



# EUROMED Economic Transition Conference

## Services Liberalisation in the Euro-Mediterranean Region

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## Plan of the presentation

- Case for services liberalisation
- Negotiations on services: methods and constraints
- Ongoing EUROMED talks
- Regulatory convergence and the 'stake in the internal market'

## Overall state of play

- Weak and heterogeneous WTO commitments by Mediterranean partners (MPs)
- Little South-South integration
- External factor: extra-regional FTAs
- Association Agreements

## EUROMED Association Agreements

- Very little substance on services liberalisation (exception: maritime transport)
- Evolutionary clause at the latest 5 years after entry into force of AA

## Importance of services

- EU: more than 75% of both GDP and employment
- MPs: ~ 60% GDP
- EU is world's largest importer of services (accounts for 30% of total world trade in services)
- Dynamic sector (faster growth than rest of economy)
- Over 60% of world FDI goes into services (UNCTAD's WIR 2004)

## Services liberalisation and development

- Services  $\neq$  Goods
  - Regulation vs tariffs  $\rightarrow$  cost-increasing vs rent-creating barriers
  - Services important inputs for production and exports (like capital-intensive goods)
  - Huge potential for liberalisation
  - Liberalisation  $\neq$  Deregulation
  - Liberalisation benefits both local & foreign suppliers

## Competitive services are key

- Financial services: impact on savings and investment
- Telecom services: economy-wide intermediate input in production
- Transport services: key for trade-led growth
- Professional & business services: horizontal transaction costs
- Environmental services: link to sustainable development

## The case for regional integration

- Intra-regional integration spurs growth
  - Size effect: Larger markets, economies of scale
  - Dynamic effects: competition increase, modernisation effect of FDI
- First step towards world economy
- The case for “deep integration”
  - Regulatory convergence
  - Link to ENP

## Trade negotiation methods

- Different methods have different merits
  - Autonomous: quality and speed
  - Bilateral: regulatory convergence
  - Multilateral: first best solution, but slow and 'shallow' integration
  - Regional: best average
- Combination of methods is needed

## GATS: the basics

- A legal framework for liberalisation
- Fundamental principles
  - Transparency
  - Non-discrimination
    - The “Most Favoured Nation” clause
    - National treatment

# GATS coverage

- Business Services (e.g. marketing, legal, computer services)
- Communication
- Construction
- Distribution
- Education
- Environmental services
- Financial services
- Health-related services
- Tourism
- Recreation, Culture, Sports (e.g. theatre, news agencies)
- Transport services
- Other (e.g. laundry, hairdressing)

Governmental services are excluded ("services provided in the exercise of governmental authority" – i.e. supplied "*neither on a commercial basis, nor in competition with one or more service suppliers*")

## Modes of supply

- GATS recognises four ways of providing a service - the “Modes” of supply:
  - Mode 1: remote supply across borders
  - Mode 2: the consumer travels abroad to receive a service
  - Mode 3: through a commercial presence
  - Mode 4: the supplier travels abroad to provide the service

## Modes of supply

- The share of supply modes in world trade:
  - ~ 25 per cent for Mode 1
  - ~ 15 per cent for Mode 2 (mainly tourism)
  - ~ 60 per cent for Mode 3
  - ~ 2 per cent for Mode 4
- Mode 3 has been the most dynamic component of services trade in recent years

## GATS conditions

- Article II: MFN clause
- Exception of Article V on economic integration agreements:
  - Substantial sectoral coverage (of 164 sub-sectors)
  - All modes of supply
  - Eliminate substantially all discriminations
  - Flexibility for DCs

## EU approach to services negotiations

- Fully respects GATS V
  - Sectoral coverage : everything but maritime cabotage and air transport
  - Asymmetry of commitments
  - Transition period
- Istanbul Framework Protocol as a basis
  - Adopted by Ministers in July 2004
  - South-South integration
  - Regulatory component

## State of play of ongoing EUROMED negotiations

- Negotiations were launched on 24 March 2006 with 7 willing MPs
- First negotiating session on 5 July to discuss general provisions
- In parallel, bilateral negotiations on market access commitments to start soon

## South-South dimension

- Standard feature of EU trade policy
  - Avoid intra-regional segmentation of markets
- Combination regional/bilateral negotiations
- The regional MFN clause
  - Only when MPs have concluded an agreement
  - MPs can go further among themselves than vis-à-vis the EU
  - Exceptions possible

## A stake in the internal market ?

- Regulatory cooperation is key
- Art. XX of Istanbul Protocol
  - Progressive integration of services markets
  - Regulatory convergence towards EC
  - Sectoral approach
- Integration of trade & development policies
- ENP a tool to make it happen

## Conclusion

- Specificity of EUROMED:
  - Partnership
  - Process
- Support for genuine regional integration
- Need for pre-identifying sectors for regulatory cooperation/convergence
- Usefulness of this Conference



Thank you for your  
attention !