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**Working Paper**

## Services commitments in preferential trade agreements: An expanded dataset

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**World Trade Organization**  
Economic Research and Statistics Division

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**Services Commitments in Preferential Trade Agreements:  
An Expanded Dataset**

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World Trade Organization

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# **Services Commitments in Preferential Trade Agreements: An Expanded Dataset**

Martin Roy

## **Abstract:**

*Preferential trade agreements (PTAs) on services have proliferated since 2000. This working paper briefly presents the expansion of the dataset initially developed in Marchetti and Roy (2008). The data permits to assess the extent to which market access commitments undertaken by WTO Members in PTAs go beyond GATS commitments and offers made in the context of the Doha Development Agenda. The dataset, which covers PTA commitments of 53 WTO Members (counting EU Members States as one), is available at: [http://www.wto.org/english/tratop\\_e/serv\\_e/dataset\\_e/dataset\\_e.htm](http://www.wto.org/english/tratop_e/serv_e/dataset_e/dataset_e.htm)*

**Keywords:** GATS, trade in services, preferential trade agreements, regionalism

**JEL Classifications:** F13, F53, F59

# Services Commitments in Preferential Trade Agreements: An Expanded Dataset

Martin Roy<sup>1</sup>

## Introduction

From a marginal phenomenon before 2000, preferential trade agreements (PTAs) on services have now become a central aspect of bilateral and regional trade agreements being negotiated outside the multilateral system. While only 5 services agreements involving 11 Members had been notified to the WTO before 2000, 85 additional agreements have been since then, and various others are under negotiation and remain to be notified.<sup>2</sup> As a result, most WTO Members are nowadays involved in at least one services PTA. Overall, while about two-thirds of the PTAs in force do not cover services, the majority of PTAs between developed and developing economies do contain services commitments. Moreover, since 2009, half of all notifications under GATS Article V concern agreements involving solely developing Members.

The purpose of this Working Paper is to briefly present the latest trends regarding the services market access commitments that Members have undertaken in PTAs. It is based on an expansion of the dataset developed in Marchetti and Roy (2008). Much of this new data was also used for the World Trade Report 2011: *The WTO and Preferential Trade Agreements: From Co-existence to Coherence*. While the dataset in Marchetti and Roy (2008) covered 37 Members in 40 PTAs, the one presented here covers 53 Members in 67 Agreements.<sup>3</sup> The dataset does not attempt to represent the quality of commitments or to determine their level of trade restrictiveness, but focuses on the extent to which RTA commitments go beyond GATS commitments and services offers in the Doha Development Agenda. As its initial version, this expanded dataset is available at: [http://www.wto.org/english/tratop\\_e/serv\\_e/dataset\\_e/dataset\\_e.htm](http://www.wto.org/english/tratop_e/serv_e/dataset_e/dataset_e.htm)

This paper refrains from discussing the implications or motivations of services PTAs, as this has been done elsewhere.<sup>4</sup> It is rather meant as a piece to accompany the publication of the expanded dataset.

## A - Overview

While various aspects of services PTAs have been discussed in the literature, a fundamental starting point in the study of PTAs relates to the content of liberalization commitments.<sup>5</sup> Liberalization commitments refer to the level of treatment bound under 'market access' and 'national

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<sup>1</sup> Counsellor, Trade in Services Division. All views expressed are those of the author and cannot be attributed to the WTO Secretariat or WTO Members. Deep appreciation is expressed to Weiwei Zhang for her work in reviewing several recent PTA commitments. Thanks are also due to Rudolf Adlung, Juan Marchetti, Gianluca Orefice, Roberta Piermartini, and Nadia Rocha for comments and discussions. The author is also grateful to Clémence Moreau for her work on the charts. Errors remain the author's.

<sup>2</sup> The number of notifications does not include EU enlargements, nor agreements that are no longer in force. The number of notifications is as of 15 October 2011. The European Union is here counted as 1 Member.

<sup>3</sup> This expanded dataset covers 2 additional PTAs from the dataset used for the WTR 2011.

<sup>4</sup> For further discussion on services PTAs, see, for example: WTO (2011); Miroudot, Sauvage and Sudreau (2010); Mattoo and Sauv   (2010); Marchetti and Roy (2008); Fink and Molinuevo (2008a); Fink and Molinuevo (2008b); Roy, Marchetti and Lim (2008); Roy, Marchetti and Lim (2007).

<sup>5</sup> Liberalization commitments are also central to determining whether services PTAs comply with Article V of the GATS.

treatment', which are the two obligations of services agreements that guarantee a certain level of openness to foreign competition.<sup>6</sup>

As examined in Roy, Marchetti and Lim (2007) and Marchetti and Roy (2008), PTA commitments on services generally go well beyond those undertaken by the same governments under the GATS, and even well beyond the services offers that have so far been submitted by the same governments in the DDA negotiations. The expanded dataset presented here permits to further detail this phenomenon by providing information on GATS+ commitments by Member, by mode of supply, by agreement, as well as by sector. Such expanded dataset covers the PTA commitments of an additional 16 WTO Members. It includes most of the services PTAs notified to the WTO since 2000, as well as a few additional ones that have been signed, but have not yet entered into force. The lists of Members and PTAs covered are found in Tables 1 and 2 in Appendix.

Like its earlier version, the expanded dataset limits its assessment of services commitments to mode 1 (cross-border trade) and mode 3 (commercial presence), which represent the overwhelming share of total world services trade. While a similar assessment with respect to mode 4 (movement of natural persons) would be valuable, commitments under this mode are essentially horizontal in nature, and would therefore best be captured by a different approach than the one used here. Indeed, rather than looking at 'improvements' sub-sector by sub-sector, assessing mode 4 commitments would need to qualitatively assess the value of each Member's horizontal commitments, and then examine the sub-sectors to which such horizontal undertakings would apply. In contrast, mode 2 (consumption abroad) is largely unrestricted, and comparing GATS and PTA commitments in this area may provide limited value added.

The expanded dataset still factors in GATS offers that have been submitted by WTO Members during the Doha Round. Looking at PTA commitments that go beyond these offers provides a better understanding of their value added, as opposed to comparing them to GATS commitments that are, for the most part, more than 15 years old. Doing so also permits getting a glance at the extent to which DDA offers may be improved if preferential commitments were to be multilateralized. Finally, the dataset only looks at PTA commitments that go beyond the GATS offer, not areas where PTAs may provide for less. For additional details on the methodology used to produce the dataset, see Marchetti and Roy (2008) and Box 1 in Appendix.

## **B- Measuring GATS+ Commitments in Services PTAs: Proportion of Sub-Sectors where PTA Commitments Go beyond GATS commitments and DDA offers**

A first level of analysis consists of looking at the proportion of services sub-sectors where a party to a PTA undertakes commitments that go beyond its DDA services offer (as per Roy et al. 2007). These improvements take either the form of 'new bindings' or 'improved bindings'. The former consists of sub-sectors that were not subject to commitments under the GATS (nor included in GATS offers) and that have been committed in PTAs. The latter means sub-sectors that benefit from a certain guarantee of access under the GATS (or proposed in GATS offers) and that are granted better terms of access in a PTA (e.g., moving from a 40 to a 51 per cent foreign equity limit, or from a 40 per cent equity cap to full openness).

Such approach makes no attempt to assess the precise type of improvements or levels of commitment, including whether new bindings are 'full' or 'partial' commitments. On the other hand, it permits a straightforward assessment, revealing in how many and in which sectors PTA commitments go beyond multilateral undertakings. On that basis, Figure 1 provides a picture of GATS+ commitments under modes 1 and 3 for each Member, on the basis of the 'best' commitment undertaken across all the PTAs to which it is party.<sup>7</sup>

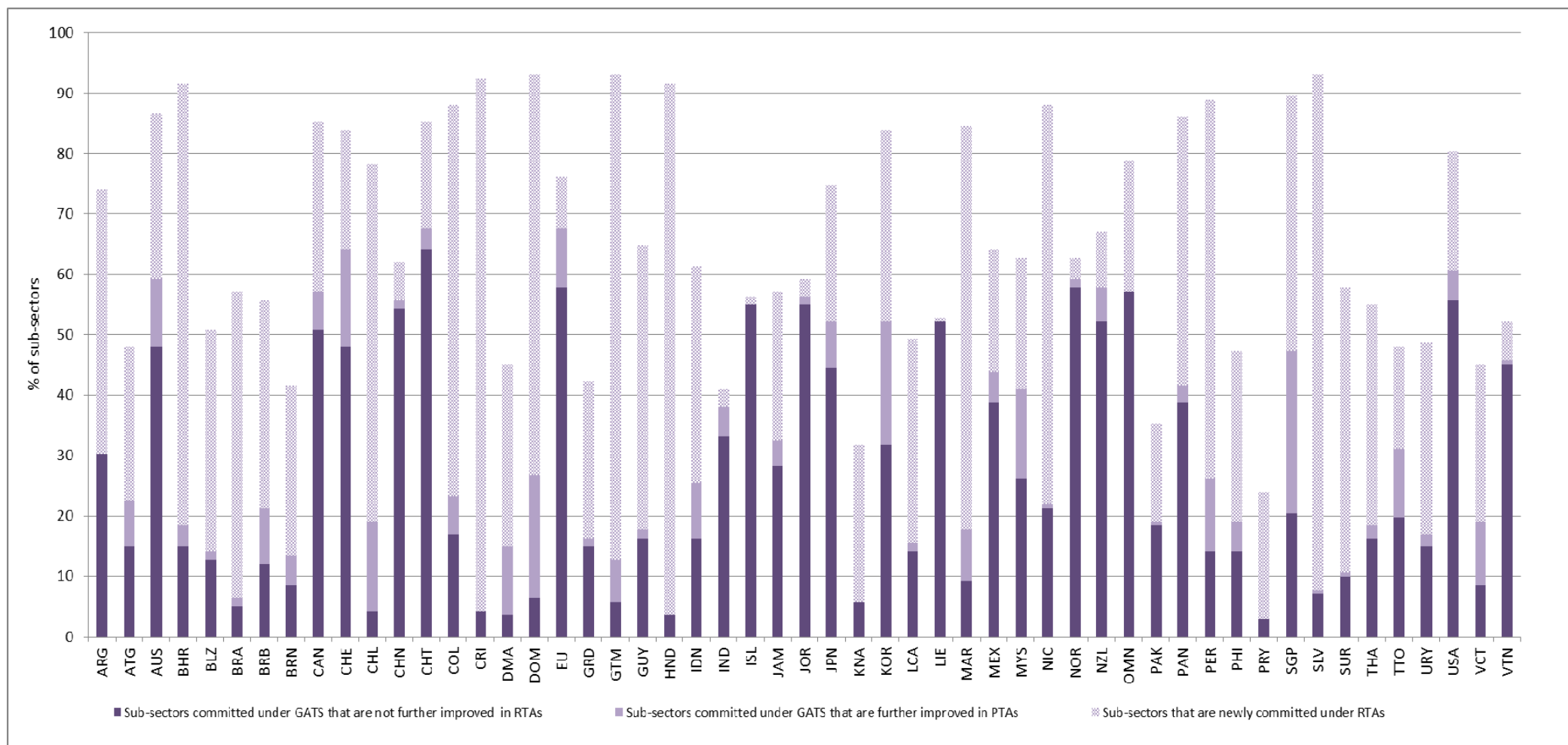
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<sup>6</sup> In the GATS, the market access obligation is found in Article XVI and national treatment in Article XVII.

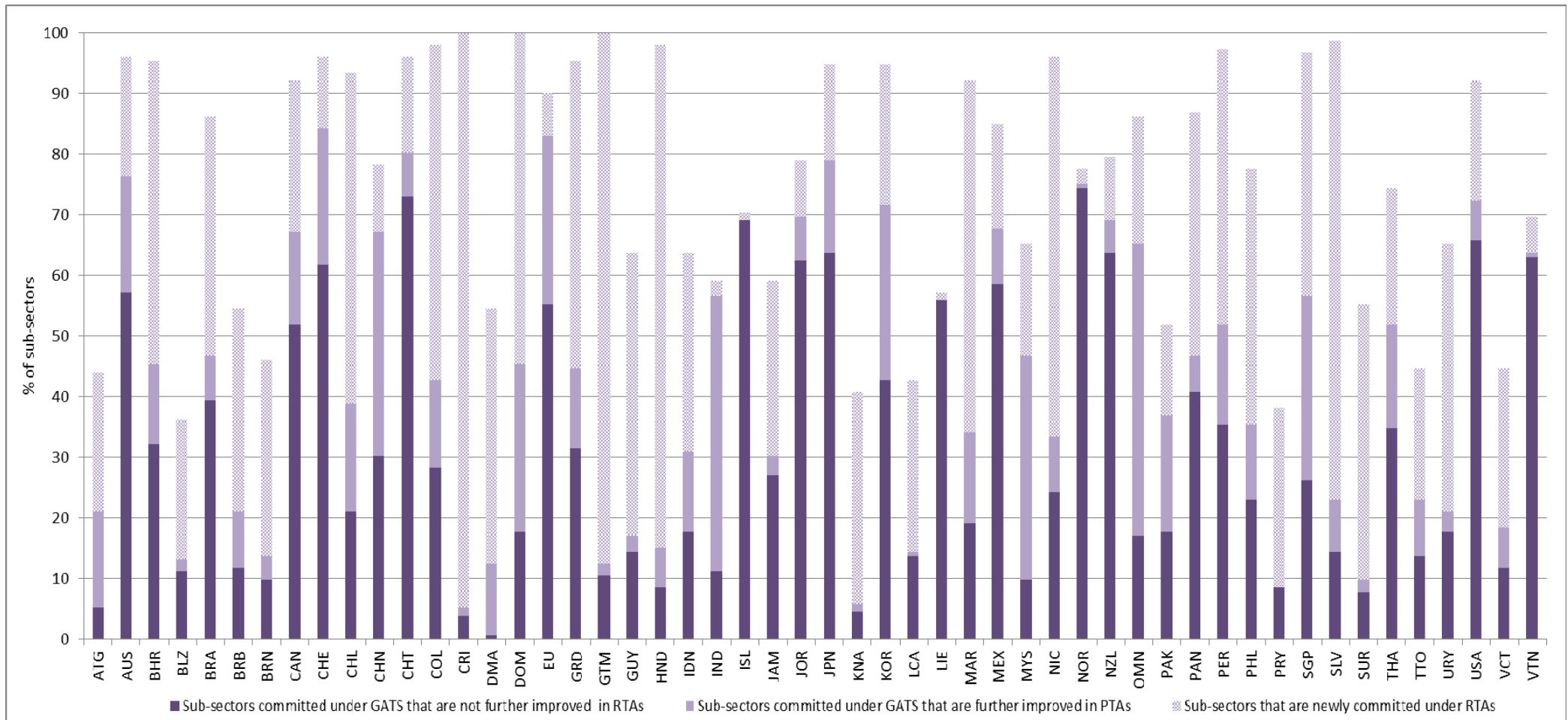
<sup>7</sup> In the dataset as well as all figures presented in this paper, commitments of the European Union are analysed as those of the EU-15.

**Figure 1: Proportion of services sub-sectors subject to new or improved commitments in PTAs, compared to GATS (by Member)**

**Mode 1**



### Mode 3

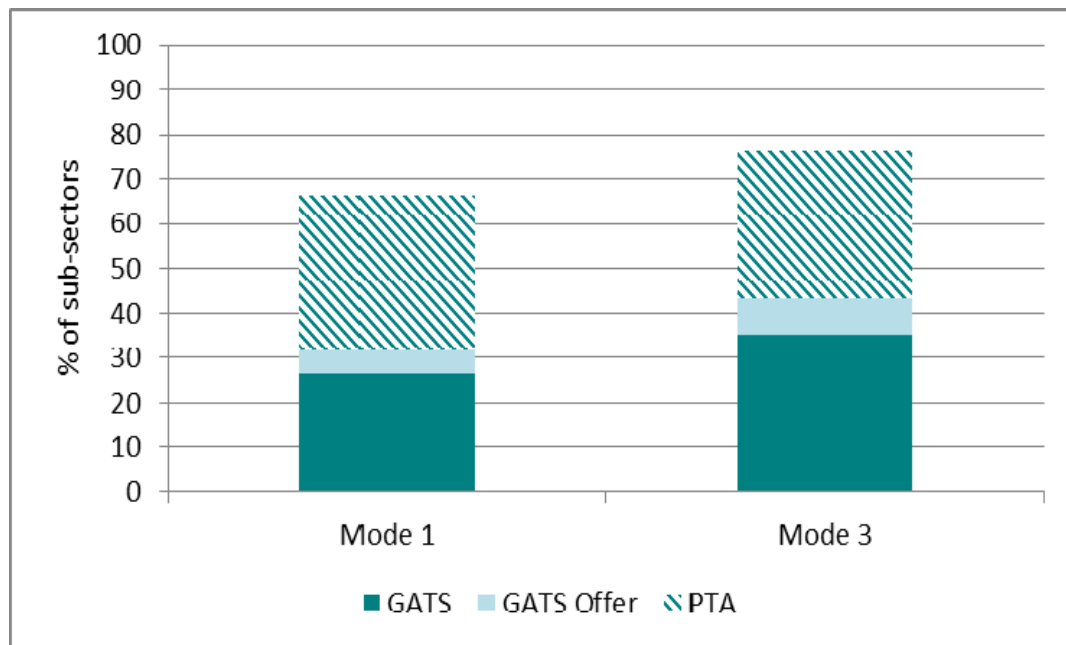


*Note:* GATS stands here for GATS commitments and DDA offers. The legend of the acronyms for the Members is provided in the Appendix. The data reflect each Member's 'best' PTA commitment among all the PTAs to which it is a party.

*Source:* Updated from Roy et al. (2007) on the basis of the expanded dataset.

Figure 2 provides an overall picture for all Members reviewed by looking at the average proportion of sub-sectors subject to GATS commitments, GATS offers, and PTA commitments. Figure 1 and Figure 2 both highlight that relevant Members have, in general, undertaken more and better commitments in a much greater proportion of services sub-sectors than they have under the GATS, or even than they had so far proposed to do in GATS offers. This broad picture holds for both of the modes of supply examined, as well for developed and developing Members. At the same time, as shown in Figure 1, variations also exist between Members: while GATS+ commitments in PTAs have been spectacular in the case of certain Members, advances in PTAs have been more modest for others.

**Figure 2: Sector coverage in PTAs in comparison with GATS commitments and DDA offers**



*Note:* The data reflect each Member's 'best' PTA commitment among all the PTAs to which it is a party.

*Source:* Updated from Roy et al. (2008) on the basis of the expanded dataset.

### C - Measuring GATS+ commitments in services PTAs: Index of GATS+ Commitments in PTAs

The dataset made available at [http://www.wto.org/english/tratop\\_e/serv\\_e/dataset\\_e/dataset\\_e.htm](http://www.wto.org/english/tratop_e/serv_e/dataset_e/dataset_e.htm) also updates information collected on the basis of an index of GATS+ commitments in PTAs as developed in Marchetti and Roy (2008). Rather than simply indicating the proportion of sub-sectors in which PTAs provide for better commitments than under GATS and GATS offers, the index takes into account, in a basic and straightforward manner, the level of commitments undertaken. Such information permits, in particular, to compare a Member's commitments across its different PTAs.

Fully assessing the depth and quality of commitments is a complicated matter. The approach taken in Marchetti and Roy (2008) builds upon the one initially used by Hoekman (1996) to assess the content of GATS schedules emerging from the Uruguay Round where, for each sub-sector and mode of supply, a score of 1 is given for a full commitment (without limitations), 0.5 for partial commitments, and 0 for the absence of commitments.



Naturally, such an approach has its limitations, the most obvious being that it only captures in a general manner the restrictiveness/openness of commitments. Among all the partial commitments with a score of 0.5, some could be subject to limitations heavily restricting trade, while others only contain limitations that only marginally affect trade. Still, such index provides a general overview of differences in levels of commitments across Members, modes of supply, and sectors. Further, capturing the restrictiveness of commitments would be fraught with difficulties given the wide variety of non-tariff measures being used, and also because of the lack of clarity with which schedules are sometimes drafted.<sup>8</sup>

In Marchetti and Roy (2008), the Hoekman index is adapted so as to allow the comparison of a Member's partial commitments in different PTAs. Comparison is easy when, for example, a partial commitment (score of 0.5) in a given sub-sector becomes a full commitment in another PTA (score of 1). However, differences between a Member's commitments in the GATS and in its various PTAs often consists of removing or relaxing some, but not all, limitations in a given sub-sector and mode.

Rather than giving a score of 0.5 to all partial commitments without taking account of greater concessions made from one negotiation to the other, the index gives a higher score for each improvement in a Member's partial commitments: for each step, half the difference between the score for a full commitment (1) and the score of the partial commitment being improved is added. For example, a partial commitment being improved by way of a foreign equity limit moving from 49 to 51 per cent would obtain a score of 0.75. A further improvement by the Member in the same sub-sector and mode would get a score of 0.875 (e.g., moving up to 60%).<sup>9</sup> Such an approach naturally has limitations. Principally, it does not pretend to capture the relative restrictiveness of commitments; for this, only a case-by-case qualitative analysis would be satisfying.

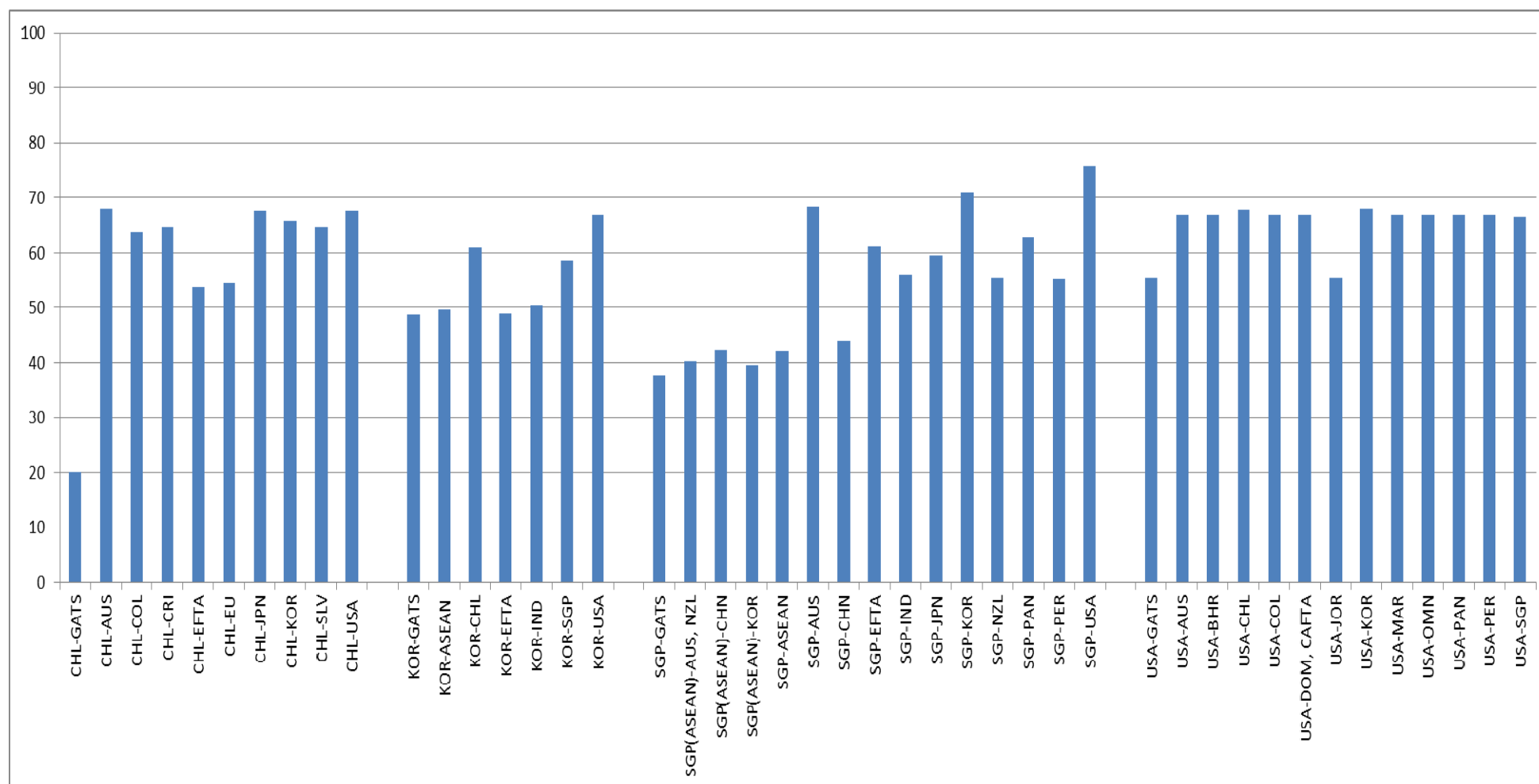
Figure 3 uses the index to highlight variations in the levels of commitments granted by certain Members to their different PTA partners. It shows that, for a number of Members, the level of services concessions granted vary significantly across agreements. Singapore's services commitments, for example, vary notably in its agreements with the United States, Japan, and ASEAN countries. Important variations are also observed in the PTA commitments of Chile and Korea. Commitments by the United States, in contrast, do not vary significantly among PTAs, except for its agreement with Jordan, which was based on GATS. The figure also suggests that the larger trading powers tend to receive more concessions. For example, the United States got comparatively high levels of concessions from Chile, Korea, and Singapore.

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<sup>8</sup> See Adlung et al. 2011.

<sup>9</sup> See Marchetti and Roy (2008), pp. 78-81.

**Figure 3: Variations in the level of commitments offered in different PTAs: Chile, Korea, Singapore, and United States.**



*Note:* GATS stands here for GATS commitments and DDA offers. The index is brought onto a 0-100 scale, with 100 representing full commitments in all sub-sectors and relevant modes. Index scores are for both modes 1 and 3. On the horizontal axis, the first Member listed is the one whose commitments are reviewed; the second Member listed is the one to which these concessions have been granted.

*Source:* From updated data Marchetti and Roy (2008).

The index can also be used to provide an overall picture of GATS+ commitments undertaken in PTAs. Unlike Figure 1, using the index has the advantage of taking account of the level of commitment undertaken, albeit in a limited manner. Figure 4 provides the overall score for the 'best' level of commitment undertaken by each Member reviewed in the dataset, across all PTAs to which it is party.<sup>10</sup> The general trends are similar than those presented in Figure 1. Accordingly, the 16 new Members added in this expanded dataset, most of which are developing – and in many cases small – economies, have undertaken PTA commitments well beyond their GATS commitments and/or GATS offers.

This is notably the case for the 12 CARIFORUM Members. While their PTA commitments do not reach high index scores compared to other Members reviewed, they far exceed these countries' GATS commitments/offers, which, on average, are relatively limited. Brunei Darussalam, Canada, and Pakistan, although from very different starting points under the GATS, have all undertaken various commitments providing for greater openness in their respective PTAs. Viet Nam's GATS+ commitments in PTAs are more limited. This is likely due to the fact that, as an acceding Member, it undertook more commitments than other Members at the same level of development.

The greater number of agreements in this expanded dataset also translated into higher levels of PTA commitments by a number of Members covered in the initial assessments done in Roy et al. (2007) and in Marchetti and Roy (2008). This is notably the case for Switzerland (as a result of its PTA with Japan), as well as such ASEAN Members as Indonesia, Malaysia, the Philippines or Thailand (as a result, in part, of the 7<sup>th</sup> package of commitments under the ASEAN Framework Agreement on Services).

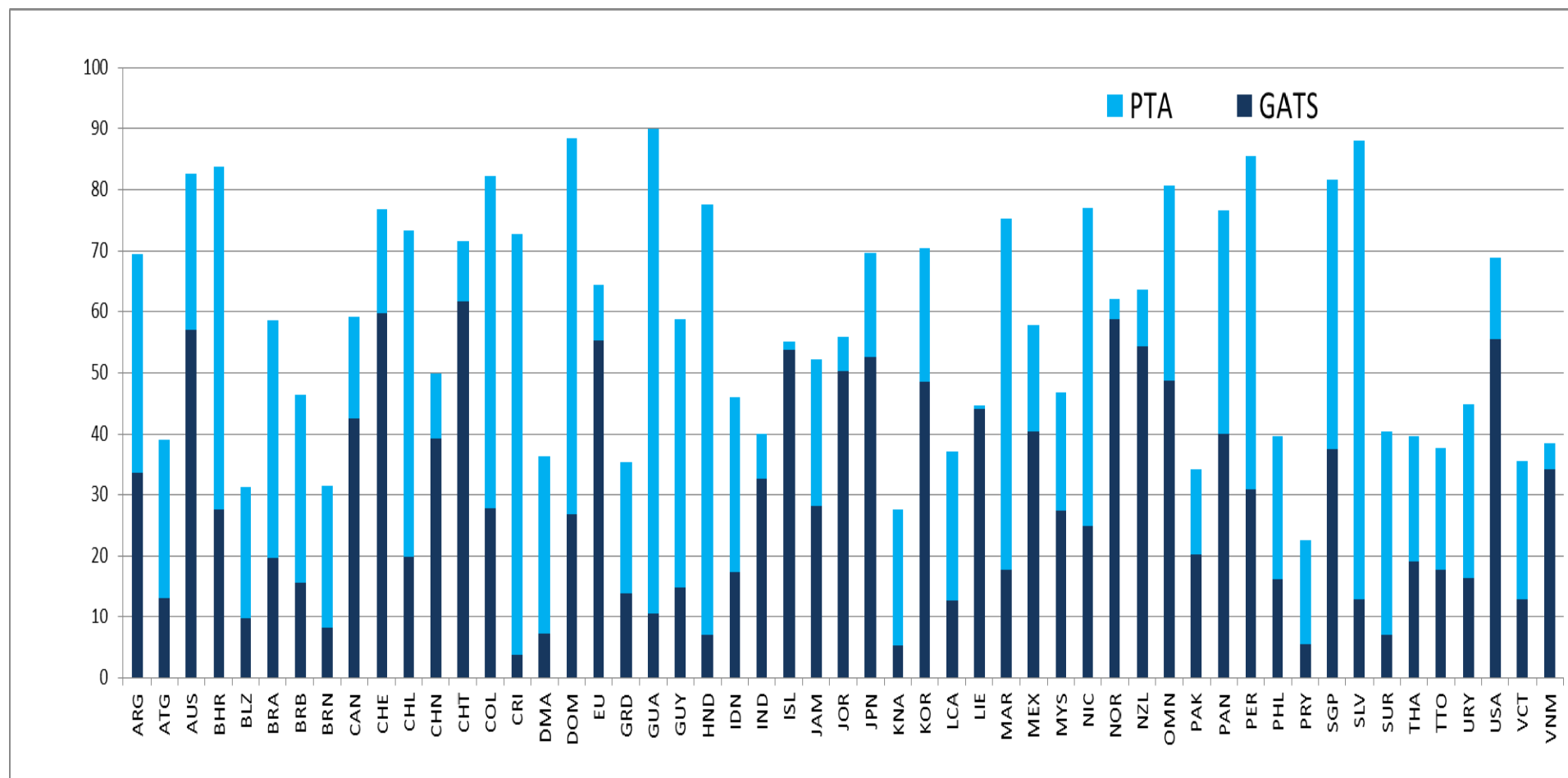
A more general picture is captured through Figure 5, which presents average scores for all Members reviewed. Like Figure 2, it underscores that services commitments in PTAs far outweigh GATS commitments and offers, in both modes 1 and 3. This overall picture differs only slightly from the one presented in 2008 on the basis of a smaller sample of Members and PTAs. While the overall PTA score for Members reviewed is lower in the expanded dataset, so are the overall scores for GATS commitments and DDA offers. This results from the adding to the dataset a good number of Members with relatively limited GATS commitments.

Figure 5 also shows that GATS+ commitments in PTAs have, on average, been more important in developing economies, which is partly explained by the different levels of GATS commitments undertaken by these two groups of Members. In fact, through PTA commitments, developing-country Members significantly reduce the gap with the levels of bindings attained by developed-country Members. The figure also shows that, on average, PTA advances have taken place in similar fashion for both modes 1 and 3, irrespective of Members' level of development.

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<sup>10</sup> Care should be exercised in comparing Members commitments with one another with the use of the index. Just like the Hoekman index assumes that all partial commitments are equivalent, the index assumes that all commitments coded 0.5 are equivalent, or, similarly, that all those coded 0.75 are equivalent. This is obviously a simplification and cannot substitute for a qualitative analysis of the depth and value of commitments undertaken. The index is best used to compare each Member's commitments across different agreements, whether multilateral or preferential.

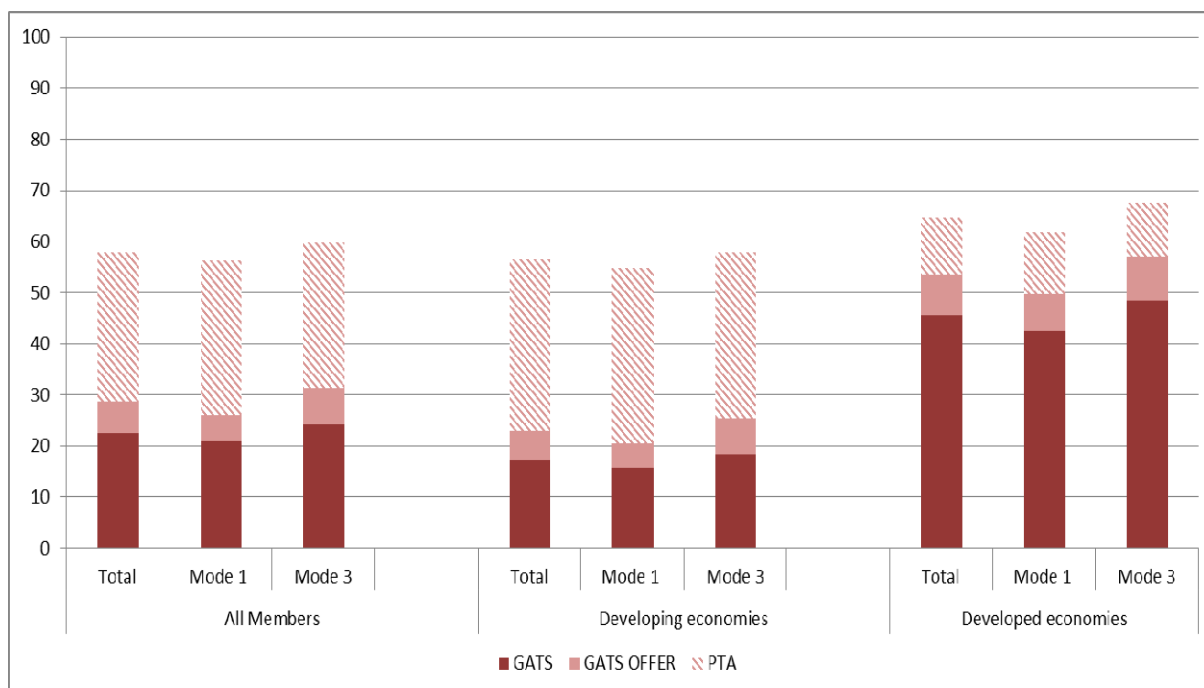
**Figure 4: Index scores per Member reviewed**



*Note:* GATS stands here for GATS commitments and DDA offers. The data reflect each Member's 'best' PTA commitment among all the PTAs to which it is a party. The index is brought onto a 0-100 scale, with 100 representing full commitments in all sub-sectors and relevant modes. Index scores are for both modes 1 and 3.

*Source:* Updated from Marchetti and Roy (2008) on the basis of the expanded dataset.

**Figure 5: Average index score across Members reviewed**



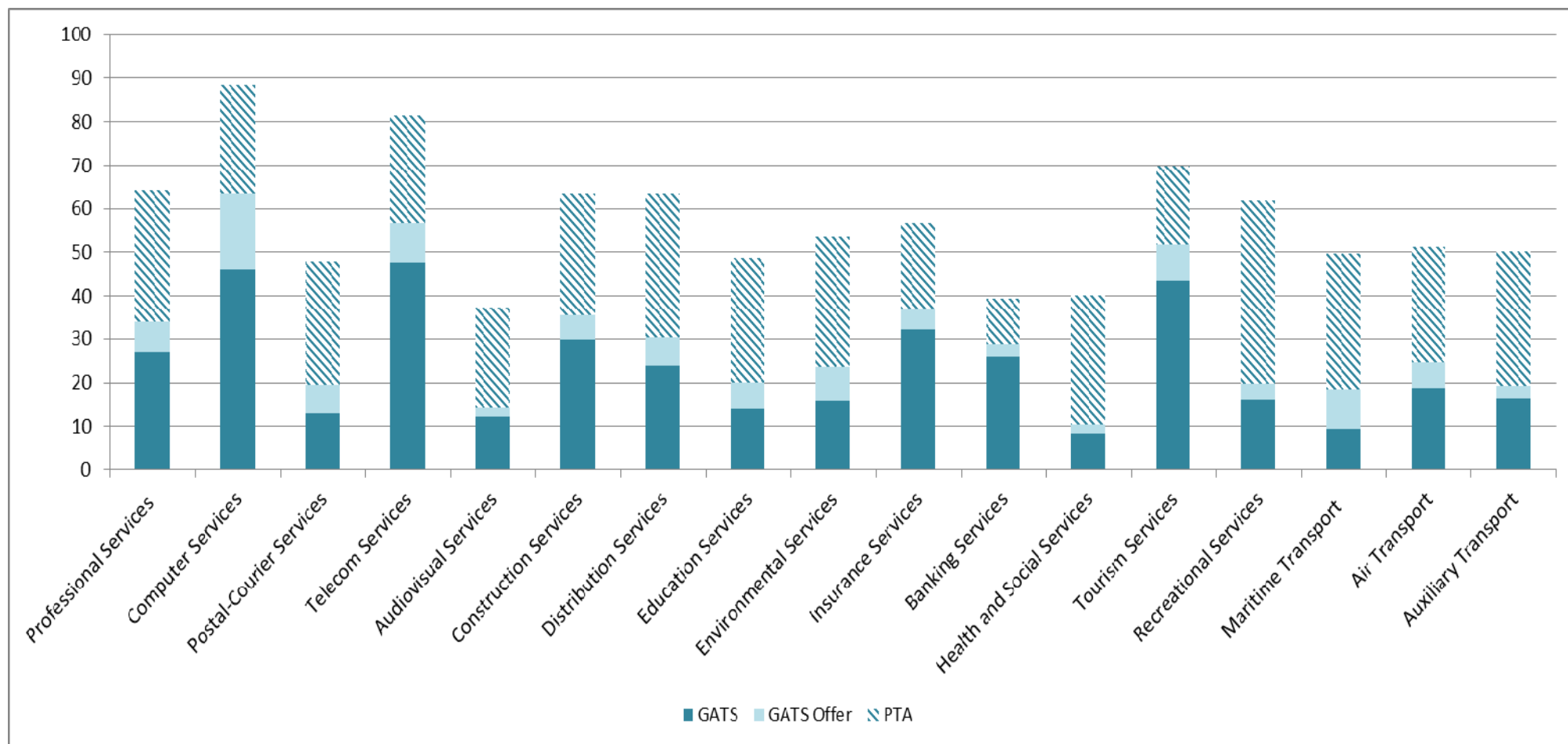
*Note:* The data reflect each Member's 'best' PTA commitment among all the PTAs to which it is a party. The index is brought onto a 0-100 scale, with 100 representing full commitments in all sub-sectors and relevant modes.

*Source:* Updated from Marchetti and Roy (2008) on the basis of the expanded dataset.

Finally, the index also provides a sectoral picture of advances in PTAs. Figure 6 shows the average index value for GATS and 'best' PTA commitments, per selected sectors. As noted in the World Trade Report 2011 and in Marchetti and Roy (2008), advances in PTAs have occurred across all major sectors. While certain sectors that had proved more difficult in multilateral negotiations still attracted less commitments in PTAs (e.g., audiovisual, health), advances have nevertheless been important there too when compared to GATS commitments/offers.<sup>11</sup>

<sup>11</sup> It can be observed that levels of PTA commitments appear particularly limited in financial services. As noted in Marchetti and Roy (2008), this results largely from limited overall PTA advances on mode 1 in this sector.

**Figure 6: Average index scores for GATS commitments, GATS offers, and 'best' PTA commitments, per selected sectors.**



*Note:* The data reflect each Member's 'best' PTA commitment among all the PTAs to which it is a party. The index is brought onto a 0-100 scale, with 100 representing full commitments in all sub-sectors and relevant modes of the sector grouping. Index scores are for both modes 1 and 3.

*Source:* Updated from Marchetti and Roy (2008) on the basis of the expanded dataset.

## **D - Conclusion**

Overall, the dataset highlights that, on average, commitments undertaken in PTAs far outweigh those contained in GATS schedules, but also those offered in the current Round of negotiations. This stands for both modes 1 and 3, and different levels of development, although, naturally, the level of GATS+ commitments varies significantly across Members.

The analysis of an additional 16 new Members and 27 new PTAs has provided further evidence of these trends. Indeed, more recent agreements have matched or exceeded levels of commitments achieved by parties in earlier preferential agreements. Recent PTAs have also involved significant GATS+ commitments from a number WTO Members that had previously not taken part in services PTAs (i.e., Pakistan and 12 CARIFORUM countries).

The detailed dataset on the WTO website allows further analysis, either to compare Member's commitments in different PTAs or to assess what different PTAs achieved.

On-going research being conducted on the basis of this data includes work on reciprocity in services PTAs (Marchetti, Roy and Zoratto, forthcoming) as well as on the impact of services commitments on trade flows.

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## APPENDIX

**Table 1: List of services agreements in the dataset**

Korea (Rep.)-India	Japan-Thailand	EFTA-Chile
ASEAN-Korea (Rep.)	Chile-Japan	Korea (Rep.)-Chile
ASEAN-Australia-New Zealand	Chile-China	EU-Chile
Honduras-El Salvador-Chin. Taipei	India-Singapore	Chile-El Salvador
Peru-China	Panama-Singapore	China-Macao, China
Japan-Vietnam	US-Bahrain	China-Hong Kong, China
Japan-Switzerland	EFTA-Korea (Rep.)	US-Singapore
Chile-Colombia	Costa Rica-Mexico	US-Chile
Canada-Peru	Japan-Malaysia	Singapore-Australia
Panama-Chinese Taipei	Mexico-Honduras	EFTA-Singapore
Nicaragua-Chinese Taipei	Jordan-Singapore	Japan-Singapore
China-New Zealand	Mexico-Guatemala	Chile-Costa Rica
Australia-Chile	Mexico-El Salvador	US-Jordan
China-Singapore	Dominican Rep.-Cent. America-US	New Zealand-Singapore
US-Peru	Korea (Rep.)-Singapore	EFTA-Mexico
US-Oman	US-Morocco	China-Peru
Japan-Philippines	Peru-Singapore	EU-Mexico
EU-CARIFORUM	US-Australia	US-Korea (Rep.)
Brunei Darussalam-Japan	ASEAN-China	Mercosur (6th negotiated round)
Japan-Indonesia	Japan-Mexico	ASEAN (7th package)
Panama-Chile	Panama-El Salvador	US-Colombia
Pakistan-Malaysia	Thailand-Australia	US-Panama
Pakistan-China		

*Source:* WTO Secretariat.

Note: All these agreement were reviewed for creating the dataset, although some parties' commitments were not coded. For example, Hong Kong China and Macao China do not have detailed lists of commitments in their agreements with China. For ASEAN's Framework Agreement on Services, the commitments reviewed are those of the 7th package.

**Table 2: Members Covered and Acronyms**

Acronyms	Member	Acronyms	Member
ARG	Argentina	KNA	Saint Kitts and Nevis
ATG	Antigua and Barbuda	KOR	Rep. of Korea
AUS	Australia	LCA	St. Lucia
BHR	Bahrain	LIE	Liechtenstein
BLZ	Belize	MAC	Macao, China
BRA	Brazil	MAR	Morocco
BRB	Barbados	MEX	Mexico
BRN	Brunei Darussalam	MYS	Malaysia
CAN	Canada	NIC	Nicaragua
CHE	Switzerland	NOR	Norway
CHL	Chile	NZL	New Zealand
CHN	China	OMN	Oman
COL	Colombia	PAK	Pakistan
CRI	Costa Rica	PAN	Panama
DMA	Dominica	PER	Peru
DOM	Dominican Rep.	PHL	Philippines
EU	European Union	PRY	Paraguay
GRD	Grenada	SGP	Singapore
GTM	Guatemala	SLV	El Salvador
GUY	Guyana	SUR	Suriname
HKG	Hong Kong, China	CHT	Chinese Taipei
HND	Honduras	THA	Thailand
IDN	Indonesia	TTO	Trinidad and Tobago
IND	India	URY	Uruguay
ISL	Iceland	USA	USA
JAM	Jamaica	VCT	Saint Vincent and the Grenadines
JOR	Jordan	VNM	Viet Nam
JPN	Japan		

Source: WTO Secretariat.

### **BOX 1: Additional Details about the Methodology**

- In producing estimates for each country, commitments undertaken in all services sub-sectors have been compared on the basis of the Services Sectoral Classification List (MTN.GNS/W/120), as well as the GATS Annex on Financial Services, the maritime model schedule for maritime auxiliary services, and the GATS Annex on Air Transport Services.
- The universe of services sectors has been split up so as to permit the most precise assessment: 152 sub-sectors for mode 3 and 142 for mode 1. Some sub-sectors were excluded from our comparison of commitments under mode 1 because they appear of quite limited relevance or simply not technically feasible, e.g., building cleaning, storage warehousing. This aimed to ensure that results did not overestimate the improvements made in negative-list agreements, where all sectors are liberalized unless provided otherwise.
- In computing scores for PTA commitments, situations where PTA commitments fell short of GATS schedules/offers were not factored in.
- A score was provided for a country's commitments in each agreement, for each sub-sector and each mode of supply (i.e. modes 1 and 3). A different score was not given for market access on one hand and national treatment on the other hand. To get the maximum score of 1 for a given sub-sector and mode of supply, full commitments need to be undertaken under both the national treatment and market access obligations. Since, as noted above, 152 sub-sectors are reviewed for mode 3 and 142 for mode 1, the maximum score that can be obtained is 294. In the chapter, we have presented this score on a scale of 0 to 100. The scoring does not factor in improvements with regard to additional commitments (Article XVIII of the GATS). MFN provisions and exceptions were similarly not reviewed.
- Horizontal limitations, which applying to all scheduled sectors, were also assessed. However, so as not to overestimate the number of sectors where bindings were improved, we only factored into the scoring the more stringent types of horizontal limitations (and improvements to them), in particular foreign equity restrictions, limitations on the number of suppliers, including through economic needs tests, joint-venture requirements, and nationality requirements.
- A number of agreements using a negative-list approach do not include in their List of existing non-conforming measures those applied by sub-central entities, either at the state/provincial level or local level. Even if these measures are not listed, the existing level of access is nevertheless bound and cannot be made more restrictive. Given the importance of state/provincial entities in federal states, we considered as 'partial commitments' – as opposed to 'full commitments' with a score of 1 – situations where a country had no limitations in a given sector but where state/provincial level measures were not listed. These were only scored as 'full commitments' in view of information suggesting that non-conforming measures were applied (for example where a commitment in another negotiating context revealed that no such measures were in existence).
- Assessing the extent to which PTAs provide for new and improved bindings necessarily involves a degree of value judgement, especially when comparing commitments framed under a positive-list approach and others under a negative-list one. Therefore, the overview does not in any way amount to a legal evaluation of commitments.

*Reproduced from Marchetti and Roy (2008), p. 109-110.*