

SERVICES IN THE WTO AND FTAs

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1. General

Before the Uruguay Round was launched, many developing countries had tried to resist the inclusion of new areas like trade in services and trade-related intellectual property rights as they believed agreements in these areas would be against their interests as they would not have the capacity to gain from them, whilst they and their local companies would stand to lose. Despite this reluctance, services became a part of the Round on the understanding that developing countries would gain in other areas, especially in enjoying more market access for their goods in agriculture, textiles and clothing and other areas in which they have comparative advantage and where their exports faced tariff and non-tariff barriers. However, given the actual outcome in textiles and clothing and in agriculture, the developing countries did not get their expected benefits.

In the meanwhile, there are many problems and potential problems associated with GATS, including the imbalances in the agreement, the unequal outcome of benefits and costs, the continuous pressures (through successive rounds of negotiations) for developing countries to liberalise and the narrowing of options for governments in taking measures in services, or in operating public services.

2. Lack of data, making an assessment of GATS effects difficult

The Uruguay Round negotiations on services sector were conducted without the aid of data that could enable participants to understand the full implications and make some judgments of the costs and benefits of what was being negotiated. The area of services has lacked even the kind of rough data comparable to that on directions of trade in goods which is used to make a rough assessment of the value of concessions given and exchanged in negotiations in the goods sector. For most developing countries, therefore, when it comes to the services negotiations, it has been like a case of 'a blindfolded person in a dark room chasing a black cat'. (Raghavan 2000).

The issue of lack of data came up several times in the Uruguay Round negotiations, but up to now it has not been resolved. Yet the major countries have continued the push for further negotiations and binding commitments without countries being able to make a proper assessment of the costs and benefits of entering into further commitments (and obligations). Thus, there is a danger of developing countries being asked to make further commitments and agree to market openings without being sufficiently able to assess the implications.

The lack of data is also hindering the ability for a meaningful assessment to be carried out on the effects of the services agreement on developing countries generally and on

individual countries. The developing countries, however, are still not clear on how the assessment could be done and on what basis. Unfortunately, developing countries do not, individually or collectively, have the capacity even to undertake national-level assessments. Thus the issue of lack of data and of the need for proper assessments at both the international and national levels need to be resolved. Until these are resolved, there is little basis for demanding further liberalisation commitments from developing countries as there is no evidence that the previous round of liberalisation has been of benefit, nor that further liberalisation will be of benefit to them, whereas there is clear evidence of the imbalances.

3. Imbalances in services outcome, with no or little reciprocal benefits to South

In terms of the services framework, the liberalization of trade in services has benefited the industrialized countries and their suppliers but has yielded hardly any gains for the developing countries.

In the Uruguay Round, the GATS framework covered general obligations for all services sectors. After GATS came into force, there were intense and speedy negotiations on the financial services and telecommunications sectors, and agreements on liberalization in these sectors were reached.

The GATS model is based on the "positive-list" approach, i.e., countries list their liberalization commitments in a particular sector or sub-sector (subject to limitations on MFN, national treatment, etc.) in their country schedules. Except for these, they retain autonomy and were not subject to any further specific commitments.

There were, however, attempts in the Uruguay Round, in the beginning and again towards the end, to have a "negative-list" approach, i.e., everything would be liberalized in terms of market access, except where specific limitations or exceptions were listed in a country schedule. Such attempts were not accepted.

In view of the vast differential between the supply capacity of the developed countries on the one hand and that of developing countries on the other, and given that most of the developing countries hardly have any supply capacity in the services sector for export to the developed countries, the opportunities have really opened up mainly for the developed countries as the developing countries undertake the liberalization of services imports. There has been no effective commensurate benefit to the developing countries in the way of liberalization commitments of the developed countries in the services sector. This imbalance was accentuated by the accelerated negotiations in the financial services and telecommunications sectors.

Moreover, it is now generally accepted that the opening of the capital account in the developing countries and premature liberalization of their financial sectors has been a major factor behind the financial crises that hit them from time to time, and that they should be wary of financial services liberalization.

Trade economists and institutions like the WTO and World Bank argue that liberalization of services helps developing countries and their economies with respect to the necessary availability of inputs. Even if this were so, developing countries can well liberalize autonomously, without making binding commitments at the WTO. As such, if the liberalization turns out to have negative effects, they can reverse course without having to pay anyone any compensation.

Due to the imbalances within services rules, the result has been that the developing countries have given concessions without effectively getting any in return. This outcome is naturally severely imbalanced. The advantages have not been mutual and thus there is no overall balance in rights and obligations.

In sum:

- Within the services trade, there are imbalances in the distribution of benefits between industrialized and developing countries. The commitments undertaken in GATS do not reflect the interests of developing countries in terms of commercially meaningful sectoral and modal coverage.
- Developing countries have not derived benefits through scheduled commitments from their industrialized-country partners in terms of Article IV and Article XIX of GATS (Mashayekhi 2000).

4. Post UR services agreements have worsened the imbalance

The imbalances in the services agreement are mainly twofold. Firstly, the agreement favours the major services exporting countries that can take advantage of the liberalisation, whilst the developing countries do not have the capacity to benefit from exports. Secondly, the agreement specifically includes obligations towards liberalising the movement of capital but the same special treatment has not been given to the movement of labour.

Since the Uruguay Round, instead of measures to reduce these imbalances, the follow-up negotiations have further aggravated the imbalance. New agreements were finalised on a priority basis in sectors such as financial services and telecommunications services, which are primarily of importance to the developed countries. The developing countries have been pressured to make high levels of commitments in these sectors. These two sectoral agreements have tilted the balance further in favour of the developed countries, as they are the major providers of services in these sectors, and developing countries have hardly any supply or export capacity in these sectors. (Das 1998).

5. Supply constraints and barriers to services exports of developing countries

In the implementation of GATS, developing countries face structural problems hindering their ability to export services. As an UNCTAD study put it: "The efforts of developing countries to develop services as a major export item and contributor to development and to penetrate the world market for services have faced considerable barriers. These include barriers to market access and national treatment, as well as difficulties in market entry caused by anti-competitive practices, subsidies and so forth." (UNCTAD 1999: p9).

Among the major ***supply constraints*** that prevent the building of a competitive service sector in developing countries are the lack of the following factors: human resources and technology to ensure that professional and quality standards are met; telecommunications infrastructure; a national strategy for export of services; government support to help service firms, especially small and medium enterprises; an increase in financial capacity of firms; and a presence in major markets; and the ability to offer a package of services. (UNCTAD 1999a: p5).

Among the ***barriers to market access*** discouraging exports from developing countries from entering the developed countries are: lack of commitments on movement of natural persons (resulting in limits to access to intra-corporate transferees, strict and discretionary visa and licensing requirements; lack of recognition of qualifications); prohibition of foreign access to service markets reserved for domestic suppliers; price-based measures (discriminatory airline landing fees and port taxes, licensing fees); subsidies granted in developed countries that have an adverse impact of developing-country exports; technical standards and licensing with restrictive effect; discriminatory access to information channels and distribution networks; and practices of mega firms. (UNCTAD 1999a: p7).

Anti-competitive structures and practices also affect developing-country exports. Many markets for services are dominated by a few large firms from developed countries and a number of small players. As a result, in most service sectors, the larger operators face little effective competition as the size of the next tier of competitors is so small. For example, 80 per cent of the market in tourism belongs to Thomson, Airtours, First Choice and Thomas Cook. Service providers from developing countries are mainly small and medium sized, and they face competition from large service multinationals with massive financial strength, access to the latest technology, worldwide networks and a sophisticated information technology infrastructure. The trend in mergers and acquisitions and strategic alliances has exacerbated this high degree of concentration. Studies by UNCTAD on health, tourism, air transport and construction have highlighted the possible anti-competitive impact of these new business techniques. For example, vertical integration between tour operators and travel agents creates considerable market power that puts competitors at a disadvantage. The structure of distribution channels and information networks in several service sectors has also shut out competition. For example, in tourism and air transport the strategic global alliances and global distribution systems have restricted competition and become major barriers to market entry by developing countries. (UNCTAD 1999a: p6-8).

6. Limits to the benefits of the GATS architecture and challenges arising from attempts to change it

The architecture of GATS is more friendly to developing countries (compared to other agreements such as TRIPS) as commitments apply only in sectors offered by the country (known as the "positive list" approach) and to the chosen extent of liberalisation as entered in each country's schedules. This theoretically allows each country to liberalise at its own chosen pace and at levels in the various sectors which they believe to be appropriate. There is the principle of "progressive liberalisation" rather than a minimum standard of liberalisation, and Article XIX inscribes "appropriate flexibility" for individual developing country Members for opening fewer sectors and liberalising fewer types of transactions." Despite these features of GATS, developing countries in reality face many problems and challenges.

- Even if a commitment to liberalise is made on the basis of a "voluntary offer", once a developing country makes the commitment, it cannot be withdrawn or modified, without giving adequate compensation. Thus, if a country were to later find it has made a mistake in making some of its commitments, or it later decides it would like to develop the capacity of local firms in particular sectors in which it has made commitments, it would face serious difficulties in attempting to modify the relevant commitments. In other words the commitments in GATS are constraints to policy options in the future. The principle of "progressive liberalisation" also implies that a Member is obliged to increase its liberalisation commitments. Thus, countries are under pressure through new rounds of negotiations to "roll forward" their liberalisation commitments which are binding, but they are unable to "roll back" these commitments, except through a willingness to offer adequate compensation.
- Although in principle developing countries should be able to liberalise their services according to their own chosen pace and sectors, in practice they generally and individually often face pressures to open up. For example, during the negotiations for a financial services agreement negotiations that ended in December 1997, major developed countries applied pressure on developing countries to offer higher levels of commitments. At the concluding stage of the negotiations, hours after the dateline had passed, the United States was still pressurising Malaysia to increase its offer that in the insurance sector foreign firms are allowed to own up to 51 percent of the equity in insurance ventures. Whilst the WTO secretariat, the US and EU delegations were effusive in their praise for the accord, many developing countries were of the view that there had been no reciprocal benefit for their enterprises in a trade dominated by the suppliers of the developed countries. The Egyptian Ambassador expressed the view that the negotiations and the accord was a "one-way affair" with all the benefits to the developed countries' firms which could now go to and compete in the South, whereas the South's banks and firms were unlikely to penetrate Northern markets. (Raghavan 1997: p2-4).
- In the new round of services negotiations, which started in 2000, developed countries have pushed for ambitious levels of liberalisation, including by developing countries.

For example, the US proposal of 13 July 2000 for the "Framework for Negotiations," states that: "Our challenge is to accomplish significant removal of these restrictions (on trade in services) across all services sectors, addressing measures currently subject to GATS disciplines and potentially measures not currently subject to GATS disciplines, and covering all ways of delivering services." (United States 2000). The US has also advocated "meaningful liberalisation", which appears to be in contrast to the concept "progressive liberalisation."

- By 2005 it was clear that the developed countries have become impatient with what they perceive to be the slow pace of liberalisation by developing countries. In 2005, the EU suggested a new "benchmarking" approach in which countries would be required to liberalise in a certain number of key sectors. Other proposals are that developing countries would be required to bind in the GATS the present level of liberalization that they have, and then bring the liberalisation further. These proposed changes would, if accepted, affect the present architecture of the GATS Agreement, and violate the bottom-up and positive-list approach. Meanwhile, the developing countries claim that it is the developed countries that have been dragging their feet in not committing to liberalise "Mode 4", the temporary movement of natural persons, which is what the developing countries can take advantage of.

7. Public concerns that provision of and access to social services will be adversely affected

There have also been growing concerns from citizen groups and NGOs that GATS is creating conditions which may adversely affect the public's access to social services such as health care, education, water supply and social welfare that traditionally have been provided by the public sector.

Several public organisations and individual analysts have carried out studies on the impact or potential impact of GATS rules and negotiations (including proposals for new rules and for a new round of sectoral liberalisation). According to Sinclair (2000), the GATS agenda has been directly shaped by powerful international commercial interests, without the benefit of broader public debate. He concludes that: the GATS exposes government action affecting services to WTO oversight; those government actions that alter conditions of competition in favour of domestic service providers are exposed to challenge; GATS prohibits certain types of public policies and is hostile to public services (treating them as missed commercial opportunities, unfair competition or barriers to entry for foreign services or suppliers) (Sinclair 2000: p12).

One major concern is that under the GATS, governments would come under pressure to change the conditions under which public services are provided. There could be pressures for governments to privatise such services, or allow competition from the private sector and from foreign firms.

Many "public services" have traditionally been provided by the government, either at federal, state or municipal levels, or by agencies linked to government. There have been assurances by the WTO Secretariat that under GATS countries are not "compelled" to liberalize and that they are bound by GATS disciplines only in sectors and sub-sectors they have agreed to liberalize and that public services need not be opened to foreign competition. (WTO 2001).

There is some ambiguity as to what extent government services are exempted from the coverage of GATS. According to Article I of GATS, the definition of "services" covered in the agreement gives an exception to "services supplied in the exercise of governmental authority", and that term in turn means "any service which is supplied neither on a commercial basis nor in competition with one or more service suppliers." Thus, government services provided on a commercial basis are subject to GATS provisions, as also government services supplied in competition with any other suppliers. In many countries, there are many aspects of education, health care, housing and other social services in which the government as well as the private sector provides services, and it could be argued that in these aspects the government service is in competition with other suppliers, and thus fall under the GATS purview.

On the issue of whether governments are pressurised to privatise or open up public services activities to foreigners, the situation is also more complex in the case of developing countries. What has to be considered also is the role of the IMF and the World Bank and how they have been operating through structural adjustment conditions to get governments to privatise several formerly government-supplied services and infrastructural projects and schemes and also to pry open developing-country markets for foreign service suppliers (including participation in the privatisation schemes). Many developing countries have been required to privatize water supply and even sanitation and other services and to charge so-called "user fees" to bring in revenue, as well as open the field up for private entities to provide the service, whether in competition with or as a complement to the public service. (Raghavan 2001a, "GATS - Fact or Fiction at best a partial truth", SUNS 21 March 2001).

Once the public service is privatised, it ceases to be an exempted government service. Even in the case where privatisation is partial, or where the government still maintains its service but allows private entities to participate in supplying that service, in terms of Article I.3(c) of GATS, such a service would no longer qualify as a service "supplied in the exercise of governmental authority" (which, under Art. I.3(b), is excluded from the purview of GATS) and thus would be brought under GATS.

Thus, the roles of the IMF and World Bank on one hand, and the WTO on the other hand, are often complementary in generating the process by which public services are either commercialised, privatised, opened up for competition from private entities, or opened up to foreign service suppliers. Whilst the initial prompting for privatisation, commercialisation, competition and liberalisation could begin with IMF-World Bank conditionality, pressures could then build for the countries involved in these processes to then bind these decisions or policies in GATS.

Also, while in theory countries are not compelled to liberalize under GATS and developing countries are free to liberalize fewer sectors and apply limitations, pressure is in fact applied by the major trading entities, especially the US and the EC and their companies.

8. Features of services chapters in FTAs

Many developing countries have attempted to make use of the flexibilities in GATS, to choose their own pace and sectors to liberalise. They have been cautious to increase their binding commitments in the WTO, as (1) they are worried about the possible consequences, especially since it is difficult to backtrack even if the commitment turns out to be an error; (2) they are unable to benefit from the liberalization of other countries, due to supply constraints (and due to continued protection of the labour market in the North) and thus if they were to themselves liberalise, they would have more costs than benefits; (3) they are within their rights to choose whether to liberalise, in which way, and in which sectors, if at all.

Developed countries have been frustrated by what they perceive as the slow movement by developing countries in the WTO. The reason for their frustration is that services now comprise the largest sector, and their big services enterprises are pushing to have access to the markets of the developing world. The developed countries are now seeking the use the FTA mechanism to accelerate the liberalization process in developing countries.

In the typical US FTA, the more development-friendly architecture of GATS is abandoned. Instead of the GATS' positive list approach, the US FTA (for instance with Singapore and Chile) adopts the negative list approach, in which all sectors are committed for liberalisation, except those that have been put on the "negative list", with reservations as to which category of liberalization is being exempted. This reduces the policy space for developing countries, as there is increased pressure to liberalise, since in this approach the country has committed to liberalise unless it specifically places an exception in the schedule in the annex. It is difficult for a country to be able to list all the possible exceptions that it seeks. If due to ignorance or lack of foresight, a country mistakenly does not inscribe the sector or activity in the annex, it would be a costly error indeed.

The US-FTA chapter on cross-border services covers cross-border supply of services, but does not cover commercial presence or investment (known as Mode 3 in GATS), as this is covered (with its own dispute settlement system) in the investment chapter of the FTA. However, the annexes in the services chapter with reservations covers the exceptions for services sectors from commitments relating to both the services and the investment chapters.

The definition of “Cross-Border Supply of Services” in the US-Singapore FTA is the supply of a service:

- a) From the territory of one Party into the territory of the other Party. For example, a consultant located in one country giving advice to a client located in another country by mail, phone or internet service. (This is similar to Mode 1 or cross-border trade in GATS),
- b) In the territory of one Party by a person of that Party to a person of the other party. (This is similar to “consumption abroad” or Mode 2 in GATS, for example a student from Singapore traveling to the US to attend university).
- c) By a national of a Party in the territory of another Party. (This is movement of persons, similar to Mode 4 in GATS).

The non-inclusion of the investment dimension of services does not mean that this aspect (the most prominent one in GATS) is absent. It is covered instead as part of the investment chapter, in which the rights of the foreign investor are very clearly spelt out.

The chapter covers measures by a Party affecting cross-border trade in services by service providers of the other Party. Some articles also apply to measures affecting the supply of a service by an investor or investment of the other Party as defined in the investment chapter. Such measures include the production, distribution, marketing, sale and delivery of a service; purchase or use of a service; access to distribution, transport or telecommunications in connection with supply of a service; and provision of a bond or security as condition for supply of a service.

The main principles and provisions include: national treatment for the foreign service suppliers; most favoured nation treatment; and market access (where both parties agree not to impose limitations on the other party’s number of service providers, on the total value of service transactions or assets, on the total number of service operations and on the total number of natural persons employed in a particular service sector.

There are also provisions on freedom for transfer of funds and payments, on domestic regulation, transparency and professional services.

The exception clauses are interesting. Existing non-conforming measures that are maintained by a Party are to be laid out in an annex, and these can be continued and renewed. Another annex lays out amendments to any non-conforming measure, “to the extent that the amendment does not decrease the conformity of the measure as it existed immediately before the amendment. The items in these annexes are exempted from the national treatment, MFN, market access and local presence provisions. The implication is that the existing measures that do not conform to these provisions are allowed to be exempted but the level of their “non-conformity” can only be decreased, and cannot be increased. This implies that there the existing “applied” levels of liberalization are notified and a “standstill” is imposed, in that the degree of liberalization can be decreased but not increased.

Should this be the clause in an FTA, then a developing country party would give up the flexibility and policy space that is presently available in GATS, to be able to liberalise unilaterally in certain services sectors, yet not “bind” the full degree of that liberalization. Having a distance between the “applied” and the “bound” levels allows a country to experiment, with the possibility of backtracking, should it be necessary to do so.

The US-Singapore FTA excludes application of the chapter to -“*services supplied in the exercise of governmental authority....which is supplied neither on a commercial basis nor in competition with one or more service suppliers*”. (Article 8.2.5.b)

As pointed out by Sangeeta (2005), neither of the criteria is defined. This provision is the same as Article 1 in GATS, which has been the subject of controversy. Many service sectors involve the public interest and thus are delivered by governments through a mixed system that is wholly or partly funded with a minimum charge being paid by consumers, but tightly regulated by governments at the central, regional and local levels. Often these systems co-exist with other private for-profit delivery systems. Following the criteria above, these systems would fall outside the purview of the exclusion and be subject to the terms of the agreement unless expressly reserved.

For example in Malaysia there are public hospitals which are funded by the government with consumers paying for their treatment according to their income, with some being subsidized. Could it be argued that this system is providing treatment on a commercial basis? There are also private hospitals which provide the same treatment as public hospitals and in a way are competing for the same patients. As a consequence the health service sector (it can be argued) may not fall within the exception. As many of the essential public services may not be eligible for exclusion, foreign service providers will likely be able to access public interest sectors such as water, health, education, national parks, and pension funds. These providers are likely to target only the profitable sectors or the higher income earners. Consequently not only does the government lose income but it may also be saddled with having to provide the less profitable service sectors or subsidizing low income earners who cannot afford the prices of foreign service providers. (Sangeeta 2005).

In the US-Singapore FTA, a provision on Domestic Regulations, measures relating to qualification requirements and procedures, technical standards and licensing requirements are to be “*based on objective and transparent criteria*” and should be “*no more burdensome than necessary to ensure the quality of the service*”.

Besides the investor-state dispute settlement process in the investment chapter, the FTAs also have a general dispute settlement mechanism, which allows a government to claim that a law or policy of the other country is inconsistent with the FTA obligations or the other party has failed to fulfill its obligation or a benefit expected from the agreement is being nullified and impaired as a result of a measure not inconsistent with the Agreement. The dispute process requires initial consultations, and if that fails, it must be referred to a dispute panel of three agreed trade law experts. The Panel can declare that a Party to the

agreement has not conformed to its obligations. In effect the infringing law would have to be eliminated or compensation be paid. Parties can also under certain conditions take retaliatory action suspending benefits of equivalent effect. Trade sanctions taken by a small developing country against U.S. will hardly make a difference but if positions were reversed the developing country's economy would be affected. (Sangeeta 2005).

9. Special chapters and targeting of key sectors, i.e. finance and telecommunications

In US FTAs with developing countries, there are usually special chapters on financial services and telecommunications, two of the most important and sensitive service sub-sectors. The FTAs with Singapore and Chile, for example, have these special chapters.

The financial services chapter in the US-Singapore FTA applies to investors and investments as well as cross-border trade. Besides the usual principles of national treatment and MFN, the market access clause states that measures by a Party shall not impose limitations on the number of financial institutions, the total value of financial service transactions, the total number of financial service operations and the total number of natural persons employed; nor should the parties restrict or require specific types of legal entity or joint venture. Each Party shall also permit a financial institution of the other Party to supply any new financial service that is permitted to its own institution. There are also liberalization clauses for cross-border trade and senior management and boards of directors.

There are also annexes of "non-conforming measures" similar to the chapter on services in general, as well as general exceptions.

There are generally similar clauses on financial services in the US-Chile agreement.

In the chapter on telecommunications in the US-Singapore FTA, there are provisions to ensure that enterprises of the other Party have access to and use of any public telecommunications transport networks and services offered in the country. There are other provisions with obligations on parties to ensure that suppliers of telecom services provide interconnection with facilities of suppliers of public telecommunications services of the other Party, and additional obligations regarding treatment by major suppliers, competitive safeguards, unbundling of network elements, co-location, resale, interconnection, pricing of leased circuit services etc. There are also provisions relating to independent regulation and privatization, universal service, licensing process, allocation and use of scarce resources, etc.

To meet the requirements and obligations desired by the US in the financial services and telecommunications chapters, a typical developing country partner would have to very significantly re-orientate its policies on these two key sectors, with also significant consequences.

10 . Does the degree of liberalization matter for development?

Developed countries advocate for developing countries the fastest and broadest liberalization in services. Institutions such as the World Bank also encourage or pressurize developing countries to liberalise services so that they can become more efficient. However it is wiser for developing countries to take a cautious approach towards services liberalization.

There are several reasons why it is important for a developing country to maintain or expand beyond a certain degree of local participation (including ownership and control) over services. During the colonial period, the foreign firms were able to control a large and overwhelming share of the services sectors in many countries, including the financial and distribution sectors. Following independence, governments took measures to increase the share of citizens in services. There developed significant local ownership and control in banking, insurance, construction, wholesale and retail trade, transportation, professional services, etc. Governments tended to have monopolies in railways, telecommunications, water, postal services, energy and power resources. When these were privatized or partly privatized, or when private companies were allowed to compete in these areas, local companies were among those that took up local shares. The increased participation of local firms and persons usually developed with the assistance of the government, including preferential treatment to locals and restraint over the growth of foreign companies.

Presently, services sector is in many developing countries the largest sector, and it is the area where local firms have larger participation and are better able to compete, as compared with the manufacturing sector. While it is important to upgrade technology and techniques, this can often be done by the local firms including through importing modern technology. It does not necessarily require that large foreign firms take over, in order for a country to have modern and efficient services.

While there are benefits to foreign investment, there are also costs, and thus a balance is required. The services sector usually produces services that are “non-tradables”. Thus, there is significant foreign exchange loss associated with foreign service providers, as there is an outflow of profits, while most of the output is for local use.

For strategic and security reasons, it is also important that there be local control over several services sectors, including water, electricity, finance, telecommunications, etc. To avoid or cushion financial crises, there should also be significant local participation in banking, insurance, etc.

Public services that meet basic needs, such as water, education, health and electricity, should also be carefully guarded. Primary importance should be placed on meeting the needs of the public, especially the poor.

11. Need for a comprehensive national services plan

Developing countries need to have a comprehensive national services master plan, in order that there be a coherent policy framework. Based on such a plan and framework, the country can formulate positions to take in its national interests, whether in the WTO or in a possible FTA.

Among the issues to resolve in such a services plan is the degree of local and of foreign participation in the various sub-sectors, and the development of each sub-sector. Strategic and public consideration has to be given to key sectors such as finance, telecommunications, water, health services.

Many countries do not have such a comprehensive plan. At best they have a plan for subsectors, such as financial services or health services.

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