

A. UNDERSTANDING 'TRADE IN SERVICES'

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Traditionally trade means the movement of goods across borders. Free trade rules focused on government measures that restrict the international flow of goods, mainly by taxes (tariffs) at the border, import licenses, quotas, etc.

International trade in services is not 'trade' in that sense. It involves the national of one country buying a service that is provided by a national of a different country by various means, eg the Internet, foreign investment or traveling overseas.

Trade in services agreements aim to expand the number and value of those transactions by making it easier for foreign services firms to do business in other countries. This means reducing or removing 'barriers' to their operations. These barriers take the form of laws, policies, regulations, subsidies, local preferences, monopolies and other measures that governments use to manage the provision of services.

This way of thinking about services is often hard to understand because people are used to viewing services as part of social relations. Banking, telephones, schools, hospitals, postal services, transport, television, roads, engineers, water supply are essential parts of everyday life. Historically, government policies and regulation of services have reflected a range of social, economic, cultural and development objectives. Under the trade in services mindset those objectives are trimmed back and priority is given to policies and regulations that support the expansion of services markets.

There is a vast difference between social and market models of regulation. This affects assumptions about the nature and purpose of services, how they should be provided, what kind of regulation is appropriate, what are legitimate objectives of regulation, and who should be consulted in making decisions about regulation. It is essential to understand this shift in mindset to work out how these agreements may affect the country's approach to regulating and providing services in the future.

It is equally important that governments, politicians, local businesses, village elders, trade unions, NGOs, journalists and other citizens are clear about the pros and cons of these agreements before negotiations begin, so they are not simply swept along with the tide.

MARKET & SOCIAL MODELS OF REGULATING SERVICES
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Market Model of Services Regulation	Social Model of Services Regulation
Services are an economic activity	Services are intrinsically social
Services are best provided through competitive markets	States are responsible for ensuring the provision of free or affordable, accessible and quality services
The presumption operates in favour of liberalization	Burden of proof is on the advocates of liberalization
Those who seek to restrict liberalization are protectionists	Those who seek to restrict liberalisation are skeptical and cautious
Domestic regulations are potential barriers to trade	Domestic regulations serve multiple functions and interests
Domestic regulation should interfere with competitive markets as little as possible	Domestic regulation should be designed in the way that best meets the diverse interests of those who depend on that service
Domestic regulation should be designed to serve pre-defined 'legitimate objectives'	Governments should be able to decide and pursue whatever objectives are appropriate to a particular time and circumstance
Private services suppliers require security and stability to develop efficient and effective provision of services	Communities, businesses and governments require stability, quality and affordability of services
Transparency requires the disclosure of actual and proposed regulation to service-providers so as to reduce corruption and unfair treatment of foreign firms.	Transparency requires public disclosure and democratic participation in regulation to ensure that private interests are not privileged over others.

PROS AND CONS OF TRADE IN SERVICES AGREEMENTS	
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Common arguments for trade in services agreements	Common arguments against trade in services agreements
Binding agreements guarantee easier access to foreign markets for the country's services exporters and exports	SIDs usually have few services exports except for tourism and are mainly services importers
The only way to achieve guaranteed access for services workers into richer countries is to make trade-offs with destination governments.	Major destinations will restrict access even for skilled workers and professionals and won't sign away the right to control entry of less skilled workers.
Foreign investors will be attracted by guaranteed access, stable policies and equal treatment	Many foreign firms already receive better treatment than locals. The reasons foreigners don't invest - distance, small scale, limited markets, poor infrastructure – are not addressed in these agreements
Pro-market regulation encourages innovation and competition, which increases efficiency and improves services to consumers	Competition can increase efficiency and choice. But careful regulation is needed, as it can also crowd out locals and leave the country dependent on foreign firms.
Foreign investors bring new technologies and trans-national linkages that state-owned and local firms cannot provide	New technologies are vital, but requiring foreign firms to transfer technology and train locals are seen as 'barriers to trade'
Regional and global integration of services markets helps to overcome the problems of size and scale	Regional integration should be driven by development, social, environmental, cultural and economic objectives, not 'free markets'
Trade agreements help governments to make policy changes that are difficult to achieve through domestic processes	National governments should make policy changes through democratic processes, not international treaties that are negotiated in secret and signed off by the executive
Because agreements are binding and enforceable they protect pro-market policies and regulation from changes of government and local pressures.	The right of governments to change policy and law is a foundation stone of national sovereignty and democracy.
Signing up to trade in services agreements helps secure the flow of loans from World Bank or ADB and aid from donor governments.	Externally imposed conditions reflect the ideology and self-interest of lenders and donors, not the needs of the people.

