

A brief on the General Agreement on Trade in Services (GATS) and some implications for ordinary citizens

This December 2005 in Hong Kong, the highest policy making body of the World Trade Organization (WTO) is meeting for the sixth time. Among the central issues to be put on the table of discussions and negotiations is the General Agreement on Trade in Services (GATS), which is part of the unfinished agenda of the developed countries of the North in past WTO meetings. GATS has come to be understood by people's movements, especially from countries of the South, as a far-reaching instrument of neoliberal globalization that threatens the freedoms, the very survival and future of peoples.

1. What is GATS, and why should ordinary citizens be concerned about it?

GATS is short for the General Agreement on Trade in Services, a legally binding set of rules that covers international trade in services. It is one of more than twenty (20) international agreements enforced by the WTO (World Trade Organization) among its 148 members. GATS aims to open up the service sector comprehensively to global trade and competition.

The broad range of services covered by world trade rules, through the GATS, is in itself an issue of public concern. Organized according to twelve (12) broad categories, the list of services covered by GATS is long and extensive:

- Business
- Communications
- Construction and engineering
- Distribution
- Education
- Environment
- Financial services
- Health and social services
- Tourism
- Sports, culture and entertainment
- Transport
- Other services – This category covers anything else outside the above sectors.

The coverage of GATS is so extensive that it will include postal services, services related to scientific research, architecture, publishing, and even rubbish collection!

In short, many, if not most aspects of our everyday life – from access to water, electricity, sports and recreation— are likely to be affected by GATS. This means that, through GATS, the fulfillment of some of our most basic needs will be governed by world trade rules and subjected to the drive for profit and open competition among private corporations.

2. What are some of the possible implications of GATS to people from the poorer, developing countries in the South? Will GATS help to eradicate poverty and decrease the gap in income differences between countries?

It is already common knowledge that there exists a great divide between the richer countries of the North and the poorer, mostly developing countries of the South. This divide is dramatically expressed in the staggering differences in the countries' income, standard of living and the quality of life enjoyed by the people. It is in this context of a deep global divide that the implications of GATS to ordinary people of the South need to be looked at.

The supporters of GATS have argued that GATS will facilitate and speed up the trade in and movement of services from one country to another. According to them, this will ease trade imbalances in the world and therefore benefit the developing countries. However, GATS' critics have pointed out that opening up the trade in services and subjecting them to competition among private corporations will not lead to greater equality among nations nor will it eradicate poverty in the South. Instead, GATS will, in the long run, deepen the inequality between Northern and Southern countries, as well as deepen the inequality between the rich and the poor within countries.

Indeed, it would seem that for many developing countries, the trade in services has boosted economic growth. For example, India has benefited from its export of computer software. The World Bank has projected that the information technology (IT) sector could grow up to 35

percent of India's exports by 2008 and attract about USD 5 billion of foreign direct investment per year. Meanwhile, the Philippines has benefited from the movement of labor overseas, especially through the remittances of migrant workers. However, these benefits need to be seen against the larger context of the global economy and the general trends and direction of intensified world trade in goods and services.

In general, the countries of the North continue to enjoy a more advantageous and dominant position in international trade, whether in goods or in services. The economies of the developed countries of the North are themselves transforming into service economies. For example, economists have noted that services in the fields of infrastructure, finance, education, health and others account for about 60 percent of the GDP in OECD countries (Hoekman and Kostecki, 1995). On the other hand, despite the fact that developing countries of the South have benefited from the export of services, their economies remain predominantly agricultural. In situation where there is privatization of services (e.g. water and electricity), the profits and benefits are only enjoyed by elite-owned and/or transnational corporations.

The trade of goods and services that are considered more valuable and more highly priced in the world market, such as services that require the use of more sophisticated technology, continue to be dominated by countries of the North. Given their over-all and overwhelming economic advantage, the countries of the North will stand to gain the most from the further liberalization of trade in services, through GATS.

GATS is a one-sided investment tool that will only give global corporations unhampered access to markets and human services, and grant them as much, if not even greater, rights than citizens to exploit such access. For the peoples of the South, the liberalization of trade in services, especially in areas like health, education and power (water and electricity) through GATS, would make such services less accessible and affordable. They would have to bear the cost of adjustments required in privatization and trade liberalization. Moreover, GATS ultimately weakens the position and ability of the people of the South to undertake decisions on matters that affect their daily lives and secure their future.

3. What is mode 4, or “movement of natural persons”, and what are its possible implications for migrant workers from the South?

There are four (4) modes of supplying services under the GATS:

Cross-border supply - This refers to the flow of services from the territory of one WTO Member into the territory of another Member in such a way that does not require the physical movement of supplier or consumer.

Examples of this include telecommunications, courier and internet services.

Consumption abroad – This involves movement of the consumer to the country of the supplier. Examples of this kind of consumer include tourists and patients going abroad for treatment.

Foreign commercial presence – This refers to situations in which service providers locate their businesses and operations in a country or territory other than their own. Establishing a presence includes ownership or lease of premises. Examples of this include bank branches, subsidiaries of foreign insurance companies or hotel chains.

Movement of natural persons (MNP) – This consists of persons of one Member entering the territory of another Member to supply a service and as such refers to the provision of services that require the temporary movement of “natural persons” or overseas workers.

Mode 4 deserves special attention for Asia Pacific because of its implications on the huge, largely unskilled numbers of overseas workers who have been forced to find jobs abroad. It has been noted and argued by its supporters that the first three modes of GATS are favorable to the countries of the North, while Mode 4 specifically benefits the countries of the South. *But does mode 4 really benefit the people of the south ?*

Joel Lasam, an economist from the Philippines, argues that that mode 4, or MNP, is not favorable to the countries of the South in the long run, nor does it necessarily and directly benefit overseas workers. He points to the highly restrictive nature of Mode 4, noting that it has been “held hostage by a set of narrow commitments” from the countries of the North. Neither is it about “market access”. Rather, it is more about the regulatory restrictions and barriers that impede the free flow of labor.

MNP, or mode 4, is not about labor migration. It refers to the “movement of natural persons” among professionals, highly skilled workers and those occupying managerial positions. It covers the following types of “movements of natural persons” covered by mode 4: a) intra-company transferees deemed “essential personnel” of a company with commercial presence in a country or territory, like managers and technical personnel; and b) to business visitors who are short-term visitors not gainfully employed in the host country. Mode 4, according to Lasam, is thus “locked into mode 4 (commercial presence)” and is biased to cater to the movement of skilled workers and professionals. Moreover, instead of recognizing the importance of semi-skilled and unskilled labor, which continue to be needed by the countries of the North, GATS only reflects an existing structural and institutional bias against the movement of semi-skilled and unskilled labor.

Mode 4 is thus not inclusive, nor does it facilitate labor migration. It does not benefit domestic helpers, construction workers, and rank and file employees in industries like tourism, entertainment, and the like.

4. What about GATS and privatization? How will GATS affect services in the water and power sectors?

Over the past several years, the privatization of services has been taking place at an alarming rate in the developing countries of the South, often as part of conditionality of loans extended to the South. GATS only creates more conditions that support and facilitate the privatization of basic services, thus allowing elite-owned and transnational corporations more opportunities for earning profit at the expense of ordinary people.

Supporters of GATS have argued that GATS does not threaten public services because Article 1 (Section 3,b) excludes services that are “supplied in the exercise of governmental authority” and that are “not supplied on a commercial basis, in competition with one or more service suppliers.” However, since many public services today are supplied commercially and in competition with one or more service providers, they cannot escape the thrust of GATS to eventually bare the services markets to full international competition.

Of special and increasing concern to the people of the countries of the South is the issue of water and power privatization. Upon the recommendation of the European Union, the coverage of “environmental services” has been redefined to include “water for human use and waste water management” as a sub-sector. Thus, the management and distribution of water is officially subjected to the rules and regulation of the GATS regime. The EU agenda behind this recommendation can be easily understood when one notes that EU member-countries control the largest global

interests in water as top exporters of water and sanitation services. For example, Vivendi (now Veolia) and Suez control seventy percent (70%) of all private water services. Vivendi boasts of 110 million customers in 100 countries, while Suez has 125 million in 130 countries. EU officials have even publicly acknowledged their interest in seeking better access for European service exporters in foreign markets through the WTO (Hillary, Save the Children UK 2003). What is interesting to note is that even in countries where public water facilities are already providing clean, adequate and affordable water, the WTO is still pushing for water liberalization. This counters the argument that privatization is being promoted in order to provide more efficient services in water. The corporate-driven agenda behind privatization has thus become even more obvious.

Along with the privatization of water sectors, the drive for so-called power sector reform has also become a marked priority of lending institutions. GATS provides the enabling environment in this respect with its broad coverage of the energy sector and its push to dismantle whatever little protection is left among South countries against the encroachment of big business.

While the EU has special interests in the water sector, the US government and American power firms are eyeing the possible profits to be made from the acceleration of energy deregulation under GATS. Up until its eventual collapse, the giant energy corporation Enron, with its strong links to the Bush administration, used to be a lead player in the influential lobby groups behind GATS-WTO. Large investment banks like Goldman Sachs, Morgan Stanley, Merrill Lynch and UBS, commercial banks like Bank of America and other US-based energy conglomerates have now filled Enron’s place. (Public Citizen, March 2003; Enron: Clarke, 2001.)

Privatized power or water regimes have been known to give priority to “high-value” industrial users over “commercially unviable” or so-called “loss-making” sections such as urban poor communities and remote villages in the countryside. Thus, privatization of power and water services will not necessarily and directly benefit the people who, to begin with, have the least access to such services. Instead, water and power services will become another high-priced commodity in the market that will become less and less affordable for ordinary people, and more and more subject to the control of world trade regulatory regimes.

5. Who are the groups engaged in taking action against the GATS and seeking to advance the interests of the people of the South in the WTO negotiations? What can ordinary citizens do?

For the past several years, a broad and popular global movement of citizens against the GATS and other agreements under the WTO has been growing. In order to





of Basic Services, Liberalization of Trade, and the Role of International Institutions such as the International Monetary Fund (IMF), the World Bank (WB) and the World Trade Organization (WTO).

What can ordinary citizens do?

History has shown that massive and widespread citizens actions can successfully influence policy changes at the national and global levels. We must therefore demonstrate to our own governments and to the World Trade Organization (WTO) our sentiments and position on GATS and other trade issues. Only through our sustained and concerted action can we, as people of the global South, advance our own interests and resist the imposition of the corporate-driven agenda of the North.

Sources and references:

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advance the interests of ordinary people and put them in the center of the agenda of trade negotiations, concerned groups and individuals, people's organizations, social movements and NGOs have engaged in a wide variety of actions, from lobbying governments to staging protest actions in the streets.

Jubilee South is one of the international groups campaigning against GATS and the WTO. It is an international network of social movements, people's organizations, campaigns, church groups and NGOs from more than 45 countries in Asia and the Pacific, Latin America and the Caribbean and Africa. It addresses the problem of Debt and related development issues such as Privatization

YOU CAN DO THE FOLLOWING:

1. Learn more about the GATS, the WTO, and how they affect our lives.
2. Support and participate in the efforts of citizens' groups and people's movements to oppose anti-people trade policies.
3. Contact the **Jubilee South Secretariat**:
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PHOTOS: FREEDOM FROM DEBT COALITION