Chapter 3

The coverage of services in FTA

Despite the evidence of barriers and frictions to many dimensions of services trade there is still a question of whether the parties to an EU–India FTA could actually bring themselves to sign a liberalising agreement. The restrictions to trade may have resulted from pressure from interest groups whose interests they promote, but, even if they are the result of historical accident, their very existence can create interest groups designed to maintain them. Thus one must not underestimate the political challenges of tackling service barriers, as, indeed, the EU has discovered in the pursuit of the Single Market.

Hoekman and Sauvé (1994) discuss the lack of evidence that regional integration agreements (RIAs) – especially those outside the EU – go significantly beyond what was negotiated in the GATS in the early 1990s. 'Roy, Marchetti and Lim (2006) come to the same conclusion as far as the substance of the disciplines (rules) that are included in more recent vintage agreements' (Hoekman, 2006). However, Roy et al. do note that recent RIAs covering services and reported to the WTO since 2000 tend to have a sectoral coverage that greatly exceeds their commitments made in the GATS, their existing GATS commitments and the offers that they made during the Doha Round. (They also find that RIAs involving the US have the most comprehensive coverage and deepest levels of commitments in services.) On the other hand, the resistance inside the EU to fully liberalising intra-EU services trade has also permeated the agreements that it has signed with other trading partners. Of the 20 EU RIAs notified to the WTO, only seven have any form of services coverage and only two of these include a non-European trading partner – Chile and Mexico. Interestingly, none of the Euro-Med or the European Partnership Agreements has any services coverage, which points to the challenge of including services in a possible EU–India FTA. Interestingly, it continues to be the case that most services policy reforms tend to be implemented unilaterally – the average level of Mode 3 market access granted by India unilaterally across sectors is close to 70 per cent, much higher than the 10 per cent in its initial GATS commitments and the 44.8 per cent in its Revised Conditional Offers during the Doha Round negotiations (Gasiorek, et al., 2007). In view of all this, it is important to be realistic about what a EU–India FTA will achieve in the services dimension; despite the interest and the need for deep commitments on both sides, not much may materialise. If this is so, its likely impact on excluded countries is very small.