



International
Trade
Centre



Australian Government
Department of Foreign Affairs and Trade



LDC Services: Geneva practitioners' seminar series on making sense of
the GATS and applying good practices in services negotiations

Seminar 5: “Services in bilateral, regional and plurilateral negotiations: implications for the GATS and for LDCs”

Session 2: Results and opportunities for LDCs

Martin Gasasira
Bilateral and regional agreements:
Results for LDCs and lessons learned



The EAC as a case

Outline:

- Results/Performance and Background
- Liberalization of Trade in Services
- Deepening Integration
- Benefits, Challenges and Lessons for LDCs

Quick Facts- EAC

- Population: 143.5 million (2014)
- Youth and Children: 80% of the Population
- GDP(current market prices): \$110.3 billion (2014)
- EAC Headquarters: Arusha, Tanzania
- First established(officially): 1967
- Re-established: July 7, 2000 with Tanzania, Uganda and Kenya as the only members.
- Rwanda and Burundi accede to the EAC treaty, July 2007
- Main languages: English, Kiswahili

Results/Trade Performance-

Intra

- Foreign direct investment has expanded across East Africa. Some of this has come from within the region as firms invest across borders in such areas as cement production, financial services, tourism and manufacturing.
- Intra-EAC trade also expanded from \$2.2 billion to over \$4 billion between 2005 and 2013.
- In 2010 the value of the EAC's total trade with the world was \$37 billion, which was double the \$17.5 billion achieved in 2005.

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- Between 2000 and 2010 the size of East Africa's economy grew in real terms from \$32 billion to \$79 billion.
- The region's trade with the world as a share of its economy expanded from 28 per cent in 2005 to 47 per cent in 2010.
- However, the region's trade with the rest of the world expanded faster than intra-regional trade, driven by its import-consuming economic growth performance.

Background of the EAC

- Objectives of EAC, Art 5 of EAC Treaty (2000)- is to develop policies and programmes aimed at widening and deepening cooperation among Partner States
- EAC Partner States agreed to 'establish among themselves a Customs Union, a Common Market, subsequently a Monetary Union and ultimately a Political Federation'
- Cooperation in trade liberalization & development is one of the fundamental pillars of the EAC

Deepening EAC's Integration

- Customs Union: 1 Jan 2005
- Common Market: 1 Jul 2010- Trade in Services/ Investment
- Monetary Union:?
- Political Federation?

The EAC Common Market

- The EAC Common Market Protocol was signed in 2009 and operationalized from 1 July 2010
- Art 4 CMP- overall objective is to widen and deepen cooperation among the Partner States in economic and social fields for the benefit of the Partner States
- Liberalization of the movement of the factors of production amongst Partner States:
 - Goods, services, capital, labour, persons
 - The Right of Residence
 - The Right of Establishment

Other areas of cooperation e.g.

- Investment
- Economic and monetary policy
- Transport policies
- Research and & Development
- Intellectual Property Rights
- Social policies.

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The Common Market is operational and the EAC has sequenced some of its elements

- Between 2010 and 2015, the 'freedoms' shall be implemented at varied degrees and speeds
- Some areas require legal and regulatory reforms in the Partner States.

Liberalization of Trade in Services

- Part F of the Common Market Protocol addresses the free movement of services
- Applicability: (1) services supplied by nationals; (2) services suppliers who are nationals of PS
- Art 16 (2)-supply of services through any of the 4 modes of supply obligations, Art 16 (5): Progressive removal of existing restrictions; not to introduce any new restrictions on the provision of services
- National treatment: Art 17- accord to services/ services suppliers of other PS treatment not less favourable than accorded to similar services

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- MFN Art 18: accord unconditionally to services/services suppliers of other PS treatment no less favorable than it accords to like services of other PS or any 3rd party
- Domestic regulation- PS have the powers to regulate services sectors in accordance with national policy objectives
- Progressive Liberalization: Art 23(1)-liberalization shall be progressive and in accordance with the Schedule on the Progressive Liberalization of Services
- Additional Commitments: will be undertaken in successive rounds i.e. specific commitments and sectors where no commitments where undertaken will form the basis for further negotiations
- 1st round focused on 7 service sectors: Business and Professional; Communication; Distribution; Education; Financial; Tourism and travel-related; and Transport

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- 5 remaining sectors- Construction and related; Environmental; Health related and Social; Recreational, culture and sporting services; and other services not included elsewhere
- Offers have been exchanged in 5 remaining sectors and other subsectors in the initial 7 sectors
- Partner States are holding national consultations in order to address the outstanding requests & the sub sectors not covered in Annex V
- Negotiations are yet to be concluded. Contentious issues on linking/ delinking Annex on Free Movement of Workers and Annex on Free Movement of Services

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Table below provides a summary of the number of sub sectors in which the Partner States have made commitments in each of the 7 sectors

SERVICES SECTOR	BU	KE	RW	UG	TZ
Communication	6	17	21	21	17
Business	31	15	32	33	7
Distribution	3	3	4	4	2
Education	4	4	5	5	4
Financial	9	12	15	11	16
Tourism and travel related	4	3	4	4	4
Transport	17	9	20	20	9
Total number of commitments by Sub sector (out of 160)	74	63	101	98	59

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- Notification Art 19: PS notify Council of Ministers on all measures of general application affecting free movement of services and any international agreements pertaining to or affecting TiS with 3rd parties that they are signatory to
- PS shall promptly and at least annually inform Council of the introduction of any new national laws/ administrative guidelines or any changes which affect TiS provided for in the CMP
- EAC Development Strategy (2011/12 - 2015/16) - Implementation of the CMP is key development objective
- TiS has been included in National Development Plans, National Trade Policy as well as CM Implementation Plans – e.g. Rwanda, Uganda and Kenya

Benefits, Challenges and Lessons learnt for LDCs

Benefits

- Trade creation
- Larger market (returns to scale)
- Attractive to FDI
- Lower prices due to tariff elimination
- Increased efficiency resulting from greater competition

Challenges

- Weak legal framework governing the services sectors, and poor coordination between institutions that are relevant to the reforms on trade in services
- Weak Implementation so far
- Lack of adequate policy and regulatory framework for opening some sectors
- Lack of adequate detailed, relevant statistical information on trade in services in the region to guide trade in services agenda
- Limited awareness of the EAC integration process including understanding of trade in services.
- Insufficient resources to facilitate capacity building for trade in services negotiations
- Barriers to professional services especially legal, accounting and engineering sectors
- Lack of an effective parallel process to address implementation modalities

Lessons Learnt

- Partner States should support the growth of the services sector e.g. financing market intelligence in other countries by embedding market promotion roles in foreign missions
- Governments should invest in developing, reforming the services sectors beyond liberalization and consider harmonisation in order to stimulate its growth. E.g harmonisation of the mobile networks in the Northern corridor.
- The private sector needs to be adequately involved in the trade in services, at the national level Partner States need to invest more in training and skill development to match market demands
- Governments need to conduct research on barriers internally and in external markets.
- Develop harmonized legal and regulatory framework and systems for collecting data/ statistics in TiS
- While ambition is important, there is a need to ensure the pace is well coordinated and implementation is doable