

# What you should know about the WTO

## GATS

**T**he General Agreement on Trade in Services (GATS) is one of 18 trade agreements administered and enforced by the World Trade Organization (WTO). The GATS was established in 1994, and negotiations to expand the agreement were launched in 2000.

### What is at stake?

The WTO set a deadline of May 25, 2005 for new offers to be made in service sectors that have not yet been privatized by individual countries. This intensified the pressure on all countries to achieve a “substantive outcome.” However, the May deadline passed and, although more offers came in, they were considered insufficient and of bad quality. Even Canada’s new offers were considered disappointing by EU and by U.S. industry lobby groups. Under a new proposed mechanism, known as “benchmarks” or “complementary methods for services negotiations,” all countries would have to commit to liberalize a block of sectors and to “deepen” liberalization and privatization. This proposal is contrary to the principles and structure of the GATS, which enables countries to select individual services that they want to privatize – or not.

### What is contentious?

The GATS is mandated to restrict government actions in regard to services, through a set of legally binding constraints backed-up by WTO-enforced trade sanctions. The mandate is clear and ambitious. It aims to remove restrictions and provide “market access” to critical areas like health care, dental care, child care, elder care, education, libraries, culture, social services, water services, postal services, food safety and environmental services – to name but a few. The GATS interferes in the exercise of governmental authority by eliminating policies that conflict with WTO rules. This means that the responsibility of balancing the public interest with trade considerations is taken away from elected officials and transferred to WTO panels concerned exclusively with trade.

### 1) Privatization and deregulation.

Commitments made under the GATS are virtually irreversible. Article XXI states that countries can withdraw a commitment three years after it has entered into force but, in order to do so, they must negotiate substitute commitments subject to the approval of all WTO members. If not, they must compensate all WTO member countries.

### 2) National sovereignty and local control.

Negotiators are drafting new requirements under the GATS that would mean that governmental regulations on services would have to be “no more burdensome than necessary.” In other words, governments would have to prove to the satisfaction of the WTO that their regulations interfere as minimally as possible with commercial interests. The GATS negotiations to deregulate services pose particular problems for Canada, where most services fall under provincial or municipal control. Decisions made by these governments would be restricted or eliminated by commitments made to the WTO by the federal government.

### 3) Ongoing expansion.

The agreement commits governments to “progressive liberalization.” Therefore, even if a country initially limits its commitments under the GATS, it will eventually have to liberalize all sectors. The U.S. and Europe have already indicated that they expect countries to remove restrictions “across all service sectors.” For developing countries and for small economic powers like Canada, the pressure from the U.S. and Europe will be hard to resist.

### 4) Public services.

Article I:3 of the GATS excludes “services supplied in the exercise of governmental authority.” However, Article I:3(c) goes on to define such services as “any service that is supplied neither on a commercial basis, nor in competition with one or more service suppliers.” In effect, what would seem to be a very large exemption is really very narrow, given the trend in Canada toward commercialization, public-private partnerships, and the substantial amount of privatization that has already taken place in this country, and around the world.

For more information about the WTO and global trade, check out [www.canadians.org](http://www.canadians.org), or call 1-800-387-7177.