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THE EUROPEAN UNION "CHASING" A PLURILATERAL MARKET ACCESS BY NEGOTIATING THE TISA

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Abstract:
The international trade is an important and significant area of the world economy which can ensure the growth and more jobs for countries in a current global world. At the present time, it is represented more by exports and imports of goods than by trade in services. Despite this, the aim of this paper is to show the current interest of the countries and regions of the world, especially of the EU and the USA, to continue the GATS agreement of World Trade Organisation by negotiating a plurilateral agreement in services. Thus, 23 countries of the world have started in 2013 to negotiate aspects of the TiSA (Trade in Services Agreement). This new agreement is based on the General Agreement on Trade in Services ("GATS").

To understand the importance of this plurilateral agreement in services, we analysed the share of world GDP and international trade in services, our research being entire focused on the global place of the European Union for year of 2012. Because the services sector constitute the most dynamic economic activity in the EU, we analysed the trade relations of this region with rest of the countries which are part of TiSA negotiations. In final, we found that these are substantial partners of the EU commercial service exports and imports.

Key words: the TiSA, trade integration in services, the GDP, market access, transparency.

JEL classification: F10, F13.

1. INTRODUCTION

Currently, 23 countries (members of the World Trade Organisation), including the European Union, started the negotiations of an agreement based on international trade in services. Because these countries accounted more than 60% of world trade in services, the TiSA become a subject in focus worldwide. It aims at opening up markets and improving rules in areas such as licensing, financial services, telecoms, e-commerce, maritime transport, and professionals moving abroad temporarily to provide services.

The purpose of the present paper is to highlight the importance of the services sector in the international trade. Also, services are a central part of the EU economy. For the moment, the EU suggests to replace GATS provisions into the plurilateral agreement to create a solid basis for the negotiation of additional services liberalisation. TiSA is based on the WTO's General Agreement on Trade in Services (GATS), which involves all WTO members.

In the long run, the results of the plurilateral services negotiations could be transitioned to multilateralization. By all participating countries, the TiSA is seen more as a tool and an initiative that could reinforce the multilateral system. Thus, this agreement could be turned into a broader WTO agreement and its benefits can be extended beyond the current participants.

In the next two sections of this paper we present the image of the international trade in services for year of 2012, focusing on the European Union. The aim of the below market analysis is to find answers at the following questions: What is the place of the European Union in the international trade? And, are the rest of parties of the TiSA negotiations important trade partners for the EU?

Thus, in order to respond on the above questions, in the second (next) section we chose to analyse the share of world GDP and the international trade of the world's countries. It knows already that goods are an important aspect in the global economy. But, the ongoing negotiations of the TiSA show the fact that the services sector are an important and an essential subject of current bilateral and multilateral negotiations in the world.

The purpose of the third section of this paper is to point out that the aim of the TiSA is to facilitating trade in services between world's countries and regions. Opening up markets for services will mean more growth and jobs for the countries of the EU. Here, our research is focused on trade relations in commercial services of the EU with the rest of the countries which are parties of the TiSA negotiations.

2. THE PLACE OF THE EUROPEAN UNION IN THE INTERNATIONAL TRADE IN SERVICES

The main scope of the multilateral/bilateral trade negotiations that takes place between the Parties worldwide is to ensure market access for goods and services, to make trade faster and cheaper, to increase investment opportunities; and all of these to guarantee growth and more jobs for each Parties. Thus, services are an increasingly important aspect in the global economy and a central part of the EU economy. The aim of the TiSA is to facilitating trade in services between world's countries and regions. The EU is the world's largest exporter of services with tens of millions of jobs throughout Europe in the services sector. Opening up markets for services will mean more growth and jobs for the countries of the EU.

In order to understand better the current interests of the EU in international services trade, we took into consideration the statistical books of Eurostat Database. In these books are published a statistical image of the European Union (EU) in relation to the countries and regions of the world.

In the below figure (Figure no. 1), we can see that the EU accounted for a 23% share of the world's GDP in 2012 (the world GDP was valued at € 56577 billion in 2012), while the United States share was 22%. The Chinese share from 4.3% in 2002 to 12% in 2012, a higher value than Japan with 8%. In current price terms GDP of China was € 4970 billion, an increase from 2002 equivalent to the combined GDP in 2012 of the Mexico, South Korea, Indonesia, Turkey, Saudi Arabia, South Korea, Argentina and South Africa. Thus, the overall GDP of the EU, the USA, China, and Japan covered more than 50% share of the world's GDP in 2012.

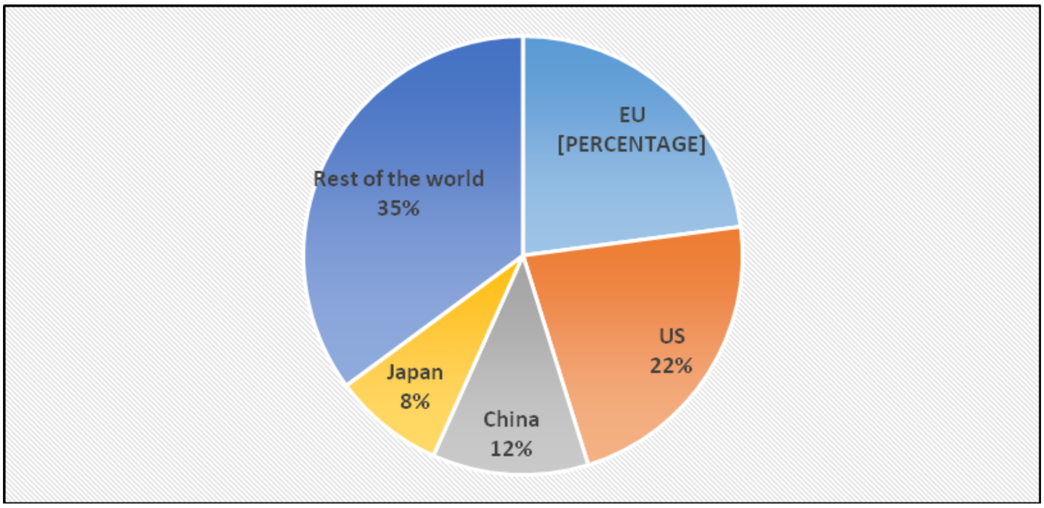

Figure no. 1. Share of world GDP, in 2012
Source: Own processing after the Eurostat Database

According to the Eurostat, the world share of the GDP accounted for the EU was higher than that accounted for China. Despite this, China still has a relative importance within the global economy, accounting for more than two thirds of the EU's GDP.

With regards to sectors that was the subject of exports and imports in 2012, we found that agriculture, forestry and fishing contributed 10% or more of GDP in countries as India, Indonesia and China, whereas its contribution was 2% or less in the United States, Japan, Canada, the EU and

Australia. Industry (including mining and quarrying; manufacturing; electricity, gas and water supply) contributed more than half of Saudi Arabia's GDP (58%) and more than one third of total GDP in China, Indonesia and South Korea, while in Canada, the EU, India and the United States its contribution was less than one fifth of the total.

The services sector as hotels and restaurants, transport, information and communication services varied least across the world countries from Turkey to China. In the United States, Canada and the euro area (EA-18), services as financial and business services, and services often associated with public sector provision contributed more than half of total GDP, while the EU and Australia recorded contributions from other services just below this level. By contrast, other services contributed a share between one quarter and a little over one third of GDP in Mexico, Turkey, India, Russia and China and even less in Saudi Arabia and Indonesia.

With regard to international trade, the United States reported the second lowest ratio of it of goods and services to GDP (16 %) in 2012 among the G20 members. While trade in goods dominates international trade, trade in services has grown strongly. Trade in services was equivalent to 5.05 % of GDP in Canada, 7.15 % of GDP in India, in the EU at 4.5 % of GDP, and in the USA at 3.3 % of the GDP.

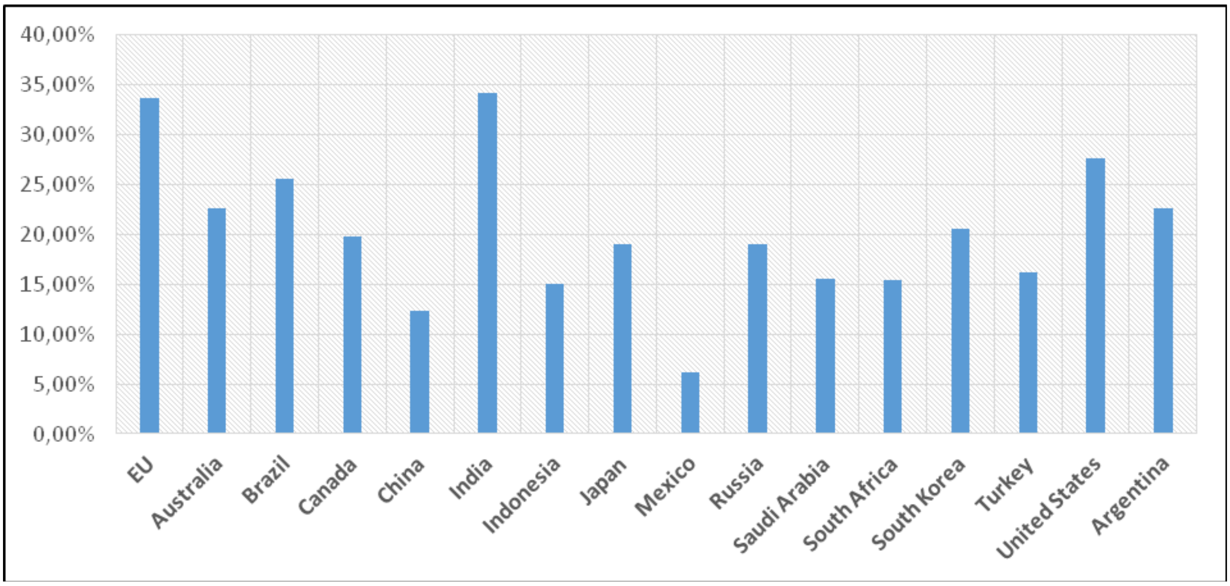

Figure no. 2. Trade integration: Share of services relative to goods, reported to GDP, in 2012

Source: Own processing after the Eurostat Database

For a number of 16 countries (Figure no. 2) we analysed the average value of imports and exports in goods and services relative to their GDP for 2012. We found that the trade in services was less than 50% of trade in goods relative to GDP for all analysed countries. The higher level was represented by India (34.21%), the EU (33.71%), the United States (27.62%), and Brazil (25.59%). The lowest level was represented by Mexico (6.15%), China (12.34%), Indonesia (15.08%), South Africa (15.45%), and Saudi Arabia (15.56%).

Relative to GDP, Saudi Arabia recorded by far the largest international trade surplus in goods and services (combined) of 23.9% in 2012; Russia with a surplus of 7.3% of GDP, and South Korea with a surplus of 2.7% of GDP. At the other end of the scale, South Africa's large goods deficit and smaller services deficit combined for a total deficit equivalent to 10.3% of GDP, larger in relative terms than that for India (-9.7%) and Turkey (-7.9%).

The EU recorded a trade surplus of € 147 billion in 2012, with a trade deficit for goods and a trade surplus recorded for services. The United States recorded the second highest trade surplus for services, valued at € 128 billion. A relatively high share of the EU's trade in services was with the United States which is an important trade partner fort the European Union.

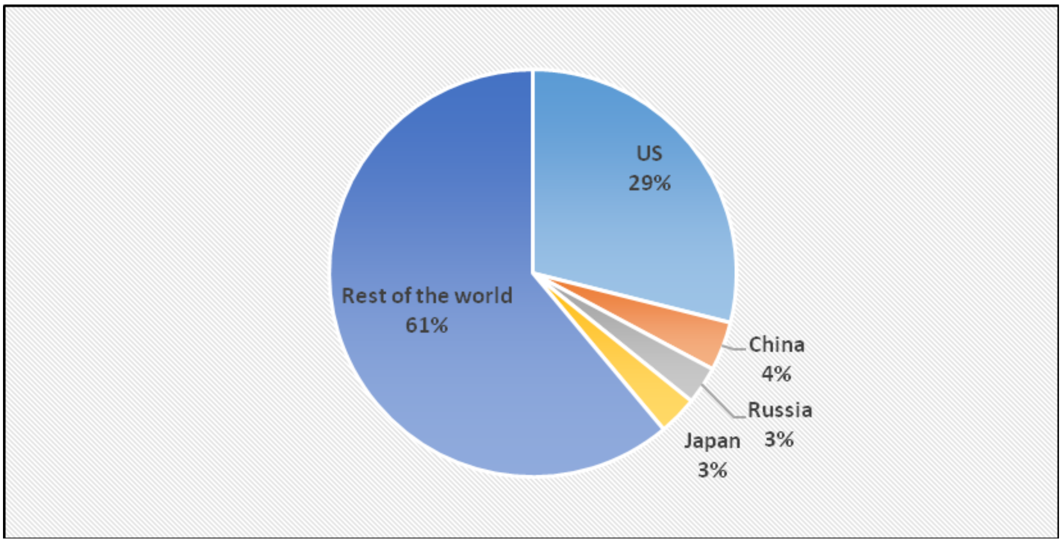

Figure no. 3. Selected G20 trading partners for EU exports and imports of services, in 2012 (% share of extra-EU exports)

Source: Own processing after the Eurostat Database

To conclude this section of the present paper, we chose to show the trade relationship of the EU with the world as a trade partner. From the above analysis (Figure no. 3) of the EU's trading partners, we can see the importance of the United States (with 29%) as a trading partner for the EU in services, in 2012. According to Eurostat, this is notably higher than it was for goods, whereas the reverse was specific for China and Russia. Also, Switzerland was an important partner for trade in services (around 12%) with a larger share than that recorded for Russia, China and Japan combined (10%).

3. TISA: A NEW LEVEL OF INTERNATIONAL TRADE IN SERVICES

In the above research on international trade in services and goods, we saw that the services represent less than 50% of goods relative to GDP in 2012 though, the services sector are an important and an essential subject of current bilateral and multilateral negotiations in the world.

At the present time, TiSA is an agreement negotiated plurilateral and in which talks taking part 23 members of the World Trade Organisation, namely: Australia, Canada, Chile, Chinese Taipei, Colombia, Costa Rica, the EU, Hong Kong China, Iceland, Israel, Japan, Korea, Liechtenstein, Mexico, New Zealand, Norway, Pakistan, Panama, Paraguay, Peru, Switzerland, Turkey and the United States. It remains open to all of the rest of WTO members who want to open up trade in services. It is not a replacement of multilateral negotiations on services, because TiSA is seen as a part (or a way) to start as soon as possible the stalled multilateral negotiations of the WTO (the Doha Development Round). Thus, this agreement will be based on the General Agreement on Trade in Services (GATS).

According to European Commission, since the talks were launched in March 2013, the European Union makes efforts to ensure that the TiSA is compatible with the GATS, making it easier to integrate it into the WTO. These new and improved commitments are very important for the EU, because the services sector constitute the most dynamic economic activity in this region. EU companies are leading providers of services in many sectors and are the biggest exporters of services worldwide, with almost 26% of world total export of services and half of all foreign investment flowing from the EU to other parts of the world. Legal security and new market access opportunities are therefore crucial for European companies.

The other 22 countries that are participating in the negotiations on the Trade in Services Agreement represent a substantial partners of exports and imports of commercial services of the

EU: 58% of EU's exports and 59% of EU's imports. The main values are represented by the trade with countries as the USA, Switzerland, Japan, Norway, Australia and Canada. These alone represent almost 50% of both EU exports and EU imports. With these countries the EU has already signed or is negotiating ambitious bilateral agreements that include both goods and services liberalisation, as following:

- *EU-US*: Transatlantic Trade an Investment Partnership (TTIP) (when negotiations are completed, this agreement would be the biggest bilateral trade deal ever negotiated);
- *EU-Switzerland:* a series of bilateral agreements concluded (where Switzerland has agreed to take on certain aspects of EU legislation in exchange for accessing the EU's single market);
- *EU-Japan*: Free Trade Agreement (ongoing negotiations);
- *EU-Norway*: European Economic Area (EEA) Agreement;
- *EU-Australia*: Trade and economic relations under the EU-Australia Partnership Framework
- *EU-Canada:* Comprehensive Economic and Trade Agreement (CETA).

Only with four countries of other 22 members of TiSA the European Union has bilateral agreements including a services chapter in force. These countries are the following: Norway, Iceland, Mexico, and South Korea.

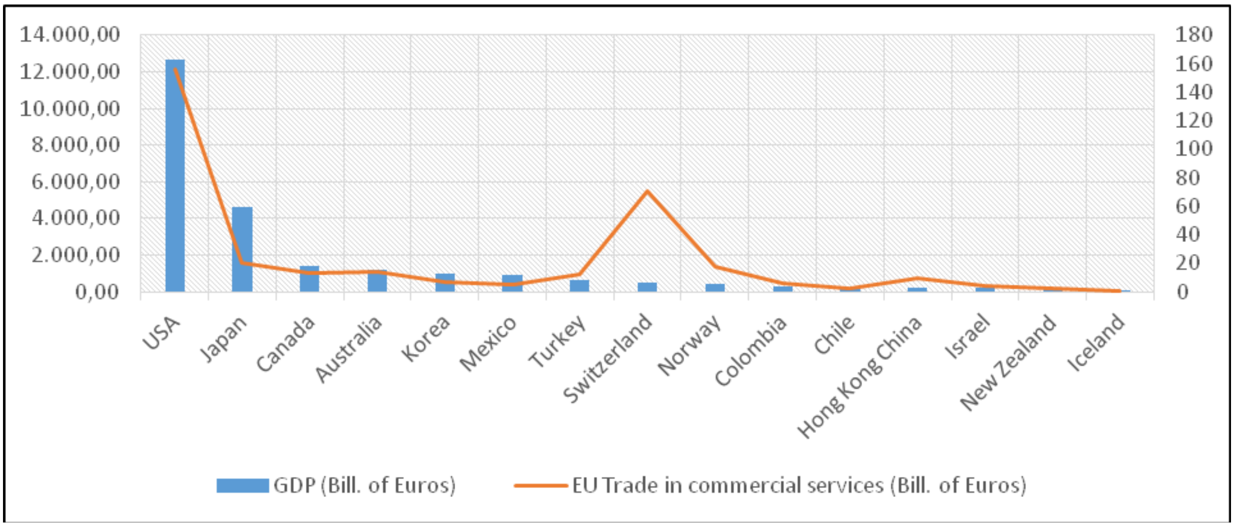

Figure no. 4. The level of GDP and the EU's Trade in commercial services under TiSA, in 2012

Source: Own processing after the European Commission Database

For Parties of TiSA (excluding the EU) we analysed the level of GDP, and also the EU trade relations in commercial services with these countries. The research is placed in year of 2012, as reference. Only for 15 of 22 countries the statistical data was complete and available on European Commission Database (Figure no. 4).

As it can be seen in the above figure, the highest level of the GDP was accounted by four countries of 15, as: the USA by € 12643.7 billion, Japan by € 4621.5 billion, Canada by € 1417.7 billion, and Australia by € 1192.7 billion. These was followed by South Korea (€ 951.7 billion), and Mexico (€ 923.5 billion). The lowest levels was accounted by New Zealand by €133.5 billion, and Iceland by € 10.6 billion.

With regard to EU Trade in commercial services with these countries, in the top of the list made its way Switzerland. Thus, the highest level was reached by the USA with € 155.95 billion, followed by Switzerland with € 70.75 billion (with a GDP of € 491.3 billion), and Japan with € 20.1 billion. The lowest levels was accounted by New Zealand (€ 1.9 billion) and Iceland (€ 0.6 billion).

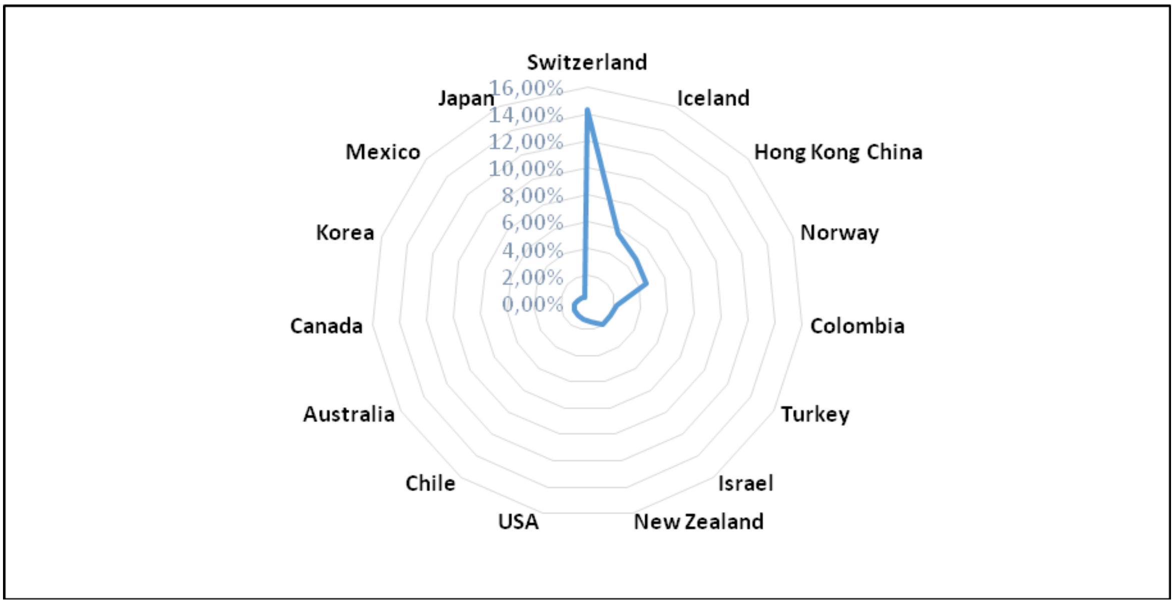

Figure no. 5. The share of services relative to GDP, in 2012
Source: Own processing after the European Commission Database

But the most interesting was the fact that the share of the international trade in commercial services with the EU was more representative for Switzerland by 14.4% of its GDP (Figure no. 5). The second in the top of the list was Iceland with 5.66%. For the rest of the countries of 15 accounted a percentage is less than 5% of services relative to their GDP, in trade with the EU. Even the United States accounted only 1.23%. We can concluded that the exports and imports in services with the EU is more important for countries (which are Parties at TiSA negotiations) as Switzerland, Iceland, Hong Kong China (4.79%), Norway (4.56%). But for countries as Japan (0.43%), Mexico (0.56%), Korea (0.75%), Canada (0.95%), and Australia (1.14%) the international trade with the EU is not based on services sector.

Today, we can see an increasing importance on trade in services worldwide. A considerable number of companies are seeing more benefits by practicing this type of trade. The EU has contributed significantly to the TiSA negotiations which are based on texts tabled by the participating countries. In the EU's case, texts submitted by the EU are first agreed with the governments of the EU's Member States, the transparency being important to the European Commission.

The EU's ideas on how the agreement should be structured are set out in a concept paper, intituled “A modular approach to the architecture of a plurilateral agreement on services”, published online by the European Commission and distributed in September 2012. It also includes the EU's ideas on how to eventually make it a part of the World Trade Organization's general rules.

We present below a few general aspects of the paper proposed by the European Union. According to this, the participants to the TiSA would take part in a greater liberalisation of trade in services while eventually reinforcing the multilateral trading system:

- The EU suggests to replace GATS provisions into the plurilateral agreement. The aim of this is to create a solid basis for the negotiation of additional services liberalisation, while ensuring that commitments undertaken will be fully compatible with existing GATS commitments and could eventually be brought to the WTO.
- The Parties to the TiSA could develop additional rules and disciplines that could cover domestic regulation, ICT services, e-commerce or other topics chosen by the participants.

If the existing GATS architecture is respected, then can be ensured a smooth transition to a multilateralization of the results of the plurilateral services negotiations. Ultimately, the plurilateral agreement on services could disappear and as a consequence, the multilateral system would be reinforced by this initiative.

4. CONCLUSIONS

The main scope of the TiSA is to ensure market access for goods and services, to make trade faster and cheaper, to increase investment opportunities; and all of these to guarantee growth and more jobs for each Parties. It is just a way in order to complete and to conclude the "blocked" negotiations of Doha Development Agenda of World Trade Organisation.

In the following we will offer answers on the questions from the introduction section of this paper. The responses are based on the above research which subject is international trade in services of the European Union.

To answer at the first question – namely, what is the place of the European Union in the international trade? – we analysed the world GDP and the exports and imports of the countries of the world. We found that the overall GDP of the EU, the USA, China, and Japan covered more than 50% share of the world's GDP in 2012. The EU recorded a trade surplus, with trade deficit for goods and a trade surplus recorded for services. Among the important trading partners in services of the EU was the USA and Switzerland.

To answer at the second question – namely, are the rest of parties of the TiSA negotiations important trade partners for the EU? – we analysed the EU Trade in commercial services with 22 countries that are participating in the negotiations on the Trade in Services Agreement. We found that these was represented in 2012 the substantial partners of exports and imports of commercial services of the EU, more than 50%. The main values was represented by the trade with countries as the USA, Switzerland, Japan, Norway, Australia and Canada.

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