

РЕГІОНАЛЬНІ ТОРГОВІ ЗОБОВ'ЯЗАННЯ: РОЗВИТОК І ОБМЕЖЕННЯ (НА ПРИКЛАДІ ЄС)

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Ключові слова: *способи поставок послуг, торгівля, послуги, ЄС, ЄАЕС, регіональні торгові угоди, договори про співробітництво та кооперації, транспортні послуги.*

РЕГИОНАЛЬНЫЕ ТОРГОВЫЕ СОГЛАШЕНИЯ: РАЗВИТИЕ И ОГРАНИЧЕНИЯ (НА ПРИМЕРЕ ЕС)

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Предмет исследования: *взаимосвязь между уровнем либерализации, специальными обязательствами ЕС в ВТО и ограничениями в соглашениях ЕС о партнерстве и сотрудничестве.*

Цель исследования: *на основе анализа мировой торговли услугами определить основные направления региональных торговых соглашений, определить основные факторы роста и возможные пути расширения соглашений о партнерстве и сотрудничестве в сфере предоставления услуг (на примере транспортных услуг).*

Методы: *общенаучные методы анализа и синтеза, методы группировок, обобщения и систематизации данных, а также экономико-математические модели.*

Результаты работы: *В статье содержится анализ подходов к развитию торговли услугами в мировой экономике, как с теоретической, так и с практической точки зрения. Выявлено, что в результате процессов интеграции сфера услуг получила новые точки роста. При этом обязательства стран в ВТО находят свое отражение в рамках соглашений о партнерстве и сотрудничестве, получивших существенное развитие в мировой экономике. На основе анализа соглашений о сотрудничестве и кооперации ЕС с различными странами выделены основные действующие механизмы защиты национальных рынков и общего европейского рынка, а также наиболее либерализованные сферы услуг, возможные для развития конкуренции (транспортные услуги) на уровне региональной экономической интеграции.*

Результаты исследования могут быть использованы для формирования национальных стратегий развития торговли услугами стран ЕАЭС, как на национальном уровне, так и на уровне региональной интеграции; для стимулирования экономического роста в краткосрочной и долгосрочной перспективах.

Выводы: *Одной из основных тенденций развития мировой экономики являются рост торговли услугами темпами, превышающими темпы роста торговли товарами, и все большее распространение региональных интеграционных объединений и соглашений о партнерстве и сотрудничестве.*

Наличие соглашений о партнерстве и сотрудничестве содействует увеличению товарооборота между странами, снятию барьеров при экспортных поставках, выявлению дополнительного потенциала для сотрудничества. Это создает предпосылки для последовательного сближения стран-участниц в интересах формирования широкого пространства экономического и гуманитарного сотрудничества, способствует формированию многоуровневой архитектуры секторального взаимодействия и определению институциональных рамок двустороннего диалога.

Положения соглашений о партнерстве и сотрудничестве позволяют установить режим торговых отношений, приближенный к режиму Всемирной торговой организации. Механизмы реализации таких соглашений дают возможность не только эффективно решать текущие проблемы в торговых отношениях, но и совершенствовать двустороннее взаимодействие, в том числе путем последовательной гармонизации законодательства с правилами ВТО (в случае, если страна не является страной-членом ВТО). Все это позволяет развивать сотрудничество в наиболее открытых для конкуренции секторах сферы услуг (например, транспортные услуги) и обозначать необходимые ориентиры для дальнейшего углубления сотрудничества.

Ключевые слова: *способы поставки услуг, торговля, услуги, ЕС, ЕАЭС, региональные торговые соглашения, соглашения о сотрудничестве и кооперации, транспортные услуги*

EU REGIONAL TRADE AGREEMENTS: DEVELOPMENT AND BARRIERS

Lisitsa E.S.

The object of the research: *interrelations of liberalization, special commitments of EU countries in WTO and EU partnership and cooperation agreements.*

The main aim of the research: *on the ground of revealing the world trade in services to define the main directions of regional development, drivers of economic growth and to find some possible solutions for strengthening performance and cooperation agreements in international trade in services (transport services).*

The methods: *general scientific methods of analysis and synthesis, methods of grouping, detailing, generalization and systematization of data, as well as economic and mathematical models.*

The results: *The article contains analysis of approaches to the development of trade in services in the world economy, both from the theoretical and practical point of view. It was revealed that as a result of the integration processes, the service sector received new growth points. At the same time, the countries' obligations to the WTO are reflected in the framework of agreements on cooperation and cooperation, which have been significantly developed in the world economy. Based on the analysis of partnership and cooperation agreements between the*

EU and various countries, the main existing mechanisms for protecting national markets and the common European market are identified, as well as the most liberalized services that are possible for the development of competition (transport services) at the level of regional economic integration.

The results can be used to form national strategies for strengthening e in services of EAEU countries on national and regional integration levels; to stimulate economic growth in short and long run.

Conclusion: The main trends of the world economy development is the proliferating growth of trade in services than trade in goods, and the increasing dissemination of regional integration and partnership and cooperation agreements (PCAs).

The existence of PCAs promotes an increase in trade between countries, removal of barriers to export deliveries, and the identification of additional potential for cooperation. This creates the prerequisites for the gradual rapprochement between participating countries in the interests of forming a wide space of economic and humanitarian cooperation, contributes to the formation of a multi-level architecture for sectoral interaction and the identification of institutional frameworks for bilateral dialogue.

The provisions of the PCAs make it possible to establish a regime of trade relations, close to the regime of the WTO. Mechanisms for the implementation of such agreements provide an opportunity not only to effectively resolve current problems in trade relations, but also to improve bilateral cooperation, including through the consistent harmonization of legislation with WTO rules (if country is not the WTO member). It helps to develop cooperation in services sectors, most open to competition (for example, transportation services) and identify the necessary benchmarks for further deepening of cooperation.

Key words: *modes of supply, trade, services, EU, EAEU, regional trade agreements, partnership and cooperation agreements, transport services.*

Relevance: The services have been the neglected component of international trade, and the missing element in the search for increased productivity and economic dynamism. The need for a trade agreement in services has long been questioned. Large segments of the services economy have traditionally been considered as domestic activities that do not lend themselves to the application of trade policy concepts and instruments. GATS is the first multilateral trade agreement to cover trade in services. This was almost half a century after the entry into force of GATT of 1947, the GATS' counterpart in merchandise trade.

Object of the research: interrelations of liberalization, special commitments of EU countries in WTO and EU partnership and cooperation agreements.

Reference review: There are a lot research papers on the sphere of trade in services (Shmarlouskaya H., Mattoo A., Hoekman B., Grassek van C., Nordas K.H., Kuo C.-L., Turban G., Bongini P., Stephenson S., Pobert M., Guillin A., Rueda-Cantuche J. M., Kerner R., Kutlina-Dimitrova Z., Cernat L. and oths.). There are different theoretical approaches to the measurement of trade in services among international organizations like OECD, World Trade Organization, World Bank, European Commission, UNCTAD and others.

The aim of the work: on the ground of revealing the world trade in services to define the main directions of regional development, drivers of economic growth and to find some possible solutions for strengthening performance and cooperation agreements in international trade in services (transport services).

Targets of the research are the following:

- analysis of trade in services;
- revealing the main tendencies in trade in services by modes of supply in the world and EU;
- indicate main services to promote competition within EU Partnership and Cooperation Agreements based on EU GATS commitments and limitations on modes of supply 1 and 3.

The methods: general scientific methods of analysis and synthesis, methods of grouping, detailing, generalization and systematization of data, as well as economic and mathematical models.

The content of the article: As services are becoming increasingly «tradable» thanks to advancement in the technology, international services trade has become the new frontier for expanding and diversifying exports, providing significant opportunities for developing and least developed countries (LDCs). WTO statistics show that the share of developing economy services export increased from 24% in 2005 to 32% in 2015, and the share of LDCs in global services export increased from 0.4% in 2005 to 0.8% in 2015. Increased services export from the LDCs is an important contributor of meeting the sustainable development goals of doubling the export from LDCs by 2020.

Thus, no sector of the world economy has grown as fast as services. The value added generated by services grew from about 58% of the global GDP in 1995 to 68% of the global GDP by 2014.

Although the services sector accounts for over 68% of global GDP and close to 50,9% (2010 y.) of employment in the world, the role it plays in economic development has been poorly understood. In many developing countries account for about 50% of their aggregate GDP and employment opportunities, and contribute close to 15% to their total exports [5, p. 23].

Recent analysis shows that the services sector plays an important role in overall economic competitiveness and in the development of the manufacturing and agriculture sectors.

Over the past 20 years the services sector has been growing in importance as shown in Figure.

All countries are in the process of becoming service economies as the share of service industries in economic activities and employment continues to grow. In majority of economies, employment in the services sector exceeds 40% of total employment.

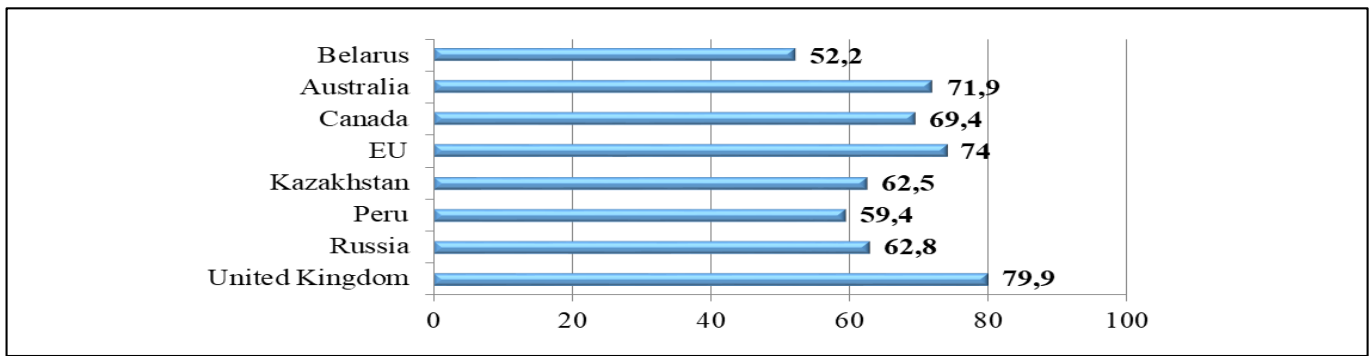


Figure 1. Share of GDP

Resource: [5, p.24; 6].

In all the countries considered in 2012 the level of the employment share in services was more than double that recorded in industry and agriculture. A breakdown of the service sector into a finer classification further highlights the differences in service employment shares between different economic groups:

- high income countries – 73,6%;
- European Union – 70,7%;
- developing countries: Latin America and the Caribbean – 64,0%; Central Europe and the Baltics – 57,3%;
- Middle East and North Africa – 49,4%.

For purposes of structuring their commitments, WTO member have generally used a classification system comprised of 12 core service sectors, known as the Services Sectoral Classification List (MTN.GNS/W/120), which is largely based on the United Nations Central Product Classification System. It was compiled by the WTO in July 1991 and its purpose was to facilitate the Uruguay Round negotiations, ensuring cross-country comparability and consistency of the commitments undertaken. The 160 sub-sectors are described as aggregate of the more detailed categories contained in the United Nations provisional Central Product Classification (CPC).

Services covered by the GATS are not automatically opened to competition. WTO members guarantee access to their markets only in those sectors and modes of supply specified in their «schedules of commitments», subject to any «limitations» they wish to maintain. These schedules provide legally binding commitments. The only obligation that applies across all services covered by the GATS is the most-favoured-nation principle, meaning suppliers of services from all countries are treated in the same way.

GATS defines trade in services through 4 possible modes of supply: cross-border supply (mode 1), consumption abroad (mode 2), commercial presence (mode 3), and presence of natural persons (mode 4).

As mentioned above, the «cross-border supply» of services (or «mode 1») is defined as «the supply of a service from the territory of one Member into the territory of any other Member» (Art. I:2(a)). Examples of cross-border supply include international transport as well as services supplied through telecommunication or mail. Electronic transactions also fall under mode 1.

Mode 3 covers natural persons who are themselves service suppliers, as well as natural persons who are employees of foreign service suppliers in the host country (intra-corporate transferees like foreign engineer temporary transferred to a foreign branch from a parent construction company).

The service supplier establishes a commercial presence through a foreign owned affiliate, subsidiary, representative office or branch in the country where the consumer is located. Examples might be foreign banks or telecommunications companies established in host countries. It thus includes corporations, joint ventures, partnerships, etc. In many cases, investment flows are involved. Sometimes, the production of the service occurs in the foreign parent company, and the local agents act as trade-facilitating intermediary, for instance, in travel; wholesale banking; reinsurance; auditing and consultancy.

Table 1. Structure of developing and developed economies' exports of commercial services, 2015 (%)

	Developing economies	Developed economies
Financial services	4,1	11,2
Telecommunications, computer and information services	9,1	10,5
Charges for the use of intellectual property	1,1	8,9
Other business services	20	23
Personal, cultural and recreation services	0,7	0,9
Goods related services	3,1	3,2
Transport	20,1	17
Travel	37	20,6
Construction	3,2	1,6
Insurance and pension services	1,6	3,1

Resource: [6].

Developing economies' participation in world trade in commercial services continued to rise in 2015, reaching 31% of global exports. The increase was mainly due to Developing Asia, which accounted for 22,4% of world exports of services in 2015. China, India, the Republic of Korea, Hong Kong (China) and Thailand were among the main contributors [5, p. 25].

RTAs have become increasingly prevalent since the early 1990s. As of 2016, 432 RTAs are in force. What all RTAs in the WTO have in common is that they are reciprocal trade agreements between two or more partners.

The following table shows all RTAs in force.

Table 2. RTAs in 2016

	Enabling clause	GATS Art. V	GATT Art. XXIV	Grand total
Custom Union	8		11	19
Custom Union – Accession	2		9	11
Economic Integration Agreement		138		138
Economic Integration Agreement – Accession		6		6
Free Trade Agreement	15		223	238
Free Trade Agreement - Accession	1		2	3
Partial Scope Agreement	16			16
Partial Scope Agreement – Accession	1			1
Grand total	43	144	245	432

Resource: Author's calculations based on 2

It is interesting that only 1 physical RTA are devoted to services.

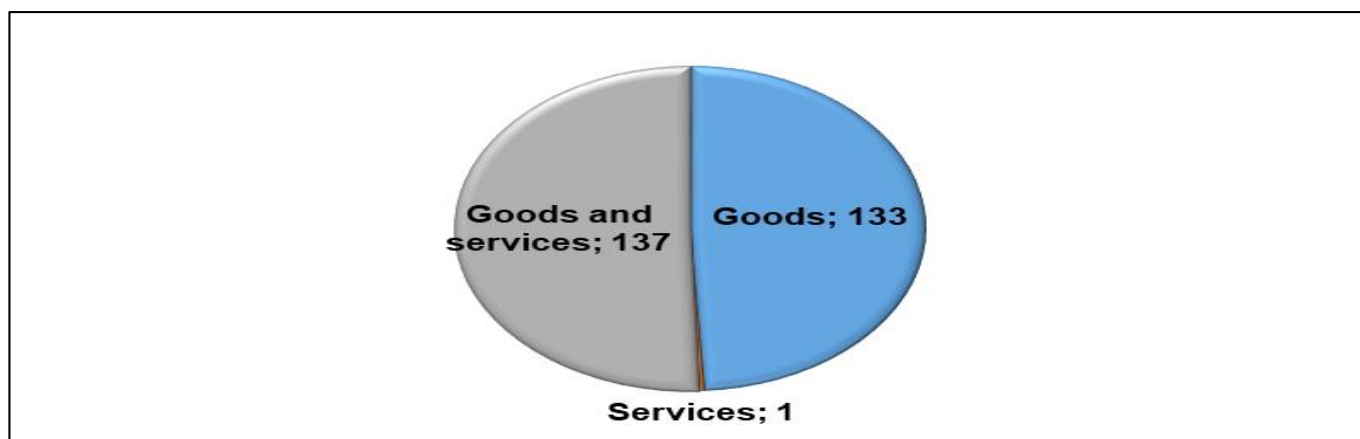


Figure 2. All physical RTAs in force, sorted by coverage

Resource: [2].

Even recent RTAs do not include services in the scope of the agreement. And even with the services as a part of the agreement/ exceptions on services are numerous, particularly on financial services. The main problem is that most of barriers in services are non-tariff barriers. As a result the main point of negotiations is market access and national treatment for the foreign providers. In the service sectors, such as financial, business and professional services, governments often use measures that guarantee the quality of supplied services (licensing, certification, demands for qualification).

The European Union's RTAs tend to fall into three broad, geographic categories. In ascending order of services coverage, they are:

- (1) countries in the Middle East and Africa leave services out of the agreement altogether,
- (2) countries in the Americas that fall into a middle category where services are in their RTAs but the commitments are not extensive, and
- (3) countries in Europe that are actual or potential candidates for accession and with whom the services provisions are required to be much more comprehensive.

To proliferate trade EU use not only RTAs with countries, but also partnership and cooperation agreements (PCAs). EU uses this type of agreements with former USSR' countries for the purpose of trade liberalization in goods and services.

Trade liberalization in services means: to promote market discipline in the sector allowing participation of private initiative. The main rule of trade liberalization in services is need to reform legislation before consolidating a new market structure. Thus, the result is to allow entry of foreign service providers in competition with both domestic operators and public operators.

Table 3. Number of RTAs that do or do not cover trade in services

	RTAs with OECD members		RTAs with other countries		TOTAL RTAs	
	YES	NO	YES	NO	YES	NO
OECD members						
Chile	2	0	7	3	9	3
EU	3	5	10	15	14	20
Japan	3	0	8	0	11	0
United States	2	1	8	0	10	1
Australia	2	0	1	1	4	0
Canada	2	1	4	2	6	3
EFTA	3	4	5	13	9	17
Israel	0	1	0	0	0	1
Korea	4	1	2	0	8	1
Mexico	0	0	3	0	3	0
New Zealand	0	0	3	0	3	0
Turkey	0	2	0	13	0	15

Resource: Author's research based on OECD database.

As a result government need to promote regulation that favors competition.

Liberalisation and privatisation of services induces entry of new domestic and foreign providers. This may (1) improve the quality and reliability of existing services due to new investment and stronger competition (e.g. infrastructure investment, more efficient credit allocation by banks). It may (2) make new types of services (e.g. digital value added services in telecommunications) accessible and (3) make formerly user-specific services generally available (e.g. business consulting services for small firms instead of only large ones).

During the last three decades the volumes of world export of services increased more than 20 times and continue to grow. According to the UNCTAD statistics commercial services in the world trade account for 16,2 % in 1980, 18,4% in 2006, and experts foresee that it can reach 25-30 % by the year 2015.

Regulation is needed in order to ensure that markets function properly and that social objectives are met, giving raise to some unavoidable compliance costs. What is avoidable, however, is to unnecessarily duplicate such compliance costs in new markets. Differences in regulation are likely to be as important for trade values and choice of mode as is the level of regulation. Differences in regulation may be a legitimate result of differences in political systems or governmental objectives.

Growing internationalization has revealed services trade barriers which have become subject to negotiations with the view to reducing them both at multilateral and regional levels. Some services trade barriers are explicit, such as restrictions on foreign ownership, scope of business of foreign services providers or corporate form.

Since the end of the 1990s, EU concluded more than ten similar PCAs with: Russia and the New Independent States of Eastern Europe, the Southern Caucasus and Central Asia: Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Ukraine, Uzbekistan and Tajikistan.

The aims of these partnerships are to: provide a suitable framework for political dialogue, to support the efforts made by the countries to strengthen their democracies and develop their economies, accompany their transition to a market economy and encourage trade and investment.

The most common for all EU PCAs with EAEU are the reservations (horizontal and sub-sector specific) on establishment (mode 3), cross-border (mode 1) and on key personal, graduate trainees and business sellers (mode 4). A reservation corresponding to an activity which is not liberalized is expressed as no national treatment and most favoured nation (MFN) treatment obligations.

The commitments on the cross-border services (mode 1) of the EU within PCAs indicate the liberalization of economic activities in EU. The World Bank Services Trade Restrictions database show the gap between countries in the level of sectoral restrictiveness across different modes of supply (see Figure).

EU remain free in its schedule of commitments for transport sector (mode of supply 1) within PCAs to introduce laws or regulations that limit market access or national treatment or favor domestic over foreign firms. This include maritime transport (international passenger and freight transportation), inland waterways transport (passenger and freight transportation), rail and road transportation, pipeline transport. But EU in transport services (mode of supply 2) in such services as rail and road transportation, is committing itself to providing full liberalization without any limitations on market access or national treatment for this sectors. But still there are some country specific requirements. For example, there is required registered company or permanent establishment in Austria in inland waterways transport.

The analysis of establishment requirements (commercial presence, mode 3) shows that horizontal reservations in EU PCAs could be common and special. The horizontal reservations include public utilities, types of establishment, investments, real estate, recognition. The common for all EU countries is the less favourable treatment to subsidiaries of 3rd country companies which have only their registered office, unless it can be shown that they possess an effective and continuous link with the economy of the Member States of EU. Most interesting are the sectoral reservation which are based on EU specific commitments in WTO for example in transport services.

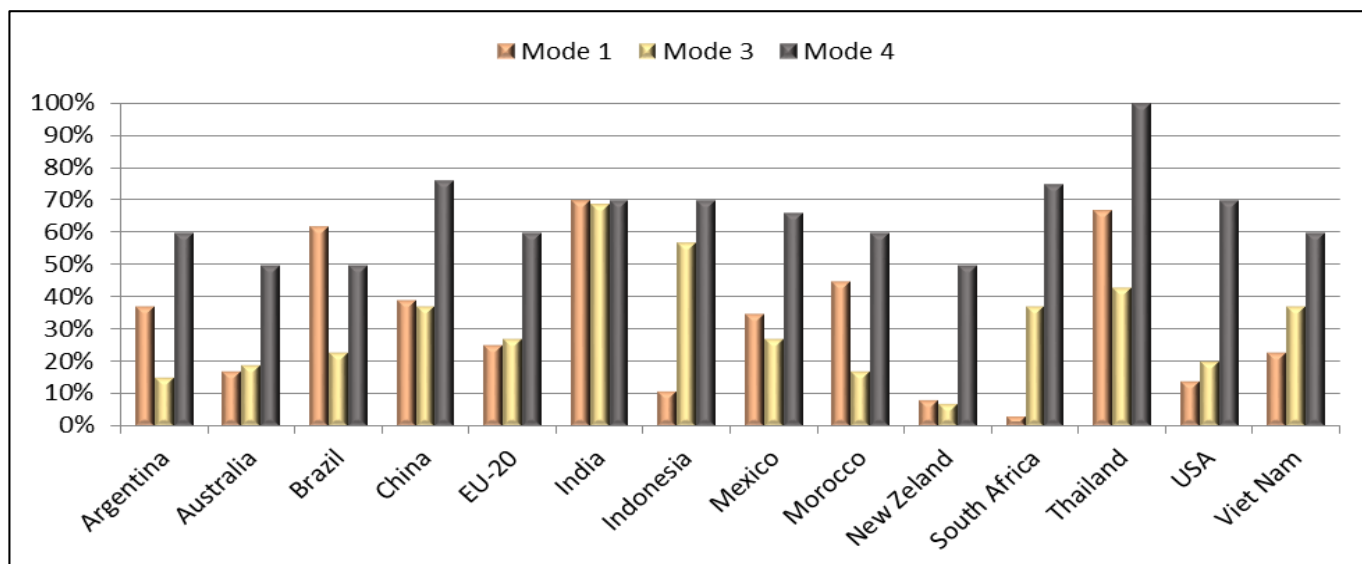


Figure 3. Overall services trade restrictions in selected countries, by modes of supply

Resource: [3, p. 4].

Practically all PCAs reservations include such types of transport as services auxiliary to transport, maritime transport, inland waterways transport, air transport services, rail transport, road transport, pipeline transport (table).

Table 4. Special sectoral reservations (transport services) of EU countries in PCAs with EAEU (mode 3)

Type of transport services	Common sectoral reservations	Sectoral reservations (number of countries)
Road transport	+	10
Rail transport	+	3
Air transport	+	9
Inland waterways transport	+	3
Maritime transport	+	5
Pipeline transport	-	1
Services auxiliary to transport	+	1

Resource: Author's research

No national treatment (NT) and MFN treatment obligations are for transportation services via space, the rental of space craft and space transport ancillary services. All EU hauliers (except Finland) may carry out initial/final road haulage legs which form an integral part the combined transport operation. It also include the reduction of motor vehicle taxes applicable for road vehicles routed in combined transport. 15 out 28 EU countries do not used national treatment and MFN treatment obligations with respect to the provision of combines transport services (Bulgaria, Latvia, Sweden, Lithuania, Slovak Republic, Estonia, Czech Republic and others) [1; 4].

For maritime transport common horizontal reservations are no NT and MFN treatment to national cabotage transport. The special reservations are:

- the requirements of EU Member State flag (Cyprus, Finland, Denmark);
- nationality conditions for owners of the ship (Cyprus, Denmark);
- the registration requirements for the owner company (Spain, Croatia) [1; 4].

In inland waterways transport (most commonly regulated sphere) EU practically always reserve some traffic rights for operators based in the countries concerned and meeting nationality criteria regarding ownership. Only one specific requirement concerns the requirements of establishment of the company (Hungary). Concession is only granted to EEA juridical persons and more than 50% of the capital share and the working capital (Austria).

The establishment of a common aviation area is the condition for mutual market access in air transport. Special measures are for groundhandling and computer reservation services (all EU countries), participation in companies with 49% limitation (Bulgaria), measures with respect to freight transport agency services (Cyprus, Czech Republic, Hungary, Malta, Romania, Slovak Republic).

All EU countries have no NT and MFN treatment obligations to passenger and freight rail transport services, except some limitations to rail transport services in Croatia; specific requirements – limitation to 49% of participation in national companies (Bulgaria), no direct branching (Bulgaria, Czech Republic).

Road transport is the most specific regulated type of services. In comparison with previous types of transport services, more specific obligations on road transport have EU-15. For example, economic needs test apply (Spain), the obligation to have Hellenic licence (Greece), the obligation of authorization, which is not extended to foreign registered vehicles (Finland), the prohibition for foreign investors to provide intercity bussing services (France) [1; 4].

Conclusions: International trade in services has specific features compared to traditional merchandise trade. It is closely tied with merchandise trade. And these sectors influence each other's development (e.g. markets analysis, marketing and consulting, transportation, advertising, pre-selling and after-sale service).

As a rule the services sector is more protected by the state from the foreign competition than material production. Moreover, transport and connections, financial and insurance services in many countries traditionally are in complete or partial state ownership, and strictly controlled by it.

Thereafter, there are more barriers in international trade in services than for merchandise trade (although lately due to GATS there is considerable liberalization of trade in services) in international trade and in partnership and cooperation agreements.

The provisions of the PCAs make it possible to establish a regime of trade relations, close to the regime of the WTO. Mechanisms for the implementation of such agreements provide an opportunity not only to effectively resolve current problems in trade relations, but also to improve bilateral cooperation, including through the consistent harmonization of legislation with WTO rules (if country is not the WTO member). It helps to develop cooperation in services sectors, most open to competition (for example, transportation services) and identify the necessary benchmarks for further deepening of cooperation.

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