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Possible consequences of the GATS on the agricultural sector of developing countries

A CIRAD report for the FAO

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CONTEXT

Over the last decade, there has been a significant move towards liberalising and privatising the agricultural sector in many developing economies, as a prominent component of structural adjustment programs (SAPs). The rationale was to allow more efficient use of resources as well as to reduce the fiscal burden of market interventions. Their macro-economic impact is in general considered positive.

At the micro level however, the objectives of improving competitiveness, reducing poverty and increasing sustainability effects appear to be partially and unequally achieved. Narrowing the scope of the State intervention in developing countries (DgCs), with a budding private sector, weak insurance and banking structures and insufficient basic infrastructures, induced counterproductive effects which the liberalisation process was not supposed to yield.

Complementary activities, globally named as «services», have to be provided in/to developing economies to allow them to fully benefit from privatisation and liberalisation in agriculture and thus to experiment sustainable growth. In contexts where efficient and targeted services for this sector are required, the possible consequences of WTO General Agreement on Trade in Services (GATS) need to be closely assessed to avert eventual damaging externalities. This report analyses whether GATS associated with privatisation can help improving the agriculture sector in developing countries.

PRINCIPAL FINDINGS

Theoretical effects of GATS in DgCs' agriculture are undoubtedly positive. This Agreement, when fully applied, is supposed to improve efficiency in the sector, facilitate foreign direct investment, resulting in technology adoption, diversification and increased competitiveness.

To take advantage of the benefits, possible for efficient economies within the GATS, the fulfilment of some preconditions is required. However, most developing countries need to overcome market and government failures, prevailing after decades of expensive self-centred («auto-centré») development and several years of SAPs. Such failures undermine overall efficiency, decreasing attractiveness of the economy to capital and investment.

In agriculture, spatial scattering and a high level of risk call for commercial presence of service suppliers as well as tailored and targeted services. Enlarging the scope of services provided for agriculture should rely on formal and informal existing networks : in particular in the cases of insurance, banking and communication. In general, agriculture requests for services are not fulfilled because investments in the latter are oriented towards export or high-return sectors. GATS main stake for DgCs agriculture is not to export services at the lowest cost, classical concern in WTO discussions, but to supply them to scattered, partially informed and often poor, not to say insolvent, farmers at the lowest cost.

Developing countries should also be concerned by three other issues when dealing with GATS. First, the assessment of capacities of the markets and the State to provide the services required before a liberalisation process. Second, the possible irreversibility in liberalisation policies and in the withdrawal of the state (especially from ensuring minimum services), can have damaging consequences on the poorest. Third, the possible dichotomy in efficiency when compared with the one of developed countries might favour the latter in taking advantage of liberalisation process.

RECOMMANDATIONS

Prior to committing any services sector under the GATS, an adequate sequencing in policy making should help governments to overcome the constraints agriculture faces. The first step is to determine the sub-sectors to liberalise and privatise by identifying the "well-functioning markets requirements" and those where they could easily be fulfilled with targeted public intervention. Specific poorly-functioning or unprofitable services often point out *de facto* those which should not be committed in the negotiations.

The choice then relies on unilateral or multilateral agreed liberalisation. The former allows for reversal and flexibility in policies, while the second, even if it locks the process, enhances the credibility and facilitates reciprocity in the commitment. Even if some studies suggest that the multilateral option induces a stronger impact, especially because it secures investment, these results should be considered with caution.

Also, unexpected risks associated with the GATS may arise, deriving from the complex construction of the agreement and from governments legitimate fears of loosing the possibility of policy implementation, such as to support human and institutional capacities, and/or to implement precautionary measures, in particular in cases of percolating, collapsing or vanishing markets. This might explain the limited level of commitment of many countries, and in many cases, its less liberal scope than the current "status quo" policies. Clarifying the questions left open by the GATS, mainly on domestic regulation and safeguards issues, is a pre-requisite to moving forward a fair multilateral liberalisation agenda supported by domestic political forces.

Until this clarification occurs, fulfilling both equity and efficiency concerns through the GATS seems arduous to achieve. By now, initial conditions such as competitiveness and degree of development of each service sector dictate the choice between either simultaneous liberalisation and commitment under GATS, or liberalisation-cum-privatisation and then GATS commitment. The likely benefits for agriculture much depend on the «attractiveness» of the agricultural sector as well as its ability to allow for sustainable services within it. Besides «win-win» commitments benefiting both services and agriculture and concerning *already* profitable sectors, governments should preserve and even enhance their ability to avoid any possible failures or inequity bias in their fairly developed agricultural markets.

In order to preserve governments ability to react, unilateral or multilateral liberalisation process has to include a risk management component, thus mitigating, and even preventing, market and government failures (such as infrastructure disruption, market power and rent-seeking activities, decline or disruption in the provision of collective goods, etc.). Also, creation of strategic frameworks for the definition of acceptable collective objectives and means calls for donors to reinforce negotiating and monitoring capacities of both governments and private actors.

I. INTRODUCTION

1. Over the last decade, there has been a significant move towards liberalising and privatising the agricultural sector in many developing economies, as a prominent component of structural adjustment programs (SAPs). The rationale was to allow more efficient use of resources as well as to reduce the fiscal burden of market intervention. These reforms are generally considered to have had a positive macro-economic impact through fostering growth, cutting opportunities for rent-seeking activities and rationalising pricing policies.

2. However, the analysis of their impact at the micro level shows that they have only partially– and even unequally– achieved their objectives of improving competitiveness, reducing poverty and increasing sustainability. Narrowing the scope of the State intervention in developing countries (DgCs), with a budding private sector, weak insurance and banking structures and insufficient basic infrastructures, induced counterproductive effects which the liberalisation process was not supposed to yield. Complementary activities, globally named as «services», globally named as «services» had to be provided in/to developing economies to allow them to fully benefit from privatisation and liberalisation in agriculture and thus to experiment sustainable growth (Stiglitz, 1989).

3. In such a context of imperious need for efficient and targeted services to agriculture, the possible consequences of the WTO General Agreement on Trade in Services (GATS) on developing countries, signed in 1994 and due to be further negotiated after 2000, are to be closely assessed in order to avert eventual damaging externalities.

4. The aim of the next round of services negotiations in accordance with Article XIX.1 of GATS is to achieve progressively higher level of liberalisation of trade in services through the reduction and/or elimination of the adverse effects on trade in services of measures to provide effective market access. The results of the negotiations should promote the interests of all participants on a mutually advantageous basis, and secure an overall balance of rights and obligations, with due respect for national policy objectives and the level of development of individual members both overall and in individual sectors.

5. This report analyses whether GATS associated with privatisation can help improving the agriculture sector in developing countries. Section 2 briefly recalls the historical process as well as the economic background of privatisation of goods and services in DgCs over the last decades. Section 3 draws the lessons from privatisation and liberalisation in DgCs, while section four presents the GATS Agreement and its relevance for DgCs agriculture. Four issues are identified, that the section 5 addresses by comparing the possible benefits and drawbacks of the multilateral and the unilateral approaches of liberalising services. Consequences for public policies and negotiations conclude this last section.

II. TOWARD A MARKET-ORIENTED AGRICULTURE

6. After the Second World War, many governments in developing countries, as well as in developed countries, believed that economic development and poverty reduction required active participation of the state and protection of local industry and services. Following a Keynesian approach, an inward-looking, state-led development path was adopted, leading many countries to implement protectionism, investment control, and state monopolies in key sectors.

7. DgCs tried to finance their growth by tapping financial resources from agriculture and direct them toward industry and services, following the so-called «import-substitution» strategy. High volatility and high level of commodity prices in the 1970s, combined with irrational borrowing in international markets from export-oriented DgCs (prices were expected to continuously increase), along with «cronyism» and rent-seeking strategy, resulted in high level of public debt, inflation and finally a waste of national resources in most of the unprofitable state-owned enterprises. High level of taxes on producers output significantly reduced farmers income. All these negative effects, among which the insolvency of states ranked first for donors like the World Bank, generated an «increasing disenchantment with inward-looking development», as the World Bank cautiously stated (World Bank, 2000 : 61).

8. This «increasing disenchantment» led DgCs to implement reforms (and donors to impose conditionalities) that replaced state intervention on markets with private incentives, public ownership with private ownership, and protection of domestic industries with competition with foreign producers and investors. Privatisation is now a global phenomenon, adopted in many countries, and it is non related to their level of development or the political affiliation of their government. As expressed by Guislain (1997), since the launch of the UK privatisation program in the early 80's, the privatisation wave swept over the world, touching every continent, every political system, and every sector. Its emphasis moved gradually from the industrial, agricultural, commercial and financial sectors to the infrastructure sectors; it has recently started to reach social welfare services such as education and health, and administrative services.

9. Enhancing efficiency through competition and the implementation of market-oriented strategies is a shared rationale for the inclusion of agriculture and services in WTO negotiations. This rationale does not assume that markets work alone. Public good provision, prudential regulation, collective bargaining are examples of the necessary and complementary activities that states and society have to undertake to make markets work better, especially in the agricultural sector in developing countries. Now to make markets work better in agriculture requires the efficient provision of core services (finance, transport, distribution, infrastructure, education), either of private or public nature. Therefore agricultural markets and production need services.

10. The question is whether services need agriculture to expand and make profit. Were the answer negative, then targeted public – or collective – action must help direct services toward agriculture and replace them when necessary. This could be done all the more easily in the WTO framework than most of support measures of services to agriculture are de-coupled measures, i.e. measures included in the Green Box (and are therefore «clean» measures).

→ To make services to agriculture profitable is thus the first and main issue behind the GATS for developing countries.

III. THE LESSONS OF PRIVATISATION AND LIBERALISATION

11. Services reinforce economic efficiency and development of producer services is particularly important in this regard : infrastructure, particularly telecommunications, finance and transport, are key determinants in competitiveness of goods and services exports in a country. Socials services as well as linkages between certain basic services sectors (infrastructure services, as well as health and education) too play an obvious role in sustainable development and growth (table 1).

Table 1 : Agriculture and services as % of GDP

	Agriculture		Services	
	1980	**1998**	**1980**	**1998**
World	**7**	***5***	**56**	**61**
Low income	31	21	30	38
Middle income	13	*9*	46	*56*
High income	3	*2*	59	*65*

Source: World Bank, *World Development Report 1999/2000*

12. The analysis of the results of privatisation and liberalisation processes in developing countries, completed with the impact assessment on the agricultural sector (Cirad, 2000 ; World Bank, 2000), show that they have only partially—and even unequally—achieved their original objectives of improving competitiveness, reducing poverty and increasing sustainability. Agricultural growth under SAPs has been both unequal and unstable (an example is given in box 1). The increase in agricultural incomes as a result of price liberalisation has often been reduced by a rise in production costs and purchasing power has been cut back by the increasing monetisation of social services (health and education, for example). State withdrawal from different sectors has not improved accountability in terms of environmental costs which are difficult for the market to pick up.

Box 1 : Developing countries after SAPs : the case of Kenya

- Kenya has undergone structural adjustment programmes since the early 1980s.
- Some of the results have been positive, in particular for small landholders and others in the private sector. But deregulation has :
  - ➢ driven down the prices that farmers receive for their produce ;
  - ➢ contributed to increased prices for production inputs ;
  - ➢ lowered the impact on improving farmers' access to credit.
- The private sector is not vibrant enough to replace the government's traditional role as marketer of food.
- Kenya's dependence on food imports is rising and the country has sought to generate much-needed foreign exchange by developing markets for its export crops.
- The Agreement on Agriculture has not helped Kenya overcome the weaknesses in its agriculture sector, which is the basis of much of its economy. The reduction of export subsidies and other forms of dumping is helpful, as is transparency in the import regimes of developed countries. But additional measures need to be considered such as implementation of the Marrakech Decision, exemptions from liberalisation for staple food corps and specific measures to improve supply and marketing of locally-grown food.

Source : Murphy (1999)

13. As studies and impact assessments demonstrate, today in most developing countries liberalisation requires pre-conditions for building competitive, sustainable and poverty alleviating capacities. These are particularly important for ensuring that markets liberalisation makes a positive contribution to achieving social, development, and environmental goals. Markets for goods and services can only function properly if a set of pre-conditions has been satisfied (Box 2).

Box 2 : Markets requirements, the lessons from SAPs

1. Legitimate stakeholders and effective competition
2. Solvent demand
3. Operational credit and saving institutions
4. Institutions for risk management
5. Rules that secure market transactions
6. Independent and effective regulatory agencies (or effective social control)
7. Labour and capital mobility
8. Transparency of and access to information
9. Adequate supply of public goods
10. Efficient local governance and legitimate leadership

Source : CIRAD (2000)

14. Because of the sensitive character of many services sectors (like education, water provision or health), Governments wish to control the supply of services for collective goods related aspects, like the provision of universal services, consumer protection, prudential matters or economy-wide externalities. Barriers to the entry of foreign services suppliers are thus usually incorporated into domestic legislation, which implies that the improvement of access to local services market usually requires legislative reform. This contributes to the complexities of expansion of services trade and promotion of trade liberalisation, as WTO conceded.

→ Assessing the markets and state's respective capacities to provide the services required in the liberalisation process is the second issue at stake behind the GATS for developing countries.

IV. A FURTHER STEP TOWARD FREE MARKETS : THE GATS

15. The internationalisation of services is expected to create opportunities for expanding into new exports, in particular through long-distance service exports and the attraction of FDI through a stable regulatory framework. Opportunities in services trade have expanded as a result of several specific global trends like (a) information technologies, coupled with telecommunications, which have made more services tradable on a cross-border basis; (b) information technologies are also supporting the unbundling of production and consumption, allowing for more specialised producer service inputs; (c) organisations in both goods and services production are externalising or outsourcing their non-core producer service inputs to increase their competitiveness, creating new producer service opportunities (Unctad, TD/B/COM.1/21, 24 July 1998). Expanding market shares and fostering growth through increased services exports is the basic rationale behind the GATS.

A. Rationale

16. In agriculture, products follow a transformation process which involves a wide range of services without which the commodity chain cannot function efficiently. Distribution of pesticides and fertilisers, supply of seeds, transport of products, crop insurance and financing, technical education of farmers, storage, are some of the straightforward services complementary to agriculture production. The higher the efficiency of such services provision, the lower the cost of services input to producers and the higher farmers welfare. This relationship illustrates the rationale for services liberalisation in the agricultural sector.

Box 3 : The rationale of the GATS

The creation of the GATS was inspired by essentially the same objectives as the GATT : improving trade and investment conditions through multilaterally agreed disciplines ; stabilising trade relations through policy bindings on an Most Favoured Nation (MFN) basis ; and achieving progressive liberalisation through subsequent rounds of negotiations.

Underlying the drive towards service liberalisation is the fairly well-accepted economic literature that competition and liberalisation of markets for goods and services provide the best environment for the allocation of resources. Economic theory further argues that even unilateral opening of markets benefits a country, by enhancing the mobility of production factors and boosting innovation and competition on quality and price. The consumers gain thus access to better and cheaper products and services, while previously protected sectors are forced to adapt to the increasing international competition.

In this view, «job loss in one sector will be offset by job creation in another, and the new jobs will be higher-productivity than the old. It is this movement from low- to high- productivity jobs that represents the gain from the national perspective, and explains why, in principle, everyone can be made better off as a result liberalisation.» (Stiglitz 1999 : 5).

17. The rationale is theoretically valid whatever the factors and resources endowment of a country. It is expected to be true for developing countries and their agricultural sector, should the markets requirements mentioned above be met : «This economic logic requires markets to be working well, however, and in many countries, underdevelopment is an inherent reflection of poorly functioning markets. Thus new jobs are not created, or not created automatically. Moving workers from a low-productivity sector to unemployment does not increase output. A variety of factors contribute to the failure of jobs to be created, from government regulations, to rigidities in labour markets, to lack of access to capital. […] There are some sectors of the economy where the standard competitive paradigm does not work well even in developed countries, let alone developing countries.» (Stiglitz 1999 : 5).

B. Modes of supply

18. In view of its ever increasing significance, international trade in services came onto the trade-policy agenda towards the end of the Tokyo Round of the Gatt. The United States in particular was calling for multilateral negotiations to liberalise services markets, in the interest of its expanding services industry. This was rejected by most of the developing countries, because they feared negative repercussions on their development.

19. It was not until the Uruguay Round of multilateral trade negotiations, which began in 1986, that trade in services became an integral element of the talks. In the course of the negotiations, however, the industrial countries realised that they themselves would have difficulties with a broad liberalisation of their services markets (Barth, 1999 : 9). They therefore revised their initially very ambitious ideas.

20. Subsequently, the developing countries in particular fought successfully for such a flexible liberalisation concept that they were able to adapt their commitments to suit their respective economic possibilities and development interests. As a result, the General Agreement on Trade in Services (GATS), negotiated during the Uruguay Round, is the first ever set of multilateral, legally-enforceable rules covering international trade in services. And it is the world's first multilateral agreement on investment, since it covers not just cross-border trade but every possible means of supplying a service, including the right to set up a commercial presence in the export market.

21. Contrary to international trade in goods which requires goods to physically cross the border, services can be traded in many other ways. Four modes of supply currently define trade in services.

- **Mode 1** from the territory of one Member to the service consumer of any other Member, or «cross-border supply» (e.g. banking or architectural services transmitted via telecommunications or mail).
- **Mode 2** in the territory of one Member to the service consumer of any other Member, or «consumption abroad» (e.g. tourism, ship repair or aircraft maintenance) ;
- **Mode 3** by a service supplier of one Member, through commercial presence in the territory of any other Member, or «commercial presence» (e.g. insurance companies or hotel chains) ;
- **Mode 4** by a service supplier of one Member, through presence of natural persons of a Member in the territory of any other Member, or «presence of natural persons» (e.g. accountants, doctors or teachers).

22. What has been defined as world trade in commercial services in balance-of-payments statistics corresponds, in fact, to trade conducted under modes 1 and 2. According to estimates by the WTO Secretariat, the amount of services traded by commercial presence abroad is roughly equivalent to the level of cross-border trade in services - the main amount which has been recorded to date.

C. Principles

23. The GATS has three basic principles: first it covers all services except those provided in the exercise of governmental authority ; second, there should be no discrimination in favour of national providers - the national treatment principle ; and third, there should be no discrimination between other Members of the Agreement - the most-favoured-nation (MFN) principle.

24. No tariff or other generalised protection mechanism being applied in services, the agreement does provide for important exceptions. Governments can choose the services in which they make market access and national treatment commitments. They can limit as well the degree of market access and national treatment they provide. They can also take exceptions even from the MFN obligation, in principle only for ten years, in order to give more favourable treatment to some countries than to any WTO Members. The process of liberalisation under the GATS is thus a function of the willingness of Governments to enter into multilateral commitments in different policy areas.

D. Obligations

25. Obligations contained in the GATS can be categorised into two groups : General obligations which apply directly and automatically to all Members, regardless of the existence of sectoral commitments; and specific commitments whose scope is limited to the sectors and activities where a Member has decided to assume market access and national treatment obligations.

26. General obligations include the MFN Treatment, Transparency, and emphasise that Regulations must be «objective and reasonable». Specific Commitments include Market Access and the National Treatment. In order to commit services to the GATS specific commitments rules, countries fill in a schedule. During negotiations, governments request sectors from other countries in exchange for offering their own. As a WTO member, each country must enter into successive rounds of GATS negotiations and offer more service sectors to the agreement's liberalising rules.

27. The GATS does not impose the obligation to set market access or national treatment commitments in a particular sector. In scheduling commitments, members are free to tailor the extent of the commitments they take so as to avoid or modify obligations that they consider too demanding at present. However, Article XIX stipulates a common obligation of WTO Members to enter into successive rounds of trade negotiations with a view to achieving a progressively higher level of

liberalisation and help countries to «overcome domestic resistance to change»[1]. According to the WTO Secretariat, «bindings undertaken in the GATS have the effect of protecting liberalisation policies, regardless of their underlying rationale, from slippages and reversals» (WTO document S/C/W/97, 9 February 1999). This is presented as a tangible benefit of the GATS, a stable policy framework («protected liberalisation policies») enabling market forces to generate income and growth. Such a benefit may not outweigh however obligations made to Members.

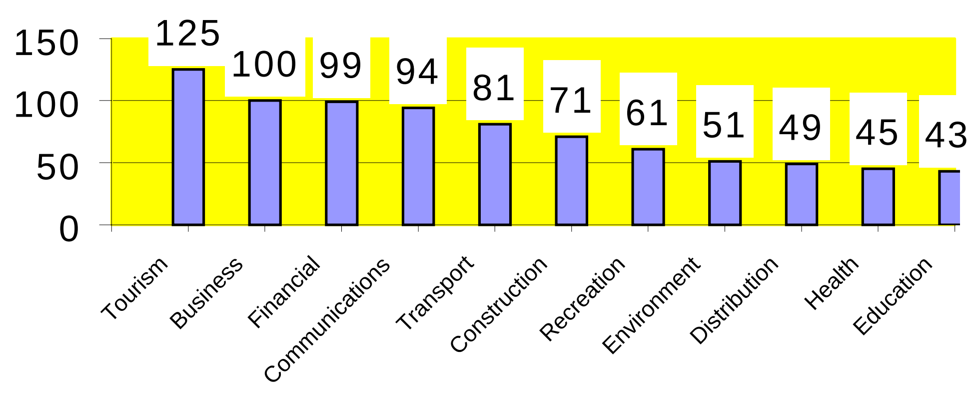
→ Possible irreversibility in liberalisation policies and in the withdrawal of the state, with its likely damaging consequences on the poorest, is the third issue at stake behind the GATS for developing countries.

E. Relevance of the GATS for developing countries' economy

28. The GATS contains no definition on services, since it proved impossible to achieve a consensus on this. In view of its principle of «global coverage» the GATS embraces all commercially «tradable» services. No service sector is a priori excluded. The sole sectoral exception is air transport rights («hard rights»), which, as stipulated in the annex to the GATS on air transport, do not fall under the Agreement. Also, services which are supplied under government authority are excluded form the liberalisation.

29. In order to achieve a practical solution to the definition issue, the WTO Secretariat has drawn up a list of the service sectors covered by the GATS[2]. Whilst it is neither binding nor final, it is used by most of the WTO countries. The list contains 11 major service sectors which are in turn subdivided into numerous subsections : **Business** services, including R&D, computer, real estate, rental/leasing, advertising, marketing, etc; **Communication** services, including telecoms, postal, audio-visual; **Construction and related engineering** services; **Distribution** services; **Education** services; **Environmental** services, including environmental protection, refuse disposal etc; **Financial** services, including insurance, banking, asset management and financial information; **Health and social** services; **Tourism and travel** services; **Recreational, cultural and sporting** services; **Transport** services, including sea, air, rail, and road; and a catch-all **'other'** category. The structure of commitments by sector in given in figure 1.

Figure 1 : Structure of commitments by sector (number of Members)



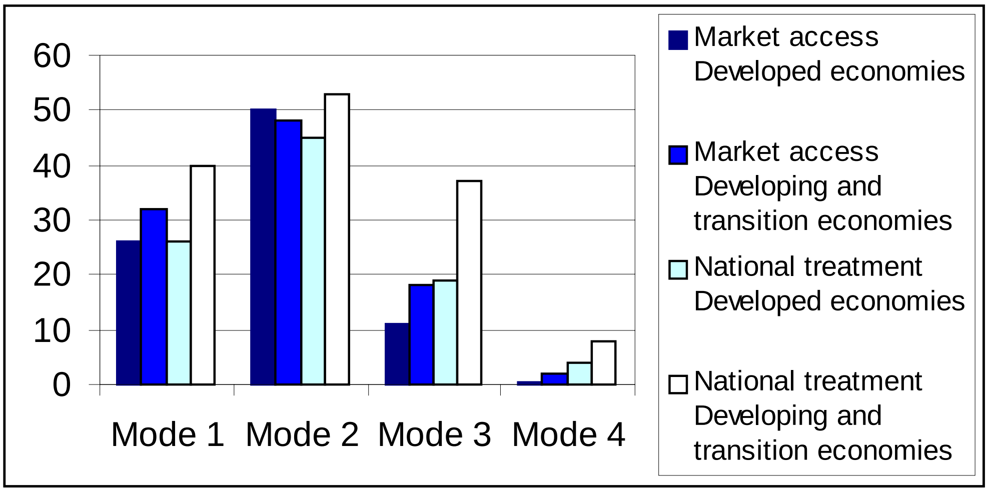
Source : Source: WTO document S/C/W/95, 9 February 1999, p.12.

[1] «The GATS : objectives, coverage and disciplines», WTO website (www.wto.org).
[2] GATT Doc. MTN.GNS/W/120

30. Developing countries' traditional export interest has been in tourism, transport and labour movement (Unctad, TD/B/COM.1/21, 24 July 1998). However, private sector service firms in developing countries report a wide range of export activity, especially when the supply of services to local foreign companies is included. Although scope for expansion exists in the above-mentioned traditional sectors, the most dynamic component of commercial services is "other commercial services" such as finance, construction, computer and information and communications services.

31. The main emphasis under the GATS has so far been placed on improving the market access conditions for the establishment of commercial presence. This mode has been given preference by developing countries in order to encourage FDI, given that, with appropriate limitations and performance requirements (employment requirements, local content requirements, export performance requirements, transfer of technology, training), both of which are permitted under GATS, commercial presence could contribute to building domestic capacities and to expanding services exports (figure 2). The argument put upfront by the WTO Secretariat is that the GATS is a powerful means of encouraging foreign direct investment in crucial infrastructural services such as telecommunications, finance and transport, and this essentially because GATS provides security to investors by guaranteeing that investment and trading conditions will not be changed against their interest.

Figure 2 : Structure of commitments by mode (percent of full bindings)



Source : WTO Document S/C/W/99 3 March 1999 and Adlung (1999 : 10).

32. The structure of commitments demonstrates the willingness of developing countries to internationalise their services economy through full bindings on market access and national treatment (figure 2). In particular, mode 3 (commercial presence) is twice as used by developing countries as it is by developed countries, while mode 4, presence of natural persons (where developing countries are considered to have a comparative advantage), remains a highly-sensitive issue for developed countries, still reluctant to open their economy to such a mode of supply.

33. Indeed, many governments of developing countries only signed the GATS agreement because of its flexible negotiating structure (designed not to force governments into commitments), and because of its potential to open up opportunities for contract workers. World Development Movement (2000) recalls that developing countries have often argued against the unfair nature of international trade rules, allowing the free movement of capital, but not of people. The GATS contains rules to promote the unrestricted movement of capital related to the supply of services, whilst the same treatment failed to given to the movement of labour. Some Southern countries see the current GATS negotiations as a means of addressing this issue.

Box 4 : The 'potentially enormous' scope of the GATS

Due to the agreement's broad interpretation of what constitutes 'trade', and the expansive areas of activity it categorises as services, the scope of the GATS is potentially enormous. Its rules can even apply indirectly to goods, on the grounds that they have to be distributed, and 'distribution' is defined as a service. For instance, the US successfully used the GATS as one part of a WTO case it brought against the EU over Caribbean bananas. A WTO dispute panel agreed the EU banana regime discriminated against US multinationals as 'service providers' engaged in the wholesale trade and distribution of bananas to the European market.

Source : WDM (2000)

34. Acknowledging the contribution of services to growth and transformation of developing countries and their important role in employment creation, some assessment of GATS effects (Unctad, 1999) have outlined several difficulties that developing countries face when trying to compete on world services markets or attract FDI flows. Unctad studies for example reckon that :

(1) **Most developing countries have deficit in trade in services** except as it relates to tourism and travel and worker remittances. Developed countries account for three quarters of world exports of services and top 20 exporters are mainly from developed countries.
(2) **Since the adoption of GATS, developing countries world share of service exports has increased by a small percentage** i.e. 6 % and this is mainly for Asian countries which is linked to their competitiveness to export goods.
(3) **There is no empirical evidence of significant increase in FDI** flows to developing countries linked with the conclusion of GATS.

35. Developing countries deficit in service trade can be a direct consequence of the concept of «comparative advantage». Originally developed for trade in goods, this concept also applies to international trade in services. The theory simply says that a country engaged in international trade has competitive advantages in those goods and services that require a relatively high use of production factors which are relatively abundant and thus cheap in that country. It follows that competitiveness in international trade in services is primarily determined by factors endowment which – as with trade in goods – varies from one country to another. In technology-intensive and capital-intensive services sectors (like transport, communications), as well as in skilled labour intensive services (like business, education and finance), an important role is played by technical infrastructure and financial resources, a point that basically explains the gap between DgCs and Oecd countries in world services trade share.

→ It explains the asymmetry between developing and developed countries in their balance of opportunities and constraints during the liberalisation process, which is the fourth issue at stake behind the GATS.

Box 5 : A summary of issues behind the liberalisation of services

Issue 1 : Agriculture needs services, which does not imply that services, once liberalised, will fulfil the requirements of the agricultural sector.
Issue 2 : Properly functioning markets of goods and services require pre-conditions, to the satisfaction of which adequate collective or public services provision appears necessary.
Issue 3 : Possible irreversibility in the liberalisation process and its consequences for developing countries population, especially for the poorest, could increase the social cost of multilateral liberalisation.
Issue 4 : Imbalances in opportunities and constraints between developed and developing countries due to different levels of competitiveness in services sector could reduce developing countries' expected benefits of liberalisation in the new GATS.

V. ADDRESSING THE ISSUES : WITHIN OR WITHOUT THE GATS?

36. Services relevant to agriculture among the sectors and sub-sectors identified by GATS have been identified in Annex 1. Annex 1 has been produced by experts from various horizons, as to identify services directly and indirect relevant to the agricultural sector, when «relevance» simply suggests that they could generate significant returns when directed to this sector[3]. Business, education, communication, distribution, environment, finance and transport services appear to be of direct interest to agriculture while construction, health and tourism are of more indirect interest.

37. Potential benefits of GATS are real. Access to low-cost processing technologies as well as to environmentally sound technologies through services import ; facilitation of contacts with foreign enterprises through commercial presence ; improved business training, which should play a useful role in improving business efficiency and further, creditworthiness ; access to broadcast market prices strengthening the bargaining position of farmers ; these are some examples of the virtues of free trade, which allows to increase productivity and spread technical innovation among countries at the lowest cost. But particularities of agricultural sector make such benefits difficult to achieve without a clear understanding of the reasons attracting services to or diverting services from the sector.

A. Constraints on services supply to agriculture

38. Problems and constraints faced by the agricultural sector after or under SAPs have been widely detailed in literature[4]. Still, obstacles and constraints remain, which prevent liberalisation to make systematically a positive contribution to the achievement of social, developmental and environmental goals assigned to liberalisation :

(a) High transaction costs, especially those associated with the high costs of enforcing contracts, information asymmetries and limited capacity to bear risks, are disincentives to agricultural services suppliers in many developing countries (Coste and Daviron, 2000).

(b) High level of risks and uncertainty in agriculture reduces the sector attractiveness to services providers and endanger business viability**.** For example, farmers exposed to risks are more likely to default on bank loans (Binswanger 1980).

i. Price risk. Until the mid-1970s, price stabilisation has typically taken the form of institutional arrangements for price stabilisation programs, including physical buffer stocks schemes, stabilisation funds or variable tariff schemes, and marketing boards. Many of the schemes failed because they were based on administratively set benchmarks which required large resource transfers in years of low prices (Islam and Thomas, 1996). Indeed, with limited borrowing capacity and generally unhedged exposure to price risks, the stabilisation programs were difficult to maintain when payments were required over consecutive years (World Bank, 1999b). The stabilisation components of the international commodity agreements proved moreover unsustainable and are no longer enforced (Unctad, 1998). At the national level, because of strict budget constraints, precarious fiscal revenues and a deceiving experience in the past, a consensus has been reached among international institutions on the principles of a possible new market-based approach to bridge the gap between risk management instrument providers in the North and entities in DgCs that lack access to such instruments. However, this new market-based approach of price insurance services is not yet effective. Preliminary results show that the premium required by price insurance contract sellers could be as much as three times higher than farmers willingness to pay (Lefrand, 2000). Risk mitigation service is in itself a highly risky business in developing countries. This could explain why, in most cases, they are not provided by the private sector in such countries.

[3] Cirad, Solagral, Inra, Iram.
[4] A recent synthesis is given by, for example, Kherallah, Delagado, Gabre-Madhin, Minot and Johnson (2000).

Box 6 : Entangled risks in developing countries, the case of cocoa cooperatives in Côte d'Ivoire

Liberalisation of commodity chains in Africa has led to fluctuations of border prices, which in turn has made farmers' income volatile and uncertain. The price-risk issue for farmers and cooperatives is thus real, as demonstrates the case of cocoa in Côte d'Ivoire. Besides facing a speculative problem (stock-piled quantities value rises and falls according to price movement), cooperative are faced with risks generated by way that the local market (dys)functions. First of all, the provision risk : lack of trust among growers toward their cooperative nullifies possible mutualisation of risk. Secondly, the financial risk, because the lack of trust toward downstream operators hinders safe financing operations. Lastly, experience shows that contracts setting a price more than one week before delivery often generate a huge **counterparty risk**, cooperatives themselves defaulting.

Source : Lefrand (2000)

ii. Crop risk. Providing a mean of coping with yield risks against a certain premium (for which the farmer can have to borrow), crop insurance has a strong interplay with credit markets and price policies. The problem in rural areas is credit rationing in the sense that many potential borrowers have little or no access to credit from formal institutions at prevailing interest rates and therefore cannot resort to crop insurance or insurance of any kind. Most of the restrictions in the capital market grow out of the high degree of uncertainty in agriculture, and the problem is more serious for farmers who cannot offer collateral, which is the prevalent situation for many low-income farmers in developing countries (box 7).

Box 7 : Constraints to crop insurance service supply

Country	Type of insurance	Result
Mexico	Crop (maize)	Subsidies required
Mexico, Costa Rica, Panama, US, Israel	All-risk	Premium set to 20%
US, Japan, Brazil, Sri Lanka, Mauritius, Mexico	Crop	Failure of private efforts
Brazil	Crop	Adverse selection (high-risk producers) and poor performance
US, Brazil	Crop	Subsidies required
Costa Rica	Multiple-risk	Reinsurance from the government

Source : Hazell, Pomareda and Valdès (1986). They collected in 1986 a large range of experiences in crop insurance to assess the feasibility and sustainability of private crop insurance schemes in developing countries. Their results dispute the viability of private insurance mechanisms in many cases. Converging results can be found in Hueth and Furtan (1994).

iii. Counterparty risk. Writing insurance contracts for a large number of small farms and carrying out inspections proves to be very costly. The provision of insurance can involve huge service costs, particularly when the insurer faces difficulties with moral hazard and adverse selection[5]. Moreover, reinsurance institutions are needed in all cases and these are much too rare in developing countries to make the crop insurance sector sustainable.

iv. Quality risk issues arising after commodity chains privatisation for inputs (like fertilisers) as well as output have been documented by various studies (Cirad 2000). The case of cotton in West Africa after partial privatisation was implemented provides an interesting example of rising instability and heterogeneity in pesticides quality. We can mention as well the example of cocoa in Côte d'Ivoire, where upper-grade cocoa beans share in Côte d'Ivoire cocoa exports was stationary until the 1997/98

[5] Both tend to be pervasive in agricultural insurance. Moral hazard arises if farmers become less conscientious in trying to avoid damage because they find it easier to rely on insurance compensation. Adverse selection refers to the phenomenon of attracting mainly farmers who have higher-than-average risks relative to the premiums charged. The problem arises if the insurer cannot easily determine the actuarial risks they are insuring against at a sufficient micro-level and if policies for farmers who face diverse risks are written with the same premiums and indemnities.

campaign when it suddenly collapsed in the wake of liberalisation (Ministère de l'agriculture et des ressources animales de Côte d'Ivoire, 2000).

Box 8 : Liberalisation and quality risk, the case of cocoa in Cameroon

Official quality standards disappear in favour of standards set by traders. The « bétonnage » of cocoa in every step of the commodity chain leads to export uniform and mediocre quality products, like « fair fermented » products, experiencing a large discount in world markets. Moreover, absence of control on transactions fosters the development of bad practices («coxage») to the expense of growers who are not familiar with commercial dubious practices. Removal of differentiated payments on the basis of official quality standards, combined with individualisation of transactions on growers side, as well as sharp competition among buyers, has lead to a sharp decline in product quality.

Source : Bernard (2000).

(c) Market power Privatisation and liberalisation in many cases can lead to the concentration of key services activities in a few companies. It is for instance reckoned that in Cameroon, two private companies now control directly or indirectly about 90 % of cocoa beans trade. Their strategy is to control regular and reliable supply of medium to low quality cocoa, at the lowest price, due to a discount in world markets on export prices, and a compression of costs through priority given to quantity (the quality being improved at a low cost through technological process in Europe). Similar findings have been stressed out in Côte d'Ivoire where three multinationals are about to take control of over 70% of trading activity in coffee and cocoa (Ministère de l'agriculture et des ressources animales de Côte d'Ivoire, 2000).

(d) Unequal access to services, especially in remote areas, for solvability and geographical reasons. Solvability as well as geographical constraints (access to marginal lands) explain for example the low supply of training services in many developing countries. Records of Latin America experience show that privatisation of training services can lead to an increase in the quality of the services provided but to a reduction of the number of farmers targeted. Equal access to services wherever a farmer or a consumer is located was often an objective of public services ; it is unlikely to remain a priority for private operators who, by definition, charge their customer with all the costs they face (transport, access…).

39. These serious problems are absent from most contributions on services liberalisation, for studies concentrate on **services exports** (where such problems do not appear) while agriculture mostly require **services supply as well as imports**. This significantly differentiates the nature and the scope of issues behind the GATS.

B. Consequences of services liberalisation on the agricultural sector

40. The four constraints detailed above make very likely for the price increase in most services, once they are privatised, for the very reason that private operators, in order to make their activity sustainable and profitable, have to charge their customers with all the transaction costs, risks and uncertainty that they face, costs that the government used to subsidise. In some cases privatisation and liberalisation can result in the disappearance of services, once it has occurred that they proved not profitable. Early assessments of economic effects of services liberalisation demonstrated these negative and possible consequences.

41. The WTO Secretariat presented in May 1998 a Note on the Economic Effects of Services Liberalisation (WTO Document S/C/W/26/Add.1). The Note provides an overview of the main findings of all studies available to the Secretariat and published since January 1990, dealing with the economic effects of services liberalisation in three sectors – banking, telecommunications, air and road transport -, most of them being examples of unilateral liberalisation.

Box 9 : Telecommunication privatisation in Argentina

Policy Change	- In 1990 ENTEL, the State-owned monopoly supplier, was privatised. In this context, the company was split into four units: two operate regional networks; one provides long-distance services; and one specialises in competitive services such as telex and data transmission.
Results	- **Immediately after privatisation, average telecommunication tariffs increased by over 96%.** - Labour productivity was extremely low before privatisation. There were less than 78 lines per worker in service in 1990 as compared to 250 lines in the U.S., 172 in France and 102 in Great Britain. After privatisation, total employment was reduced by 11.9% and the working week increased from 35 to 40 hours as in the rest of the economy.
Consumer Welfare	Privatisation revealed a tension between the Government's fiscal interest in high tariffs (and thus in high transfers from the monopoly operators) and user interests. Need for more active regulatory supervision.

Source : Abdala (1992) and WTO (1998, S/C/W/26/Add.1). Positive results should be mentioned : a wider telecommunication network and a broader access to telephones throughout the country.

42. For telecommunications, rising tariff was observed in the only developing country mentioned, Argentina. This does not mean that service provision was inefficient ; its price simply internalise all costs, whereas some of them were formerly subsidised by the government monopoly.

43. Foreign direct investment in financial services were too expected to have positive effects in terms of transfer of technology, introduction of new products, price reductions and quality improvements. Besides, intersectoral linkages are usually likely to be large, as finance and insurance are important components of developing and maintaining a competitive export sector. Although they restrict to sectoral effects (finance), the results highlight the difficulties in creating *ex nihilo* a profitable competitive market after years of public intervention.

44. Without sustainable channels to drive services and capital to producers and co-operatives, agriculture is confronted with the risk of being split between existing performing sectors (cash and export crops) and the “other sectors”, like food crops or any agricultural activity undertaken in remote areas. Examples from Paraguay, Uruguay and Caribbean illustrate possible damaging effects of services liberalisation on farmers, and especially the smallest. In Paraguay, financial liberalisation brought about a decline in the real flow of funds from commercial banks to the plantations ; **banks preferred to invest their assets in less risky activities such as export financing** (Penner, 1994). In Uruguay the study suggests that **the virtual disappearance of the domestic banking sector** had important consequences for resource allocation. For a variety of reasons, **foreign-owned banks tended to be more risk averse than domestic banks** (Frenkel, 1994). For the Caribbean the study concentrates more on **the costs of regulation** rather than the benefits from deregulation for the Caribbean banking industry. The author maintains that liberalisation yields poorer results in countries with underdeveloped capital markets and non-existent economies of scale than in advanced large economies (Williams, 1996).

45. Macroeconomic aspects should not be eluded either, for a shortage of liquidity at a micro-level derives from a country’s disability to attract foreign capital. A recent record of Coface diagnosis on various country risks underlines the share of DgCs considered as highly risky, especially in Africa. It recalls the gap of trust and confidence to bridge by most of them in medium term (box 9).

46. Transport is a key sector in creating a dynamic investment-export nexus in developing countries, but the capacity and efficiency of transport systems especially in sub-Saharan Africa are being weakened by a lack of investment, and the poor performance of the transport sector is adversely affecting export performance and market development (Unctad, TD/B/46/10 20 August 1999).

47. Until the 1990s, physical transport facilities in DgCs were primarily provided by the public sector. Governments often played a critical role by regulating entry and the prices of private sector services. Although there are well-known legitimate reasons for public involvement, it is now generally agreed that public monopoly in the provision of transport services, as well as heavy-handed intervention, weakened transport systems (see Annex 2 for African transport costs compared with competing countries). The main response has been privatisation of the management of transport operations.

48. Few studies provide information on the consequences of deregulation on efficiency and welfare in the transport sector. Benefits of services liberalisation and deregulation in DgCs can be given on the one hand by the experience of Chile and Mexico with respect to port services, leading to substantial reductions in operating costs and a significant increase in labour productivity (World Bank, 1993 : 90).

49. On the other hand, new type of problem arise. According to an Unctad study (TD/B/46/10, 1999) best-practice policy reform requires the establishment of an appropriate regulatory framework which ensures constructive competition, avoids predation and cartelization, and protects the public interest[6]. "Where market forces are weak and important public interests are at stake […] the strengthening of government institutions may be a prerequisite of successful privatisation"[7]. Net social gains from privatisation are in conclusion of Unctad study unlikely to be large if a public monopoly is simply replaced by a private natural monopoly without an efficient regulator.

Box 10 : High level of country risk : Coface diagnosis on developing countries, 1999

Country	**Short term risk assessment**	**Medium-term risk assessment**
South Africa	Low	Rather low
Algeria	Low	High
Angola	High	Very high
Benin	Low	High
Botswana	Low	Low
Burkina Faso	Low	High
Cameroon	Medium	Very high
Cap-Vert	Low	Very high
Chad	Medium	Very high
Congo	High	Very high
Côte d'Ivoire	Low	High
Egypt	Low	Rather high
Erythrea	Medium	Very high
Ethiopia	High	Very high
Gabon	Low	Very high
Ghana	Low	Rather high
Guinea	High	Very high
Kenya	Low	High
Libya	Medium	High
Madagascar	Medium	Very high
Malawi	High	Very high
Mali	Medium	High
Mauritius	Low	Rather low
Mauritania	High	Very high
Morocco	Low	Medium
Mozambique	Medium	Very high
Namibia	Low	Rather low
Niger	Medium	Rather high
Nigeria	High	Very high
Rep Centrafrica	High	Very high
Senegal	Low	High
Sudan	High	Very high
Tanzania	Medium	Very high
Togo	Medium	Very high
Tunisia	Low	Rather low
Uganda	Medium	High
Zambia	High	Very high
Zimbabwe	Medium	High

Source : Marchés Tropicaux, 3 Mars 2000 : 335.

50. The three-sector assessment of services liberalisation impacts tend to show that, apart from maritime services where liberalisation should improve agriculture competitiveness if efficient regulation is provided, full binding services liberalisation could leave behind many developing countries simply because private operators and

[6] World Bank, *Sustainable Transport: Priorities for Policy Reform* (Washington, DC, 1996), quoted by Unctad, (TD/B/46/10 20 August 1999).
[7] C.D. Jacobsen and J.A. Tarr, "No single path: ownership and financing of infrastructure in the 19th and 20th centuries", in A. Mody (Ed.), *Infrastructure Delivery: Private Initiative and the Public Good* (Washington, DC, World Bank, 1996), pp. 32-33, quoted by Unctad (TD/B/46/10 20 August 1999).

investors would charge too much for their providing services and prefer more profitable sectors than agriculture as well as other economies than DgCs.

C. Consequences for public policies and negotiations

51. Issue 1 and 2 raise thus the question : what privatise and liberalise? It follows from our analysis that privatisation/liberalisation should be implemented first in the sectors where the markets requirements (box 2) are satisfactorily fulfilled. When the markets requirements are not satisfied, which appears to be the situation in many DgCs and for most food crops, they have to be achieved gradually through public or collective action – and ultimately with financial aid. Progressive establishment of efficient agricultural and services market conditions leads us to the issues 3 and 4, or : how liberalise?

52. This hypothesis behind the GATS basically states that, especially for developing countries, a commitment within the framework of a bilateral or multilateral legally binding agreement increases the expected impact of any change in policy (Tohamy, 1999). However, many countries have decided to unilaterally liberalise and enhance competition in their economies without locking-in their policies in a multilateral agreement.

53. Moreover, if opportunities provided by the GATS to developing countries are real (albeit they depend on the fulfilment of several hypothesis - the “well-functioning markets requirements” described above) and are widely documented by the World Bank and the WTO[8], risks associated with the GATS because of its own structure must not be eluded. While many Southern countries agreed to the 1994 GATS on the basis that nothing would be forced on them, and they could make specific commitments to the market access and national treatment rules when and how they wanted, the bottom-up agreement championed by negotiators is not exempted from possible drawbacks[9].

Box 11 : Irreversibility in the GATS

Commitments made are effectively irreversible. Built into the GATS are an umber of mechanisms that eliminate governments’ capacity to undo the commitments to liberalise, regardless of the wishes of their citizens :

- There is no emergency safeguard in the GATS to allow governments to temporarily reverse commitments that have produced catastrophic consequences. The Quad group of countries (United States, Japan, Europe, Canada) is vigorously blocking developing countries’ attempts to use the ready-made model for a safeguard measure that already exists in the GATT to negotiate a parallel one in the GATS.
- There are also problems surrounding the modification of commitments, as set out in GATS Article XXI. In theory, countries can withdraw a commitment «after three years have elapsed from the date on which that commitment entered into force». The three-year time lag is a significant problem to countries that have made errors in their schedules, or to others who face emergency situations they cannot resolve because of GATS commitments. Even once the three-year time period has elapsed, reversing a commitment appears to be almost impossible.

Source : World Development Movement (2000)

54. Besides the irreversibility issue (box 11), which could result in prohibiting any domestic market support in case of market collapsing, issues related to GATS rules underline the difficulties countries could face when trying to bridge the gap between services markets and agriculture.

55. **‘National treatment’** rules could restrict governments’ ability to ensure that local people benefit from foreign investment and trade in services. For example, foreign banks cannot be required to establish branches outside the capital, despite the desperate lack of access to financial services experienced in outlying areas of countries like Mozambique. Restaurant and taxi concessions cannot be reserved for operation by local people, as is currently done in places like Goa in India, where the government has regulated to guarantee local participation in tourist development (WDM, 2000).

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[8] See Hoekman (1999), Hoekman and Braga (1997), Hoekman and Messerlin (1999), Mattoo (1999).

[9] We have drawn for this part on NGO’s literature, and especially, on World Development Movement various reports (WDM).

56. National treatment rule can also affect governments' ability to selectively support certain local companies. They already apply to government subsidies whenever they make unlimited commitments, meaning governments cannot give assistance to local service suppliers that they do not also offer to foreign corporations. It does foreclose the ability ever to give support to suppliers from particularly impoverished areas or sectors of the population. When a government fully commits a service under national treatment they prohibit themselves and any future government from placing a variety of requirements on foreign companies, like : involve local people in management ; pay particular taxes when money is earned in a country ; limit their borrowing from local lenders ; hire or train local staff ; transfer technology or conduct research and development.

57. **'Market access'** rules could restrict governments' ability to pursue their own national development strategies. Article XVI Market Access lists categories of measures that a government can no longer apply when they make unlimited commitments in a sector. Any limitations they do place on their commitments become highly visible targets in subsequent rounds of negotiations. The prohibited measures include : limits on the numbers of service suppliers ; limits on the number of people employed in the sector ; limits on foreign involvement ; limits on the total value of activity and the total value of service output ; joint venture requirements.

58. Where they have made unlimited commitments, governments can not set policies to shape what happens after a sate-owned service has been privatised. They cannot stipulate what percentage of the shares of capital or voting rights have to be held by residents, require an assessment of the impacts on competition before a corporation is purchased by a foreign corporation or limit the number of shares that can be owned by one person or corporation.

Box 12 : Ambiguity on the 'necessary' and 'legitimate' domestic regulations in GATS

In addition to increasing the number of sectors to which GATS 'specific commitments' rules will apply, the industrialised countries are proposing a variety of changes to the GATS 'general obligations' rules, which apply to all sectors, across the board. These changes put further pressure on countries to liberalise, and will reduce the degree of freedom of governments. If implemented, they will mark a shift in presumption away from governments' right to regulate their own economies. Instead, governments will be put on the defensive to justify their regulations.

The GATS Working Party on 'Domestic Regulation'[10] has been working on developing the concept of 'necessity' within the GATS. 'Tests of necessity' written into other WTO agreements have resulted in some of the most controversial rulings ever made by dispute panels, sparking strong public dissent, because it puts the burden of proof on governments to show that a particular regulation that detrimental effects on foreign providers is necessary to achieve an objective.

Article VI.4 of the GATS provides a mandate to negotiate limitations on regulations over licensing and standards so that they are "no more burdensome than necessary to ensure the quality of the service."[11] A common demand from business is that rather than regulate, governments should be attempting to achieve their objectives in more business-friendly or 'least trade restrictive' ways. That is the direction governments would be forced to take if new binding provisions are inserted into the GATS.

If current proposals made in the Working Party on Domestic Regulation go through:
· Governments will have to be able to prove that the objective behind a standard or licensing requirement is 'legitimate.' Negotiators are working now on a list of what might be considered a 'legitimate' objective.
· Even if an objective is accepted as 'legitimate', regulators will have to be able to prove there was nothing else that could have been done to fulfil the objective that was less 'trade restrictive.' For example, a country may set universal access to primary schooling as a goal and a trade panel could rule that the least 'trade restrictive' means of implementing this goal would be to give subsidies to parents to buy elementary schooling for their children in the education 'market', rather than funding state schools.

Source : World Development Movement (2000)

[10] General Agreement on Trade in Services, Part II – General obligations and disciplines, Article VI
[11] Ibid

59. In spite of such possible drawbacks, developing countries have made substantial commitments under the GATS concerning many service industries, often binding recently adopted legislation or precommiting future policies without having had much experience with its implementation. They have also undertaken a higher share of full bindings under modes 1 and 3. Whereas, in mode 4 they have not received concessions of meaningful economic value. This points further reduces the expected benefit DGCs, left alone the agricultural sector, could receive from the GATS.

60. Without disputing the virtue of services liberalisation for enhancing the competitiveness of other sectors, the issue of achieving efficiency and improved competitiveness through the GATS calls for caution as long as agriculture is concerned. Initial competitiveness and development of each service sector dictate the choice between simultaneous liberalisation and commitment under GATS, on the one hand, or liberalisation-cum-privatisation and then GATS commitment on the other hand. As we have seen, likely benefits for agriculture much depend on the «attractiveness» of agricultural sector and its ability to allow for sustainable services within. Besides «win-win» commitments, e.g. commitments profitable to services and agriculture in the meantime, government should be careful to preserve and even enhance their ability to correct any possible failure or inequity bias in services and agricultural markets.

VI. CONCLUSION

61. GATS theoretical effects on DgCs' agriculture are undoubtedly positive**.** The Agreement, when fully applied, is supposed to improve efficiency in the sector, facilitate foreign direct investment, resulting in technology adoption, diversification and increased competitiveness.

62. Preconditions fulfilment is however required for DgCs to take advantage of the benefits that a more efficient economy could generate within the GATS. The problem for most developing countries is to overcome market and government failures prevailing after decades of expensive self-centred («auto-centré») development and several years of SAPs. Should such failures continue to undermine overall efficiency, decrease attractiveness of the economy to capital and investment, then the GATS should be short of improving anything as expected.

63. In agriculture, spatial scattering and a high level of risk call for commercial presence of service suppliers as well as tailored and targeted services. Enlarging the scope of services provided for agriculture should rely on formal and informal existing networks : in particular in the cases of insurance, banking and communication. In general, agriculture requests for services are not fulfilled because investments in the latter are oriented towards export or high-return sectors. GATS main stake for DgCs agriculture is not to export services at the lowest cost, classical concern in WTO discussions, but to supply them to scattered, partially informed and often poor, not to say insolvent, farmers at the lowest cost.

64. Prior to committing any services sector under the GATS, an adequate sequencing in policy making should help governments to overcome the constraints agriculture faces. The first step is to determine the sub-sectors to liberalise and privatise by identifying the "well-functioning markets requirements" and those where they could easily be fulfilled with targeted public intervention. Specific poorly-functioning or unprofitable services often point out *de facto* those which should not be committed in the negotiations.

65. The choice then relies on unilateral or multilateral agreed liberalisation. The former allows for reversal and flexibility in policies, while the second, even if it locks the process, enhances the credibility and facilitates reciprocity in the commitment. Even if some studies suggest that the multilateral option induces a stronger impact, especially because it secures investment, these results should be considered with caution.

66. Also, unexpected risks associated with the GATS may arise, deriving from the complex construction of the agreement and from governments legitimate fears of loosing the possibility of policy implementation, such as to support human and institutional capacities, and/or to implement precautionary measures, in particular in cases of percolating, collapsing or vanishing markets. This might explain the limited level of commitment of many countries, and in many cases, its less liberal scope than the current “status quo” policies. Clarifying the questions left open by the GATS, mainly on domestic regulation and safeguards issues, is a pre-requisite to moving forward a fair multilateral liberalisation agenda supported by domestic political forces.

67. Until this clarification occurs, fulfilling both equity and efficiency concerns through the GATS seems arduous to achieve. By now, initial conditions such as competitiveness and degree of development of each service sector dictate the choice between either simultaneous liberalisation and commitment under GATS, or liberalisation-cum-privatisation and then GATS commitment. The likely benefits for agriculture much depend on the «attractiveness» of the agricultural sector as well as its ability to allow for sustainable services within it. Besides «win-win» commitments benefiting both services and agriculture and concerning *already* profitable sectors, governments should preserve and even enhance their ability to avoid any possible failures or inequity bias in their fairly developed agricultural markets.

68. In order to preserve governments ability to react, unilateral or multilateral liberalisation process has to include a risk management component, thus mitigating, and even preventing, market and government failures (such as infrastructure disruption, market power and rent-seeking activities, decline or disruption in the provision of collective goods, etc.). Also, creation of strategic frameworks for the definition of acceptable collective objectives and means calls for donors to reinforce negotiating and monitoring capacities of both governments and private actors.

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ANNEX 1 : STATISTICS ON SERVICES AND TRADE

Table 1 : Agriculture and services as % of GDP

	Agriculture		Services	
	1980	**1998**	**1980**	**1998**
Albania	34	*63*	21	*19*
Algeria	10	12	36	41
Angola	..	14	..	32
Argentina	6	7	52	56
Armenia	..	*41*	..	*23*
Australia	5	*3*	58	*71*
Austria	4	*1*	60	*68*
Azerbaijan	..	19	..	36
Bangladesh	34	23	42	49
Belarus	..	*14*	..	*42*
Belgium	2	*1*	64	*72*
Benin	35	39	52	47
Bolivia	..	16	..	52
Botswana	11	4	44	51
Brazil	11	8	45	56
Bulgaria	14	*23*	32	*50*
Burkina Faso	33	32	45	40
Burundi	62	49	25	32
Cambodia	..	*51*	..	*34*
Cameroon	31	42	43	36
Canada	4	..	58	..
Central African Republic	40	55	40	27
Chad	45	*39*	46	*46*
Chile	7	8	55	57
China	30	18	21	33
Hong Kong, China	1	*0*	67	*85*
Colombia	22	13	43	49
Congo, Dem. Rep.	25	*58*	42	*25*
Congo, Rep.	12	12	42	39
Costa Rica	18	14	55	64
Côte d'Ivoire	26	25	54	52
Croatia	..	..	..	..
Czech Republic	7	..	30	..
Denmark	5	..	66	..
Dominican Republic	20	12	52	56
Ecuador	12	12	50	54
Egypt, Arab Rep.	18	17	45	50
El Salvador	38	13	40	59
Eritrea	..	*9*	..	*61*
Estonia	..	5	..	67
Ethiopia	6,568	*56*	..	*32*
Finland	10	*4*	51	*62*
France	4	*2*	62	*72*
Georgia	24	*32*	40	*45*
Germany	..	*1*	..	*44*
Ghana	58	37	30	38
Greece	14	..	61	..
Guatemala	25	21	53	60
Guinea	..	22	..	42
Haiti	..	*31*	..	*48*
Honduras	24	*23*	52	*47*
Hungary	19	*6*	34	*60*
India	38	25	39	45
Indonesia	24	*16*	34	*41*

Iran, Islamic Rep.	18	..	50	..
Ireland	..	..	..	..
Israel	..	..	..	..
Italy	6	*3*	55	*66*
Jamaica	8	7	54	58
Japan	4	..	54	..
Jordan	8	3	64	72
Kazakhstan	..	10	..	63
Kenya	33	29	47	55
Korea, Rep.	15	*6*	45	*51*
Kuwait	0	..	25	..
Kyrgyz Republic	..	46	..	30
Lao PDR	..	*52*	..	*27*
Latvia	12	*7*	37	*62*
Lebanon	..	12	..	61
Lesotho	24	*11*	47	*47*
Lithuania	..	14	..	46
Macedonia, FYR	..	12	..	61
Madagascar	30	31	54	56
Malawi	44	39	34	41
Malaysia	22	*12*	40	*40*
Mali	48	45	38	34
Mauritania	30	24	44	45
Mexico	8	5	59	68
Moldova	..	*31*	..	*34*
Mongolia	*15*	33	*52*	40
Morocco	18	16	51	54
Mozambique	48	*34*	22	*48*
Myanmar	47	*59*	41	*31*
Namibia	11	10	34	56
Nepal	62	40	26	38
Netherlands	3	..	64	..
New Zealand	11	..	58	..
Nicaragua	23	*34*	45	*44*
Niger	43	41	34	42
Nigeria	21	32	34	27
Norway	4	*2*	61	*66*
Pakistan	30	25	46	50
Panama	9	7	72	76
Papua New Guinea	33	*28*	40	*36*
Paraguay	29	25	44	53
Peru	10	7	48	55
Philippines	25	17	36	52
Poland	..	4	..	70
Portugal	..	..	..	..
Romania	..	15	..	48
Russian Federation	..	9	..	49
Rwanda	50	34	27	43
Saudi Arabia	1	*6*	18	*49*
Senegal	19	17	66	59
Sierra Leone	33	44	47	32
Singapore	1	*0*	61	*65*
Slovak Republic	..	*5*	..	*62*
Slovenia	..	*5*	..	*57*
South Africa	7	4	43	57
Spain	..	*3*	..	..
Sri Lanka	28	*22*	43	*52*
Sweden	4	..	63	..
Switzerland	..	..	..	..
Syrian Arab Republic	20	..	56	..
Tajikistan	..	..	..	..
Tanzaniab	..	46	..	40

Thailand	23	*11*	48	*49*
Togo	27	42	48	37
Tunisia	14	14	55	58
Turkey	26	*15*	51	*57*
Turkmenistan	..	..	..	..
Uganda	72	43	23	39
Ukraine	..	*12*	..	*48*
United Kingdom	2	*2*	55	*67*
United States	3	*2*	64	*71*
Uruguay	14	8	53	64
Uzbekistan	..	28	..	42
Venezuela	5	4	49	52
Vietnam	..	*26*	..	*43*
Yemen, Rep..	..	18	..	34
Zambia	14	16	44	55
Zimbabwe	16	18	55	58
World	**7**	***5***	**56**	**61**
Low income	31	21	30	38
Excl. China & India	29	*25*	39	*42*
Middle income	13	*9*	46	*56*
Lower middle income	..	*12*	..	*52*
Upper middle income	11	*7*	47	*57*
Low and middle income	18	12	42	51
East Asia & Pacific	24	*15*	33	*41*
Europe & Central Asia	..	*11*	..	*55*
Latin America & Carib.	10	8	50	58
Middle East & N. Africa	10	..	37	..
South Asia	36	25	40	46
Sub-Saharan Africa	18	17	43	50
High income	3	*2*	59	*65*

Source: World Bank, *World Development Report 1999/2000*
(http://www.worldbank.org/wdr/2000/pdfs/engtable12.pdf)
a. Data prior to 1992 include Eritrea b. Data cover mainland Tanzania only.
Figures in *italics* are for years other than those specified

Table 2

Leading exporters and importers in world trade in commercial services, 1998

	Value $bn	Share in world %		Value $bn	Share in world %
Exporters			**Importers**		
United States	240.0	18.2	United States	165.8	12.7
United Kingdom	100.5	7.6	Germany	125.0	9.6
France	84.6	6.4	Japan	110.7	8.5
Germany	78.9	6.0	United Kingdom	78.8	6.0
Italy	66.6	5.1	France	65.4	5.0
Japan	61.8	4.7	Italy	62.9	4.8
Netherlands	51.6	3.9	Netherlands	46.6	3.6
Spain	48.7	3.7	Canada	35.2	2.7
Belgium-Luxembourg	35.4	2.7	Belgium-Luxembourg	33.9	2.6
Hong Kong, China	34.2	2.6	Austria	30.1	2.3
Austria	32.4	2.5	China	28.8	2.2
Canada	30.3	2.3	Spain	27.5	2.1
Switzerland	27.1	2.1	Korea, Rep. of	23.8	1.8
China	24.0	1.8	Taipei, Chinese	23.3	1.8
Korea, Rep. of	23.9	1.8	Hong Kong, China	22.7	1.7
Turkey	23.2	1.8	Sweden	21.8	1.7
Singapore	18.2	1.4	Ireland	20.0	1.5
Sweden	17.9	1.4	Brazil	18.7	1.4
Taipei, Chinese	16.6	1.3	Singapore	17.9	1.4
Australia	16.0	1.2	Australia	16.8	1.3
Denmark	14.8	1.1	Russian Fed.	16.1	1.2
Norway	14.0	1.1	Switzerland	16.1	1.2
Thailand	13.1	1.0	Denmark	15.3	1.2
Russian Fed.	12.9	1.0	Norway	15.2	1.2
Mexico	11.9	0.9	India	14.2	1.1
India	11.1	0.8	Mexico	12.6	1.0
Malaysia	10.7	0.8	Malaysia	12.4	0.9
Greece a	9.8	0.7	Thailand	11.9	0.9
Israel	9.0	0.7	Indonesia	11.6	0.9
Poland	8.9	0.7	Philippines	10.1	0.8
Portugal	8.5	0.6	Israel	9.6	0.7
Egypt	7.8	0.6	Turkey	9.4	0.7
Brazil	7.6	0.6	Saudi Arabia	8.7	0.7
Philippines	7.5	0.6	Argentina	8.7	0.7
Czech Rep.	7.3	0.6	Finland	8.0	0.6
Ireland	6.9	0.5	Poland	7.1	0.5
Finland	6.8	0.5	Portugal	6.7	0.5
Hungary	4.9	0.4	Egypt	5.9	0.5
South Africa	4.8	0.4	South Africa	5.6	0.4
Argentina	4.4	0.3	Czech Rep.	5.4	0.4
Total of above	**1210.0**	**91.8**	**Total of above**	**1180.0**	**90.4**
World	**1320.0**	**100.0**	**World**	**1305.0**	**100.0**

Source: WTO Annual Report 1999, table I.7

Table 3
Employment by economic activity

	AGRICULTURE				INDUSTRY				SERVICES			
	Male % of male labour force		Female % of female labour force		Male % of male labour force		Female % of female labour force		Male % of male labour force		Female % of female labour force	
	1980	**1990-97**	**1980**	**1990-97**	**1980**	**1990-97**	**1980**	**1990-97**	**1980**	**1990-97**	**1980**	**1990-97**
Albania	54	51	62	60	28	26	17	19	18	24	21	21
Algeria	27	18	69	57	33	38	6	7	40	45	25	36
Angola	67	65	87	86	13	14	1	2	20	21	11	13
Argentina	17	16	3	3	40	39	18	17	44	46	79	81
Armenia	21	24	21	11	48	47	38	39	31	29	41	51
Australia	7	6	4	3	34	32	15	11	44	58	67	80
Austria	9	6	13	8	51	42	25	17	41	48	62	72
Azerbaijan	28	27	42	36	36	35	20	21	36	38	38	43
Bangladesh	67	53	81	76	5	11	14	8	29	33	5	11
Belarus	29	26	23	13	44	45	33	36	28	30	44	51
Belgium	4	3	2	2	41	34	16	11	50	54	68	72
Benin	66	62	69	65	10	12	4	4	24	27	27	30
Bolivia	53	48	53	45	21	22	11	10	26	30	36	45
Bosnia and Herzegovina	26	9	38	16	45	54	24	37	30	37	39	48
Botswana	53	39	74	55	18	30	2	9	28	31	24	36
Brazil	41	28	26	14	28	28	14	13	31	43	60	74
Bulgaria	..	..	22	13	..	..	..	..	..	..	..	..
Burkina Faso	92	91	93	94	3	2	2	2	5	7	5	5
Burundi	88	86	98	98	4	4	1	1	9	10	1	1
Cambodia	70	69	80	78	7	8	7	8	23	24	14	14
Cameroon	65	62	87	83	11	12	2	3	24	26	11	14
Canada	6	5	3	2	34	29	14	11	52	57	74	78
Central African Republic	79	74	90	87	5	6	1	0	16	20	9	13
Chad	82	77	95	91	6	7	0	1	12	16	4	8
Chile	20	18	2	4	25	32	13	13	52	45	79	76
China	71	69	79	76	16	17	12	13	14	14	10	11
Hong Kong, China	1	1	1	1	47	39	56	33	52	60	43	66
Colombia	..	1	..	0	..	29	..	18	..	60	..	66
Congo, Dem. Rep.	62	58	84	81	18	20	4	5	20	23	12	14
Congo, Rep.	42	33	81	69	20	23	2	4	38	44	17	27
Costa Rica	43	27	5	5	23	24	20	17	34	43	75	69
Côte d'Ivoire	60	54	75	72	10	12	5	6	30	34	20	22
Croatia	23	17	28	15	38	38	28	28	39	45	45	57
Cuba	30	24	10	8	32	36	22	21	39	41	68	71
Czech Republic	14	13	12	9	67	54	44	36	19	33	45	55
Denmark	10	7	3	3	41	37	17	16	44	55	76	81
Dominican Republic	40	31	11	9	26	32	16	23	34	38	73	68
Ecuador	44	39	22	16	22	20	16	16	34	41	63	68
Egypt, Arab Rep.	43	29	8	32	20	22	10	7	32	39	56	37
El Salvador	56	50	9	7	20	22	18	19	24	29	73	74
Eritrea	79	77	88	85	7	8	2	2	14	16	11	13
Estonia	19	18	12	11	50	48	36	34	31	34	52	55
Ethiopia	90	86	89	86	2	2	2	2	8	11	10	12
Finland	12	10	9	5	42	38	21	14	38	49	64	66
France	9	6	7	5	43	38	22	17	48	56	71	79
Gabon	59	46	74	59	18	21	5	10	24	33	21	32
Gambia, The	78	74	93	92	10	12	2	3	13	15	5	6
Georgia	31	27	34	24	32	38	21	23	37	34	45	52
Germany	6	4	8	4	54	48	33	24	40	48	59	72
Ghana	66	64	57	55	12	12	14	14	22	25	29	31

Greece	25	19	39	23	34	32	18	17	40	47	39	51
Guatemala	65	64	17	16	17	16	27	23	19	21	56	61
Guinea	86	83	96	92	2	3	1	1	12	15	3	7
Guinea-Bissau	81	78	98	96	3	3	0	0	17	19	2	3
Haiti	79	76	61	57	8	9	8	8	13	15	31	35
Honduras	63	51	40	..	17	19	..	26	20	27	51	64
Hungary	21	19	15	11	48	42	38	32	32	39	47	57
India	63	59	83	74	15	17	9	15	22	24	8	11
Indonesia	59	39	56	40	12	20	12	15	29	37	32	39
Iran, Islamic Rep.	36	30	82	73	28	26	6	9	35	44	12	18
Iraq	22	12	62	39	24	19	11	9	55	69	27	52
Ireland	23	16	6	3	33	28	21	16	35	39	66	69
Israel	7	4	4	2	39	37	15	15	51	55	77	77
Italy	11	7	14	7	40	35	24	18	40	49	48	59
Jamaica	43	34	18	15	23	32	9	13	35	34	73	72
Japan	9	5	13	6	39	38	28	23	50	54	57	67
Jordan	11	10	58	41	27	28	3	4	62	63	39	55
Kazakhstan	28	28	20	15	38	37	25	25	34	35	55	60
Kenya	77	75	88	85	10	11	2	3	13	15	10	12
Korea, Dem. Rep.	39	35	52	42	37	38	20	23	24	27	28	35
Korea, Rep.	29	12	38	16	30	38	23	24	35	47	36	59
Kuwait	2	2	0	0	36	32	3	2	62	67	97	98
Kyrgyz Republic	35	36	33	28	34	30	23	23	32	34	44	50
Lao PDR	77	76	82	81	7	7	4	5	16	17	13	14
Latvia	18	19	14	12	49	47	36	33	32	34	50	55
Lebanon	13	6	20	10	29	34	21	22	58	60	59	68
Lesotho	26	29	64	59	52	41	5	5	22	30	31	36
Libya	16	7	63	28	29	27	3	5	55	66	34	68
Lithuania	26	23	29	13	47	47	30	34	27	30	41	53
Macedonia, FYR	30	21	47	23	38	40	23	41	32	39	30	36
Madagascar	73	70	93	88	9	10	2	3	19	20	5	9
Malawi	78	78	96	96	10	9	1	1	12	13	3	3
Malaysia	36	28	49	26	19	23	18	23	44	48	33	52
Mali	86	83	92	89	2	2	1	2	12	15	7	9
Mauritania	65	49	79	63	11	16	2	4	25	35	19	34
Mauritius	27	18	27	14	28	40	27	50	45	42	46	36
Mexico	43	35	19	12	30	25	28	20	28	40	53	69
Moldova	46	38	41	28	30	34	23	26	25	28	36	47
Mongolia	43	34	36	30	21	23	21	22	36	44	43	48
Morocco	48	35	72	63	23	28	14	19	29	37	14	18
Mozambique	72	70	97	96	14	15	1	1	14	15	2	3
Myanmar	72	70	80	78	9	11	7	9	19	19	12	14
Namibia	52	46	64	54	22	21	5	8	27	33	31	39
Nepal	91	91	98	98	1	0	0	0	8	9	2	2
Netherlands	6	5	2	2	36	30	12	9	50	58	74	78
New Zealand	13	10	7	5	39	30	21	12	48	52	72	76
Nicaragua	49	38	16	9	26	28	21	23	26	34	64	69
Niger	86	84	98	97	5	6	1	1	9	10	1	1
Nigeria	52	43	57	44	10	9	5	3	38	49	38	53
Norway	10	7	6	3	40	33	14	10	50	57	80	85
Oman	52	48	25	20	21	22	33	35	27	30	42	45
Pakistan	56	44	73	65	15	18	12	10	29	34	15	15
Panama	35	30	5	3	21	21	11	10	38	46	77	80
Papua New Guinea	76	73	92	89	8	9	2	3	16	18	6	8
Paraguay	58	51	9	8	20	23	22	20	23	26	70	72
Peru	45	41	25	22	20	20	14	12	35	26	61	72
Philippines	61	44	37	26	15	18	16	12	25	31	47	54
Poland	28	27	32	28	46	45	28	25	26	28	40	48
Portugal	21	10	31	12	41	40	24	24	32	49	37	59
Puerto Rico	8	6	1	0	30	29	26	22	24	27	74	75
Romania	26	21	45	28	50	53	30	40	24	26	25	32
Russian Federation	19	17	13	10	50	48	37	35	31	34	50	56

Rwanda	88	86	98	98	5	6	1	1	7	8	1	2
Saudi Arabia	45	20	25	12	17	21	5	6	39	59	70	82
Senegal	74	70	90	86	9	10	2	4	17	20	8	11
Sierra Leone	63	60	82	81	20	22	4	4	17	18	14	16
Singapore	2	0	1	0	32	35	39	30	63	62	57	68
Slovak Republic	15	14	13	9	38	36	34	31	48	50	54	60
Slovenia	14	5	17	6	49	52	37	39	38	43	46	54
South Africa	18	16	16	10	45	42	16	15	37	42	68	76
Spain	19	11	16	7	42	39	21	14	36	46	56	65
Sri Lanka	41	36	44	32	16	18	12	17	26	37	21	21
Sudan	66	64	88	84	9	10	4	5	24	26	8	11
Sweden	8	5	3	2	45	34	16	11	46	52	79	81
Switzerland	..	6	..	4	..	42	..	19	..	49	..	74
Syrian Arab Republic	27	22	78	69	35	30	7	6	39	49	15	25
Tajikistan	36	37	54	46	29	28	16	17	35	35	30	37
Tanzania	80	78	92	91	7	8	2	2	13	14	7	7
Thailand	..	55	..	61	..	20	..	19	..	26	..	29
Togo	70	66	67	65	12	12	7	7	19	22	26	29
Trinidad and Tobago	..	11	..	4	..	29	..	10	..	47	..	65
Tunisia	33	23	53	42	30	33	32	32	37	44	16	27
Turkey	45	29	88	59	22	27	5	12	33	38	8	19
Turkmenistan	33	34	46	41	32	30	16	14	36	36	38	44
Uganda	84	81	91	88	6	7	2	2	10	12	8	10
Ukraine	26	24	24	16	46	46	33	34	28	31	44	50
United Arab Emir.	5	9	0	0	40	30	7	3	55	61	93	98
United Kingdom	3	3	1	1	44	32	21	13	44	51	72	80
United States	5	4	2	1	35	32	15	13	50	60	74	81
Uruguay	22	21	4	4	31	31	23	21	47	48	74	70
Uzbekistan	35	35	46	36	34	30	19	19	32	35	36	45
Venezuela	19	19	3	2	32	25	19	13	48	48	76	75
Vietnam	71	70	75	73	16	17	10	11	13	13	15	16
West Bank & Gaza	..	..	..	..	..	..	..	..	..	..	..	..
Yemen, Rep. 60	50	98	88	19	22	1	6	21	29	1	7	
Yugoslavia, FR	34	28	47	32	35	38	19	26	31	34	33	41
Zambia	69	68	85	83	13	13	3	3	19	19	13	14
Zimbabwe	63	58	85	81	19	13	4	2	18	29	12	17
World	**50**	**46**	**56**	**52**	**22**	**22**	**15**	**15**	**25**	**29**	**24**	**29**
Low income	**65**	**61**	**81**	**75**	**13**	**15**	**8**	**10**	**22**	**25**	**11**	**14**
Middle income	**55**	**50**	**59**	**56**	**23**	**23**	**17**	**17**	**22**	**26**	**24**	**27**
Lower middle income	59	56	63	61	21	21	16	16	20	22	20	22
Upper middle income	34	27	31	22	32	31	20	17	33	42	49	61
Low & middle income	**59**	**54**	**67**	**62**	**19**	**20**	**14**	**15**	**22**	**25**	**19**	**23**
East Asia & Pacific	69	66	75	72	15	16	12	13	16	17	13	14
Europe & Central Asia	26	24	27	22	44	42	31	30	30	34	42	48
Latin America & Carib.	39	29	21	12	28	28	18	16	32	42	61	70
Middle East & N. Africa	37	27	53	55	25	26	10	11	36	46	29	29
South Asia	63	59	82	75	14	17	10	14	23	25	8	10
Sub-Saharan Africa	66	62	79	75	12	12	4	4	22	26	17	21
High income	**8**	**5**	**8**	**4**	**..**	**34**	**22**	**17**	**..**	**53**	**..**	**73**
Europe EMU	10	8	11	6	46	40	26	19	41	50	59	69

Source: World Bank, 1999 World Development Indicators
(http://www.worldbank.org/data/wdi/pdfs/tab2_4.pdf)
1990–1997 data are for most recent years

ANNEX 2 : BARRIERS TO TRADE IN SERVICES

Table 4
Constructed Ad Valorem Tariff Equivalent "Guesstimates" by 1-Digit ISIC Services Sectors for Selected Countries (Percentage)

Country	ISIC 5 Con-struction	ISIC 6 Wholesale & Retail Distr.	ISIC 7 Transp., Storage & Communic.	ISIC 8 Business & Fin. Services	ISIC 9 Social & Personal Services
Australia	12.0	7.4	183.4	24.8	25.4
Austria	5.0	4.6	98.7	20.1	13.9
Canada	6.0	9.0	117.7	25.9	40.2
Chile	40.0	34.4	182.2	45.2	42.9
European Union	10.0	10.0	182.0	27.2	23.6
Finland	19.0	14.6	181.0	23.8	31.7
Hong Kong	32.0	31.5	149.8	39.0	42.9
Japan	5.0	4.6	142.0	28.9	32.3
Korea	16.0	21.4	164.9	36.3	40.7
Mexico	24.0	21.3	152.3	40.9	29.8
New Zealand	5.0	13.4	181.5	30.5	36.1
Norway	5.0	13.4	122.2	25.7	24.0
Singapore	12.0	34.4	138.8	35.9	33.7
Sweden	12.0	13.4	184.2	22.5	26.9
Switzerland	5.0	8.0	178.1	27.7	32.3
Turkey	5.0	34.4	31.6	35.4	35.9
United States	5.0	4.6	111.4	21.7	31.7

Source: Hoekman (1995, pp. 355-56).

Table 5

Components of an Index of FDI Restrictions in table 6

Type of restriction	**Weight**
Foreign equity limits on all firms	
No foreign equity permitted	0.5
Less than 50 per cent foreign equity permitted	0.5
More than 50 per cent and less than 100 per cent foreign equity permitted	0.25
Foreign equity limits on existing firms, none on greenfield	
No foreign equity permitted	0.5
Less than 50 per cent foreign equity permitted	0.25
More than 50 per cent and less than 100 per cent foreign equity permitted	0.125
Screening and approval	
Investor required to demonstrate net economic benefits	0.1
Approval unless contrary to national interest	0.075
Notification (pre or post)	0.05
Control and management restrictions	
All firms	0.2
Existing firms, none for greenfield	0.1
Input and operational restrictions	
All firms	0.2
Existing firms, none for greenfield	0.1

Source: Hardin and Holmes (1997, p. 76).

Table 6
FDI Restrictiveness Indices for Selected APEC Economies and Selected Sectors (Percentage)

	Business	Communications	Distribution	Education	Financial	Transport
Australia	18	44	18	18	45	20
Canada	23	51	20	20	38	24
China	36	82	28	53	45	46
Hong Kong	2	35	5	0	23	9
Indonesia	56	64	53	53	55	53
Japan	6	35	5	20	36	11
Korea	57	69	63	55	88	57
Malaysia	32	42	8	8	61	12
Mexico	29	74	33	45	55	28
New Zealand	9	43	8	8	20	13
Papua New Guinea	30	48	30	30	30	30
Philippines	48	76	48	48	95	98
Singapore	26	52	25	25	38	25
Thailand	78	84	78	78	88	78
United States	1	35	0	0	20	3

Note: The higher the score, the greater the degree to which an industry is restricted. The maximum score is 100%.
Source: Adapted from Hardin and Holmes (1997, pp. 112-137) by Drusilla and Stern (1999 : 29).

Table 7
Price Wedge Data for Banking Services in Selected Economies (Percentage)

Economy	Foreign or Domestic	Barriers to Establishment	Barriers to ongoing Operations	Total
Argentina	F	2.53	2.81	5.34
	D	0.00	0.00	0.00
Australia	F	7.08	2.22	9.31
	D	0.00	0.00	0.00
Brazil	F	35.06	10.50	45.56
	D	0.00	0.87	0.87
Canada	F	2.53	2.81	5.34
	D	0.00	0.00	0.00
Chile	F	22.74	11.26	34.00
	D	15.47	7.73	23.20
Colombia	F	6.47	11.88	18.35
	D	3.54	0.00	3.54
Hong Kong	F	1.97	4.94	6.91
	D	0.00	2.65	2.65
India	F	28.58	26.50	55.08
	D	3.54	0.00	3.54
Indonesia	F	32.91	16.42	49.33
	D	0.00	5.35	5.35
Japan	F	2.05	13.22	15.26
	D	0.00	10.03	10.03
Korea	F	18.15	18.58	36.73
	D	0.00	14.93	14.93
Malaysia	F	35.92	24.69	60.61
	D	15.38	6.73	22.11
Mexico	F	10.48	2.92	13.40
	D	0.00	0.00	0.00
New Zealand	F	2.52	2.18	4.69
	D	0.00	0.00	0.00
Philippines	F	33.28	14.08	47.36
	D	7.32	3.66	10.99
Singapore	F	10.69	20.76	32.45
	D	0.00	8.15	8.15
South Africa	F	2.64	12.27	14.90
	D	0.00	0.00	0.00
Switzerland	F	2.24	3.71	5.95
	D	0.00	0.00	0.00
Thailand	F	20.56	12.50	33.06
	D	0.00	0.00	0.00
Turkey	F	23.12	8.43	31.54
	D	3.54	0.00	3.54
USA	F	1.95	2.80	4.75
	D	0.00	0.00	0.00
Uruguay	F	15.35	24.99	40.34
	D	11.00	0.00	11.00
Venezuela	F	5.35	8.09	13.44
	D	0.00	0.00	0.00
EU12*	F	2.52	2.80	5.32
	D	0.00	0.00	0.00

*Covers 12 EU economies. Finland, Ireland, and Luxembourg are not covered.
Source: Warren and Findlay (1999) and Philippa Dee (Australian Productivity Commission).

Table 8 : GDP Weighted Regional Restrictiveness Averages in Direct Insurance and Banking (Percentage)

	Direct Insurance		Banking	
	Life Insurance	Non-life Insurance	Acceptance of Deposits	Lending
Africa	44	48	32	43
Asia	59	58	72	67
Eastern Europe	47	49	40	39
Latin America	78	74	62	66

Notes : Figures are calculated as l-GDP weighted average of the value of the most restrictive measure applied by a country to each mode in the sector. The higher the score, the greater the degree to which and industry is restricted. The maximum score is 100%.
Source : Mattoo (1998).

Table 9
Tariff Equivalents of Barriers to Telecommunication Services in Major Nations (Percentage)

	Domestic	**Foreign**
Australia	0.31	0.31
Austria	0.85	0.85
Belgium	0.65	1.31
Brazil	3.81	5.68
Canada	1.07	3.37
Chile	1.68	1.68
Hong Kong	1.26	1.26
Colombia	10.55	24.27
Denmark	0.20	0.20
Finland	0.00	0.00
France	0.34	1.43
Germany	0.32	0.32
Ireland	1.46	2.67
Italy	1.00	1.00
Japan	0.26	0.26
Korea	4.30	8.43
Mexico	6.24	14.43
Netherlands	0.20	0.20
New Zealand	0.27	0.27
Singapore	2.10	2.72
Spain	2.03	3.93
Sweden	0.65	0.65
Switzerland	1.23	1.23
Turkey	19.59	33.53
United Kingdom	0.00	0.00
United States	0.20	0.20

Source: Adapted from Warren (1999) by Drusilla and Stern (1999 : 33).

Table 10

Estimated Tariff Equivalents in Traded Services: Gravity-Model Based Regression Method (Percentage)

Countries/regions	Business/financial services	Construction
North America [+]	8.2	9.8
Western Europe	8.5	18.3
Australia and New Zealand	6.9	24.4
Japan	19.7	29.7
China	18.8	40.9
Taiwan	2.6	5.3
Other Newly Industrialised Countries	2.1	10.3
Indonesia	6.8	9.6
Other South East Asia	5.0	17.7
India	13.1	61.6
Other South Asia[*]	20.4	46.3
Brazil	35.7	57.2
Other Latin America	4.7	26.0
Turkey*	20.4	46.3
Other Middle East and North Africa	4.0	9.5
CEECs & Russia	18.4	51.9
South Africa	15.7	42.1
Other Sub-Saharan Africa	0.3	11.1
Rest of World (ROW)	20.4	46.3

[*]Turkey and Other South Asia are not available, separately, in the U.S. data, and have been assigned estimated ROW values.
[+]North America values involve assigning Canada/Mexico numbers to the United States.
Source: Francois (1999).

Table 11

Average Gross Operating Margins of Firms Listed on National Stock Exchanges, 1994-96 by Country/Region (Percentage)

Country/Region	Agriculture	Manufacturing	Services
Australia	8.4	15.5	16.6
Canada	32.1	22.6	32.9
Chile	39.1	40.8	44.0
China	30.6	28.1	49.5
European Union	22.9	23.8	31.6
Hong Kong	25.9	12.8	18.1
Indonesia	41.8	34.3	41.3
Japan	38.4	26.4	28.7
Republic of Korea	11.2	25.7	25.8
Malaysia	22.6	6.0	21.6
Mexico	38.4	39.3	37.2
New Zealand	33.3	16.6	26.8
Philippines	18.1	28.6	42.3
Singapore	0.0	11.1	22.0
Taiwan	19.6	25.1	41.3
Thailand	38.2	27.3	52.6
United States	36.6	21.2	42.3
Rest of Cairns Group[a]	36.3	31.1	39.0

[a]Includes Argentina, Brazil, and Colombia.

Source: Hoekman (1999)

Table 12

Average Gross Operating Margins of Services Firms Listed on National Stock Exchanges, 1994-96, by Country/Region and by Sector (Percentage)

Country/ Region	Recrea-tion	Business services	Construc-tion	Consult-ing	Finance	Health	Hotels	Retail Trade	Wholesale	Transport/ utilities
Australia	17.9	13.8	15.3	7.0	41.0	b	27.3	7.9	9.1	-69.3[c]
Canada	60.1	51.7	14.4	19.2	44.5	2.3	67.8	12.0	16.0	36.5
Chile	b	b	68.7	b	55.2	b	b	21.3	27.9	46.8
China	b	b	45.9	67.1	34.0	b	77.5	24.4	25.5	46.9
European Union	42.5	32.1	19.3	22.1	51.6	22.3	23.7	23.6	19.9	32.6
Hong Kong	b	6.5	12.9	11.5	25.4	b	31.3	10.1	6.9	31.0
Indonesia	b	81.1	22.9	25.3	53.6	b	68.2	26.4	24.8	45.3
Japan	28.1	31.6	14.2	28.6	40.5	40.1	27.2	32.9	15.6	20.6
Republic of Korea	b	41.2	15.3	b	b	b	b	26.7	14.9	31.2
Malaysia	13.3	-39.9[c]	18.3	14.7	28.3	24.3	38.7	11.2	10.8	30.7
Mexico	19.6	b	25.7	37.3	33.3	b	49.6	28.4	25.0	51.0
New Zealand	b	b	13.8	b	57.6	b	26.9	6.6	19.7	35.6
Philippines	19.9	b	40.2	b	53.9	b	55.8	43.9	40.3	42.3
Singapore	46.7	8.6	10.6	7.7	46.3	29.2	28.2	5.4	7.9	28.0
Taiwan	79.9	36.3	21.6	11.1	64.8	b	74.5	21.5	23.2	38.9
Thailand	85.4	35.8	38.1	-8.8	60.3	40.6	55.5	44.2	25.6	56.7
United States	46.8	56.2	20.2	-136.0	56.3	37.0	48.5	34.6	27.0	43.4
Other Cairns[a]	b	b	28.9	26.2	69.8	29.3	64.6	24.2	22.9	52.4

[a]Includes Argentina, Brazil, and Colombia.
[b]Data not available.
[c]Reflects negative gross operating margin.
Source: Hoekman (1999)

ANNEX 3 : ASSESSMENTS OF GATS IMPACT ON DEVELOPING COUNTRIES

A. Financial Services: Banking

Table 13

COUNTRY :	**NIGERIA**
Publication	Alawode, Abayomi A. (1992), "Financial Deregulation and the Effectiveness of Bank Supervision in Nigeria", *Savings and Development*, No. 1.
Sector	Financial Services: Banking
Policy Change	*Domestic Deregulation* in the Nigerian banking sector in 1986. - Entry barriers were relaxed. - Banks were allowed to hold stocks in non-financial companies, lease equipment, and buy and sell foreign exchange.
Comments	The paper argues that deregulation may increase the level of risk assumed by individual institutions. It therefore emphasises the need for adequate regulation in order to ensure the safety and soundness of the financial system. The author is also concerned about the scarcity of qualified personnel, given the large number of banks in Nigeria.

Table 14

COUNTRY :	**NIGERIA**
Publication	Soyibo, Adedoyin, and Aadekanye, Femi (1992), "Financial system regulation, deregulation and savings mobilization in Nigeria", Nairobi (AERC Research Paper).
Sector	Financial Services: Banking
Policy Change	*Domestic deregulation* of the Nigerian financial system in August 1987. - Interest rates were decontrolled. - The policy of directing credit towards sectors with high social rates and low commercial rates of return was relaxed.
Comments	The study explores the relationship between financial liberalisation and the mobilisation of aggregate savings. It does not elaborate on the impact of liberalisation on other macroeconomic variables.

Table 15

COUNTRY :	**SENEGAL**
Publication	Berthélemy, Jean-Claude (1997), "From financial repression to liberalization: the Senegalese experience", in K.L. Gupta (ed.), *Experiences with Financial Liberalization*, Kluwer Academic Publishers, Massachusetts.
Sector	Financial Services: Banking
Policy Change	*Domestic deregulation* of the financial sector between 1985 and 1995. - Interest rates were partially freed. - Prudential regulations were strengthened. - The banking sector was reorganised through bank closures and the formation of new entities.
Comments	The author considers it premature to draw any definitive conclusions from Senegal's experience with financial deregulation at this stage. Apparently, deregulation has not yet significantly enhanced the efficiency of the financial sector. This has been attributed to a "hysteresis" effect, implying that the previous regime of financial repression continued to have negative effects long after its dissolution. The author raises the possibility that *initial* financial development in Senegal lay below the standard threshold level at which both aggregate as well as financial sector growth are likely to build up a positive link of mutual causation.

Table 16

COUNTRY :	**ARGENTINE**
Publication	Rozenwurcel, Guillermo, and Fernández, Raúl (1994), "El fortalecimiento del sector financiero en el proceso de ajuste: el caso argentino", in Roberto Frenkel (ed.), *El fortalecimiento del sector financiero en el proceso de ajuste: liberalización y regulación*, Buenos Aires (Centro de Estudios de Estado y Sociedad).
Sector	Financial Services: Banking
Policy Change	Plan BONEX: In 1990, bonds in domestic currency which represented basically all short-term debt of the public sector were exchanged for dollar-denominated bonds. Convertibility Plan in 1991: - free convertibility of domestic currency; - financial entities were allowed to issue loans in dollars or pesos; - deregulation of the stock market (financial entities and firms were allowed to issue tradeable bonds in foreign currency); and - tax reform, including improvements of the tax collection system.
Comments	The publication traces the Argentinian economy's short-term response to improved monetary and financial conditions within an increasingly liberal regulatory framework. Although the system has regained consumer confidence, domestic savings continued to fall short of the capital needs associated with strong investment and economic growth.

Table 17

COUNTRY :	**BRASIL**
Publication	Carneiro Dias, Dionísio et al. (1994), "El fortalecimiento del sector financiero en la economía brasileña", in Roberto Frenkel (ed.), *El fortalecimiento del sector financiero en el proceso de ajuste: liberalización y regulación*, Buenos Aires (Centro de Estudios de Estado y Sociedad).
Sector	Financial Services: Banking
Policy Change	*Financial reform* in 1964/65: Brazil adopted a financial system based on specialized institutions and the Central Bank started operating as the monetary authority. To avoid inflationary financing of public deficits, a market for government bonds was created. Indexation arrangements were applied first to government debt and gradually extended to the whole economy. Legislation allowed for universal banks in 1988. Entry criteria for new entities were made more flexible. *Stabilization plans*: - Between 1986 and 1989, three Cruzado Plans were intended to eliminate short-term indexation arrangements. - Under the first Collor Plan, in 1990, indexed bonds were exchanged for traditional government bonds. In 1991, the second Collor Plan changed the rules governing indexation; indexed current accounts were prohibited.

Table 18

COUNTRY :	**CHILE**
Publication	Basch, Miguel H. (1995), "Chile: Improving Market Mechanisms", in M. Basch and C. Morales (eds.), *Expanding Access to Financial Services in Latin America*, Inter-American Development Bank, Washington D.C.
Sector	Financial Services: Banking
Policy Change	*Domestic deregulation* of the Chilean financial market in the early 1970s. - Interest rates were liberalized and credit restrictions removed. - Reserve requirements were lowered. - Only positive real interest rates were made subject to taxation. *Regulatory Reforms, 1985-93:* The 1986 reform of the General Banking Law introduced new regulations in response to a financial crisis of the early 1980s.
Comments	The study explores the argument that higher real interest rates following deregulation promote aggregate growth as they may prompt producers to replace old technologies and raise their yield rate.

Table 19

COUNTRY :	**CHILE**
Publication	Bianchi, Andrés (1994), "Liberalización, regulación y supervisión bancaria: notas sobre la experiencia chilena", in *Reformas y estructuración de los sistemas financieros en los países de América Latina*, México.
Sector	Financial Services: Banking
Policy Change	Chile started a process of liberalization, deregulation and privatization of the banking sector in the 1970s. After some years of extraordinary growth, the banking sector collapsed in 1981. Between 1981 and 1983, many private banks were nationalized. Over the period 1982 to 1986, prudential regulation and supervision mechanisms were adopted: among other things, bank portfolios were controlled; banks were forced to insure liquid deposits and some time deposits; information on the sector was published by the supervisory authority. Between 1985 and 1986, banks were reprivatized.
Additional Comments	Lack of prudential regulation is seen by the author as an important determinant of Chile's financial crisis of the early 1980s.

Table 20

COUNTRY :	**CHILE**
Publication	Diaz-Alejandro, Carlos (1985), "Good-Bye Financial Repression, Hello Financial Crash", *Journal of Development Economics* No. 19.
Sector	Financial Services: Banking
Policy Change	*Domestic deregulation and external liberalization* in Chile began in the 1970s. Banks were privatized. Reserve requirements were reduced to less than 10% of deposits by 1980. Supervision of bank portfolios was introduced in 1980. Restrictions on capital flows were relaxed in 1981. *Re-regulation* from 1983. The Government took control over a significant share of the Chilean corporate sector, intervening in five banks, liquidating three and directly supervising the others.
	- A decline in GDP in Argentina, Uruguay and Chile after 1980 was attributable to unfavourable external circumstances whose impact was compounded by flawed domestic macroeconomic policies.
Comments	The study discusses how the combination of fixed nominal exchange rates, relatively free capital movements and the lack of prudential regulations led to macroeconomic instability. Strong expansion of external debt was followed by a sudden cessation of capital inflows. The paper also draws attention to the impact of financial liberalization on the stock market and, thus, on long-term credit availability.

Table 21

COUNTRY :	**CHILE**
Publication	Eyzaguirre, Nicolas G. (1993), "Financial Crisis, Reform and Stabilization: The Chilean Experience", in S. Faruqi (ed.), *Financial Sector Reforms in Asian and Latin American Countries*, The World Bank, Washington D.C.
Sector	Financial Services: Banking
Policy Change	- *Domestic deregulation* in the early 1970s followed by external liberalization in 1980 involved strong tariff reductions for goods and the elimination of restrictions on capital flows. - *Regulatory reform* after the financial crisis of the early 1980s. The state intervened and took control of almost 64% of the capital and reserves of the private financial sector. A new banking law established strong supervision and strengthened regulations of banking activities.
Comments	The paper discusses the pace and sequencing of international capital liberalisation. The author maintains that massive capital inflows as a result of hasty liberalization would drive up the real exchange rate. The consequent increase in current account deficits would create expectations of nominal currency devaluation. This would reverse the flow of capital and cause recession with inflation. Monetary authorities could avoid this situation if they purchased foreign currency in large amounts to delink the real exchange rate from the influence of capital inflows. The author maintains that the impact of bulk currency inflows on the real exchange rate is particularly significant for a small country like Chile, owing to low price elasticity of export demand. One of the fundamental causes of the financial crisis was inadequate financial supervision, which allowed for high internal and external indebtedness.

Table 22

COUNTRY :	**CHILE**
Publication	Held, Günter (1990), "Regulación y supervisión de la banca en la experiencia de liberalización financiera en Chile (1974-1988)", in Carlos Massad and Günter Held (eds.), *Sistema financiero y asignación de recursos*, Buenos Aires.
Sector	Financial Services: Banking
Policy Change	The financial system in Chile was liberalized in the 1970s: Restrictions on the establishment of foreign-owned banks were abolished; State banks were privatized; interest rates were deregulated. - Significant reductions in reserve requirements increased available funds. - Successive increases in minimum capital requirements were intended to improve solvency. Between 1981 and 1986, prudential rules were introduced. State guarantees for deposits were substantially reduced.
Comments	The author stresses the need for adequate prudential regulation. He feels that the banking crisis was aggravated by regulatory deficiencies within the financial system.

Table 23

COUNTRY :	**CHILE**
Publication	Le-Fort, Guillermo R. (1994), "The Financial System and Macroeconomic Stability: The Chilean Experience" in S. Faruqi (ed.), *Financial Sector Reforms, Economic Growth, and Stability: Experiences in Selected Asian and Latin American Countries*, The World Bank, Washington D.C.
Sector	Financial Sector: Banking
Policy Change	- *Domestic deregulation* of the Chilean financial sector in the early 1970s involved re-privatization of commercial banks, elimination of restrictions on interest rates and banking activities, and authorization of new financial institutions. - *External liberalization* in 1980 included the removal of all restrictions on international capital flows. - *Re-regulation* under the Banking Law of 1986.
Additional Comments	The paper maintains that the financial liberalization process initiated in the early 1970s was flawed as the focus was on eliminating rather than reforming existing regulations. The author emphasizes that bank supervision and the existence of an insurance mechanism are crucial to any liberalization programme. Regulations are considered necessary to prevent excessive risk taking.

Table 24

COUNTRY :	**CHILE**
Publication	Phylaktis, Kate (1997), "Financial liberalization and stabilization policies: the experience of Chile", in K.L. Gupta (ed.), *Experiences with Financial Liberalization*, Kluwer Academic Publishers, Massachusetts.
Sector	Financial Services: Banking
Policy Change	*Domestic deregulation* of the financial sector in the early 1970s. - Interest rates were completely freed and reserve requirements lowered in 1975. *External liberalization* - Capital account liberalization began in 1974 and intensified in 1979. - To encourage foreign direct investment, restrictions on repatriation of profits, dividends and royalties were relaxed in 1977.
Comments	The study raises questions about the appropriate timing, pace and sequencing of financial liberalization. It discusses the possible destabilizing effects of capital inflows following rapid liberalization of the capital account. The author argues in favour of gradual liberalization, which would spread increases in foreign debt over time and avoid abrupt real currency appreciation. He feels that the Chilean authorities were well advised to liberalize the domestic financial market by freeing interest rates before abolishing foreign exchange restrictions. However, in his view, weak bank supervision and insufficient prudential regulation, along with free state deposit insurance and macroeconomic instability, led to the crisis after interest rates had been completely liberalized within a short period of time.

Table 25

COUNTRY :	**CHILE**
Publication	Sheng, A. (1996), "Financial Liberalization and Reform, Crisis and Recovery in the Chilean Economy, 1947-87" in A. Sheng (ed.), *Bank Restructuring: Lessons From the 1980s*, World Bank, Washington, D.C.
Sector	Financial Services: Banking
Policy Change	*Domestic deregulation* and external liberalization of the Chilean financial sector in the 1970s. Reforms included bank privatisation, licensing of financial services, reduction of banks' reserve requirements, creation of index-linked financial instruments, gradual freeing of capital flows and elimination of interest rate ceilings, abolition of most credit allocation controls and of barriers to entry.
Comments	The study highlights the financial, monetary and economic policies that translated into rapid expansion and excessive risk-taking by domestic and foreign financial institutions, which extended large loans to undercapitalized and highly indebted firms. The author maintains that highly leveraged and decapitalized banks are more likely to forgo long-run productive investments to engage instead in short-run, high-risk activities in order to recapitalize themselves. A lack of strong prudential supervision ultimately led to excessive risk concentration and capital flight. The market's ability to correct structural deficiencies through high interest rates was undermined by the State guaranteeing bank deposits and private sector external borrowing. Moreover, the author holds that institutional and other imperfection associated with long-entrenched financial repression tend to linger on, preventing markets from adjusting rapidly to price-based credit allocation. The study also addresses real sector developments and the impact of the international recession in 1981-85.

Table 26

COUNTRY :	**CHILE**
Publication	Velasco, Andres (1992), "Liberalization, Crisis, Intervention: The Chilean Financial System, 1975-85", in V. Sundarajan and T.J.T. Balino (eds.), *Banking Crises: Cases and Issues,* Washington D.C.: International Monetary Fund.
Sector	Financial Services: Banking
Policy Change	- *Chile's Domestic Deregulation* in the early 1970s entailed privatization of banks, removal of interest rate ceilings, relaxation of regulations and greater integration into world capital markets. - *External liberalization* in April 1980 included the complete lifting of restrictions on international capital flows. - *Re-regulation* was introduced under the Banking Law of 1986.
Comments	The paper addresses the implications of financial liberalization in a general equilibrium framework, discussing the possibility that financial sector instability contributes to macroeconomic disequilibria and vice versa. The author attributes the Chilean crisis primarily to excessive growth and profit expectations and faulty assessment of economic agents. He considers Chile's financial sector reforms to be inadequate as they did not address possible market imperfections and failed to encourage competition.

Table 27

COUNTRY :	**COLOMBIA**
Publication	Lora, Eduardo et al. (1994), "El fortalecimiento del sector financiero en el proceso de ajuste: liberalización y regulación. el caso colombiano", in Roberto Frenkel (ed.), *El fortalecimiento del sector financiero en el proceso de ajuste: liberalización y regulación*, Buenos Aires (Centro de Estudios de Estado y Sociedad).
Sector	Financial Services: Banking
Policy Change	- Liberalization of the Colombian financial sector started during the 1980s and was completed by 1990. However, there were some sporadic interventions, like those in 1992. - A system of affiliated banks was adopted in 1990 as intermediate institutions between universal and specialized banks. Banks and other financial entities were allowed to invest in these affiliates. Entry of new financial institutions was deregulated; restrictions on foreign investment were eliminated; and a privatization scheme was adopted. - The Central Bank became autonomous in 1991. - In 1992, various new regulations defined the structure and scope of operations of financial entities and their affiliates.
Comments	The need for macroeconomic stabilization complicated efforts to reform the financial sector. In particular, to contain capital inflows after exchange rate liberalization (at a time of high domestic interest rates), the government introduced high reserve requirements and temporarily regulated interest rates.

Table 28

COUNTRY :	**COLOMBIA**
Publication	Zuleta, Luis Alberto (1990), "Estructura del proyecto de credito para la inversión en Colombia", in Carlos Massad and Günter Held (eds.), *Sistema financiero y asignación de recursos*, Buenos Aires.
Sector	Financial Services: Banking
Policy Change	- Up to the early 1980s, Colombia's credit policy was determined by the Central Bank; interest rates were regulated and credits were allocated to strategic sectors. Prudential regulation and supervision were almost absent. - In 1982, prudential rules and supervision mechanisms were adopted. In 1983, interest rates in the private financial sector were deregulated. Rates for public loans, although still regulated, started hovering around the market rates. - From 1986, the Government increasingly issued bonds to finance expenditure. Reserve requirements continued to be used as instruments of monetary policy.
Comments	Important new measures were taken after the publication of this article. Among others, at the beginning of the 1990s, a system of managed currency floating was adopted; the Central Bank was established as an autonomous monetary authority; banks were privatized; and foreign investment in the financial sector was allowed.

Table 29

COUNTRY :	**COSTA RICA**
Publication	Gutiérrez, Francisco de Paula (1990), "Costa Rica: intermediación financiera y asignación de recursos"; in Carlos Massad and Günter Held (eds.), *Sistema financiero y asignación de recursos*, Buenos Aires.
Sector	Financial Services: Banking
Policy Change	Credit policy in Costa Rica was traditionally determined by the Central Bank, including total amount of credit, sectoral distribution and nominal interest rates. In 1986/87, this policy was abandoned; interest rates were gradually deregulated and measures taken to improve the commercial orientation of State-owned banks. Prudential regulation was strengthened. However, the State's monopoly on deposits of less than 180 days was maintained. In 1988, the reforms were partly reversed: the Central Bank designed a Programme of Credits, limiting global expansion and assigning sectoral credit ceilings.

Table 30

COUNTRY :	**MEXICO**
Publication	González Méndez, Héctor E. (1993), "Desregulación financiera en México", *Monetaria*, No. 2 (Centro de Estudios Monetarios Latinoamericanos).
Sector	Financial Services: Banking
Policy Change	- Between 1974 and 1981, Mexico modernized its financial sector: interest rates were made more flexible, mergers facilitated and reserve requirements eased. Universal banks were allowed. - In 1982, the private banking sector was nationalized. - In 1988, the financial liberalization process was reinitiated, interest rates were deregulated and foreign investment in the banking sector was allowed (subject to certain foreign ownership limitations). - In 1990, the State banking monopoly was abolished in law; prudential regulation and supervision were strengthened. Between 1991 and 1992, 18 banks which had been nationalized in 1982 were privatized.
Comments	As NAFTA had not been signed at the time of the article, the author discusses only briefly its potential effects.

Table 30

COUNTRY :	**MEXICO**
Publication	Gruben, William C., and McComb, Robert (1997), "Liberalization, Privatisation and Crash: Mexico's Banking System in the 1990's", *Economic Review*, No. 1 (Federal Reserve Bank of Dallas).
Sector	Financial Services: Banking
Policy Change	Mexican banks were nationalized in 1982 in response to a financial crisis that had led to a weakening of the peso, capital flight and an accumulation of government debt. *Domestic deregulation* of the financial system in the late 1980s. - Interest rate ceilings on bank loans and deposits were removed. - Loan quotas for priority sectors were eliminated. - Reserve requirements were phased out. - The Financial Groups Law of 1990 allowed for the operation of universal banks. - 18 state-owned banks were privatised between June 1991 and July 1992. *External liberalization* in 1994 allowed for the entry of foreign-owned banks.

Table 31

COUNTRY :	**MEXICO**
Publication	Gutiérrez Pérez, A. and Perrotini, Ignacio (1994), "Liberalización financiera y estabilización macroeconómica en México: desafíos y perspectivas", *Investigación Económica*, No. 209.
Sector	Financial Services: Banking
Policy Change	- In 1982, private banks were nationalized in the wake of a severe economic crisis. - In the late 1980s, a process of deregulation was reinitiated; reserve requirements were reduced and private minority ownership of banks was allowed. In the early 1990s, foreign investment restrictions were relaxed, banks were privatized and interest rates deregulated.

Table 32

COUNTRY :	**PARAGUAY**
Publication	Penner, R. (1994) "Financial Liberalization in an Agrarian Economy: The Case of Paraguay" in S. Faruqi (ed.), *Financial Sector Reforms, Economic Growth, and Stability: Experiences in Selected Asian and Latin American Countries,* The World Bank, Washington D.C.
Sector	Financial Sector: Banking
Policy Change	Financial Reform, 1989-92: *External liberalization* involving a free-floating exchange rates, current and capital account liberalization. *Internal liberalization* of interest rates and credit allocation. *Banking supervision* under which the Central Bank increased the minimum capital requirements for banks and financial companies. *Monetary and fiscal management* included budget control and a reduction of public sector loans.
Comments	The paper advises against financial liberalization in an unstable agrarian economy. Financial liberalization brought about a decline in the real flow of funds from commercial banks to the plantations; banks preferred to invest their assets in less risky activities such as export financing.

Table 33

COUNTRY :	**PERU**
Publication	Velarde, Julio, and Rodriguez, Martha (1995), "Peru: Consolidating Financial Reform" in M. Basch and C. Morales (eds.), *Expanding Access to Financial Services in Latin America*, Inter-American Development Bank, Washington D.C.
Sector	Financial Services: Banking
Policy Change	*Domestic deregulation and external liberalization* of Peru's financial sector in March 1991. - Trade liberalization and partial deregulation of factor markets went hand in hand with domestic financial deregulation and capital account liberalization. Interest rates were decontrolled. - The capital account of the balance of payments was completely liberalized. Restrictions on holding and selling foreign exchange were removed. - The Central Bank became autonomous and discontinued its lending to the state-owned development bank. - Regulatory and supervisory control was strengthened.
Comments	The author emphasises the influence of macroeconomic policies on the performance of the financial sector and the effects of financial reform in Peru.

Table 34

COUNTRY :	**URUGUAY**
Publication	Noya, Nelson, and Dominoni, Daniel (1994), "El fortalecimiento del sector financiero en el proceso de ajuste: liberalización y regulación. El caso uruguayo", in Roberto Frenkel (ed.), *El fortalecimiento del sector financiero en el proceso de ajuste: liberalización y regulación*, Buenos Aires (Centro de Estudios de Estado y Sociedad).
Sector	Financial Services: Banking
Policy Change	- *Liberalization* of the economy between 1974 and 1979: the exchange market was liberalized; restrictions on international capital movements were removed; interest rates were deregulated; restrictions on bank lending and on foreign currency trading were eliminated; compulsory reserve requirements and rediscount operations were abolished; refinancing requirements and credit ceilings per client were made more flexible; and entry requirements for new entities were relaxed. - In 1982, after a severe financial crisis, the Central Bank acquired an important amount of the non-performing loans of the private banking sector. Domestic private banks largely disappeared by the end of the 1980s. - From 1989, prudential regulation was based on the recommendations by the Basle Committee. - In 1991, minimum reserve requirements were reformulated, the same rules applied to private (foreign-owned) and state-owned banks. - The Central Bank was given more supervisory powers in 1992. The government was no longer committed to act as a lender of last resort.
Comments	The study suggests that the virtual disappearance of the domestic banking sector had important consequences for resource allocation. For a variety of reasons, foreign-owned banks tended to be more risk averse than domestic banks.

Table 35

COUNTRY :	**URUGUAY**
Publication	Perez-Campanero, Juan, and Leone, Alfredo M. (1991), "Liberalization and Financial Crisis in Uruguay, 1974-87" in *Banking Crises*, Washington, D.C.
Sector	Financial Services: Banking
Policy Change	*Domestic deregulation* and *external liberalization* of the Uruguayan financial sector in the mid and late 1970s: - Liberalization of international capital flows preceded liberalization of domestic financial markets. - Financial liberalization involved lower reserve requirements and entry barriers, the removal of interest rate ceilings and elimination of prudential regulations concerning maximum financing and risk concentration. *Regulatory Reform* in 1989: Extensive financial sector reform involved rehabilitation and liquidation of insolvent banks. Moreover, accounting rules for financial institutions were reviewed and the regulatory and supervisory role of the Central Bank was strengthened.
Comments	The paper discusses the need for macroeconomic stability and banking supervision to ensure successful financial liberalization; the factors that caused Uruguay's financial crisis were both macroeconomic and regulatory in nature. The authors elaborate on the pace and sequencing of financial relative to trade liberalization and the liberalization of capital transactions.

Table 36

COUNTRY :	**VENEZUELA**
Publication	Velázquez, Efraín (1990), "El proceso de asignación de recursos financieros en Venezuela", in Carlos Massad and Günter Held (eds.), *Sistema financiero y asignación de recursos*, Buenos Aires.
Sector	Financial Services: Banking
Policy Change	Between 1981 and 1984, interest rates were deregulated; in 1985 guarantees for deposits were introduced. Many private banks were nationalized.

Table 37

COUNTRY :	**CARIBBEAN**
Publication	Williams, Marion V. (1996), Liberalising a regulated banking system: the Caribbean case, Aldershot.
Sector	Financial Services: Banking
Policy Change	*Easing of bank regulation* in Jamaica and Trinidad and Tobago since 1985 was coupled with monetary liberalization and freeing of the exchange rate. *Complete external liberalization* of the financial system in Jamaica in 1991 coincided with a significant reduction of interest rate controls and a complete removal of credit controls. Barbados, by contrast, still retained strict regulation until the end of 1992; high reserve requirements remained in place while interest rates were partially liberalized and credit controls removed.
Additional Comments	The study concentrates more on the costs of regulation rather than the benefits from deregulation for the Caribbean banking industry. The author maintains that liberalization yields poorer results in countries with underdeveloped capital markets and non-existent economies of scale than in advanced large economies.

Table 38

COUNTRY :	**INDONESIA**
Publication	Binhadi (1994), "Financial Deregulation and Bank Supervision: The Case of Indonesia", in S. Faruqi (ed.), *Financial Sector Reforms, Economic Growth, and Stability: Experiences in Selected Asian and Latin American Countries,* World Bank, Washington D.C.
Sector	Financial Sector: Banking
Policy Change	- *Domestic deregulation along with liberalization* of the Indonesian banking sector in the late 1960s was followed by more ambitious monetary and financial reforms in the early 1980s. - *Regulatory Reform* in 1991: Bank Indonesia introduced prudential principles and improved bank supervision.
Comments	The paper argues strongly in favour of combining financial sector deregulation with prudential regulation and improved bank supervision. It also stresses the need to pursue financial deregulation in tandem with deregulation in other sectors of the economy.

Table 39

COUNTRY :	**INDONESIA**
Publication	Fukuchi, Takao (1995), "Liberalization effect in financially repressed economy: the case of Indonesia, 1982-90", *The Developing Economies,* No. 3.
Sector	Financial Sector: Banking
Policy Change	*Financial liberalization* of the Indonesian banking sector in the early 1980s. Elimination of interest rate ceilings, reduction of barriers to entry and branching, and reduction of minimum reserve requirements. As a result of liberalization, the average interest rate and the rate for public firms increased steadily, while the rate for private firms decreased in the short run.
Comments	The author emphasises the need for promoting public investment through interest rate subsidies, given its importance for economic take-off. However, he also specifies that the dynamic positive spill-over effects arising from public investment promotion must outweigh the possible inefficiencies associated with public sector management and control. Moreover, the paper suggests that, given the need for protecting depositors and ensuring competent management, liberalization should form part of a larger package of financial reform.

Table 40

COUNTRY :	**INDONESIA**
Publication	Marshall, Kathryn G. (1994), "Competition and growth: changes in Indonesia's banking sector since 1988", *Journal of Asian Business*, Volume 10, No. 3.
Sector	Financial Services: Banking
Policy Change	*Domestic deregulation* of the Indonesian banking sector since the early 1980s. - Interest rate controls on time deposits in state-owned banks were lifted and credit quotas eliminated in 1983. - The 1988 reforms eased branching restrictions and allowed for the licensing of both private domestic and joint venture banks. - The government lifted its guarantee on time deposits in state-owned banks and stressed its resolve not to support insolvent banks in order to discourage excessive risk-taking in an increasingly competitive environment.
Comments	The paper, completed prior to the recent financial turmoil, compliments the government's decision to withdraw deposit protection in order to discourage excessive risk-taking in a period of rapid expansion and growing competition.

Table 41

COUNTRY :	**INDONESIA**
Publication	Suwandi, Titin (1995), Indonesian banking post-deregulation: moral hazard and high real interest rates, Canberra (Economics Division Working Papers, Research School of Pacific and Asian Studies).
Sector	Financial Services: Banking
Policy Change	*Domestic deregulation* of the Indonesian banking sector since the early 1980s.
Additional Comments	The study explores various costs and benefits of financial deregulation in Indonesia.

Table 42

COUNTRY :	**THAILAND, INDONESIA**
Publication	Cheng, Hang-sheng (1991), "A comparitive assessment of financial reform in three Asian developing economies: Thailand, Indonesia and Taiwan", *Journal of Asian Economics* , No. 2.
Sector	Financial Sector: Banking
Policy Change	*Domestic deregulation of the banking system* in Thailand in the 1980s. *Domestic deregulation followed by external liberalization* in Indonesia and Chinese Taipei in the 1980s.
Comments	While not providing a detailed analysis, the author discusses the need for and the benefits of sequencing financial liberalization.

Table 43

COUNTRY :	**INDONESIA**
Publication	McLeod, Ross H. (1996), "Control and Competition: Banking Deregulation and Re-Regulation in Indonesia", *Working Paper* (No. 96/7), Department of Economics, Research School of Pacific and Asian Studies, Canberra.
Sector	Financial Services: Banking
Policy Change	*Domestic Deregulation* in Indonesia's banking sector since the early 1980s; interest rate controls on time deposits in state banks were lifted; controls on the lending of all banks were removed and most subsidised loan programs were terminated. *External liberalization* in October 1988 involved the opening of the sector to new private domestic banks and joint-venture banks with foreign participation. Restrictions on the domestic banks' access to foreign exchange licences were eased. Minimum reserve requirements were significantly reduced. Controls on banks' overseas borrowing were removed in March 1989. At the same time, prudential regulations were widened to include limits on foreign exchange exposure. All remaining subsidised loan programs were terminated by 1990. Foreigners were allowed to buy shares in domestic banks listed on the stock exchange from February 1992. *Re-regulation* of the banking sector in the mid-1990s Controls on bank lending were imposed; minimum reserve ratios were increased; licensing procedures for new bank branches were tightened; and lending by non-banks and non-intermediated financial institutions was made subject to prudential control.
Comments	Involvement of the major banks in large-scale currency and real estate speculation in 1990 led to a slowing down of the deregulation process. The author holds that the consequent bankruptcy of these banks resulted not from a lack of prudential regulation but from the banks' violation of existing rules. He attributes excessive risk-taking by banks to the Central Banks' inability to enforce regulations and ensure compliance with prudential standards.

Table 44

COUNTRY :	**MALAYSIA**
Publication	Ismail, Abdul G., and Smith, Peter (1994), "Financial Deregulation in Malaysian Banking", *Savings and Development*, No. 4.
Sector	Financial Services: Banking
Policy Change	*Domestic Deregulation* in the Malaysian banking sector began as a gradual process at the end of the 1970s and accelerated in the mid-1980s. Interest rate regulations were gradually removed; banks were allowed to set their own base lending rates after 1990. Two main categories of regulations remained effective: - *Power regulations* limited foreign bank activities in the domestic retail market. However, foreign banks were well represented in the wholesale market. - *Quantity regulations*, particularly minimum liquidity and reserve requirements, were intended to ensure the viability of individual commercial banks.
Comments	The study indicates that the rise in bank vulnerability after 1980 was attributable not only to deregulation, but also a range of additional factors such as inefficient bank management.

Table 45

COUNTRY :	**PAKISTAN**
Publication	Khan, Shahrukh R., and Aftab, Safiya (1994), "Assessing the Impact of Financial Reforms on Pakistan's Economy", *Pakistan Journal of Applied Economics*, Vol. X, No. 1/2.
Sector	Financial Services: Banking
Policy Change	- Pakistan's financial reforms in 1990-91 involved a gradual liberalization of banking activities as well as a rationalisation of the interest rate structure. - Two commercial banks were denationalized and ten new private banks permitted to begin operations in August 1991. - The government introduced treasury bills and federal investment bonds in the open market to finance public debt. - The stock exchange was opened to foreign investors. - In August 1992, the government abolished credit ceilings and replaced them with a system of credit/deposit ratios, allowing commercial banks to extend credit up to 30% of their rupee and foreign currency deposits. - The State Bank issued a set of prudential regulations. Banks and non-bank financial institutions were required to respect prescribed debt-equity ratios and limit their exposure to single companies and individual investors.
Additional Comments	The paper argues in favour of denationalization of banks in a competitive environment. However, the authors do not express support for interest rate liberalization in Pakistan, given the large contribution of interest payments to the fiscal deficit. Besides, they maintain that, as savings are not significantly responsive to real interest rates, liberalization is unlikely to spur economic growth.

Table 46

COUNTRY :	**PHILIPPINES**
Publication	Lamberte, Mario B. (1993), "Assessment of the Financial Market Reforms in the Philippines: 1980-1992", *Journal of Philippine Development*, Volume Xx.
Sector	Financial Services: Banking
Policy Change	- Restructuring of the Philippine banking system in the early 1980s involved mergers and consolidation among banks. - Bank entry was allowed in 1989 and bank branching regulations were relaxed in 1991. - Interest rate ceilings on all deposit and long-term loans were removed in 1981, those on short-term loans in 1983. - In the late 1980s, the Central Bank introduced rules to strengthen prudential regulations. - Deregulation of the foreign exchange market began in 1992.
Comments	Weak competition in the Philippine banking sector contributed to low average real interest rates on deposits and, therefore, low levels of financial intermediation throughout the 1980s. The author maintains that interest rate liberalization is liable to widen the gap between lending and deposit rates if entry barriers are not reduced.

Table 47

COUNTRY :	**PHILIPPINES**
Publication	Vos, Rob (1997), "Financial Reform, Institutions and Macroeconomic Adjustment: the Destabilizing Effects of Financial Liberalization in the Philippines, 1970 to 1992", in K.L. Gupta (ed.) *Experiences with Financial Liberalization*, Massachusetts.
Sector	Financial Services: Banking
Policy Change	*Domestic deregulation* of the Philippine financial sector in 1973 and the early 1980s. While credit rationing regulations remained unaltered, interest rate ceilings were removed in the early 1980s.
Comments	Financial liberalization failed to produce the envisaged results. The author pins the blame especially on an underdeveloped and fragile financial system, unstable macroeconomic conditions and weak banking supervision. He feels that the reforms might have exacerbated weaknesses in the system, associating the increase in bank concentration with a decrease in competition. (On the other hand it might be argued that regulatory inertia continued to hinder price-based credit allocation and deter market entrants.)
	The financial system was under considerable stress when reforms were undertaken. Most firms, which had accumulated large debts under low real interest rates, were seriously affected by the removal ceilings. Moreover, cross-ownership links had increased the system's vulnerability to individual bank failures.

Table 48

COUNTRY :	**FORMER SOVIET-UNION COUNTRIES**
Publication	Buch, Claudia M. (1996), Creating Efficient Banking Systems: Theory and Evidence from Eastern Europe, Tübingen.
Sector	Financial Services: Banking
Policy Change	*Domestic deregulation* of the banking systems of Hungary, Czech Republic, Poland and Estonia in the late 1980s. Most state-owned banks were privatised; prudential regulations were strengthened. *External liberalization* in the early 1990s involved complete liberalization of the capital account.
Comments	The impact of interest rate deregulation on aggregate savings was contrary to expectations. The author argues that the immediate impact of economic transformation on aggregate enterprise savings was negative because of the decline in profitability. Public sector savings declined due to revenue shortfalls as a result of tax reform and adjustment-related pressures on the social security system.

B. TELECOMMUNICATIONS

Table 49

COUNTRY :	**ARGENTINA**
Publication	Abdala, Manuel A. (1992), "Desregulación, privatización y regulación del sector argentino de las telecomunicaciones", *Estudios*, No. 63 (Instituto de Estudios Económicos sobre la realidad Argentina y Latinoamericana).
Sector	Telecommunications
Policy Change	- In 1990 ENTEL, the State-owned monopoly supplier, was privatised. In this context, the company was split into four units: two operate regional networks; one provides long-distance services; and one specialises in competitive services such as telex and data transmission. - A regulator, created in 1990, remained basically inactive until 1992. Regulatory requirements, including quality-related provisions and price structures, were included in the privatisation contracts. Compliance was a precondition for maintaining the operators' respective monopoly status which was granted for seven years with a possible three-year extension. The extension was made contingent on certain performance criteria. - Exclusivity for mobile telephony was granted in exchange for some price reductions which were renegotiated in 1992.

C. AIR TRANSPORT

Table 50

COUNTRY :	**ASEAN COUNTRIES**
Publication	Bowen, John T. and Leinbach, Thomas R. (1996), "Development and liberalization: the airline industry in ASEAN", in G.C. Hufbauer and C. Findlay (eds.), *Flying High: Liberalizing Civil Aviation in the Asia Pacific*, Institute for International Economics, Washington D.C.
Sector	Transport: Aviation
Policy Change	*Policy Reform* in ASEAN countries since the mid-1980s. - All ASEAN countries partially privatised their state-owned flag carriers. Although four major South-East Asian carriers (Thai Airways International, Singapore Airlines, Malaysian Airlines and Philippine Airlines) were privatised, the State retained a substantial equity share. Governments continued to control domestic fares.

Source for table 13 to 50: WTO working document S/C/W/26 Add.1 dated 29 May 1998.

ANNEX 4 : OVERVIEW OF COMMITMENTS

Table 51
Structure of commitments, all Members
● MODE 1

Sector	Total[a]	Market Access			National Treatment		
		Full	Partial[b]	Unbound	Full	Partial[b]	Unbound
Business Services							
Legal Services	56	14%	73%	13%	18%	68%	14%
Accounting/auditing/bookkeeping	67	24%	51%	25%	28%	46%	25%
Architectural Services	61	43%	39%	18%	43%	43%	15%
Medical & dental services	49	27%	22%	51%	37%	14%	49%
Data processing services	66	61%	23%	17%	64%	18%	18%
R&D services (natural sciences)	33	73%	9%	18%	73%	12%	15%
Advertising services	51	61%	27%	12%	59%	22%	20%
Management consulting services	62	65%	21%	15%	71%	16%	13%
Communication Services							
Courier services	33	39%	33%	27%	45%	30%	24%
Voice telephone services	76	8%	84%	8%	20%	70%	11%
Private leased circuit services	66	9%	88%	3%	30%	64%	6%
Electronic mail	63	24%	71%	5%	41%	54%	5%
Online info & data base retrieval	65	22%	72%	6%	43%	51%	6%
Audiovisual services	19	21%	53%	26%	21%	47%	32%
Construction, Engineering							
Construction work (building)	59	22%	29%	49%	22%	29%	49%
Construction work (civil engin.)	60	20%	30%	50%	20%	30%	50%
Distribution							
Wholesale trade	45	20%	67%	13%	47%	42%	11%
Retailing services	44	16%	66%	18%	14%	68%	18%
Educational Services							
Secondary education	34	65%	26%	9%	29%	65%	6%
Adult education	31	65%	32%	3%	61%	35%	3%
Environmental Services							
Sewage services	40	10%	13%	78%	10%	18%	73%
Refuse disposal	40	10%	13%	78%	10%	18%	73%
Financial Services							
Non-life insurance	74	11%	61%	28%	19%	47%	34%
Acceptance of deposits	80	20%	19%	61%	24%	16%	60%
Lending of all types	79	16%	27%	57%	23%	22%	56%
Trading in securities	71	15%	27%	58%	18%	25%	56%
Health Related, Social Services							
Hospital services	39	31%	0%	69%	38%	0%	62%
Social services	19	16%	0%	84%	21%	0%	79%
Tourism Services							
Hotels and restaurants	123	28%	30%	41%	33%	28%	38%
Travel agencies	100	55%	17%	28%	60%	13%	27%
Recreational Services							
Entertainment services	39	44%	8%	49%	46%	8%	46%
News agency services	25	84%	12%	4%	76%	24%	0%
Transport Services							
Maritime (freight)	27	19%	63%	19%	26%	48%	26%
Rail (passenger)	10	30%	30%	40%	50%	10%	40%
Rail (freight)	10	30%	30%	40%	50%	10%	40%
Road (passenger)	38	16%	16%	68%	16%	16%	68%
Road (freight)	37	11%	8%	81%	11%	8%	81%
TOTAL OF ABOVE	1891	30%	37%	33%	35%	33%	33%

Source: WTO Secretariat.
[a] Total number of Members with commitments in the sector concerned for any of the three Modes.
[b] Includes horizontal limitations.

Table 52
Structure of commitments, all Members
● MODE 2

Sector	Total[a]	Market Access			National Treatment		
		Full	Partial[b]	Unbound	Full	Partial[b]	Unbound
Business Services							
Legal Services	56	20%	73%	7%	18%	68%	14%
Accounting/auditing/bookkeeping	67	34%	54%	12%	42%	46%	12%
Architectural Services	61	74%	16%	10%	70%	18%	11%
Medical & dental services	49	47%	49%	4%	51%	41%	8%
Data processing services	66	70%	21%	9%	74%	15%	11%
R&D services (natural sciences)	33	70%	15%	15%	70%	15%	15%
Advertising services	51	65%	27%	8%	63%	25%	12%
Management consulting services	62	69%	23%	8%	76%	15%	10%
Communication Services							
Courier services	33	48%	39%	12%	55%	30%	15%
Voice telephone services	76	38%	53%	9%	22%	68%	9%
Private leased circuit services	66	47%	50%	3%	33%	62%	5%
Electronic mail	63	33%	57%	10%	37%	51%	13%
Online info & data base retrieval	65	31%	58%	11%	40%	46%	14%
Audiovisual services	19	26%	63%	11%	26%	53%	21%
Construction, Engineering							
Construction work (building)	59	68%	22%	10%	66%	22%	12%
Construction work (civil engin.)	60	63%	22%	15%	62%	22%	17%
Distribution							
Wholesale trade	45	49%	42%	9%	51%	42%	7%
Retailing services	44	18%	73%	9%	18%	73%	9%
Educational Services							
Secondary education	34	71%	26%	3%	71%	26%	3%
Adult education	31	65%	35%	0%	61%	39%	0%
Environmental Services							
Sewage services	40	38%	53%	10%	35%	58%	8%
Refuse disposal	40	68%	23%	10%	68%	25%	8%
Financial Services							
Non-life insurance	74	15%	57%	28%	26%	43%	31%
Acceptance of deposits	80	30%	45%	25%	36%	40%	24%
Lending of all types	79	28%	47%	25%	34%	42%	24%
Trading in securities	71	28%	52%	20%	28%	51%	21%
Health Related, Social Services							
Hospital services	39	87%	8%	5%	87%	8%	5%
Social services	19	26%	68%	5%	32%	63%	5%
Tourism Services							
Hotels and restaurants	123	50%	42%	8%	53%	37%	11%
Travel agencies	100	69%	18%	13%	73%	12%	15%
Recreational Services							
Entertainment services	39	85%	10%	5%	85%	8%	8%
News agency services	25	88%	12%	0%	84%	16%	0%
Transport Services							
Maritime (freight)	27	33%	59%	7%	37%	52%	11%
Rail (passenger)	10	20%	80%	0%	50%	40%	10%
Rail (freight)	10	80%	10%	10%	80%	10%	10%
Road (passenger)	38	21%	68%	11%	26%	68%	5%
Road (freight)	37	57%	30%	14%	59%	30%	11%
TOTAL OF ABOVE	1891	48%	40%	11%	50%	38%	13%

Source: WTO Secretariat.
[a] Total number of Members with commitments in the sector concerned for any of the three Modes.
[b] Includes horizontal limitations.

Table 53
Structure of commitments, all Members
● MODE 3

Sector	Total[a]	Market Access			National Treatment		
		Full	Partial[b]	Unbound	Full	Partial[b]	Unbound
Business Services							
Legal Services	56	4%	89%	7%	13%	80%	7%
Accounting/auditing/bookkeeping	67	7%	91%	1%	27%	70%	3%
Architectural Services	61	20%	77%	3%	64%	31%	5%
Medical & dental services	49	16%	76%	8%	35%	57%	8%
Data processing services	66	24%	74%	2%	73%	23%	5%
R&D services (natural sciences)	33	6%	94%	0%	79%	21%	0%
Advertising services	51	16%	84%	0%	63%	35%	2%
Management consulting services	62	26%	73%	2%	82%	16%	2%
Communication Services							
Courier services	33	12%	85%	3%	33%	67%	0%
Voice telephone services	76	5%	93%	1%	13%	82%	5%
Private leased circuit services	66	3%	97%	0%	23%	71%	6%
Electronic mail	63	6%	90%	3%	37%	59%	5%
Online info & data base retrieval	65	6%	89%	5%	37%	57%	6%
Audiovisual services	19	16%	79%	5%	26%	74%	0%
Construction, Engineering							
Construction work (building)	59	25%	69%	5%	5%	86%	8%
Construction work (civil engin.)	60	23%	72%	5%	5%	87%	8%
Distribution							
Wholesale trade	45	13%	87%	0%	13%	84%	2%
Retailing services	44	7%	89%	5%	7%	91%	2%
Educational Services							
Secondary education	34	21%	74%	6%	3%	82%	15%
Adult education	31	13%	84%	3%	10%	87%	3%
Environmental Services							
Sewage services	40	20%	80%	0%	15%	85%	0%
Refuse disposal	40	18%	83%	0%	13%	88%	0%
Financial Services							
Non-life insurance	74	7%	89%	4%	12%	81%	7%
Acceptance of deposits	80	15%	85%	0%	16%	84%	0%
Lending of all types	79	15%	82%	3%	14%	84%	3%
Trading in securities	71	13%	87%	0%	8%	92%	0%
Health Related, Social Services							
Hospital services	39	15%	79%	5%	13%	79%	8%
Social services	19	5%	95%	0%	11%	84%	5%
Tourism Services							
Hotels and restaurants	123	24%	75%	1%	46%	51%	2%
Travel agencies	100	24%	71%	5%	57%	35%	8%
Recreational Services							
Entertainment services	39	13%	77%	10%	13%	77%	10%
News agency services	25	32%	68%	0%	8%	88%	4%
Transport Services							
Maritime (freight)	27	7%	85%	7%	30%	59%	11%
Rail (passenger)	10	20%	80%	0%	50%	40%	10%
Rail (freight)	10	20%	80%	0%	50%	40%	10%
Road (passenger)	38	11%	84%	5%	26%	66%	8%
Road (freight)	37	11%	86%	3%	27%	70%	3%
TOTAL OF ABOVE	1891	15%	82%	3%	30%	66%	5%

Source: WTO Secretariat.
[a] Total number of Members with commitments in the sector concerned for any of the three Modes.
[b] Includes horizontal limitations.

Table 54
Structure of commitments, developed Members
● MODE 1

Sector	Total[a]	Market Access			National Treatment		
		Full	Partial[b]	Unbound	Full	Partial[b]	Unbound
Business Services							
Legal Services	26	4%	92%	4%	4%	92%	4%
Accounting/auditing/bookkeeping	26	15%	81%	4%	15%	81%	4%
Architectural Services	26	38%	62%	0%	35%	65%	0%
Medical & dental services	18	17%	11%	72%	22%	6%	72%
Data processing services	26	77%	23%	0%	77%	23%	0%
R&D services (natural sciences)	16	88%	13%	0%	81%	19%	0%
Advertising services	24	79%	21%	0%	75%	25%	0%
Management consulting services	25	88%	12%	0%	88%	12%	0%
Communication Services							
Courier services	6	17%	83%	0%	33%	67%	0%
Voice telephone services	25	12%	88%	0%	20%	80%	0%
Private leased circuit services	25	12%	88%	0%	20%	80%	0%
Electronic mail	26	15%	85%	0%	15%	85%	0%
Online info & data base retrieval	26	15%	85%	0%	15%	85%	0%
Audiovisual services	4	0%	75%	25%	0%	75%	25%
Construction, Engineering							
Construction work (building)	24	8%	58%	33%	8%	58%	33%
Construction work (civil engin.)	24	8%	58%	33%	8%	58%	33%
Distribution							
Wholesale trade	25	4%	96%	0%	52%	48%	0%
Retailing services	25	8%	92%	0%	4%	96%	0%
Educational Services							
Secondary education	19	79%	16%	5%	5%	89%	5%
Adult education	18	78%	22%	0%	67%	33%	0%
Environmental Services							
Sewage services	24	4%	13%	83%	0%	17%	83%
Refuse disposal	25	4%	12%	84%	0%	16%	84%
Financial Services							
Non-life insurance	26	4%	92%	4%	8%	88%	4%
Acceptance of deposits	25	0%	16%	84%	0%	16%	84%
Lending of all types	25	0%	16%	84%	0%	16%	84%
Trading in securities	26	0%	19%	81%	0%	19%	81%
Health Related, Social Services							
Hospital services	15	0%	0%	100%	0%	0%	100%
Social services	13	0%	0%	100%	0%	0%	100%
Tourism Services							
Hotels and restaurants	26	15%	73%	12%	31%	58%	12%
Travel agencies	26	77%	19%	4%	88%	8%	4%
Recreational Services							
Entertainment services	17	18%	6%	76%	12%	12%	76%
News agency services	22	86%	14%	0%	73%	27%	0%
Transport Services							
Maritime (freight)	6	17%	50%	33%	33%	33%	33%
Rail (passenger)	4	25%	50%	25%	50%	25%	25%
Rail (freight)	4	25%	50%	25%	50%	25%	25%
Road (passenger)	23	4%	22%	74%	4%	22%	74%
Road (freight)	22	5%	14%	82%	5%	14%	82%
TOTAL OF ABOVE	763	26%	45%	29%	26%	45%	29%

Source: WTO Secretariat.
[a] Total number of Members with commitments in the sector concerned for any of the three Modes.
[b] Includes horizontal limitations.

Table 55
Structure of commitments, developed Members
● MODE 2

Sector	Total[a]	Market Access			National Treatment		
		Full	Partial[b]	Unbound	Full	Partial[b]	Unbound
Business Services							
Legal Services	26	4%	92%	4%	4%	92%	4%
Accounting/auditing/bookkeeping	26	15%	81%	4%	19%	77%	4%
Architectural Services	26	88%	12%	0%	92%	8%	0%
Medical & dental services	18	22%	78%	0%	28%	72%	0%
Data processing services	26	77%	23%	0%	81%	19%	0%
R&D services (natural sciences)	16	88%	13%	0%	81%	19%	0%
Advertising services	24	79%	21%	0%	75%	25%	0%
Management consulting services	25	88%	12%	0%	88%	12%	0%
Communication Services							
Courier services	6	17%	67%	17%	33%	50%	17%
Voice telephone services	25	72%	28%	0%	20%	80%	0%
Private leased circuit services	25	72%	28%	0%	20%	80%	0%
Electronic mail	26	15%	81%	4%	15%	81%	4%
Online info & data base retrieval	26	15%	81%	4%	15%	81%	4%
Audiovisual services	4	25%	75%	0%	50%	50%	0%
Construction, Engineering							
Construction work (building)	24	79%	21%	0%	71%	29%	0%
Construction work (civil engin.)	24	75%	25%	0%	71%	29%	0%
Distribution							
Wholesale trade	25	52%	48%	0%	52%	48%	0%
Retailing services	25	8%	92%	0%	4%	96%	0%
Educational Services							
Secondary education	19	79%	16%	5%	74%	21%	5%
Adult education	18	78%	22%	0%	67%	33%	0%
Environmental Services							
Sewage services	24	33%	67%	0%	21%	79%	0%
Refuse disposal	25	80%	20%	0%	68%	32%	0%
Financial Services							
Non-life insurance	26	0%	88%	12%	4%	85%	12%
Acceptance of deposits	25	12%	88%	0%	8%	92%	0%
Lending of all types	25	12%	88%	0%	8%	92%	0%
Trading in securities	26	12%	85%	4%	8%	85%	8%
Health Related, Social Services							
Hospital services	15	93%	7%	0%	93%	7%	0%
Social services	13	8%	92%	0%	8%	92%	0%
Tourism Services							
Hotels and restaurants	26	42%	58%	0%	46%	54%	0%
Travel agencies	26	92%	8%	0%	96%	4%	0%
Recreational Services							
Entertainment services	17	94%	6%	0%	94%	6%	0%
News agency services	22	86%	14%	0%	82%	18%	0%
Transport Services							
Maritime (freight)	6	17%	50%	33%	33%	33%	33%
Rail (passenger)	4	75%	25%	0%	75%	25%	0%
Rail (freight)	4	75%	25%	0%	75%	25%	0%
Road (passenger)	23	4%	91%	4%	4%	91%	4%
Road (freight)	22	64%	32%	5%	64%	32%	5%
TOTAL OF ABOVE	763	50%	49%	2%	45%	53%	2%

Source: WTO Secretariat.
[a] Total number of Members with commitments in the sector concerned for any of the three Modes.
[b] Includes horizontal limitations.

Table 56
Structure of commitments, developed Members
● MODE 3

Sector	**Total**[a]	**Market Access**			**National Treatment**		
		Full	Partial[b]	Unbound	Full	Partial[b]	Unbound
Business Services							
Legal Services	26	0%	92%	8%	0%	92%	8%
Accounting/auditing/bookkeeping	26	4%	96%	0%	12%	88%	0%
Architectural Services	26	27%	73%	0%	88%	12%	0%
Medical & dental services	18	0%	89%	11%	6%	89%	6%
Data processing services	26	23%	77%	0%	81%	19%	0%
R&D services (natural sciences)	16	6%	94%	0%	81%	19%	0%
Advertising services	24	21%	79%	0%	75%	25%	0%
Management consulting services	25	28%	72%	0%	92%	8%	0%
Communication Services							
Courier services	6	0%	100%	0%	33%	67%	0%
Voice telephone services	25	0%	100%	0%	8%	92%	0%
Private leased circuit services	25	0%	100%	0%	8%	92%	0%
Electronic mail	26	4%	96%	0%	12%	88%	0%
Online info & data base retrieval	26	4%	96%	0%	12%	88%	0%
Audiovisual services	4	25%	75%	0%	25%	75%	0%
Construction, Engineering							
Construction work (building)	24	21%	79%	0%	0%	100%	0%
Construction work (civil engin.)	24	17%	83%	0%	0%	100%	0%
Distribution							
Wholesale trade	25	0%	100%	0%	0%	100%	0%
Retailing services	25	4%	96%	0%	0%	100%	0%
Educational Services							
Secondary education	19	21%	79%	0%	0%	95%	5%
Adult education	18	6%	94%	0%	0%	100%	0%
Environmental Services							
Sewage services	24	25%	75%	0%	0%	100%	0%
Refuse disposal	25	16%	84%	0%	0%	100%	0%
Financial Services							
Non-life insurance	26	0%	100%	0%	0%	100%	0%
Acceptance of deposits	25	4%	96%	0%	0%	100%	0%
Lending of all types	25	4%	96%	0%	0%	100%	0%
Trading in securities	26	4%	96%	0%	0%	100%	0%
Health Related, Social Services							
Hospital services	15	0%	100%	0%	0%	100%	0%
Social services	13	8%	92%	0%	0%	100%	0%
Tourism Services							
Hotels and restaurants	26	19%	81%	0%	31%	69%	0%
Travel agencies	26	23%	77%	0%	35%	65%	0%
Recreational Services							
Entertainment services	17	18%	82%	0%	0%	100%	0%
News agency services	22	32%	68%	0%	0%	100%	0%
Transport Services							
Maritime (freight)	6	0%	67%	33%	33%	33%	33%
Rail (passenger)	4	25%	75%	0%	50%	50%	0%
Rail (freight)	4	25%	75%	0%	50%	50%	0%
Road (passenger)	23	0%	96%	4%	9%	87%	4%
Road (freight)	22	0%	100%	0%	14%	86%	0%
TOTAL OF ABOVE	763	11%	88%	1%	19%	80%	1%

Source: WTO Secretariat.
[1a] Total number of Members with commitments in the sector concerned for any of the three Modes.
[b] Includes horizontal limitations.

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[1]

Table 57
Structure of commitments, developing and transition economies
● MODE 1

Sector	Total[a]	Market Access			National Treatment		
		Full	Partial[b]	Unbound	Full	Partial[b]	Unbound
Business Services							
Legal Services	30	23 %	57 %	20 %	30 %	47 %	23 %
Accounting/auditing/bookkeeping	41	29 %	32 %	39 %	37 %	24 %	39 %
Architectural Services	35	46 %	23 %	31 %	49 %	26 %	26 %
Medical & dental services	31	32 %	29 %	39 %	45 %	19 %	35 %
Data processing services	40	50 %	23 %	28 %	55 %	15 %	30 %
R&D services (natural sciences)	17	59 %	6 %	35 %	65 %	6 %	29 %
Advertising services	27	44 %	33 %	22 %	44 %	19 %	37 %
Management consulting services	37	49 %	27 %	24 %	59 %	19 %	22 %
Communication Services							
Courier services	27	44 %	22 %	33 %	48 %	22 %	30 %
Voice telephone services	51	6 %	82 %	12 %	20 %	65 %	16 %
Private leased circuit services	41	7 %	88 %	5 %	37 %	54 %	10 %
Electronic mail	37	30 %	62 %	8 %	59 %	32 %	8 %
Online info & data base retrieval	39	26 %	64 %	10 %	62 %	28 %	10 %
Audiovisual services	15	27 %	47 %	27 %	27 %	40 %	33 %
Construction, Engineering							
Construction work (building)	35	31 %	9 %	60 %	31 %	9 %	60 %
Construction work (civil engin.)	36	28 %	11 %	61 %	28 %	11 %	61 %
Distribution							
Wholesale trade	20	40 %	30 %	30 %	40 %	35 %	25 %
Retailing services	19	26 %	32 %	42 %	26 %	32 %	42 %
Educational Services							
Secondary education	15	47 %	40 %	13 %	60 %	33 %	7 %
Adult education	13	46 %	46 %	8 %	54 %	38 %	8 %
Environmental Services							
Sewage services	16	19 %	13 %	69 %	25 %	19 %	56 %
Refuse disposal	15	20 %	13 %	67 %	27 %	20 %	53 %
Financial Services							
Non-life insurance	48	15 %	44 %	42 %	25 %	25 %	50 %
Acceptance of deposits	55	29 %	20 %	51 %	35 %	16 %	49 %
Lending of all types	54	24 %	31 %	44 %	33 %	24 %	43 %
Trading in securities	45	24 %	31 %	44 %	29 %	29 %	42 %
Health Related, Social Services							
Hospital services	24	50 %	0 %	50 %	63 %	0 %	38 %
Social services	6	50 %	0 %	50 %	67 %	0 %	33 %
Tourism Services							
Hotels and restaurants	97	32 %	19 %	49 %	34 %	21 %	45 %
Travel agencies	74	47 %	16 %	36 %	50 %	15 %	35 %
Recreational Services							
Entertainment services	22	64 %	9 %	27 %	73 %	5 %	23 %
News agency services	3	67 %	0 %	33 %	100 %	0 %	0 %
Transport Services							
Maritime (freight)	21	19 %	67 %	14 %	24 %	52 %	24 %
Rail (passenger)	6	33 %	17 %	50 %	50 %	0 %	50 %
Rail (freight)	6	33 %	17 %	50 %	50 %	0 %	50 %
Road (passenger)	15	33 %	7 %	60 %	33 %	7 %	60 %
Road (freight)	15	20 %	0 %	80 %	20 %	0 %	80 %
TOTAL OF ABOVE	1128	32 %	32 %	36 %	40 %	25 %	35 %

Source: WTO Secretariat.
[a] Total number of Members with commitments in the sector concerned for any of the three Modes.
[b] Includes horizontal limitations.

Table 58
Structure of commitments, developing and transition economies
● MODE 2

Sector	Total[a]	Market Access			National Treatment		
		Full	Partial[b]	Unbound	Full	Partial[b]	Unbound
Business Services							
Legal Services	30	33 %	57 %	20 %	30 %	47 %	23 %
Accounting/auditing/bookkeeping	41	29 %	32 %	39 %	37 %	24 %	39 %
Architectural Services	35	46 %	23 %	31 %	49 %	26 %	26 %
Medical & dental services	31	32 %	29 %	39 %	45 %	19 %	35 %
Data processing services	40	65 %	20 %	15 %	70 %	13 %	18 %
R&D services (natural sciences)	17	53 %	18 %	29 %	59 %	12 %	29 %
Advertising services	27	52 %	33 %	15 %	52 %	26 %	22 %
Management consulting services	37	57 %	30 %	14 %	68 %	16 %	16 %
Communication Services							
Courier services	27	56 %	33 %	11 %	59 %	26 %	15 %
Voice telephone services	51	22 %	65 %	14 %	24 %	63 %	14 %
Private leased circuit services	41	32 %	63 %	5 %	41 %	51 %	7 %
Electronic mail	37	46 %	41 %	14 %	51 %	30 %	19 %
Online info & data base retrieval	39	41 %	44 %	15 %	56 %	23 %	21 %
Audiovisual services	15	27 %	60 %	13 %	20 %	53 %	27 %
Construction, Engineering							
Construction work (building)	35	60 %	23 %	17 %	63 %	17 %	20 %
Construction work (civil engin.)	36	56 %	19 %	25 %	56 %	17 %	28 %
Distribution							
Wholesale trade	20	45 %	35 %	20 %	50 %	35 %	15 %
Retailing services	19	32 %	47 %	21 %	37 %	42 %	21 %
Educational Services							
Secondary education	15	60 %	40 %	0 %	60 %	33 %	7 %
Adult education	13	56 %	54 %	0 %	54 %	46 %	0 %
Environmental Services							
Sewage services	16	44 %	31 %	25 %	56 %	25 %	19 %
Refuse disposal	15	47 %	27 %	27 %	67 %	13 %	20 %
Financial Services							
Non-life insurance	48	23 %	40 %	38 %	38 %	21 %	42 %
Acceptance of deposits	55	38 %	25 %	36 %	49 %	16 %	35 %
Lending of all types	54	35 %	28 %	37 %	46 %	19 %	35 %
Trading in securities	45	38 %	33 %	29 %	40 %	31 %	29 %
Health Related, Social Services							
Hospital services	24	83 %	8 %	8 %	83 %	8 %	8 %
Social services	6	67 %	17 %	17 %	83 %	0 %	17 %
Tourism Services							
Hotels and restaurants	97	52 %	38 %	10 %	55 %	32 %	13 %
Travel agencies	74	61 %	22 %	18 %	65 %	15 %	20 %
Recreational Services							
Entertainment services	22	77 %	14 %	9 %	77 %	9 %	14 %
News agency services	3	100 %	0 %	0 %	100 %	0 %	0 %
Transport Services							
Maritime (freight)	21	38 %	62 %	0 %	38 %	57 %	5 %
Rail (passenger)	6	83 %	17 %	0 %	83 %	17 %	0 %
Rail (freight)	6	83 %	0 %	17 %	83 %	0 %	17 %
Road (passenger)	15	47 %	33 %	20 %	60 %	33 %	7 %
Road (freight)	15	47 %	27 %	27 %	53 %	27 %	20 %
TOTAL OF ABOVE	1128	48 %	34 %	18 %	53 %	27 %	20 %

Source: WTO Secretariat.
[a] Total number of Members with commitments in the sector concerned for any of the three Modes.
[b] Includes horizontal limitations.

Table 59
Structure of commitments, developing and transition economies
● MODE 3

Sector	Total[a]	Market Access			National Treatment		
		Full	Partial[b]	Unbound	Full	Partial[b]	Unbound
Business Services							
Legal Services	30	7 %	87 %	7 %	23 %	70 %	7 %
Accounting/auditing/bookkeeping	41	10 %	88 %	2 %	37 %	59 %	5 %
Architectural Services	35	14 %	80 %	6 %	46 %	46 %	9 %
Medical & dental services	31	26 %	68 %	6 %	52 %	39 %	10 %
Data processing services	40	25 %	73 %	3 %	68 %	25 %	8 %
R&D services (natural sciences)	17	6 %	94 %	0 %	76 %	24 %	0 %
Advertising services	27	11 %	89 %	0 %	52 %	44 %	4 %
Management consulting services	37	24 %	73 %	3 %	76 %	22 %	3 %
Communication Services							
Courier services	27	15 %	81 %	4 %	33 %	67 %	0 %
Voice telephone services	51	8 %	90 %	2 %	16 %	76 %	8 %
Private leased circuit services	41	5 %	95 %	0 %	32 %	59 %	10 %
Electronic mail	37	8 %	86 %	5 %	54 %	38 %	8 %
Online info & data base retrieval	39	8 %	85 %	8 %	54 %	36 %	10 %
Audiovisual services	15	13 %	80 %	7 %	27 %	73 %	0 %
Construction, Engineering							
Construction work (building)	35	29 %	63 %	9 %	9 %	77 %	14 %
Construction work (civil engin.)	36	28 %	64 %	8 %	8 %	78 %	14 %
Distribution							
Wholesale trade	20	30 %	70 %	0 %	30 %	65 %	5 %
Retailing services	19	11 %	79 %	11 %	16 %	79 %	5 %
Educational Services							
Secondary education	15	20 %	67 %	13 %	7 %	67 %	27 %
Adult education	13	23 %	69 %	8 %	23 %	69 %	8 %
Environmental Services							
Sewage services	16	13 %	88 %	0 %	38 %	63 %	0 %
Refuse disposal	15	20 %	80 %	0 %	33 %	67 %	0 %
Financial Services							
Non-life insurance	48	10 %	83 %	6 %	19 %	71 %	10 %
Acceptance of deposits	55	20 %	80 %	0 %	24 %	76 %	0 %
Lending of all types	54	20 %	76 %	4 %	20 %	76 %	4 %
Trading in securities	45	18 %	82 %	0 %	13 %	87 %	0 %
Health Related, Social Services							
Hospital services	24	25 %	67 %	8 %	21 %	67 %	13 %
Social services	6	0 %	100 %	0 %	33 %	50 %	17 %
Tourism Services							
Hotels and restaurants	97	26 %	73 %	1 %	51 %	46 %	3 %
Travel agencies	74	24 %	69 %	7 %	65 %	24 %	11 %
Recreational Services							
Entertainment services	22	9 %	73 %	18 %	23 %	59 %	18 %
News agency services	3	33 %	67 %	0 %	67 %	0 %	33 %
Transport Services							
Maritime (freight)	21	10 %	90 %	0 %	29 %	67 %	5 %
Rail (passenger)	6	17 %	83 %	0 %	50 %	33 %	17 %
Rail (freight)	6	17 %	53 %	0 %	50 %	33 %	17 %
Road (passenger)	15	27 %	67 %	7 %	53 %	33 %	13 %
Road (freight)	15	27 %	67 %	7 %	47 %	47 %	7 %
TOTAL OF ABOVE	1128	18 %	78 %	4 %	37 %	56 %	7 %

Source: WTO Secretariat.
[a] Total number of Members with commitments in the sector concerned for any of the three Modes.
[b] Includes horizontal limitations.

Table 60 - Types of limitations on Market Access, Mode 3

Sector	Commit-ments[a]	Number of limitations	Type of Limitation							
			A	B	C	D	E	F	G	H
Professional Services	503	1142[b] (707)[c]	31 (31)	77 (1)	- (-)	24 (5)	235 (190)	195 (134)	217 (158)	363 (188)
Computer & Related Services	298	532 (40)	4 (-)	51 (-)	- (-)	9 (-)	56 (11)	111 (12)	111 (11)	190 (6)
Postal & Courier Services	39	61 (19)	7 (5)	6 (-)	- (-)	- (-)	12 (3)	5 (2)	13 (6)	18 (3)
Basic Telecom Services	469	1451 (1054)	161 (161)	79 (-)	7 (7)	21 (-)	255 (213)	240 (196)	333 (288)	355 (189)
Enhanced Telecom Services	379	826 (362)	89 (77)	50 (-)	7 (7)	8 (-)	94 (41)	135 (99)	196 (109)	247 (29)
Audiovisual Services	19	65 (21)	- (-)	12 (-)	2 (2)	3 (1)	6 (3)	10 (6)	8 (3)	24 (6)
Construction & Rel. Engineering	271	548 (196)	60 (60)	55 (11)	- (-)	9 (-)	55 (26)	108 (16)	83 (7)	178 (76)
Distribution Services	157	319 (42)	30 (30)	25 (-)	- (-)	5 (-)	15 (-)	60 (2)	73 (9)	111 (1)
Educational Services	141	290 (81)	14 (14)	10 (-)	1 (1)	- (-)	30 (18)	60 (7)	75 (30)	100 (11)
Environmental Services	161	319 (22)	6 (6)	29 (-)	- (-)	3 (-)	29 (-)	66 (4)	76 (8)	110 (4)
All insurance Services	265	986 (711)	68 (64)	75 (14)	14 (14)	15 (3)	202 (166)	139 (58)	222 (213)	251 (179)
Banking & Other Financial Services	806	4119 (3248)	508 (508)	500 (313)	134 (134)	35 (2)	734 (624)	528 (257)	825 (771)	855 (639)
Health and Social Services	74	201 (74)	28 (28)	10 (-)	14 (14)	6 (-)	21 (3)	35 (4)	39 (19)	48 (6)
Tourism and Travel Services	301	524 (194)	40 (38)	44 (1)	7 (7)	15 (4)	71 (28)	82 (15)	105 (68)	160 (33)
Recreational, Cult. & Sport. Services	124	239 (49)	6 (2)	17 (-)	- (-)	6 (3)	34 (13)	43 (14)	57 (7)	76 (10)
Maritime Transport Services	48	199 (77)	- (-)	13 (-)	- (-)	1 (-)	42 (32)	44 (13)	36 (22)	63 (10)
Rail Transport Services	33	115 (39)	6 (6)	8 (-)	- (-)	- (-)	20 (10)	21 (6)	25 (11)	35 (6)
Road Transport Services	49	303 (104)	10 (32)	16 (-)	1 (1)	- (-)	15 (21)	63 (11)	71 (12)	94 (27)
TOTAL OF ABOVE	4137	12239 (7040)	1090 (1062)	1077 (340)	187 (187)	160 (18)	1937 (1402)	1945 (856)	2565 (1752)	3278 (1423)

[a] Total number of entries across all Members and subsectors, regardless of Mode. EC Member States are counted individually.
[b] Total number of limitations, including horizontal limitations applying across all sectors contained in the relevant schedules.
[c] Sectoral limitations only.

Table A10
Legend:
A – Number of suppliers
B – Value of transactions or assets
C – Number of operations
D – Number of natural persons
E – Types of legal entity
F – Participation of foreign capital
G – Other measures
H – National treatment limitation

Table A11
Legend:
A – Tax Measures
B – Subsidies and Grants
C – Other Financial Measures
D – Nationality Requirements
E – Residency Requirements
F – Licensing, Standards, Qualifications
G – Registration Requirements
H – Authorization Requirements
I – Performance Requirements
J – Technology Transfer Requirements
K – Local Content, Training Requirements
L – Ownership of Property/Land
M – Other National Treatment Measures
N – Market Access Limitation

Table 61 – Types of limitations on National Treatment, Mode 3

Sector	Commit-ments[a]	Number of limitations	Type of Limitation													
			A	B	C	D	E	F	G	H	I	J	K	L	M	N
Professional Services	503	277[b] (277)[c]	- (-)	- (-)	1 (1)	49 (49)	35 (35)	85 (85)	41 (41)	26 (26)	3 (3)	3 (3)	6 (6)	- (-)	20 (20)	8 (8)
Computer & Related Services	298	32 (32)	1 (1)	- (-)	- (-)	3 (3)	6 (6)	10 (10)	5 (5)	- (-)	- (-)	- (-)	- (-)	- (-)	3 (3)	4 (4)
Postal & Courier Services	39	30 (9)	5 (2)	2 (-)	1 (-)	3 (1)	2 (1)	2 (-)	2 (-)	2 (-)	- (-)	- (-)	1 (-)	4 (2)	4 (2)	2
Basic Telecom Services	469	543 (526)	13 (7)	- (-)	- (-)	157 (156)	108 (108)	11 (11)	7 (7)	117 (110)	- (-)	- (-)	- (-)	113 (112)	11 (10)	6 (5)
Enhanced Telecom Services	379	170 (57)	14 (-)	7 (-)	7 (-)	37 (27)	7 (-)	7 (-)	- (-)	10 (-)	- (-)	- (-)	7 (-)	27 (3)	25 (8)	22 (12)
Audiovisual Services	19	32 (18)	1 (-)	2 (2)	- (-)	3 (2)	2 (2)	8 (8)	3 (-)	2 (-)	- (-)	- (-)	2 (-)	2 (-)	4 (1)	3 (3)
Construction & Rel. Engineering	271	791 (98)	35 (-)	130 (-)	4 (-)	104 (61)	41 (6)	20 (7)	31 (7)	143 (5)	3 (3)	5 (1)	20 (-)	158 (-)	53 (3)	44 (5)
Distribution Services	157	507 (2)	21 (-)	105 (-)	5 (-)	30 (-)	39 (1)	21 (-)	11 (-)	106 (-)	- (-)	- (-)	8 (-)	116 (-)	21 (-)	24 (1)
Educational Services	141	392 (58)	9 (-)	78 (2)	- (-)	52 (37)	20 (-)	14 (5)	9 (-)	86 (11)	- (-)	- (-)	- (-)	95 (-)	12 (-)	17 (3)
Environmental Services	161	529 (6)	29 (-)	102 (-)	4 (-)	36 (-)	41 (1)	19 (1)	15 (-)	105 (-)	- (-)	4 (-)	11 (-)	186 (-)	20 (-)	31 (4)
All insurance Services	265	1205 (598)	118 (84)	121 (5)	11 (11)	160 (108)	150 (131)	47 (38)	60 (29)	157 (43)	5 (5)	17 (7)	11 (-)	131 (-)	157 (123)	60 (14)
Banking & Other Financial Services.	806	4493 (2714)	424 (284)	258 (15)	65 (65)	580 (427)	476 (411)	183 (155)	132 (36)	664 (434)	25 (25)	46 (27)	82 (10)	429 (-)	605 (458)	524 (367)
Health and Social Services	74	173 (12)	5 (-)	42 (2)	- (-)	6 (-)	2 (-)	9 (4)	8 (4)	39 (1)	- (-)	- (-)	4 (-)	43 (-)	8 (1)	7 (-)
Tourism and Travel Services	301	109 (109)	7 (7)	1 (1)	3 (3)	29 (29)	9 (9)	9 (9)	7 (7)	18 (18)	- (-)	4 (4)	1 (1)	4 (4)	11 (11)	6 (6)
Recreational, Cult. & Sport Services	124	330 (35)	17 (5)	69 (18)	- (-)	21 (1)	22 (1)	22 (1)	10 (-)	65 (-)	- (-)	- (-)	2 (-)	78 (-)	13 (8)	11 (1)
Maritime Transport Services	48	24 (24)	5 (5)	- (-)	- (-)	10 (10)	- (-)	- (-)	6 (6)	- (-)	- (-)	- (-)	- (-)	- (-)	2 (2)	1 (1)
Rail Transport Services	33	12 (10)	- (-)	- (-)	- (-)	3 (3)	2 (2)	1 (1)	- (-)	4 (4)	- (-)	- (-)	- (-)	- (-)	- (-)	2 (-)
Road Transport Services	49	45 (45)	- (-)	- (-)	- (-)	17 (17)	12 (12)	2 (2)	6 (6)	6 (6)	- (-)	- (-)	- (-)	- (-)	- (-)	2 (2)
TOTAL OF ABOVE	4137	9694 (4630)	704 (395)	917 (45)	101 (80)	1300 (931)	974 (726)	470 (344)	353 (148)	1550 (658)	36 (36)	79 (42)	155 (17)	1312 (121)	969 (650)	774 (437)

[a] Total number of entries across all Members and subsectors, regardless of Mode. EC Member States are counted individually.
[b] Total number of limitations, including horizontal limitations applying across all sectors contained in the relevant schedules.
[c] Sectoral limitations only.

ANNEX 5 : SECTOR AND SUBSECTORS IN THE GATS

Table 62 : Sectors and subsectors in the GATS and their relevance to the agricultural sector

Service activity	Direct relevance to agriculture	Indirect relevance to agriculture
1. BUSINESS SERVICES	**	
A. Professional services		
a. Legal		*
b. Accounting, auditing & bookkeeping		*
c. Taxation		*
i. Veterinary	**	
B. Computer and related services		
a. Consultancy services related to the installation of computer Hardware		*
b. Software implementation		*
c. Data processing		*
d. Database		*
C. Research and development		
a. R&D on natural sciences	**	
b. R&D on social sciences and humanities	*	
c. Interdisciplinary R&D	*	
E. Rental/leasing without operators		
a. Ships	*	
b. Aircraft	*	
c. Other transport equipment		*
d. Other machinery and equipment		*
F. Other business services		
a. Advertising services		*
b. Market research and public opinion polling	*	
e. Technical testing and analysis	*	
f. Incidental to agriculture, hunting and forestry	**	
g. Incidental to fishing	**	
n. Maintenance and repair on equipment	*	
o. Building-cleaning services		
p. Photographic services		
q. Packaging services	*	
2. COMMUNICATION SERVICES	**	
A. Postal services		*
B. Courier services		*
C. Telecommunication services	**	
a. Voice telephone services	**	
b. Packet-switched data transmission services	*	
c. Circuit-switched data transmission services	*	
d. Telex services	*	
e. Telegraph services	*	
f. Facsimile services	*	
g. Private leased circuit services		*
h. Electronic mail	*	

i. Voice mail	*	
j. On-line information and database retrieval	**	
k. Electronique data interchange (EDI)	*	
l. Enchanced/value-added facsimile services, incl. store and forward, store and retrieve		*
n. On-line information and/or data processing (incl. Transaction processing)	**	
3. CONSTRUCTION AND RELATED ENGINEERING SERVICES		*
A. General construction work for buildings		*
B. General construction work for civil engineering		*
C. Installation and assembly work		
D. Building completion and finishing work		
E. Other		
4. DISTRIBUTION SERVICES	**	
A. Commission agents' services	*	
B. Wholesale trade services	**	
C. Retailing services	**	
D. Franchising	*	
E. Other		
5. EDUCATIONAL SERVICES	*	
A. Primary education services	*	
B. Secondary education services	*	
C. Higher education services	*	
D. Adult education	*	
E. Other education services	*	
6. ENVIRONMENTAL SERVICES		*
A. Sewage services		
B. Refuse disposal services		*
C. Sanitation and similar services		*
D. Other		
7. FINANCIAL SERVICES	**	
A. All insurance and insurance-related services	**	
a. Life, accident and health insurance services	*	
b. Non-life insurance services	**	
c. Reinsurance and retrocession	*	
d. Services auxiliary to insurance (including broking and agency services)	**	
B. Banking and other fianncial services (excl. insurance)	**	
a. Acceptance of deposits and other repayable funds from the public	**	
b. lending of all types, incl., *inter alia*, consumer credit, mortage credit, factoring and finacning of commercial transaction	**	
d. All payment and money transmission services	**	
e. Guarantees and commitments	**	
f. Trading for own account or for account of customers,		

whether or an exchange, in an over-the-counter market or otherwise the following :		
f1. Money market instruments	**	
f2. Foreign exchange	**	
f3. Derivative products incl., but not limited to, futures and options	**	
f4. Exchange rate and interest rate insturments, including, products such as swaps, forward rate agreements, etc.	**	
f6. Other negotiable instruments and financial assets, incl. Bullion	*	
h. Money broking	*	
i. Asset management		*
j. Settlement and clearing services for financial assets, including securities, derivative products, and other negotiable instruments	**	
k. Advisory and other auxiliary financial services	*	
l. Provision and transfer of financial information, and financial data proecessing and related software by providers of other financial services	*	
C. Other		
8. HEALTH-RELATED AND SOCIAL SERVICES (other than those listed under professional services)		*
A. Hospital services		*
B. Other human health services		*
C. Social services		*
9. TOURISM AND TRAVEL-RELATED SERVICES		*
A. Hotel and restaurants (incl. catering)		*
B. Travel agencies and tour operators services		*
C. Tourist guide services		*
D. Other		
10. RECREATIONAL, CULTURAL AND SPORTING SERVICES		
A. Entertainment services (other than audiovisual)		
B. News agency services		
C. Libraries, archives, museums and other cultural		
D. Sporting and other recreational services		
E. Other		
11. TRANSPORT SERVICES	**	
A. Maritime transport services		
a. Passenger transportation		
b. Freight transportation	**	
c. Rental of vessels with their crew	*	
d. Maintenance and repair of vessels	*	
e. Pushing and towing services		
f. Supporting services for maritime transport	*	
B. Internal waterways transport		
a. Passenger transportation		
b. Freight transportation	**	

c. Rental of vessels with their crew	*	
d. Maintenance and repair of vessels	*	
e. Pushing and towing services		
f. Supporting services for waterway transport	*	
C. Air transport services		
a. Passenger transportation		
d. Maintenance and repair of aircraft	*	
e. Supporting services for air transport	*	
D. Space transport		
E. Rail transport services		
a. Passenger transportation		
b. Freight transportation	**	
c. Pushing and towing services		
d. Maintenance and repair of rail transport services	*	
e. Supporting services for rail transport services	*	
F. Road transport services		
a. Passenger transportation		
b. Freight transportation	**	
c. Rental of commercial vehicles with operator	*	
d. Maintenance and repair of road transport equipment	*	
e. Supporting services for road transport services	*	
G. Pipeline transport		
a. Transportation of fuel		
b. Transportation of other goods	*	
H. Services auxiliary to all modes of transport		
a. Cargo-handling services	**	
b. Storage and warehouse services	**	
c. Freight transport agency services	**	
d. Other		
I. Other transport services		

Sources : WTO Secretariat (1999) for column 1
Author for columns 2 et 3
* moderate
** high

ANNEX 6 : AFRICAN TRANSPORT COSTS

Table 63 : African transport costs for the 15 major exports to the United States compared with competing countries

	Exports (1000 US $)	International Transport costs[a] (as % of Export value)				Competitive Disadvantage (percentage points)[c]	
		African exporters		Other Exporters[b]			
		Sea	Air	Sea	Air	Sea	Air
Fresh or dried nuts and fruits	11364	5,1		3,9		1,2	
Coffee, tea and spices	101716	7,9		6,2		1,7	
Raw vegetables suited for dyeing	27578	5,6	2,5	5,3	4,4	0,3	-1,9
Sugars and sugar confectionary	27011	12,4		12,4		0	
Cocoa beans and chocolate	165099	11,7		12,5		-0,8	
Manufactured tobacco	88013	14,5		6		8,5	
Ores and concentrates	135128	24,9		21,9		3	
Mineral fuels and oils	293483	9,5		8,2		1,3	
Wood and wood articles	11125	19,1		14,5		4,6	
Fabrics of cotton	13283	7,5	25,3	5,4	10,1	2,1	15,2
Articles of apparel and clothing	82688	5,7	16,3	3,6	11,1	2,1	5,2
Other textile articles	187100	5	19,8	3,7	15,1	1,3	4,7
Pearls and precious stones	219800		0,5		0,2		0,3
Copper and articles	30130	3,9		2,6		1,3	
Other base metal products	45936	0,8		0,7		0,1	

Source : Based on United States National Customs Statistics for 1993, and calculated from A. Amjadi, U. Reinke and A. Yeats, “Did external barriers cause the marginalization of sub-Saharan Africa in world trade”, World Bank Policy Research Working Paper No. 1586 (Washington, DC, 1996), table 14.

[a] : Export value is measured as freight alongside ship (f.a.s.) rather than freight on board (f.o.b.).
[b] : Excludes Mexico and Canada.
[c] : Positive values indicate that *ad valorem* transport costs for African exporters are higher than their competitors; negative values indicate that they are lower.