Trade in Services: its Treatment in International Forums and the Problems Ahead

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When the General Agreement on Tariffs and Trade (GATT) was concluded in the late 1940s, there was hardly any mention of international transactions in services. At that time, the issue of international trade in services was of minor importance. In addition, attention was initially focused on measures hampering trade at the border. With the principal output of the majority of the sub-sectors of the service industry being "non-tangible", trade impediments relevant for the international exchange of services are of a more subtle nature. These impediments gained importance as the volume of international transactions in this sector increased considerably during the last decade—a development paralleled by the mushrooming of non-tariff barriers in the field of merchandise trade.

As in the field of internationally traded goods, there are plenty of trade barriers affecting transactions in services. Service industries participate in the international economy via either trade or investment activities. A number of service industries, such as banking or insurance, can often "export" their services only by establishing offices or branches abroad through which they gain access to the foreign markets. In cases such as these, restrictions on the foreign companies' freedom of establishment in a country become restraints of trade.

Results of the Tokyo Round

Barriers affecting trade in services attracted much less attention than barriers against merchandise trade in the various multilateral trade negotiations of the past. Although earlier GATT rounds of negotiation dealt with some aspects relating to services, it was not until the Tokyo Round that certain provisions and agreements were explicitly tackled.1 This interest in services can predominantly be ascribed to initiatives taken by the US delegation, which raised the question of various restrictions under pressure from American exporting interests.2 Supporting fire was provided by the EC on some issues. Apart from the question of patents, the complaints related primarily to certain practices in the fields of transport (the insistence of Eastern European countries on using their own ships, flag discrimination by Argentina and Brazil, cabotage rules) and insurance (regulations in a number of countries requiring policies to be concluded exclusively or predominantly with national agencies). However, discussion of these problems did not produce any notable results.

Some of the agreements reached in the Tokyo Round do, however, contain elements that affect trade in services. This is true of

- the agreement on government procurement, which mentions services, although they must play only a minor part in government purchases of goods. The committee on public procurement established under the agreement is supposed to examine the extension of the agreement to pure service contracts;
- the agreement on subsidies and countervailing duties, in that a separate list of export subsidies

2 Cf. Hans J. Petersen, Fritz Franzmeyer, Peter Hrubesch, Siegfried Schultz, Dieter Schumacher, Herbert Wilkens: Der internationale Handel mit Dienstleistungen aus der Sicht der Bundesrepublik Deutschland; Entwicklung, Handel, Politik, DIW (German Institute of Economic Research), Beiträge zur Strukturforschung, Vol. 78, Berlin, Munich 1984, p. 187 f., cited as "DIW".
expressly refers to service industries, though here too only insofar as services are included in exports of goods;

the sectoral agreement on trade in civil aircraft (the abolition of all customs duties and other charges on civil aircraft and aircraft parts as from 1st January 1980).

International services were discussed at the ministerial meeting held in Geneva in November 1982. The Americans were pressing for concrete measures, but they failed in their attempt to have the GATT Secretariat clearly mandated to catalogue the impediments to international service transactions and to examine the applicability of the GATT articles and codes of conduct to trade in services. The GATT principles that are of particular interest in this connection include the most-favoured-nation clause and the principle of the equality of treatment of residents; GATT also provides a very useful conciliation procedure and the Agreement allows developing countries to receive special treatment.

Opposition to the United States’ proposals came mainly from the developing countries. Many of these countries feel a particularly strong need for protection in the services field, so that a powerful group of developing countries maintained that GATT had no mandate for the services sector and therefore blocked acceptance of the work programme sought by the USA. A number of Western European countries were also not prepared to support the United States. Many of them consider that they are not yet sufficiently competitive with American suppliers and are therefore reluctant to commit themselves to the GATT procedure that will ultimately lead to free trade and open markets.

Agreement was finally reached on a recommendation to interested countries to carry out national studies on the subject and to exchange information among themselves. So far, studies have been produced by Canada, the USA, the United Kingdom, the Netherlands and Sweden. The EC has recently also prepared a study on the economic role of services, their share in external trade and the relevant legislation. It was originally intended that the outcome of these investigations should be discussed in the autumn of 1984 at a further conference of the contracting parties, but the actual progress of consultations so far has made the previous timetable obsolete.

The GATT Ministerial Declaration of November 1982 on Services:

The Contracting Parties decide:
1. To recommend to each contracting party with an interest in services of different types to undertake, as far as it is able, national examination of the issues in this sector.
2. To invite contracting parties to exchange information on such matters among themselves, \textit{inter alia} through international organizations such as GATT. The compilation and distribution of such information should be based on as uniform a format as possible.
3. To review the results of these examinations, along with the information and comments provided by relevant international organizations, at their 1984 Session and to consider whether any multilateral action in these matters is appropriate and desirable.


Treatment in Other International Forums

One of the other important forums dealing with the question of trade in services is the OECD. Earlier efforts at liberalisation among member countries (cf. the Codes of Liberalisation of Capital Movements and of Current Invisible Operations) has given the OECD detailed experience in the sector, and this has now been used to advantage in the debate on trade barriers in the services field.

A pilot study on construction/engineering and consultancy services was first carried out, but other service branches have now been examined in detail. After producing a series of internal documents and holding intensive discussions among member countries, the OECD published part of the voluminous material in 1983-84 (insurance, tourism, banking). Other subsector studies (maritime transport, telecommunications and computer services, as well as the film industry) are currently under way in the respective committees.

The attempt to establish analogies with merchandise trade and to discover any features common to the entire services sector runs like a thread through all the...