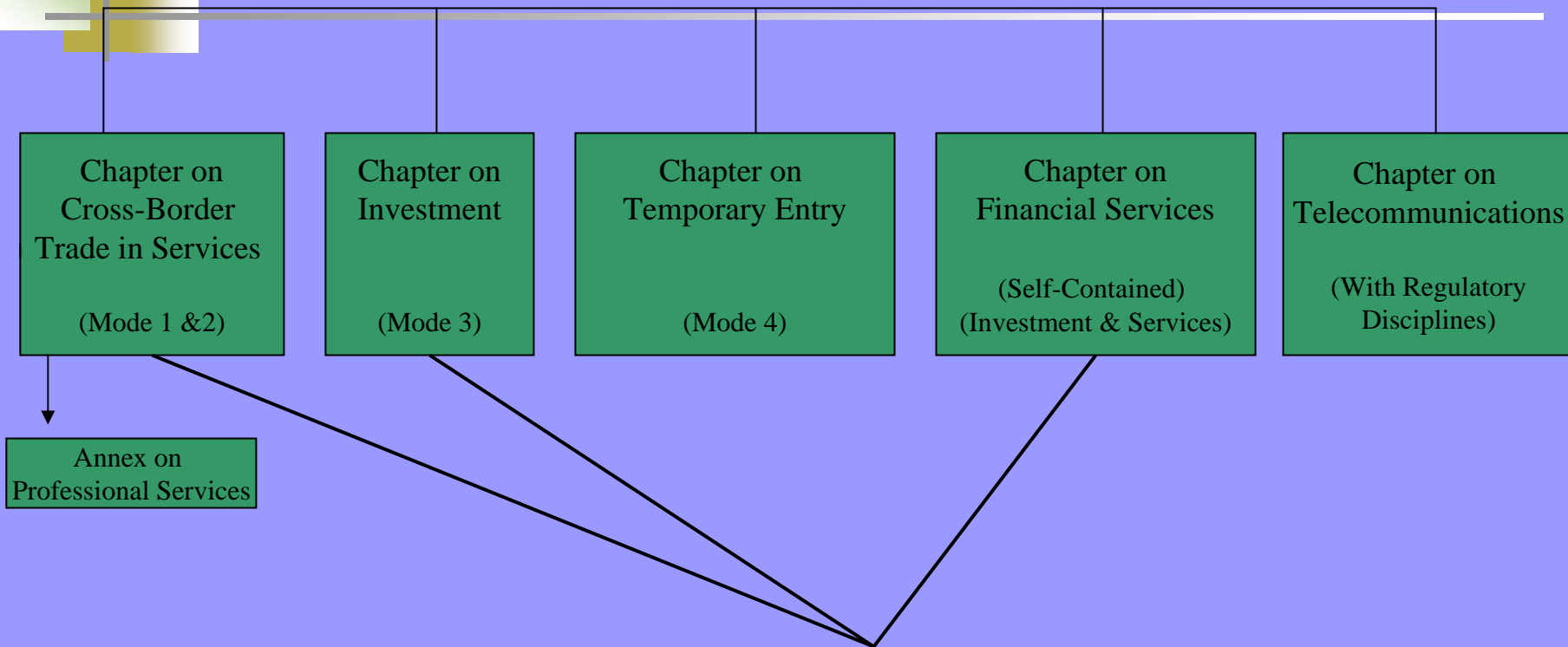
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- Those negotiated since 2000
- Extensions/ further elaborations of the NAFTA model
  - Chile-US
  - Singapore-US
  - CAFTA-US
  - Australia-US
  - Singapore-Australia

[ Now under negotiation: Thailand-US; Peru, Colombia, Ecuador-US; Panama-US ]

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# **STRUCTURE of Negative List RTA's for Services**



**List of Reservations – Annexes**  
**(non-conforming measures)**



# Normative Innovations of “Second Wave” RTAs in Services

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- **New or extended provisions**

- Market access
- Domestic regulation
- Investment in services
- Sectoral disciplines  
(Telecom; Financial services)



# Market Access

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- ALL MEASURES affecting services now brought within scope of agreement
  - Non-discriminatory QRs
  - All discriminatory measures
- ALL SERVICE SECTORS also within scope of agreement

**OF NOTE: COMPREHENSIVE NATURE OF RTAs AS COMPARED WITH GATS**



# GATS-plus Liberalizing Disciplines in "Second Wave" RTAs

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- National Treatment applied as a general principle, not selectively as in GATS
- All measures affecting services and service suppliers liberalized unless otherwise indicated
- Binding of remaining restrictive measures at level of regulatory application (in Annexes)



# Significant Liberalization realized in "Second Wave" RTAs

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- **Specific Market Openness Examples (some sectors still containing reservations but are bound in the RTA)**
  - Chile: Business Services; Tourism; Financial Services
  - Costa Rica: Construction/ Engineering; Insurance; Environmental Services; part of Telecommunications
  - El Salvador: Distribution; part of Education; Tourism; Environment
  - Guatemala: Construction/Engineering; Telecom; Education; Environment; Tourism
  - Nicaragua: Business Services; Professional Services; Distribution; Education; Insurance
  - Singapore: Financial Services; Professional Services
  - USA: Professional Services; Construction/Engineering; Financial Services



# RTAs bring about enhanced Regulatory Cooperation

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- ***Annex on Professional Services***

Aim: Encourages development or recognition of mutually acceptable professional standards

Working Parties established on Legal Consultants; Engineers

- ***Chapter on Telecommunications***

Paving way to common regulatory standards

# RTAs on Services avoid losses to government revenue



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- Services barriers do not generate government revenue in the form of import taxes; only create deadweight losses in terms of higher costs and inefficiencies
- Such inefficiencies and costs are reduced in the case of regional liberalization without accompanying revenue loss
- **So net gains are realized from regional liberalization without offsets**



# Positive Spill-overs from RTA Liberalization to Trading System

- **Liberal Rules of Origin for Services**

*Any foreign company can benefit from RTA as long as it is incorporated as a legal entity within one of the members to the agreement and carries out substantial business activity.*

- **Regional Liberalization of Services applied on MFN Basis**

*Due to nature of regulatory reform required under services liberalization, in the majority of cases this reform is applied subsequently to all services and service providers.*



At multilateral level little progress  
on services since 1997

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- **Strong contrast between RTA activity and stalemate in GATS**

Growing gap between the two

*March 2001 Guidelines for Doha Round*

No agreement to change structure of GATS nor to strengthen its disciplines



# Services in Doha Round

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- **Little progress on Market Access**

Draft offers due March 2003

Deadline missed

To present: 42 offers on table;

148 WTO Members

Puzzling: Technical assistance plentiful



# Services in Doha Round

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- **No progress in Rules negotiations**

Still outstanding: Safeguards;  
Subsidies; Government Procurement;  
Domestic Regulation

**No agreement on Classification  
improvements**

W/120 list dates from 1991



# Problem at WTO Level : Services linked to Agriculture

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## Agriculture

Need is to agree  
on a formula;  
then negotiations  
basically  
concluded except  
for the  
calculations by  
product

## Services

Need is to link  
commitments to  
domestic  
regulatory reform  
process (much  
longer time frame  
required)

# Consequences of Current Situation in Services



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- **Countries who wish to liberalize will continue to go the regional route in services liberalization**
- Is this serious?
  - No, if trade diversion is minimal or non-existent and if results applied on MFN basis as they tend to be
  - Regional Liberalization in Services can be viewed as positive force for change



Thank you!

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