

FACULTY OF JURIDICAL SCIENCES

Lecture-26



The General Agreement on Trade in Services

The **General Agreement on Trade in Services (GATS)** is a treaty of the World Trade Organization (WTO) which entered into force in January 1995 as a result of the Uruguay Round negotiations. The treaty was created to extend the multilateral trading system to service sector, in the same way the General Agreement on Tariffs and Trade (GATT) provides such a system for merchandise trade.

All members of the WTO are parties to the GATS. The basic WTO principle of most favored nation (MFN) applies to GATS as well. However, upon accession, members may introduce temporary exemptions to this rule.

The objectives are

- to create a reliable and predictable system of international rules for trade in services
- to facilitate the progressive liberalization of services markets

All members of the WTO are parties to the GATS.

The fundamental principles of the GATS apply, in principle, to all service sectors.

There are two exceptions

- services supplied in the exercise of governmental authority on a non-commercial basis, such as social security schemes, public health, education
- services related to air transport

The GATS also applies to all services procured by all levels of government (central, regional, local, etc.).

Governments remain free to decide which services sectors they actually liberalize.

Core principles

Most-favored-nation treatment (MFN) ensures that each signatory country treats services and service suppliers of any member country indiscriminately, no less favorably than those of any another country, under the conditions and limits mentioned in the Schedule of Specific Commitments.

Except under certain conditions, two countries cannot make preferential arrangements that are discriminatory to others

The National treatment principle states that each member country treats services of another member country no less favorably than its own national products, under the conditions and limits mentioned in the Schedules of Specific Commitments.

Countries cannot operate discriminatory measures benefiting domestic services or service suppliers

- governments have to publish all relevant laws and regulations in a transparent and easily accessible way
- rules must be administered in a reasonable, objective and impartial manner
- member countries must ensure that monopolies and exclusive service suppliers do not abuse their position
- member countries will consult on ways to eliminate business practices that may restrain competition
- countries might join agreements on the recognition of professional qualifications
- international transfers and payments for current transactions relating to services commitments cannot be restricted, except in cases of balance-of-payments difficulties and under certain circumstances