

World Trade Organisation: Doha Development Agenda - WTO Negotiations on Trade in Services - Brussels, 29 April 2003

Services are the most dynamic sector of Europe's economy, accounting for two thirds of both GDP and employment. They are also crucial for the economies of other countries, making up around half the GDP of developing countries. Of the 40 largest service exporters in the world, 15 are developing countries.

But the essential and increasing role of services in the world economy is still not reflected in their share of international trade. There are still a number of barriers that restrict trade in services and hinder economic growth.

The services sector forms part of the WTO negotiations within the Doha Development Agenda, launched in Doha in November 2001. The Doha Development Agenda aims to set market opening - the growth and development factor - within a framework of rules - the social and justice factor.

The aim of these negotiations is to open up trade in services, in the interests of both the EU and developing countries, and of both importing and exporting countries.

Negotiations on trade in services are not about the deregulation of services which are, quite rightly, tightly regulated, in particular in order to ensure quality of public services, equal access, or social and territorial cohesion. Indeed, we will protect and defend public services.

The negotiations on trade in services do not and will not undermine services of general interest.

I. Negotiations on Trade in Services Explained

The General Agreement on Trade in Services (GATS) entered in to force in January 1995, and forms part of the WTO agreement.

Three reasons why multilateral rules are needed

- The creation of a multilateral framework of principles and rules aimed at progressive opening of trade in services will help to promote trade in services and thereby economic development worldwide.
- The right of states to regulate services must be preserved and respected by all members of the WTO
- Services contribute to development, in particular by strengthening the capacity and competitiveness of economies in developing countries.

Aims of the Agreement on Trade in Services

- set up a credible and predictable system of international trade rules;
- ensure that all participants are treated fairly and equitably (principle of non-discrimination);

- promote trade and development through a progressive opening of trade in services.
- The General Agreement on Trade in Services is made up of two parts:
 - the framework agreement setting out the rules and general disciplines,
 - the country schedules detailing the specific commitments of each country concerning access of foreign service providers to its domestic markets.

Why are the negotiations being carried out at the WTO?

- The WTO gives both small and large countries the opportunity to make their views heard. Discussions are based on compliance with common rules, on persuasion and dialogue rather than coercion.
- In the WTO, one state = one voice. Decisions are taken by consensus. The WTO therefore provides even the smallest economies with the means to counter political pressure.
- The WTO has a dispute settlement body at its disposal. Any disputes can be resolved using agreed procedures rather than by unilateral measures taking advantage of size and political clout.

“Modes of supply” of services

The GATS defines four ways in which a service can be traded, known as "modes of supply":

- **MODE 1:** services supplied from one country to another (e.g. international telephone calls), officially known as "cross-border supply";
- **MODE 2:** consumers from one country making use of a service in another country (e.g. tourism), officially known as "consumption abroad";
- **MODE 3:** a company from one country setting up subsidiaries or branches to provide services in another country (e.g. a bank from one country setting up operations in another country), officially known as "commercial presence";
- **MODE 4:** individuals travelling from their own country to supply services in another (e.g. an engineer or computer specialist), officially known as "temporary movement of natural persons".

Scope of the negotiations

The agreement only concerns trade in services. The following areas are therefore excluded:

- immigration rules
- services supplied under government authority
- budgetary and fiscal policy
- customs regimes
- measures relevant to protection of investors
- monetary and exchange-rate policy
- the question of public or private ownership is not addressed.

Our objectives

The European Union has three objectives in the negotiations:

- - to pursue our own offensive economic interests; services represent two-thirds of GDP and employment in the EU, more than 110 million jobs;
- - to protect the European model, particularly regarding public services; and
- - to give developing countries an opportunity to better integrate into the world economy in accordance with their chosen development model.

Our objectives as regards the opening of trade in services have nothing to do with "liberalisation at any cost". What we are discussing is a combination of market access and rules.

*"We do not want 'wildcat liberalisation', on the contrary: what we are pursuing is an opening of trade in services under conditions which enable WTO members to set their own development objectives."*¹

Further detail...

The negotiations on trade in services respect the freedom of the Member States with regards to public services:

"Services considered as public services at national or local level ...

The negotiations are not concerned with defining the mission of public services, their organisation or their financing.

"These firewalls are the best guarantees that Europe while reaping the benefits of opening up trade in services will be able to continue developing its own model of services of general interest."²

- Every country is free to choose between different options:
- organising a service as a public or a private monopoly;
- opening the service market to competition by suppliers, but restricting access to domestic companies only;
- opening the service market to both domestic and foreign suppliers, but without making any commitments in this respect under GATS;
- making commitments under GATS on the right of foreign companies to provide services alongside national suppliers, and deciding whether to accord them the same treatment as national suppliers.

" Let's not mix-up two different debates. On the hand we have a debate within the EU on the degree of liberalisation that we want on a number of sectors that were protected until recently (energy, transport, post) and which relates to the way we want to organise our society. On the other hand, we have an international negotiation which relates to trade in services and not to their organisation."³

¹ Pascal Lamy, Conference of University Chancellors, Paris, 24 January 2003.

² Pascal Lamy, "WTO negotiations on trade in services", speech to the European Parliament, Strasbourg, 10 March 2003.

³ Pascal Lamy, WTO Trade in services: Pascal Lamy welcomes European Parliament Resolution, Brussels, 12 March 2003.

II. Why is trade in services important?

It is no longer possible to separate goods and services.

Without access to high-performance **banking, insurance, accounting, telecommunications and transport services**, producers and exporters cannot be competitive. This is true for industrialised and developing countries alike.

In markets where supply is insufficient, importing basic services is just as vital as importing basic products. The advantages of opening trade in services go well beyond the service sector itself: the effects can be felt across all economic sectors.

The European Union has much to gain from the negotiations on trade in services

- Services are Europe's most dynamic economic sector, accounting for two thirds of GDP (around €6000 billion) and two thirds of European jobs (over 110 million).
- The EU is the biggest exporter and importer of services, with 24% of world trade in services(19% of world trade in goods).
- Services also account for over half of all foreign direct investment flows from and to the EU.
- Services account for 25% of total EU exports. The significant gap between the part played by the service sector in Europe's economy and its share in European international trade illustrates the potential for growth and employment in trade in services.
- We are in an offensive position in the services sector. The EU is home to some of the world's leading companies in many sectors, such as telecommunications, business services, financial services, the environment, construction, transport, energy and tourism, and it is plainly in the EU's interest to improve access to foreign markets for such companies.

Developing countries also have an important stake in the negotiations.

- Of the 40 largest service exporters in the world, 15 are developing countries.
- On average services represent half of GDP of developing countries. Even in the least developed countries, the service sector is more important for GDP than the agriculture sector. In developing countries, the share of services in the GDP has risen, on average, from approximately 40% in 1965 to approximately 50% in 1999, while in OECD countries the figures are 54% to over 60% for the same period.
- Developing countries need competitive services. Services are the Achilles' heel of many developing countries, whose capacity to export is limited by poor productivity and a lack of competition in their service sectors. They are aware of this, which is why half the requests the EU has received so far are from developing countries such as Kenya, India, Mali, Gambia, Egypt, Mauritius and Brazil.
- Access to high-quality services, in particular infrastructure-related services such as telecommunications, transport and financial services, benefit the whole economy by increasing productivity in all sectors and are crucial for economic development.

- The EU seeks to facilitate increased participation of developing countries in world trade in services while taking into account national policy objectives and levels of development, both overall and in individual sectors. The EU has thus modulated its requests so as to take account of the level of development of individual members. Consequently, the EU is seeking commitments in a more limited number of sectors and for fewer modes of supply in the case of developing countries.

Six benefits of trade in services

1. Economic performance An efficient service infrastructure is a precondition for economic success. Services such as telecommunications, banking, insurance and transport supply strategically important inputs for all sectors, regardless of whether they involve goods or services.

2. Development Access to world-class services helps exporters and producers in developing countries to capitalise on their competitive strength, whatever the goods and services they are selling. A number of developing countries have also been able, building on foreign investment and expertise, to advance in international services markets – be it tourism, construction or software development. Trade in services has thus become a key element of many development strategies.

3. Consumer savings In many services, for example telecoms, increased competition has led to lower prices, better quality and wider choice for consumers. Such benefits, in turn, work their way through the economic system and help to improve supply conditions for many other products. This is why even if liberalisation is accompanied by increases of certain prices, for example the cost of local calls, this increase will generally be compensated by price reductions and improvements in quality overall. Also, public authorities will remain free to determine conditions for operating public services.

4. Faster innovation Countries with more open services markets have seen greater product and process innovation.

5. Greater transparency and predictability The negotiations will give everyone with a stake in a sector—producers, investors, workers and users—a clear idea of the rules of the game. They will be able to plan for the future with greater certainty, which will encourage long-term investment.

6. Technology transfer Services commitments at the WTO help to encourage foreign direct investment (FDI). Such FDI typically brings with it new skills and technologies that spill over into the wider economy in various ways. Employees learn new skills (and spread them when they leave their company); companies adopt new techniques. And companies in other sectors that use service-sector inputs such as telecoms and finance benefit too.

III. How does it work?

What are the principles guiding the negotiations?

- The negotiations deal with trade in services, not with the regulation of such services within each individual country.
- States retain full freedom to impose any regulations they may wish, and to choose whether these services are managed by public bodies or by private sector companies.

The only purpose of WTO negotiations is to push forward the opening up of trade in services, and they have nothing to do with deregulation, or with policy on privatising services.

- There is no link, either direct or indirect, between the WTO negotiations and the privatisation decisions that may be made by certain states.
- Each country is free to decide which sectors will be opened to international competition, and which will not. In the WTO, decisions such as these are taken by consensus, so there can be no agreement without the support of all the developing countries. The most advanced of these countries - China, India, and Brazil - are perfectly capable of making their views heard.
- The negotiations on trade in services are not based upon point-for-point reciprocity; members are not obliged to open markets in the same sectors or at the same level.
- Each member can focus upon sectors which correspond to its main concerns. This flexibility allows members to avoid liberalising sectors they consider priorities, and enables them to protect their public services.
- Services which are provided on a non-commercial basis, or for which there is no competition with other suppliers, are excluded. Public services are therefore only subject to market forces if the state in question chooses to make them so.
- *"Commitments are not reciprocal: for example, the United States could very well decide to open its education sector to competition, without any other countries being obliged to follow suit."*⁴

Concerning transparency

- The European Commission negotiates within the WTO on behalf of the EU, within the limits of a precise mandate laid down by the Member States, and under their constant supervision.
- These negotiations have been prepared with as much transparency as is consistent with such an exercise. Our offers and requests are not last-minute inspirations, but are based on political guidelines drawn up after discussions with the Member States, the European Parliament and civil society.
- The Commission debates these questions with all stakeholders and with European citizens' representatives through the European Parliament. The Trade Commissioner addresses the European Parliament every two months. He regularly attends meetings of the Parliament's committee on industry, transport and regional policy, and of its committee on development.
- MEPs have been closely consulted by the Commission, and their co-ordinators have had access to the details of the Commission's proposals. The European Parliament gave its support to the negotiations in a resolution voted on 12 March 2003.
- Civil society is consulted and informed on a regular basis. The Commission launched a broad public consultation involving meetings, written submissions and web-based exchanges. Our proposals incorporate many positions originally put forward by civil society.
- The Member States are conducting consultations at home with national politicians and their own civil society. The European Union's definitive position will be determined through these consultations.

⁴ Pascal Lamy, "WTO negotiations on trade in services", speech to the European Parliament, Strasbourg, 10 March 2003.

- In order to achieve the greatest possible transparency, the Commission has published a summary of the first requests received from third countries, and of the EU's initial offers, on its web site.⁵
- For the first time in such a negotiation, it has been decided to make the EU offer public once it has been placed on the table at the WTO in Geneva.

"There is a time for transparency, and a time when we must exercise discretion, for both consultations and negotiations. The European Parliament, for example, acknowledges this, since it quite correctly reserves the right to conduct conciliation procedures behind closed doors, when its negotiating positions are at stake."⁶

The process for continuing the negotiations

- Each country chooses the sectors over which it wishes to negotiate
- The negotiations will be based on the same principles, and progress in opening new sectors will depend on the wishes of Member States. For example, in this negotiation the EU has made the sovereign decision not to enter negotiations on education, health and culture sectors.
- Opening of a sector is not irreversible. A state may decide to impose tighter constraints on foreign operators. The agreement foresees a mechanism under which a state will be able to withdraw a commitment in exchange for compensation.
- This offer is subject to the presentation of substantial offers by other WTO Members in the sectors for which the EU has made demands. The EU reserves the right to withdraw any element of its choosing at any time during the negotiations.

IV ■ The Commission's proposals for Community offers on services

● Health related and social services ●

This sector comprises four categories: hospital services, other human health services, social services and other services. The main difference between hospital services and professional services relating to health is that the former involves a stay in a care facility.

The EU is acting in accordance with its political choices. It is not proposing commitments over and above those already existing in the sector. Regardless of this, Member States remain entirely free to decide how best to organise their health systems. Similarly, the EU has not made any demands of third countries in this area.

● Educational services ●

This sector is subdivided into five categories: primary education, secondary education, higher education, adult education and other education services. Training is classified as "vocational education" and covered by a number of subsectors.

⁵ http://europa.eu.int/comm/trade/services/index_en.htm

⁶ Pascal Lamy, Commission press conference, 5th February 2003.

- In this sector also, the EU is acting in accordance with its political choices. The EU is not proposing commitments over and above those already existing in the sector. Member States remain entirely free to decide how best to organise their education systems. The EU has not made any demands of third countries (with the exception of a demand to the US concerning only privately funded higher education).

WATER

Water is an environmental policy priority for the EU and a major international issue.

- Water is not - and is not seen in these negotiations as - a commodity like any other.
- Access to resources remains in the public domain. Water is, by definition, a public good. Nobody can appropriate it. It is for the community to determine how it is used.
- Trade opening would only apply to the collection, purification and distribution of water and to waste water management, thereby allowing foreign companies to supply these services where host countries have decided they should be provided by the private sector.
- The EU's proposal in this field follows up the resolutions adopted at the 2002 Sustainable Development Summit in Johannesburg and the UN's Millennium Declaration, which encourages public/private partnerships.

* For many, access to water as a public service remains a distant dream. Today 1.1 billion people lack direct access to water and 2.4 billion lack acceptable sanitation.

* The implementation of water policy calls for considerable resources (the World Water Council estimates the cost at USD 180 billion a year in 2025). Governments and civil society therefore very much need the private sector's co-operation to help bring water and sanitation to the developing countries and increase investment in this area (within a tightly defined legal framework to guarantee fair access to water).

* The EU believes that the negotiations on trade in services can contribute constructively to international efforts to achieve the Millennium Objectives for water.

What are the EU proposals on water?

- The EU has received very few requests in this sector, and therefore has not proposed commitments on the collection, treatment and distribution of water.
- The EU has submitted demands to some partners. These demands specifically exclude the transport of water from one state to another. In return, the demands contain commitments to support these countries through technical assistance.
- In its demands, the EU has taken into account the level of development of its trading partners. Developing countries are protected as they have the option of opening their markets on different time scales to developed countries and to different degrees.

• Temporary movement of natural persons •

There are four ways of providing a service, one of which is Mode 4. Mode 4 concerns people travelling abroad to provide a service for a limited period. It is important where contact with the client or site visits are a crucial part of the service.

Developing countries attach particular importance to Mode 4 in their requests, it is the main area in which they believe they will benefit from the services negotiations. Indeed, it is the only area really addressed by over half the requests received by the EU from developing countries. Of the 26 requests addressed to the EU on Mode 4, 24 come from developing countries.

But the EU also has considerable offensive interests in this area, because it has a well trained and competitive labour force.

1. What is Mode 4:

The Agreement applies to measures concerning temporary movements:

- of individuals providing services
- and of individuals employed by a service provider

2. What Mode 4 is not

- Mode 4 has nothing to do with issues relating to immigration, citizenship and residence.
- It does not concern admission of nationals from third countries to seek work, nor those that come to work for unlimited period of time.
- The EU offer is compatible with the application of all Member States' laws and requirements with regard to residence, labour law, welfare law, collective agreements and the minimum wage.

3. What stage are we at?

At the Uruguay Round, the EU made commitments authorising the temporary admission of certain foreign nationals to the EU's territory for the purpose of providing a service. These commitments cover three basic categories of international service providers:

- Persons temporarily transferred by their company to a subsidiary or branch office in a Member State: intra-corporate transfers of managers and specialists (people essential to an establishment's operation);

Example: A consultant from a firm of accountants in Europe sent to the US to work temporarily for the same firm of accountants.

- Business visitors, who are transferred for a limited period for the purpose of negotiating the sale of a service, concluding a contract or setting up a subsidiary or office, without themselves providing a service;

Example: A European architect moves to Japan for a limited period to take part in a tendering exercise.

- Contractual service suppliers: employees of a foreign company that has obtained a service contract in an EU Member State and has to send employees to carry out that contract.

Example: The same European architect sends employees to construct a building.

4. What is the EU proposing?

The EU is proposing to extend the duration of contracts and stays:

- By increasing and consolidation the duration of contracts and stays
- intra-corporate transfers: three years
- contractual service suppliers: a maximum contract period of 12 months with a maximum stay of six months, compared with three months in present offer. Periods of stay in the EU are cumulative.
- By extending intra-corporate transfers to qualified management trainees to one year.

Example: A trainee from a Brazilian law firm could do part of their training in a European branch of the same firm.

- By extending the sectoral coverage of contractual service suppliers to 22 sectors (Professionals in tourism, environmental services, business advice, management consultants, etc.)
- By creating a new category of independent contractual service suppliers in eight sectors (architecture, engineering, informatics, translation etc)

EU and national working conditions, minimum pay requirements and collective pay agreements will still apply. Member States will retain the right to refuse admission to persons who pose a threat to national security or are considered likely to abuse the terms of their admission.

• Audiovisual and cultural services •

This sector covers motion picture and videotape production and distribution, motion picture projection, radio and television, radio and television transmission and sound (music) recording services.

The EU proposal includes no changes to current arrangements; no commitment has been made in this sector, and the exceptions to the most-favoured-nation (MFN) clause dictated by the EU during the Uruguay Round in the sphere of cultural policy, such as co-production agreements and the preferential treatment accorded to audiovisual productions originating in the EU and other European countries, are maintained.

• Telecommunications •

Telecommunications services concern the transmission of electromagnetic signals - voice, data, images - other than broadcasting. They do not include the transmission of content via a telecommunications service, which is covered by other sectors.

The EU proposes to guarantee third countries free access to the internal market, while maintaining the EU's right to lay down, for example, its public service objectives for the services in question. This will enable telecommunications companies to launch activities outside this sector (IT services, for instance) and to offer cross-border telecommunications services (rather than being confined to a given country).

• Construction and related engineering services •

This sector covers general construction work for buildings, civil engineering, installation and assembly work, and building completion and finishing work.

The EU proposes to eliminate national restrictions on market access and national treatment. The EU will respond equally to requests from both the industrialised and the developing countries and allow foreign firms to set up and expand activities in the EU on the same terms as Community businesses.

• Distribution •

The subsectors covered by the current classification are wholesaling, retailing, franchising and commission agents' services.

The proposal is to grant non-residents the same treatment as EU nationals wishing to open big stores. Thus, licences to open department stores will be granted on an application's merits, including its compliance with such non-discriminatory national rules as planning laws, regardless of the applicant company's nationality. The cross-border supply of services by commission agents will be authorised in some Member States, and franchising will be authorised.

• Financial services •

The present classification concerns the whole range of financial services: insurance, banking, securities, financial advice and information services.

The community offer being already large, the EU proposal aims principally to clarify prudential measures.

The EU proposal guarantees foreign financial institutions full access to the single market. They can set up and expand operations in the EU without discrimination in all sectors (insurance, banking, investment services, etc.). They may, for example, set up a subsidiary or branch to provide a full range of banking and insurance services. These institutions may also set up investment funds taking full advantage of the harmonisation achieved in the single market. They are also guaranteed the right to offer genuinely international services, such as reinsurance, directly from their country of origin.

• Tourism and travel-related services •

This sector covers hotels and restaurants (including catering), travel agencies and tour operators, and tourist guides.

The proposal will subject non-residents wishing to set up a travel agency in the EU to the same rules as EU nationals. The nationality of companies or their managers will not be a consideration when authorising new agencies.

• Recreational, cultural and sporting services •

The WTO currently categorises under this heading entertainment services, news agency services, libraries, archives, museums and other cultural services, and sporting and other recreational services.

As regards news agencies, the proposal improves on the EU's commitments by ending the restrictions applied by some Member States, (for example, nationality requirements and restrictions on foreign capital).

• Computer services •

This sector encompasses the following subsectors: consultancy services related to the installation of computer hardware, software implementation services, data processing services, database services, maintenance and repair services, and other computer services.

In a sector crucial to the establishment of an information society in Europe, the EU is offering full access to the EU market to foreign service providers, including highly qualified self-employed computer experts. This should provide the EU with value-for-money computer services. The EU proposal takes account of the interests of both the developing countries, which want more access to the Community market, and the Member States, which need cutting-edge computer services and IT structures. Foreign computer experts will, for example, be authorised to stay in the EU temporarily for the purposes of maintaining and repairing computer systems and networks.

• Business services •

This sector covers services in many areas, including research and development, real estate, vehicle leasing, advertising, market research and opinion polling, management consultancy services, agriculture, hunting, fishing, personnel placement services, research, security, scientific and technical consulting services, the maintenance and repair of equipment, photographic services, printing, publishing, copying, translation, packaging and debt recovery.

The EU has already made commitments in most areas of business services. The proposal is aimed at improving the EU's commitments by removing the restrictions individual Member States place on packaging, printing and publishing services by subcontractors. Conditions relating to nationality, residence or commercial presence are also removed in some subsectors.

• Postal and courier services •

According to the WTO classification, postal services are those provided by national postal administrations; these include: the collection, sorting and delivery of letters and postcards, and of parcels, newspaper and printed materials, and express delivery services. The EU believes that the current classification, based on the nature of the operator, does not match the economic reality of the sector, and has proposed a new classification based on the activity of the operator.

In the postal and courier services sector, the public service arrangements in place in the EU are preserved. The EU offer confirms the access of foreign operators to EU markets already opened to competition by 1997's First Postal Directive (EC/97/67), including parcels, express delivery services and letters weighing more than 350 grammes. The EU has submitted some demands to developing countries relating to parcels, express delivery services and newspapers. No demands have been made to the least advanced countries, nor to the majority of developing countries.

• Transport services •

This sector covers maritime, inland waterway, air, space (satellite launching), rail and road transport services and related auxiliary services.

In the maritime transport sector, which was neglected during the Uruguay Round, the EU proposes, for example, to give foreign operators the right to provide international shipping services and, in particular, to conduct such auxiliary activities as cargo-handling or freight-forwarding services. The proposal will encourage service providers to integrate their transport operations better and so provide EU clients with an efficient door-to-door service.

As regards air transport, the offer includes - subject to rules concerning public service - ground-handling and airport management services.

• Energy services •

A suitable classification of energy services is currently being drafted.

No offer is being made at this stage because work is still under way on the classification of energy services. It is conceivable that an offer might be made which reflects the opening of the national and Community markets coupled with conditions defining and preserving universal service.

• Environmental services •

Current commitments in this sector were made on the basis of the existing GATS classification, which covers water supply, sewage, refuse disposal, sanitation, emissions abatement, noise abatement, nature and landscape protection and "other environmental services".

The requests are partly based on the revised classification proposed by the EU, which covers water collection, purification and distribution services, wastewater services, solid/hazardous waste management, protection of the air and climate, the clean-up of soil and water, noise and vibration abatement, protection of biodiversity and landscape, and other environmental and ancillary services.

Environmental services are of growing importance in all countries. This sector offers great scope for trade opening, which should be of benefit to all, given the progress it would bring in terms of environmental protection and the transfer of technology and know-how.

- As regards wastewater treatment, sanitation and similar services, the commitments made by the EU in the Uruguay Round already allow foreign service-providers to set up in the EU, except where the sector concerned is a public monopoly.

The EU is also proposing to grant market access and national treatment to the providers of noise and vibration abatement services.

The offer also provides for foreign enterprises to provide EU customers with consultancy services on the protection of biodiversity and landscape on a "cross-border supply" basis, so dispensing with the need for the foreign enterprise to prove its presence in the EU. Foreign enterprises concluding a contract for environmental services with a customer in the EU will be authorised to send qualified staff to the EU for a maximum of six consecutive months for the purposes of that contract. This provision particularly concerns consultancy services, environmental impact studies and other similar services.

• Professional services •

This sector covers the following subsectors: legal services, accounting, auditing and bookkeeping service, taxation services, architectural services, engineering services, urban planning and landscape architectural services, medical and dental services, veterinary services, services provided by midwives, nurses, physiotherapists, paramedical personnel and pharmacists.

The EU is proposing to increase access for third-country nationals to the market in subsectors of interest to a great number of partners, especially the developing countries. The sectoral coverage of commitments on legal services has been extended to allow foreign lawyers and law firms to set up in any Member State and provide **legal services** concerning the law of the country in which they are qualified. The practice of Community law and of Member States' national law is subject to joining a relevant professional organisation in an EU Member State.

The proposal will allow foreign **accountants** whose qualifications satisfy the criteria laid down by Community law to verify or draw up financial reports and other accounting information for EU clients. **Architects** and **engineers** will be able to provide EU-based clients with plans, drawings, projects, specifications or estimates without discrimination on the basis of nationality.

V. Requests to the European Union

Below is the list of third countries that have sent in requests

- Argentina
- Australia
- Brazil
- Canada
- China
- Colombia
- Egypt
- Grenada
- Hong Kong
- India
- Japan
- Kenya
- South Korea
- Malaysia

- Mali
- Mauritius
- Mexico
- New Zealand
- Pakistan
- Panama
- Paraguay
- Peru
- Singapore
- Sri Lanka
- Switzerland
- Taiwan
- Thailand
- Trinidad and Tobago
- Tunisia
- Uruguay
- United States

VI. General principles of the GATS

Under the General Agreement on Trade in Services (GATS), each WTO member sets its own commitments by drawing up a country schedule. This is a list of those sectors in which the country is prepared to offer foreign service providers market access and national treatment; this approach is known as the 'positive list' approach. Each country is free to draw up its country schedule in accordance with its particular political aims and constraints. Thus, for example, there is nothing in GATS to stipulate the number of commitments a country must make, the level of those commitments, or the sectoral model to be used.

For every sector which figures in the schedule, members must state the commitments they intend to make regarding market access and national treatment. A "**commitment**" is an obligation which members voluntarily take on not to adopt certain kinds of restrictions on market access, or not to practice certain kinds of discrimination against foreign suppliers. Exceptions are permitted in both these areas, but they must be noted in the schedule as "**limitations**". Limitations which apply across all sectors covered by the schedule may be specified in a horizontal section, to avoid the need for repetition.

Most Favoured Nation status: Under Article II of the GATS, each Member must accord immediately and unconditionally to services and service suppliers of any other Member "treatment no less favourable than that it accords to like services and service suppliers of any other country".

In principle, this means that in the sectors covered there can be no preferential agreements between groups of members, and no reciprocal agreements, which would restrict market access to trading partners who offer to provide equivalent treatment in return. Exceptions can be made by granting members exemptions from Article II. Members were authorised to request such exemptions when the agreement came into force; thereafter, new exemptions are only granted to new members on joining, or in the case of existing members, by special dispensation under Article IX(3) of the WTO agreement, or as part of economic integration agreements (GATS Article V). Every exemption requested is studied carefully; in principle, no exemption may last more than 10 years.

Market access: market access is a negotiated commitment intended to guarantee a certain level of access in specific sectors. It may be subject to the various kinds of limitations listed in Article XVI(2). For example, limitations may be imposed on the number of suppliers, of service operations or of employees in the sector concerned; on the size of transactions, the legal status of the service supplier, or the amount of foreign capital involved.

National treatment: making a commitment to provide national treatment means that the member concerned will not apply discriminatory measures which favour national services or service providers. The basic requirement is that no changes should be introduced in the competitive environment of the sector concerned, either in law or in practice, which would favour domestic businesses. The granting of national treatment in any particular sector may be subject to certain conditions and/or limitations.