



When to Commit to the WTO: That is the Question!

by

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Presented at the Annual Review Seminar, Research Department,
Central Bank of Barbados
July 28-31, 1998

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Introduction

- ♦ To look briefly at the WTO as an organization
- ♦ To discuss the working of the WTO e.g. financial services and the GATS
- ♦ To discuss Barbados' approach to the WTO in the area of financial services
- ♦ To zoom in on securities related financial services

The WTO and Its Antecedent

- ♦ Fifty of GATT: From Havana to Marrakesh
- ♦ GATT set in 1948 by the Havana Declaration
- ♦ Many rounds of trade negotiations aimed mainly at tariff reduction
- ♦ The Uruguay Round (1989-1994) introduced services, intellectual property, WTO etc.

The WTO

- ♦ The WTO came into effect January 01, 1995
- ♦ Based in Geneva, Switzerland
- ♦ More than 132 countries are members
- ♦ GATS (services)
- ♦ TRIPS (intellectual property)
- ♦ TRIMS (investment measures)

Functions of the WTO

- ♦ Administers WTO agreements
- ♦ Acts as a forum on world trade
- ♦ Monitors national trade policies
- ♦ Handles trade disputes
- ♦ Offers technical assistance and training
- ♦ Liaises with other international organizations

Principles of World Trade

- ♦ The world trading system should be freer, without discrimination (MFN treatment)
- ♦ To have a more predictable, competitive and more beneficial environment for less developed countries

The New GATS (1)

- The new GATS is probably the most important outcome of the Uruguay Round
- Rules on trade in services are quite difficult, largely because they are untested
- More areas are covered than goods and the interpretations are much more open than in the case of goods

The New GATS (2)

- A multilateral framework of principles and rules aimed at opening up world trade
- WTO members, especially developing countries, still must regulate the supply of services to meet national policy objectives

Horizontal Limitations (1)

- Horizontal limitations are a set of limitations that apply across the board to all areas of the specific commitment
- They cover such areas as limitations on the number of service suppliers
- Limitations on the total value of transactions or assets

Horizontal Limitations (2)

- Limitations on the total number of natural persons
- Restrictions or requirements regarding type of legal entity or joint venture
- Limitations on the participation of foreign capital

The New GATS (3)

- Developing countries need help to integrate into world trade system especially through trade in services especially by strengthening capacity, efficiency and competitiveness of domestic services
- Adjustment times of 10 years may not be adequate

Commitments under the WTO

- General - rules must be non-discriminatory, consistent and transparent
- Specific - in the case of services, these are made to the Council of Trade in Services in Geneva
- Last round of negotiations closed in December 1997

Specific Commitments

Terminology

- *Unbound* - countries are not making any commitments and reserve the right to make changes to their schedules later
- *None* - a country make commitments that have no limitations
- Both *unbound* and *none* have exceptions; e.g. unbound, except as indicated in the horizontal section

Securities Related Financial Services

- Securities markets in the region are underdeveloped
- Securities legislation in the Caribbean, (Jamaica apart) does not address cross border activity
- Exchange control is a horizontal limitation for Barbados

The Model Schedule

Four Modes of Supply (1)

- *Cross-border Supply* - supply of a service that can be enjoyed across borders without physical movement, only the service crosses the national border
- *Consumption Abroad* - refers to persons physically moving across borders to enjoy a services e.g. involves the consumer travelling to the supplying country - tourism

The Model Schedule

Four Modes of Supply 2

- *Commercial Presence* - requires a company or other entity to actually set up in the country to offer the service e.g. the establishment of branch offices or agencies to deliver services such as banking, legal advice or communications
- *Presence of Natural Persons* - movement of individuals to to provide a service e.g. a consultant

The WTO and Developing Countries

- Contrary to what has been enunciated by the WTO developing countries feel left out of world trade
- Lots of problems with definitions and pressure on countries to adjust their current regimes without the necessary support

When Should Barbados Commit to the WTO?

- The last set of negotiations closed on December 1997
- Next round of multilateral negotiations in 2000
- Barbados will strive to prepare itself to be a player in these negotiations

Conclusion

- + Barbados should prepare itself fully for the year 2000
- + The WTO as an organisation cannot be ignored
- + Barbados' view point and those of small states must be heard in the context of world trade in services



THE END

Thank you for your attention!

