

# Primer on the General Agreement on Trade in Services (GATS)

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## Contents

- [1. What is GATS?](#)
- [2. Why services?](#)
- [3. What types of services \(...\)](#)
- [4. What are the modes of \(...\)](#)
- [5. What are the general \(...\)](#)
- [6. What is the connection \(...\)](#)
- [7. How are the water sectors](#)
- [8. How are the power sectors](#)
- [9. What other claims do \(...\)](#)
- [10. How is GATS-WTO linked \(...\)](#)
- [11. How have the GATS negotiat](#)
- [12. What's in store for \(...\)](#)

In December 2005, the highest policy making body of the World Trade Organization (WTO) meets for the sixth time, this time in Hong Kong, in another attempt to hammer out neoliberal trade rules as outlined in the Doha Development Agenda. It can be recalled that two years ago, intense protest brought on the collapse of the 2003 5<sup>th</sup> Ministerial in Cancun, in the face of the developed nations insistence on maintaining their protectionist policies (e.g., heavily subsidizing their agricultural sectors) while demanding that developing nations abandon theirs. This blocked trade liberalization from progressing any further, but in 2004, the WTO General Council conveniently mounted what has been called an "institutional coup" and breathed new life into the stalled liberalization process.

The "July Framework" carries over North governments and corporations' unfinished business from the failed Cancun talks, which clearly privilege the European Union and the United States over the majority of poor, developing WTO members.

The July package also involves the General

Agreement on Trade in Services (GATS) as services negotiations are now pursued alongside DDA negotiations on other concerns. This “single undertaking” approach accords even greater negotiating leverage to the EU and the US, as they can, for instance, choose to hold out on agricultural concessions, should the developing countries prove intransigent and steadfast in the area of trade in services. For people’s organizations and progressive movements, this may be the only principled stance that governments of developing countries should take vis-à-vis GATS, a far-reaching instrument of corporate globalization and a practically irreversible process that threatens the freedoms, the very survival and future of South peoples across the globe.

The information in this primer aims to give a brief background, basic information and updates on GATS that we hope would be useful as a resource material in JS-APMDD campaigning to stop water and power privatization in the region.

## **1. What is GATS?**

GATS, a legally binding set of rules covering international trade in services, is one of more than 20 international agreements enforced by the WTO among its 148 members.

GATS differs from other WTO agreements, in that its mandate not only aims to reduce barriers on the trading of goods but also to open up countries’ service sectors comprehensively to global trade and competition. With “services” pertaining to anything outside of manufactured goods, raw materials and farm products, the scope of GATS is far-ranging and unprecedented. It establishes the trade rules governing cross-border trade in services for WTO member countries that are supposed to make it easier for services and service providers to move from one country to another.

In truth, there is more than just the acceleration of services liberalization in GATS. Contrary to how it is packaged, GATS is not the trade agreement that it is but one-sided investment tool that gives global corporations increasingly

unhampered access to markets and human services, and grants them as much if not even greater rights than citizens to exploit such access. The WTO and the European Commission have said as much, respectively flaunting GATS as the first multilateral agreement on investments and principally as an instrument of business.

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## **World Exports and Imports of Commercial Services<sup>1</sup>**

(In Bn Euros and % of World Total)

Figures not available here. See Jubilee South website.

1 Table taken from Eurostat News Release 117/2001, 8 November 2001, "The EU Figures for the Doha Conference". Data

source: IMF. Figures excluding intra-EU transactions. Commercial services excluding government services.

2 Intra-EU transactions are excluded. Intra-EU-15 trade in commercial services was worth 710.8 bn EUR in 2000.

Including this trade, the EU-15's share of world exports in 2000 was about 42%, and about 41% for imports.

3 Including repairs on goods & expenditures of foreign governments & international organisations in the USA, excluding postal & courier services.

4 Not by ranking order. Figures for Canada and China are given for comparative purposes only.

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GATS emerged at the close of the 1986-1994 Uruguay Round of negotiations, upon the urging of the developed countries to set up an international trading regime similar to the General Agreement on Tariffs and Trade (GATT) governing manufactured goods, but this time, dealing with trade in services. It then came under the auspices of the newly formed WTO in 1995 and has, since 2000 been the subject of negotiations or "rounds" among members aimed at establishing cross-border trade regulations that would progressively remove all obstacles to competition in the services sector.

GATS was previously tackled on a separate track from the other WTO concerns, but in November 2001, during the 4<sup>th</sup> Ministerial Conference in Doha, Qatar, it was integrated

with other WTO treaties into a “single undertaking”, euphemistically called the Doha Development Agenda. This means that GATS issues will no longer be tackled independent of the other issues that the WTO is mandated to enforce upon its members. (All WTO Members, currently some 140 economies at present, are also Members of the GATS.)

## **2. Why services?**

By the 90s, the services sector was promising to be a profitable investment area. From 57 percent in 1990, the contribution of the service sector to world gross domestic product grew to 64 percent in 2000 (World Bank). Of various services sectors, the water, health and education services are registering the biggest potential for profit. According to the International Consortium of Investigative Journalists: “...water companies are chasing a business with potential annual revenues estimated at anywhere from US\$400 billion to US\$3.” The market base of the most globally active water firms (all French) have in fact multiplied from 51 million to 300 million over a 12-year period, with business operations reaching across 56 countries. On education and health care, global expenditures have reportedly gone beyond US\$2 trillion and US\$3.5 trillion, respectively. (Barlow) The table below shows the US, Japan, Canada and the EU countries dominating global trade in services.

## **3. What types of services are covered by GATS?**

GATS covers 12 broad categories: services to business; communications; construction and engineering; distribution; education; environment; financial services; health and social services; tourism; sports, culture and entertainment; and transport. Anything else not covered by these sectors comes under the classification “others”. One hundred sixty subcategories go even deeper into the sectors, covering a whole range that includes postal services to scientific research, architecture, publishing and rubbish collection. An important aspect of the bilateral request-offer

processes that have been undertaken during trade rounds is the Schedule of Specific Commitments. "Each WTO Member is required to have a Schedule of Specific Commitments which identifies the services for which the Member guarantees market access and national treatment and any limitations that may be attached. The Schedule may also be used to assume additional commitments regarding, for example, the implementation of specified standards or regulatory principles...."

The schedule of commitments are organized into "sectoral" and "horizontal" sections:

- Horizontal Section: contains entries that apply across all sectors subsequently listed in the schedule; often refers to a particular mode of supply, notably commercial presence and the presence of natural persons.

- Sector-Specific Sections: contain entries that apply only to the particular service.

(Culled from the General Agreement on Trade in Services [GATS]: objectives, coverage and disciplines. Posted at the WTO website)

#### **4. What are the modes of supplying services?**

"Requests" or commitments are made with respect to each of four different modes of supplying services.

- a. Cross-border supply is defined to cover flows of services from the territory of one Member into the territory of another Member (e.g. banking or architectural services transmitted via telecommunications or mail);

- b. Consumption abroad refers to situations where a service consumer (e.g. tourist or patient) moves into another Member's territory to obtain a service;

- c. Commercial presence implies that a service supplier of one Member establishes a territorial presence in another Member's territory to provide a service (e.g. domestic subsidiaries of foreign insurance companies or hotel chains); establishing a

presence includes ownership or lease of premises.

- d. Presence of natural persons consists of persons of one Member entering the territory of another Member to supply a service (e.g. accountants, doctors or teachers).

(Culled from the General Agreement on Trade in Services [GATS]: objectives, coverage and disciplines. Posted at the WTO website)

Mode 4 deserves special attention for Asia Pacific because of its implications on the huge, largely unskilled numbers of overseas workers who have been forced to find jobs abroad because their own countries have failed to provide decent employment. An increasingly large number of these workers are women.

<b>General Obligation</b>	<b>What does it mean for WTO members?</b>
Most Favored Nation (MFN) Treatment (Part II, General Obligations and Disciplines, Article II)	Treat the foreign service suppliers of other member- countries equally and consistently.
Transparency in regulations (Part II, General Obligations and Disciplines, Article III)	Promptly inform other members of relevant measures which affect the application and operation GATS; immediately inform the Council for Trade in Services of t any new, or any changes to existing, laws, regulations or administrative guidelines which affect trade in services.
Objective, reasonable, and impartially administered regulations (Article VI Domestic Regulation)	In sectors where specific commitments are undertaken, ensure that measures affecting trade in services are carried out in a reasonable, objective and impartial manner.
Administrative review and appeals procedures (Article VI Domestic Regulation)	Maintain or institute judicial, arbitral or administrative tribunals or procedures to address and/or review decisions affecting trade in services.

<b>General Obligation</b>	<b>What does it mean for WTO members?</b>		
Disciplines on the operation of monopolies and exclusive suppliers (Article VIII Monopolies and Exclusive Service Suppliers)	Ensure that any monopoly supplier of a service in its territory does not violate the MFN, specific market access of national treatment obligations. If a member's monopoly supplier competes in supply of a service, it should ensure that the monopoly supplier does not abuse its position in its territory and acts in a manner consistent with MFN, specific market access of national treatment.		
<b>Specific Obligations</b>	<b>What does it mean for WTO members?</b>		
Market access (Part III Specific commitments Article XVI)	Applies in areas where commitments have been made, but subject to "limitations" (the laws, rules and regulations that may be counter to MFN, national treatment and market access principles of GATS). These include limitations on the number of service suppliers, outputs, operations, natural persons to be hired or value of transactions, whether in the form of quotas, monopolies, exclusive service suppliers or the requirements of an economic needs test, the total quantity of service outputs (quantitative restrictions) . Members cannot require specific types of legal entity or joint venture through which a supplier may supply a service nor limit foreign capital participation or the total value of individual or aggregate foreign investment.	National treatment (Article XVII National Treatment)	In the sectors where it has specific commitments, each Member shall grant the services and service suppliers of other Members treatment no less favorable than that it accords to its own services and service suppliers. The treatment of domestic and foreign services and suppliers should be identical, meaning that conditions of competition should be the same for the services or service suppliers of all Members. National laws should not be changed to favor the member's own service industry.

Source: 1) General Agreement on Trade in Services; 2) The General Agreement on Trade in Services (GATS): objectives, coverage and disciplines. Posted at the WTO website; 3) GATS Primer, Understanding the General Agreement on Trade in Services. Friends of the Earth International, November 2002.

Although GATS does not specify the level of

skills of workers, countries have made commitments only for the highly skilled (e.g., technical experts, managers, business executives etc.), who will be amply remunerated, and are not as vulnerable as less-skilled migrants desperate for employment. Gross violations of their human rights are well documented. As it pertains only to temporary employment (ranging from several weeks to a maximum of five years), GATS cannot claim to be an enabling instrument for providing employment across borders, as supporters have claimed. It can only benefit big business and their home countries, whose expatriate executives and technical specialists are already enjoying highly paid jobs in multinational subsidiaries around the world.

There are possibilities that developed countries may attempt to squeeze out more from the developing countries in exchange for concessions under Mode 4. But as Walden Bello has pointed out, accepting the liberalization of services in return for Mode 4 concessions that liberalize only professional labor is a very bad exchange indeed. If anything, this will only worsen the brain drain of developing countries, and not bring relief to their unemployment problems since the EU and the US will likely liberalize entry only for the most highly skilled professional workers.

## **5. What are the general and specific GATS obligations and disciplines for WTO members?**

General obligations are applied across-the-board, on all service sectors, regardless whether commitments have been made by WTO members. Specific obligations, on the other hand, refer to specific sectors which member countries have listed in their Schedule of Commitments.

## **6. What is the connection between GATS and privatization?**

GATS adds to the creation of conditions and of enabling environments to surrender to the private sector its responsibility of providing a service. This could take various forms, from



divestments or actual transfers of public assets to concessions or contract agreements. GATS skinned to the core is nothing more than the drive to pressure governments, especially those of the majority of LDCs, to relinquish their publicly entrusted mandates in determining investments in services and surrender this to private big business."

Article I (Section 3, b) disingenuously excludes services "supplied in the exercise of governmental authority" and "not supplied on a commercial basis, in competition with one or more service suppliers". This is one of the arguments that supporters cite when asserting that GATS does not threaten public services. Such claims, however, are clearly misleading and utterly deceitful. Since many public services today are supplied commercially and in competition with one or more service providers, they cannot escape the thrust of GATS to eventually bare the services markets to full international competition.

Leaked documents on the EU's final requests from 109 member-countries have exposed the truth behind the EC's denial that GATS would inevitably compel countries to privatize publicly services. This only confirms what supporters, like the lobby group International Financial Services of London have plainly acknowledged, that the very act of "opening service markets to foreign providers is self-evidently inconsistent with retaining public monopolies." (Hillary)

## **7. How are the water sectors of countries brought under GATS rules?**

Environmental services have been reclassified, upon the EU's recommendation, to include "water for human use and waste water management" as a sub-sector. This officially subjects water resources and attendant services for its management and distribution under the GATS regime.

Special attention must be given to the EU water agenda considering that membercountries control the largest global interests in water as top exporters of water

and sanitation services. It is thus hardly startling why the EU, speaking as one bloc in the WTO, seeks water sector liberalization commitments from 72 WTO member countries, mostly LDCs. Estimates have pegged Vivendi (now Veolia) and Suez's control of all private water services at a hefty 70 percent. Vivendi boasts of 110 million customers in 100 countries, while Suez has 125 million in 130 countries. Another European multinational is the German utilities conglomerate RWE, which has partnered with Thames Water of the UK.

Relatively smaller competitors in the global water industry belong to EU countries as well: SAUR (French), Anglian Water and United Utilities (British), Cascad (a joint venture of UK's BiWater and the Dutch group Nuon), Aguas de Barcelona (Spain) and International Water (a partnership of Bechtel of the US and Italian utilities group, Edison).

EC officials have even been holding consultations with water companies on possible obstacles to the expansion of their businesses abroad. The EC's Trade Directorate was also known to have told company representatives in a 2002 meeting: "One of the main objectives of the EU in the new round of negotiations is to achieve real and meaningful market access for European service providers for their export of environmental services. Therefore, we very much appreciate your input in order to sufficiently focus our negotiating efforts in the area of environmental services." Other EC officials have said as much: "The EC agenda is to seek better access for European service exporters in foreign markets." (Hillary, Save the Children UK 2003)

Equally appalling and revealing of WTO's "development agenda" is the way the EU is targeting water liberalization even in countries where public water facilities are providing clean, adequate and affordable water, and operating in a participatory, transparent and accountable manner. One example is the publicly owned and managed municipal water facility in Porto Alegre, which sources and provides water to almost a hundred percent of its population and at rates that are among the lowest in Brazil.

This is only one of the many pitfalls of GATS: its all-encompassing reach and hold that does not distinguish whether a service is publicly owned and provided, or partners with private entities, and does not recognize alternative forms of service delivery that challenge free market assumptions. It simply ignores why many Northern nations, for instance, implicitly recognize certain services, such as those over a resource as basic as water, as imbued with public interest and have chosen to keep these above any private business interest and in government hands.

## **8. How are the power sectors of countries brought under GATS rules?**

Along with the privatization of water sectors, the drive for so-called power sector reform has also become a marked priority of lending institutions. Privatization of all, or critical sectors (e.g., transmission) has been made a conditionality of loans extended to South countries.

GATS expediently provides the enabling environment in this respect with its broad coverage of the energy sector and its push to  
Primer on the General Agreement on Trade in Services (GATS)  
Jubilee South - Asia Pacific Movement on Debt and Development (JS-APMDD) | 7  
dismantle what little protection is left among South countries against the encroachments of big business. Privatized power or water regimes have been known to prioritize “high-value” industrial users over “commercially unviable” or loss-making sections such as slum communities and far-flung areas. This will surely have a significant impact on the estimated 1.6 billion people today who are without access to power — a resource that in today’s world, has also become as critical to development as water.

If the EU has special interests vis-à-vis the water sector, it is the US government and its power firms that are greedily eyeing the profits to be made from the acceleration of energy deregulation under GATS. Up until its eventual collapse, the giant energy corporation Enron, with its strong links to the Bush administration, used to be a lead player in the influential lobby groups behind GATS-WTO. Large investment banks like Goldman Sachs, Morgan Stanley,

Merrill Lynch and UBS, commercial banks like Bank of America and other US-based energy conglomerates have now filled Enron's place. (Public Citizen, March 2003; Enron: Clarke, 2001.)

Enron's fall led some US states to seek reregulation or delay the implementation of deregulation. No such action will be possible under GATS rules, which is probably why the majority of US states have remained wary of GATS. GATS doublespeak recognizes "...the right of developing countries to regulate and handle the supply of energy services in their territories in order to meet their domestic policy objectives" , but these would all be eroded by the GATS overarching principles of MFN, market access and national treatment.

Just like water services, MFN treatment allows, without restriction, the entry of big business into all the sub-sectors of national electricity industries. National treatment privileges them even further by granting them the same privileges enjoyed by local power companies. Finally, pushing privatization, market access principles target the dismantling of integrated public monopolies, i.e., national power corporations, including those still effectively providing affordable electricity to households and communities.

## **9. What other claims do GATS proponents make?**

GATS defenders lay great store by the treaty's preamble "...recognizing the right of Members to regulate". In truth, this does not stand up to specific, legally enforceable obligations laid out under the GATS rules on MFN and market access, and the incursions and restrictions on government regulation with regards service suppliers.

The myth of transparency and accountability. Services negotiations have been conducted with secrecy over the past rounds. As it were, the WTO and the North governments that dominate it already exercise great legally enforceable powers over the rest of the developing world. "...[T]he operations of the WTO show that it has

become the most powerful, secretive and antidemocratic body on earth, rapidly assuming the mantle of a global government and actively seeking to broaden its powers and reach.” (Barlow, 2001) Yet GATS endows it further with even greater power through negotiations processes that have proven, despite claims to the contrary, patently unjust, undemocratic and significantly lacking in transparency and mechanisms for accountability.

The myth of flexibility. Article XIX (Section 2) declares “...due respect for national policy objectives and the level of development of individual Members....” and that there shall be “...appropriate flexibility for individual developing country Members for opening fewer sectors, liberalizing fewer type of transactions, progressively extending market access in line with their development situation....” Negotiating guidelines/procedures are also to be established for each round, based on assessments of trade in services.

Why then has the former WTO director of the Trade in Services division, David Hartridge, described the terms of GATS as practically irreversible? This is because other provisions effectively work to “lock-in” service sectors committed to GATS. For example, GATS stipulates only the removal of obstacles to market access, and provides nothing on reviving past or introducing new conditions for investments. Through Article XXI, punitive measures are also to be applied against wayward members seeking modification of their commitments through Article XXI. This means

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Jubilee South - Asia Pacific Movement on Debt and Development (JS-APMDD) | 8

that even before the modification is actually implemented, the Member will already have to make compensatory adjustments to potentially affected Members.

The judicious choice of foreign direct investments, subject to national laws and performance standards, could indeed advance development efforts of poor and developing countries. But whatever gains are expected from allowing foreign investments, fall flat in the face of GATS provisions that erode the very

measures intended to make foreign direct investments work for country development goals. Article XVI bans members from setting conditions on the type of legal entity, e.g., joint ventures, or putting limitations on foreign capital partaking.

Philippine laws, for example, that require 60 percent equity of Filipino companies in projects with foreign-investor participation will most likely be targeted by GATS-WTO as a barrier to free trade and market access. Guarding against the incursions of European retail chains like Tesco and Carrefour, Thailand drafted a Retail Business Act, but was compelled to abandon this after the EU submitted in 2002 its GATS requests for full commitment in the sector. (Joy and Hardstaff, World Development Movement, 2003)

The bilateral nature of the request-offer negotiations adds another layer of pressure on developing countries whose trade representatives are reported to have singly gone into bilateral trade negotiations against several trade specialists from North governments. As the Bangladeshi ambassador to the WTO noted: "When you go into a bilateral format of the negotiations, you are vulnerable... Because against a major developed country, you simply cannot withstand the level of scrutiny. And you do not have the strength in numbers that you get in the multilateral process...Within a multilateral context, in the WTO, sometimes developed countries are unable to get their way with us. But when you come to the bilateral mode, we find that where they are unable to persuade us to agree to something multilaterally, they apply pressure bilaterally to get it done." (As cited by Joy and Hardstaff)

As of May 2005, however, only Australia, Bahrain, Brazil, Canada, the EC, Hong Kong, Iceland, Korea, New Zealand, Singapore, Suriname, Taiwan, and the US have put revised offers forward. This slow progress in GATS offers is reportedly being met by continuous attempts to change the negotiations process, that is, abandon pretense at flexibility and set minimum benchmarks for all WTO members to follow. Proposals include, among others,

ensuring ---

- "...commitments for all sectors [particularly] in Mode 3 (commercial presence). This includes the right to establish new and acquire existing companies... and to ensure appropriate commitments in cross-border supply (Modes 1 and 2)"[the removal] for the mentioned modes of services delivery, discrimination between domestic and foreign suppliers regarding the application of laws and regulations (national treatment) and to remove nondiscriminatory limitations such as monopolies, numerical quotas or economic needs tests...."  
(Strickner, Institute for Agriculture and Trade Policy, 2005)

## **10. How is GATS-WTO linked to the priorities and thrusts of international financial institutions?**

"The interlinkages between the different aspects of economic policy require that the international institutions with responsibilities in each of these areas follow consistent and mutually supportive policies. The World Trade Organization should therefore pursue and develop cooperation with the international organizations responsible for monetary and financial matters....," so the WTO has declared. In the same declaration, it invites the Director-General of the WTO to "...review with the Managing Director of the International Monetary Fund and the President of the World Bank, the implications of the WTO's responsibilities for its cooperation with the Bretton Woods institutions, as well as the forms such cooperation might take, with a view to achieving greater coherence in global economic policymaking". (Declaration on the Contribution of the World Trade Organization to Achieving Greater Coherence in Global Economic Policymaking)

As far back as the Bretton Woods conference in 1944, there was already recognition that in addition to the IMF and the International Bank for Reconstruction and Development (the World Bank), there had to be another mechanism for

globally overseeing liberalized trade. The WTO and the world's dominant financial and lending institutions continue to work for so-called "harmonization" or the convergence of policies and actions. Concretely, the WTO's privatization-enabling trade regimes and the IFIs' drive to privatize public services have been greater coherence over the last few years. In fact, the expanded reach accorded by services transactions under GATS has increased so-called "harmonization" and further enlarged areas of interaction, complementation and coordination.

"The structural adjustment programs and other liberalization reforms as conditions on loans by the IMF and World Bank have, and continue to be, a major method of supporting WTO trade liberalization objectives." From 1981 to the close of the Uruguay Round in 1994, 75 countries were the recipient of 238 loans supporting the liberalization of trade or foreign exchange policy. (Rowden)

With the World Bank's approval of the Private Sector Development Strategy in 2002, service donor and lending agencies have been prioritizing the increased involvement of the private sector in services provision. Loan conditionalities have also been made contingent on borrowing countries' ability to ensure business climates that are attractive to private investors.

"Privatization frontiers" is how the Bank's private sector investment arm, the International Finance Corporation, describes the water sector, among other social services targeted for greater private sector participation. In 2002, the Bank released the Water Resources Sector Strategy (WRSS), its new agenda for increasing levels of private sector involvement in the water sector, from sourcing to management and distribution. Large dam projects, various types of urban and rural water privatization arrangements, cost recovery schemes, etc., have gained resurgence from the WRSS.

These three institutions are clearly moving



towards coordinating not just global trade but global finance as well. In April 2001, the World Bank released the document Leveraging Trade for Development, in which it offered new lending instruments meant to assist borrowers in meeting WTO requirements and prepare for participation in multilateral, regional and bilateral trade agreements. (Rowden, 2001) Then in 2003, a historic first transpired at the General Council: the meeting of the heads of the World Bank, IMF and the WTO. It was further suggested by the WTO secretariat that governments accord these bodies observer status at the highest level of negotiations, the Trade Negotiating Committee and its various negotiating bodies, a status that not even the UN bodies have been granted.

“Members should ask themselves why these institutions rather than the UNDP and, in particular UNDP’s regional offices, are not proposed for such status instead—since the round is supposed to be about development.” (Geneva Update, Trade Information Project, Institute for Agriculture and Trade Policy, May 20, 2003)

## **11. How have the GATS negotiations progressed thus far?**

Five years from the adoption of GATS by the WTO, talks and negotiations were initiated by the WTO in February 2000. The critical requestoffer phase of the GATS negotiations opened in mid-2002 with WTO members submitting “requests”, or more accurately, commitments that bind targeted service sectors to liberalization.

Primer on the General Agreement on Trade in Services (GATS)  
Jubilee South - Asia Pacific Movement on Debt and Development (JS-APMDD) | 10  
Originally, the GATS round aimed for conclusion in January 2005, but due to deep disagreements on various issues between developed and developing countries, the 5<sup>th</sup> Ministerial in Cancun collapsed. One of the main points of contention was the issue of agricultural subsidies, on which the EU and the US have consistently been stonewalling.

Developing countries have repeatedly

been calling for reductions on North governments' more than US\$300 billion worth of export subsidies and domestic support, which place agricultural producers in South countries at a gross disadvantage and have progressively damaged local production. Again ignored in Cancun, developing countries coalesced into the G-20, along with Brazil, India, South Africa and China, whose large agricultural sectors and markets are critical to the North. Then in 2004, in an effort to get liberalization moving forward, the WTO General Council came up with the July Framework — a negotiations framework entailing a broader reach services and even deeper commitments on the evercontentious areas of Services, Agriculture and Non-Agricultural Market Access. The temporarily stalled process towards full liberalization had been restarted because G20 lead countries, Brazil and India had been drawn into the informal grouping known as the Five Interested Parties (FIPs) or the G5, together with the US, EU and Australia. Supposedly representing almost a hundred developing countries, Brazil and India played right into the hands of the G5 initiators.

Predictably, the developed countries' agenda, such as pushing for more market offers on services liberalization and maintaining high subsidies for their agricultural producers, remain high on the agenda. The framework for nonagricultural market access (NAMA) will flood Southern markets with TNC products as industrial and manufacturing tariffs are steadily eliminated.

## **12. What's in store for developing countries at the 6<sup>th</sup> WTO Ministerial Conference in Hong Kong?**

WTO cluster meetings have been going on to

target the “satisfactory” conclusion of the Doha Round in Hong Kong. With regards GATS, this means full access to a global market in services. Members should, by that time, show how they have progressed vis-à-vis the offers made or the commitments sought since the Doha Ministerial. Some statements by EC officials that GATS has been “the most disappointing area” of the Doha Development Agenda’s progress already provide indication that the developed countries are bound to step up the pressure on services commitments from developing countries.

Meanwhile, the “single undertaking” approach has rendered the negotiating positions of developing countries even more fragile and vulnerable to the pressure tactics of North governments. “By formally tying the services negotiations to negotiations in other areas, the Framework allows the EU and the US, in particular, to hold the negotiations in agriculture hostage to the services negotiations and vice versa, by conditioning their ‘concessions’ in one area dependent on their gains in the other.” (Focus on the Global South, 2005)

The precedent set by having the WTO General Council issue the July Framework, forebodes other perils for developing countries in the road to Hong Kong. Deviously, the decision-making core of the WTO has swung to the General Council from the Ministerial Conference. The possibility is real that the Hong Kong Ministerial Conference would be reduced into a stocktaking exercise, while critical decision-making processes on major issues are passed on to the level of the more exclusive General Council of the WTO. ###

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**P.S.**

Jubilee South Asia Pacific Movement on Debt and Development, apmdd jubileesouth.org,  
<http://www.jubileesouth.org>  
Mailing Address: Jubilee South-APMDD Secretariat, 54F Matapat corner Matiyaga Streets, Central District, Quezon City, 1100 Philippines. Telefax: (632)9253036