

EUSFTA – Trade in Services

Safeguarding Market Access and a More Predictable Operating Environment

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Scope

1. Understanding Trade in Services in FTAs
 - How services commitments support businesses
 - Key principles of liberalisation
2. The EU's commitments for Trade in Services



Understanding Trade in Services

How services commitments can support businesses

Preferential treatment

Service suppliers enjoy preferential trade commitments from FTA partners

Predictable Operating Environment

“Insurance” protection should laws and regimes change to become more restrictive

Recourse

Opportunity to seek recourse should partners rollback on their trade commitments

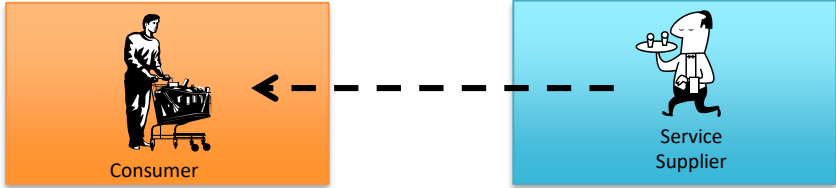
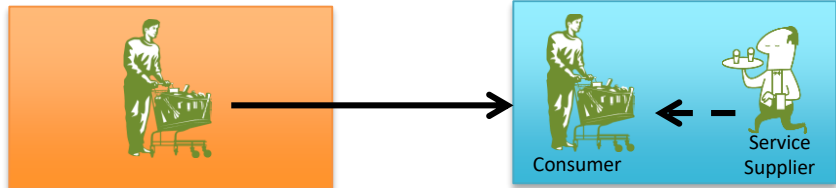
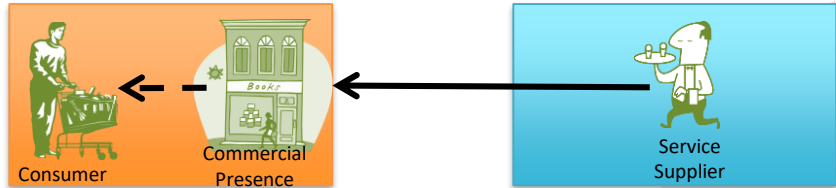
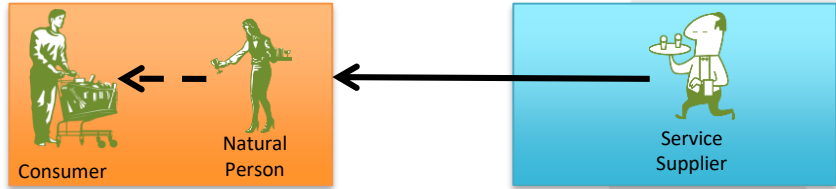
Services Classification

- ❑ 12 main categories (World Trade Organisation W/120 Services Sectoral Classification List)
- ❑ 160 sub-sectors
- ❑ Corresponding number of Central Product Classification [CPC]
- ❑ CPC is a tool, Members may describe sectors by using other definitions

Business and Professional
Communications
Construction
Distribution
Education
Environment

Finance and Insurance
Health and Social
Tourism
Recreation, Culture, Sports
Transport
Others

4 Modes of Supply of Services

Modes	Forms of Service Provided
<p>Mode 1: Cross-Border Supply Consumer and Service Supplier remain in different countries -Only the service crosses the border (E.g. An EU resident uses online services offered by a Singapore-based company)</p>	 <p style="text-align: center;">Demand Side Supply Side</p>
<p>Mode 2: Consumption Abroad -Consumers making use of a service in another country (E.g. Tourism services; Customer from the EU travelling to Singapore to consume services from a company based here) -Also covered is the movement of consumer's property (E.g. Sending a ship or other equipment abroad for repair)</p>	 <p style="text-align: center;">Demand Side Supply Side</p>
<p>Mode 3: Commercial Presence -Foreign companies setting up subsidiaries or branches to provide services in another country (E.g. Foreign firm from Singapore setting up a branch in the EU to provide wholesale trade services)</p>	 <p style="text-align: center;">Demand Side Supply Side</p>
<p>Mode 4: Presence of Natural Persons -Individuals travelling from their own country to supply services in another country on a temporary basis (E.g. Salesperson from Singapore practices in the EU)</p>	 <p style="text-align: center;">Demand Side Supply Side</p>

Principles of Liberalisation – Know Your Rights



Market Access



National Treatment



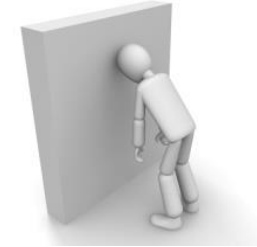
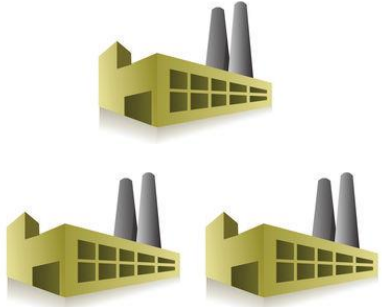
Domestic Regulation



Local Presence



Market Access Restrictions



Limitations
on no. of
service
suppliers

Limitations
on total
value of
service
transactions
or assets

Limitations
on total no.
of service
operations
or total
quantity of
service
output

Limitations
on the no.
of natural
persons that
may be
employed in
a particular
service
sector

Measures
which
restrict or
require
specific
types of
legal entity
or joint
venture

Limitations
on
participation
of foreign
capital



National Treatment Limitations

FTA partners are to accord treatment ***no less favourable than accorded to their own*** like services and service suppliers.

Examples:

- Nationality or residency requirements for directors of financial institutions
- Discriminatory licensing, qualification and registration requirements
- Technology transfer, requirement to train locals
- Local content requirements
- Operational limits on foreign companies (e.g., limitations on location of branches)



Domestic Regulation

- An authorisation or a license shall, subject to availability, be granted as soon as it is established, in the light of an appropriate examination that the conditions have been met
- Each Party shall ensure that licensing and qualification procedures and formalities are ***as simple as possible*** and ***do not unduly complicate or delay*** the supply of the service
- Any licensing fees which the applicants may incur from their application should be ***reasonable and should not in themselves restrict the supply of the service***



Local Presence

- FTA partners are obliged not to require a service supplier of the other FTA party to have an establishment or to be resident in its territory ***as a condition for the cross-border supply of a service.***
- Listed under Market Access (footnote 5) in the EUSFTA

EU's Services Commitments

A Services Agreement consists of 2 components – chapter & commitments

Services Chapter

Lays out disciplines/rules for Parties

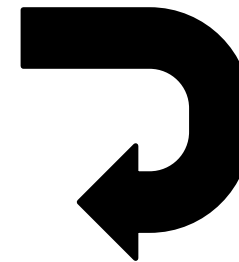
Parties define the scope of
commitment (i.e. sectors they apply
to, limitations to commitments) in
schedules

*Schedule of
Commitments
(Positive List)*

OR

*Schedule of
Reservations
(Negative List)*

2 ways to
schedule
commitments



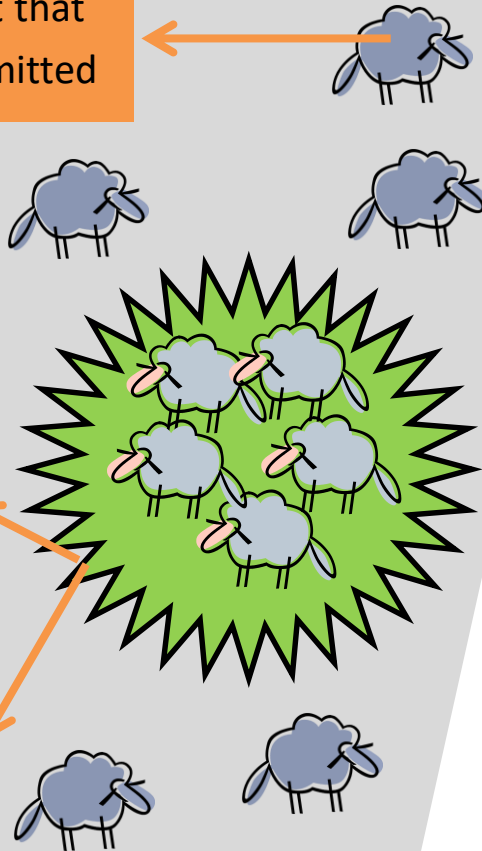
The EUSFTA adopts a positive list approach

Positive List

Presumes at the outset that all sectors are not committed

Countries list only the specific sectors that they are prepared to make commitments in

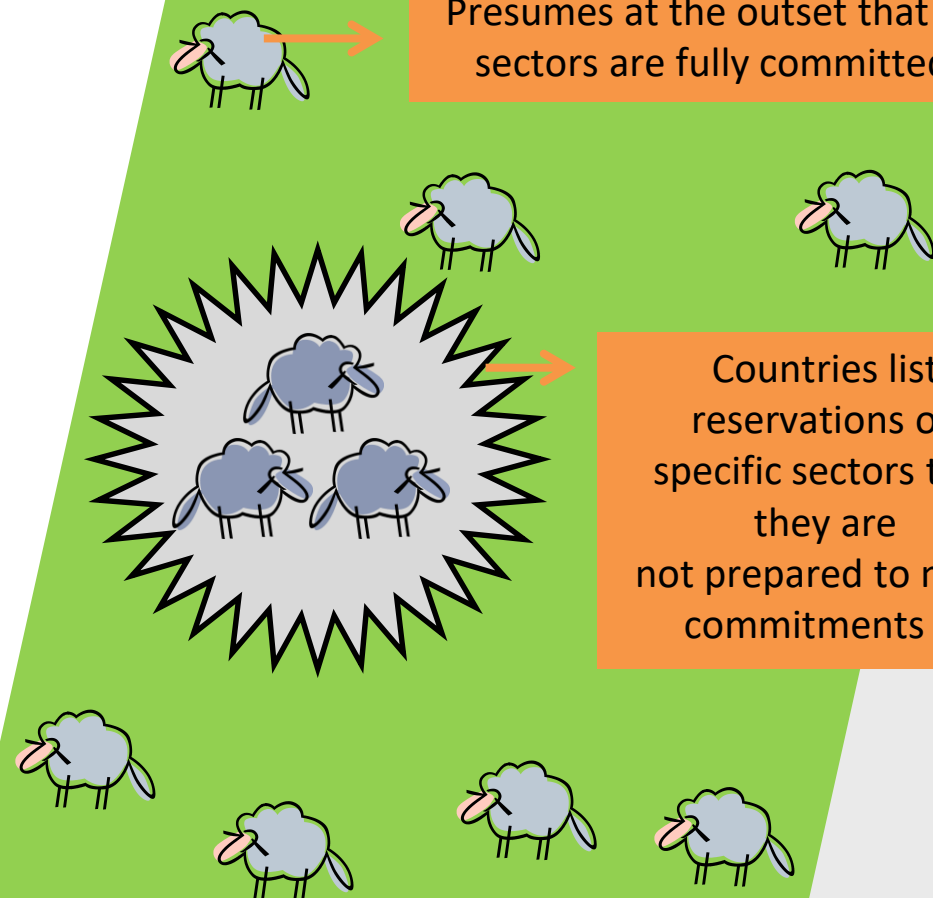
Countries list limitations on each mode of supply for the committed sectors



Negative List (a.k.a “List it or lose it”)

Presumes at the outset that all sectors are fully committed

Countries list reservations on specific sectors that they are not prepared to make commitments in



EU's Services Commitments

Clusters	Sectors of interest to Singapore companies that are committed
Professional Services	Architectural services, engineering services, integrated engineering services, urban planning and landscape architectural services, management consulting services
ICM services	Full commitments for computer & related services
Research and Development services	R&D on natural sciences and interdisciplinary sciences except for publicly funded R&D services, and R&D for social sciences and humanities
Environmental services	Waste water services, solid/hazardous waste management, excluding cross-border transport of hazardous waste, protection of ambient air and climate, remediation and clean up of soil and waters, noise and vibration abatement, protection of biodiversity and landscape and others
Education services	Primary, secondary, higher education and adult education services (only for privately funded services)

EU's Services Commitments

Clusters	Sectors of interest to Singapore companies that are committed
Healthcare services	Hospital services, ambulance services, residential health facilities and social services
Lifestyle and Entertainment services	Library, archive, museum and other cultural services, sporting services and entertainment (including theatre, live bands). Committed banking and financial services (including asset management that would cover project financing for such services)
Transport and Logistics services	International maritime transport, internal waterways transport and auxiliary services, rail, road and freight transportation, storage and warehousing services
Others	Manufacturing, construction and related services, printing and publishing, interior design and other specialty services, market research, security services, consulting services for energy distribution, distribution services including wholesale trade services, retailing services, franchising services

*A Singapore company
would like to supply
trade in services to the
EU market*



It wishes to:

- *Supply cross-border services via online means*
- *set up a company with 100% foreign equity and*
- *send staff over to service clients in the respective markets*

FTAs can help to safeguard this company's interest

Terminology used in EU's commitments

Modes	Terminology
Modes 1 & 2	Cross-border supply of services
Mode 3	Establishment
Mode 4	Key Personnel and Graduate Trainees and Business Services Sellers

Positive List

Commitment	Meaning
None	Full commitment (no limitations in that sub-sector)
Unbound	No commitments to liberalise (retain full authority to maintain existing limitations and restrictions)
Unbound*	Sub-sector cannot be committed because it is not technically feasible
None except as indicated in horizontal commitments	No limitations other than those stated in the <u>horizontal commitments</u>

EU's Services Commitments

Cross-Border Supply (Mode 1 & 2)

Sector or Subsector	Description of reservations
Professional Services	
Engineering services; and Integrated engineering services (CPC 8672 and CPC 8673)	<p><u>For Mode 1</u> AT, SI: Unbound except for pure planning services.</p> <p>BG, CY, EL, IT, MT, PT: Unbound.</p> <p>HR: Natural and legal persons may supply engineering services upon approval of the Croatian Chamber of Engineers. A design or project elaborated abroad must be recognized (validated) by an authorized natural or legal person in Croatia with regard to its compliance with Croatian Law.</p> <p><u>For Mode 2</u> None.</p>

AT – Austria, **SI** – Slovenia, **BG** – Bulgaria, **CY** – Cyprus, **BG** – Bulgaria, **CY** – Cyprus,
EL – Greece, **IT** – Italy, **MT** – Malta, **PT** – Portugal, **HR** – Croatia

EU's Services Commitments

Establishment (Mode 3)

Sector or Subsector	Description of reservations
Professional Services Engineering services; and Integrated engineering services (CPC 8672 and CPC 8673)	BG: For projects of national or regional significance, Singaporean investors have to act in partnership with or, as subcontractors of, local investors.

BG – Bulgaria

EU's Services Commitments

Key Personnel, Graduate Trainees and Business Services Sellers (Mode 4)

Sector or Subsector	Description of reservations
Professional Services	
Engineering services; and Integrated engineering services (CPC 8672 and CPC 8673)	EE: At least one responsible person (project manager or consultant) must be resident in Estonia. BG: Foreign specialists must have experience of at least two years in the field of construction. HR, SK: Residency requirement. EL, HU: Residency requirement (For CPC 8673 a residency requirement only applies to Graduate Trainees).

EE – Estonia, **BG** – Bulgaria, **HR** – Croatia, **SK** – Slovakia, **EL** – Greece, **HU** – Hungary

EU's Horizontal Mode 4 commitments

Intra-corporate transferees:

- Intra-corporate transferees – 3 years, may be extended for up to 2 additional years subject to domestic law

Business Visitors for establishment purposes:

- 90 day (in any 12-month period)

Graduate Trainees:

- 1 year

Business service sellers (responsible for negotiation of sales, no direct sales to general public):

- 90 days (in any 12-month period)



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