

UNITED ARAB EMIRATES
MINISTRY OF ECONOMY



الإمارات العربية المتحدة
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The Importance of Trade in Services Statistics for Trade Negotiations

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Trade in Services

- Services represent the fastest growing sector of the global economy and account for two thirds of global output, one third of global employment and nearly 20% of global trade
- The UAE's services trade was 88.2 \$ bn. In 2013 (exports 17.2 \$ bn., imports 71 \$ bn.) which equals 12% of total foreign trade (including oil) .
- The share of services sectors in the UAE's GDP is about 50%, and it employs about 80 % of labour.



The Trade in Services negotiations

Takes place in two tracks:

1. WTO multilateral negotiations

2. Free Trade Agreements negotiations

WTO purpose: To assist the free flow of trade globally by facilitating the removal of trade barriers on the import and export of goods and services

Free trade agreements (FTAs) are intended to stimulate trade between member countries by reducing or eliminating restrictions on trade in goods and services



WTO : GATS

- Is the first multilateral services agreement. 1995
- It constitutes the legal framework through which World Trade Organization Members progressively liberalize trade in services
- Is legally binding on all 160 WTO Member States.
- Today it covers from its scope and membership over 90 per cent of all international trade in services
- Progressive liberalization principle: Members are committed to entering into subsequent rounds of trade liberalizing negotiations. The first such Round started in 2000 and was integrated later into the wider context of the Doha Development Agenda (DDA).



GATS: Basic Structure- 3 Pillars

- Framework Articles (I - XXIX)
- Schedules of Specific Commitments (one Schedule for each WTO Member State)
- and Ministerial Decisions covering certain sector- or policy-related issues



The Outcome of Services Negotiations

- Individual Members' commitments to open markets in specific sectors - and how open those markets will be - are the outcome of negotiations.
- The commitments appear in “the schedule of specific commitments ” that list the sectors being opened, the extent of market access offered in those sectors (e.g. whether there are any restrictions on foreign ownership), and any limitations on national treatment (whether some rights granted to local companies will not be granted to foreign companies).
- GATS allows WTO Members to choose which service sectors to open up to trade and foreign competition



GATS: Sectoral coverage

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- 12 main sectors:
 - Business Services
 - Communication
 - Construction
 - Distribution
 - Education
 - Environmental Services
 - Health Related Services
 - Financial Services
 - Tourism
 - Recreation, Culture, Sports
 - Transport
 - Other Services

These sectors are further subdivided into a total of some 160 sub-sectors. Classification is based on the UN CPC



GATS 4 modes of supply

MODE

EXAMPLE

Cross-border Trade

market research reports, tele-medical advice, distance training, or architectural drawings.

Consumption Abroad

UAE resident obtains hospital treatment in Germany

Commercial Presence

locally-established affiliate, subsidiary, or office of a foreign-owned and -controlled company (bank, hotel group, construction company)

Movement of Natural Persons

employee of a foreign service firm (e.g. consultancy, hospital, construction company)



The economic importance of individual modes

The share of individual modes in world services trade has been roughly estimated at:

- Approximately 30 per cent for mode 1;
- 10 per cent for mode 2 (mainly tourism);
- Close to 55 per cent for mode 3;
- Less than 5 per cent for mode 4 (approx. 220 billion USD).

Mode 3 trade, mostly combined with foreign direct investment, has been the most dynamic component .



The need for services statistics

WTO Multilateral Negotiations:

- Identify services sectors to be included in the Schedules of Specific Commitments
- Responding to/initiating request-offer procedures, bilateral & plurilateral negotiations
- Identify most dynamic export products
- Identify potential export markets



The Schedule of Specific Commitments

Sector or subsector	Limitations on market access	Limitations on national treatment
1.BUSINESS SERVICES		
A. <u>Professional Services</u>	1)None 2)None 3)None 4)Unbound, except as indicated in the horizontal section	1)None 2)None 3)None, except as indicated in the horizontal section 4)Unbound, except as indicated in the horizontal section
b)Accounting, auditing and book-keeping Services (CPC 862)		
c)Taxation services: the following: -Business tax planning and consulting (CPC - 86301) -Business tax preparation and		



The need for services statistics

Negotiating Free Trade Agreements:

- Preparing FTAs **feasibility Studies** to explores the potential opportunities, challenges, costs and benefits of a an FTA
- The decision by government on whether to proceed to negotiate an FTA is usually decided by the outcome of the feasibility study



GCC, UAE FTAs Feasibility Studies

- The GCC Secretariat and the Ministry have made several F.S. to assess the potentials costs and benefits of the FTAs.
- The part of the studies concerning the services trade didn't yield much result because of lack of services statistics.



The need for services statistics

- Negotiating FTAs:
 - Taking decisions on negotiating priorities and strategy
 - Evaluation of market access opportunities
 - Prepare accurate requests and offers
 - Identify new service areas of growth that can be pursued in market access negotiations
 - Enable accurate assessment of the impact of FTAs after their implementation, especially trade by services sector and mode of supply



The need for services statistics

- Facilitate the assessment of the extent of liberalization achieved in specific services and markets
- Analyze and inform policy makers of services sector development
- To make analysis of present export markets
- To determine priority markets
- To have an overview of competitors in global and specific markets
- Identification of existing and potential bilateral trade with any partner country