

Issue Brief—The Doha WTO Ministerial

SERVICES AND THE VIEWS OF DEVELOPING COUNTRIES

Negotiations to liberalize global trade in services will continue at Doha, with a goal of concluding by December 2002. Negotiations will focus on liberalizing sectors not covered by the General Agreement on Trade in Services (GATS), which took effect in 1995, as well as on deepening commitments in sectors covered by GATS. Developing countries seek liberalization in many different services sectors, but three—construction, maritime, and tourism—appear to have the most widespread support. Developing countries also seek freer global rules on the movement of natural persons, which they believe could enable them to send more of their citizens to developed countries for training and work. However, they will seek assurances that they may impose emergency restrictions on imported services to protect newly liberalized sectors from a surge in foreign competition.

In February 2000, members of the World Trade Organization (WTO) launched a new round of negotiations on global trade in services. These negotiations are important because many services are not covered by the GATS, yet total trade in services amounts to \$1.3 trillion, or one-fifth of global trade in goods and services. Thus far, more than 40 member countries have submitted more than 70 proposals on more than 26 service sectors, with more proposals to come identifying negotiating positions and the topics that members would like to see negotiated.

Overview of Services Negotiations

The negotiations are organized in two phases. During the first phase, which was completed March 30, 2001, negotiators agreed on the negotiating guidelines and procedures and completed a stocktaking exercise. The second phase will consist of the work program and the actual negotiations.

The negotiations, expected to conclude by December 2002, are likely to cover issues related to:

- The general framework of GATS rules;

- Expanding national schedules of commitments to provide national treatment and market access for particular services; and
- Sectoral and functional agreements that include commitments and rules for particular sectors (the annexes).

Members have reached consensus on the objectives and principles, the scope, and the modalities and procedures for the negotiations.

Objectives and Principles

The negotiations will aim to progressively liberalize trade in services and, through liberalization, promote the economic growth of all WTO member countries. To achieve these objectives, negotiators will attempt to reduce or eliminate measures that restrict market access, while recognizing the right of members to regulate and introduce new regulations for the supply of services.

The negotiations will adhere to the existing structure and principles of GATS, including the ability to schedule commitments horizontally, according to sector, or according to the four

modes of supply (cross-border, national presence, consumption abroad, and movement of natural persons).

In negotiating liberalizing commitments, negotiators will account for national policy objectives, level of development, and size of economies. Consideration will be given to the needs of small and medium-sized service suppliers, particularly those of developing countries. The negotiations also aim to increase the participation of developing countries by providing for appropriate flexibility for individual developing country members, with special priority granted to least-developed countries (LDC).

Scope

Members agreed that negotiators could not exclude any service sector or mode of supply simply because it was excluded from previous negotiations. In addition, it was agreed that sectors and modes of supply of export-interest to developing countries would be given special attention and appropriate flexibility. If members want to include most-favored nation (MFN) exemptions in their national schedules, those exemptions will be subject to negotiation. Members agreed that negotiations on safeguards shall be completed by March 15, 2002 and that all negotiations shall be completed by December 2002.

Modalities and Procedures

Members agreed that the services negotiations will be conducted in Special Sessions of the Council for Trade in Services, which will report on a regular basis to the General Council. The negotiations will be transparent and open to all Members, including acceding States and separate customs territories (*e.g.*, China and Taiwan respectively). Members agreed that liberalization shall be advanced through bilateral, plurilateral, or multilateral meetings using the request-offer approach to negotiations¹.

¹ A request-offer approach is a negotiating procedure whereby specific requests (*e.g.*, market access or national treatment commitments for a particular sector) are

Current schedules will be the starting point for the negotiation of specific commitments.

Accommodations for Developing Countries

Members agreed that, during the services negotiations, appropriate flexibility will be given to developing countries to increase their participation. For example, developing countries will be allowed to open fewer sectors, to liberalize fewer types of transactions, and to extend market access commitments progressively according to their development situation. In addition, members agreed that:

- Developing countries will be given credit for autonomous liberalization (undertaken since previous negotiations and before the current round of negotiations);
- Developing country members will be given technical assistance on request in order to carry out national and/or regional assessments;
- The needs of smaller delegations will be taken into account when scheduling meetings and negotiation sessions (*e.g.*, by scheduling meetings in sequence and not in parallel);
- The needs of small service suppliers of developing countries will be taken into consideration; and
- The proliferation of subsidiary bodies under the Council for Trade in Services should be avoided to the maximum extent possible to minimize complexity for smaller delegations.

submitted to a trading partner identifying the concessions sought and those proposed to be given in return. Counteroffers are exchanged and negotiated by the countries and, once the deal is agreed upon by both parties, results are inscribed into national schedules and extended to all other WTO members in accordance with the MFN principle.

Issues and Topics for Negotiation

Issues to be negotiated fall into two categories—ongoing activities and additional topics for negotiations.

Ongoing activities include areas where past negotiations failed to achieve adequate results or areas specifically mandated by the GATS for negotiation or review in 2000. These activities will focus on issues such as

- The built-in agenda (professional services, emergency safeguard measures, subsidies, government procurement, air transport annex, and exceptions to the most-favored nation principle);
- Reforming domestic regulatory regimes;
- Expanding national treatment and market access commitments for trade in services;
- Further sectoral liberalization as proposed by members (*e.g.*, in transportation—maritime, air, and auxiliary services related to transportation—financial services, and basic telecommunications); and
- Liberalization in policies toward the movement of natural persons.

Additional topics for negotiation will include expanding coverage of GATS to include service sectors not now under GATS obligations (*e.g.*, information technology and distribution). Distribution services have the most widespread support for inclusion, with six proposals already submitted to the WTO. But numerous countries, both developed and developing, have submitted proposals for other sectors, including the following:

- Accounting
- Advertising
- Architectural
- Audiovisual
- Business
- Computer
- Construction
- Educational
- Energy (oil & gas)
- Environmental
- Express delivery
- Legal
- Logistics
- Postal and courier
- Sporting
- Travel and tourism

Developing Country Interests

Developing countries are particularly interested in the construction, maritime, and tourism sectors and in one mode of supply—the movement of natural persons.

- **Construction Services.** The construction sector carries special importance for developing countries because of its link to the development of basic infrastructure, training of local personnel, transfers of technologies, and access to information channels. Most developing countries have experience and a comparative advantage in labor-intensive construction services, so more commitments in this sector will enable companies from developing countries to engage in construction in other countries as well as help build modern infrastructure at home.
- **Maritime Services.** Liberalization in this sector would increase competition, thereby reducing prices for importing countries, making exporting countries more competitive, and increasing the ability of developing countries to provide maritime shipping services themselves (those that either have, or may be able to develop, a comparative advantage in maritime shipping).
- **Tourism Services.** If developing countries negotiate additional commitments for tourism services, they will be able to address anti-competitive behavior in developed countries (such as vertical and horizontal arrangements) and keep a greater share of value added in the provision of tourism services.

- **Movement of Natural Persons.** By expanding quotas and areas in which visas can be assigned, especially visas for training assignments, developing countries will be able to send more citizens to developed countries for training and work.

Developing Country Concerns

If developing countries commit to increasing liberalization in these sectors and modes of supply, they will likely seek agreement on a suitable safeguard mechanism for services to ensure that newly liberalized sectors can be protected from import surges. Emergency safeguard measures (ESMs) provide governments with a legal right to withdraw commitments temporarily if a surge of

imports threatens domestic service industries. Developing countries will wish to ensure that stricter criteria not be imposed on the use of ESMs.

As for negotiating modalities, developing countries will generally prefer the request-offer approach, which would afford them the flexibility to negotiate only those sectors that have the greatest commercial interest for each developing country, while omitting more sensitive sectors from negotiations. In contrast, a horizontal approach would require members to bind *all* sectors, subject to exceptions, across any or all of the four modes of delivering services. A horizontal approach may thus require members to make commitments in sensitive sectors, unless they can negotiate exceptions.