

## MODERN ASPECTS OF THE INTERNATIONAL TRADE'S IN SERVICES LIBERALIZATION

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*Abstract. The problem of international trade's in services regulation and liberalization trends identified in the article. The importance of regulatory tool in the current development of the world economy is discovered. The role of regional trade agreements as instrument of the deeper integration of economies into the world economy is analyzed. The main trends of regional trade agreements in the service sector compared with the international commodity trade are determined. The effects of Ukraine's services trade liberalization after accession to the WTO are analyzed. The main indicators of the Ukraine's foreign trade in services dynamics according to the dates of foreign trade balance of services are determined. The conclusion that membership in the WTO and, consequently, the liberalization of services creates positive conditions for the implementation of Ukraine's potential in this area is made. The specialties of Ukraine's participation in the regional trade agreements are determined. The conclusion about Ukraine's participation in the Free Trade Agreements (FTA), Customs Union (CU), Preferential Trade Agreements (PTA), and Economic Integration Agreements (EIA) shows the direction of Ukraine's further integration into the world economy.*

*Keywords: international trade, services, liberalization, regional trade agreements, Ukraine, dynamics, WTO, integration*

### 1. Introduction

The service sector is now considered an integral part of effective economic development, due to its importance as a significant factor in promoting economic growth and employment. A key feature of the current stage of development of the world economy is outstripping growth rates of international trade in services (compared to the commodity trading). Among the important factors of growth of international trade in services, such as an increase in the openness of national economies, the increase in consumption of services by the population, etc., identifies a number of factors associated with an increase in knowledge of the world economy, it is factors such as the world's largest economies transition to post-industrial, information stage of development.

### 2. Materials and Methods

At the multilateral level, the liberalization of the services sector is carried out in the context of the Doha Round of multilateral trade negotiations under the WTO. Trade in services for a long time has not been given priority, but the issue remained unresolved since the time of the Uruguay Round and the progress in this area is largely dependent on the development of the negotiation process on the negotiations on agriculture and market access for non-agricultural products. This situation continues to this day, despite the outcome of the ninth Ministerial Conference of the WTO in December 2013. In particular, they talked about trade facilitation and decision on implementation of the provisions concerning preferential treatment to services and service suppliers of least developed countries. According to the results, it was decided relatively rapid initiation of

appropriate procedures for the Board of Trade.

Against this backdrop, the number of initiatives taken by both the multilateral and regional levels increased. Almost all countries in the world today are members of one or more transactions on regional integration. The weight of the service sector regulatory issues at the present stage of development of the world economy confirms the fact that the provisions on trade in services have become one of the main elements of the RTS of the XXI century, focused primarily on deepening integration and giving it universal. These agreements focus on cross-border measures concerning services, investment and competition policy, capital movements, intellectual property rights, government procurement, standards, labor and the environment. RTS can also be used by countries as a tool for better integration of their economies, especially on issues that are not resolved at the multilateral level, including investment. In the WTO standard international investment rules have not yet formed. So, the country's investment regimes declare when signing regional trade agreements [2].

### 3. Results

Intensification and diversification RTS may be motivated by the struggle for markets and the expansion of export opportunities, access to resources, cheap labor and foreign technologies. The impetus for the signing of regional agreements is the increased use of market potential and ability to protect national economic interests through political means. An example is the European Union, acting in the WTO position to present the interests of their countries [3; 8]. Another motive may serve as a commitment to the elimination of export duties. Within the framework of the

WTO are no specific rules on this issue, but the EU requires all countries to eliminate export duties. The EU has a similar policy in the framework of agreements on free trade area, primarily on commodities and steel products [5].

It should be noted that the service sector as a separate subject of regional trade cooperation is much inferior merchandise trade, which is characterized by various forms of economic integration. At the same time, while trade in goods and services is more liberalized through regional cooperation, than each of the fields separately. In our opinion, this situation is due to the ability to use tools of regulation of international trade in goods and services. For example, trade in goods is much easier to adjust by using direct and indirect methods that does not always work in the case of the international exchange of services. At the same time, most countries in the liberalization of trade in goods, both seek to achieve the liberalization of services.

Between 2008 and 2010, two-thirds of all transactions, which entered into force, apply to this category. Moreover, there interconnects and both inter-regional RTAs to which, first of all, are the developing and developed countries. These include the The European Free Trade Association (EFTA) agreement with the Southern African Customs Union, EFTA with the Cooperation Council for the Arab States of the Gulf, as well as between the EU and the Caribbean Forum of African, Caribbean and Pacific States [10].

According to data as of July 2013, the WTO was reported 575 regional trade agreements, of which 370 agreements continued to operate, and about 129 agreements have been reported in accordance with Article V of GATS. It should be noted that regional trade cooperation within the framework of the WTO provides several forms of integration. It should be noted that about 60% of transactions, of which the WTO has been notified since 1985 have been concluded since 1985, entered into by developed countries and 55% of transactions entered into by developing countries, contain provisions on international trade in services (fig.1). The dynamics is extremely rapid - if before 2000 the WTO has been notified of the conclusion of 6 regional arrangements, after 2000, this figure has changed to 100 [7].

Proof of the importance of regional trade cooperation in today's global economy is the fact that 23 WTO member countries that account for 70% of global trade in services started negotiations with a view to concluding a multilateral agreement (with a limited number of participants) on trade in services - The Trade in Services Agreement (TISA). It is expected that this agreement will be global in their own coverage will be based on the principles that form the basis of the GATS, i.e. will include the gradual expansion of the range of participants and scope of initiatives in the field of autonomous and preferential liberalization. There is a possibility that national treatment will be applied horizontally, i.e. applicable to all sectors and modes of supply. In addition, as part of this trend is assumed that until the accumulated "critical mass" of WTO member countries, who will join the transaction will not take any action on its automatically universalization on the basis of the most favorable nation [4].

It should be noted that Ukraine's entry into the WTO was reflected in absolute terms of foreign trade in services. In particular, the volume of exports of services in the four years prior to the entry into the WTO was about 7 billion US dollars, and in subsequent years, there was a tendency to maintain high growth rates of exports of services. In 2008 recorded the highest growth rates of exports of services - 3.734 million US dollars, or 26.4%, in relative terms, and the absolute values were fixed at 17 billion US dollars. And although the next year after joining the WTO export of services showed a negative trend, which was due to the global financial crisis, during 2010-2013 exports of services grew rapidly, and by the results of 2013 their volume was 20.2 billion US dollars, which 12% more than in 2008 [6].

On the positive effects of accession to the WTO also show the performance indicators of international trade in services. Despite that in the year of accession to the WTO there was a significant decline in the index balance of trade in services (28.1%), which was associated with a higher rate of growth in imports than exports, in subsequent years the balance has grown each year and in 2013 to 232% exceeded the corresponding figure in 2008. It should be noted that the

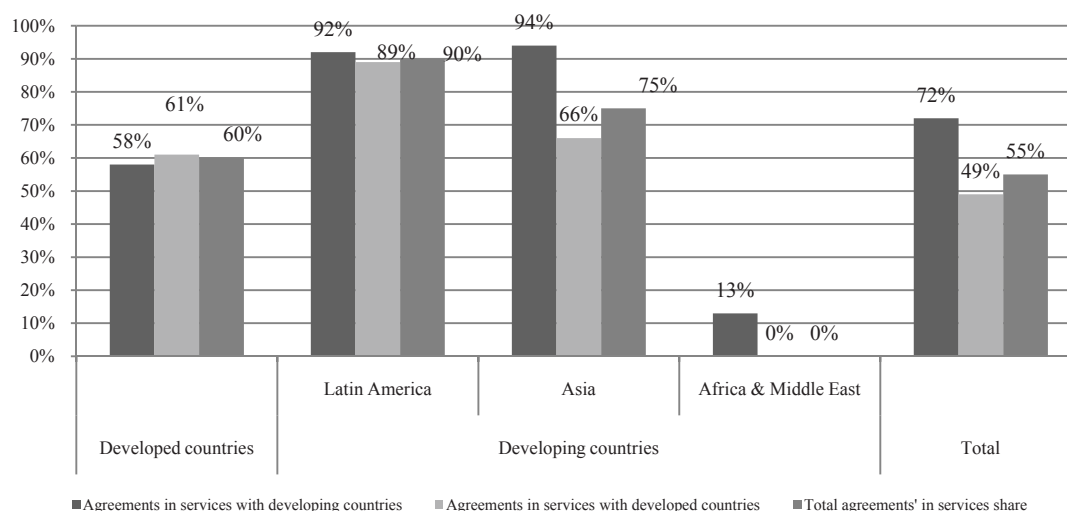


Figure 1. Distribution of regional trade agreements in services by region, after 1985 [7]

balance of trade in services in Ukraine increased quite rapidly and before the entry into the WTO: average annual growth rate of the index for 2004-2007 was 25.8%. However, the average annual growth rate for 2009-2013 amounted to 40.5%, which is more than 1.5 times higher than in 2004-2007 [6]. Thus, we can conclude that

Ukraine's accession to the WTO had a positive impact on international trade in services and the country's trade balance.

After joining the GATS, Ukraine has a number of commitments to regulate the national market of services in the context of participation in international trade. Given the favorable geographical position, foreign service providers are important to have unimpeded access to the rail and port infrastructure, as well as the transit to a third country. In the field of maritime transport Ukraine enables the implementation of international maritime vessels under foreign flags and non-discriminatory access of such vessels to services provided in seaports. Foreign service providers can establish land companies in Ukraine without restriction. In addition, also guaranteed possibility of foreign suppliers of services such as cargo handling, storage services, customs clearance, services provided by container depots and stations, freight forwarding services and maritime agencies, without any restrictions.

In the services sector of inland waterway transport Ukraine has the right to impose any restrictions on cross-border freight and passenger traffic, as well as the base shipping companies by foreign service providers on the territory of Ukraine. At the same time, Ukraine guarantees to foreign suppliers the opportunity to provide unlimited pushing services (including cross-border) as well as services for the maintenance and repair vessels, providing additional services for inland waterway transport. In addition, Ukraine may impose any restrictions on the railway transport services, at the time, as a service for maintenance and repair of rail transport (for example, service ducts) can be provided by foreign suppliers without any restrictions. Implementation of international transport by road through the territory of Ukraine is carried out within the framework of permits issued by the competent authorities.

It is important to note that Ukraine, as one of the few members of the WTO, guarantees free access of foreign

suppliers for pipelines and undertakes to adhere to the principle of non-discrimination on the use of the pipeline network, regardless of origin, destination and ownership of the product that is transported. By agreeing to the demands of partners in the negotiation process, Ukraine provided foreign investors the right to provide financial services (based banks and insurance companies) without any quotas for foreign capital. At the same time, foreign financial service providers have received more favorable treatment of access to the services market of Ukraine in comparison with domestic suppliers. In particular, foreign suppliers may open a branch of the bank, and after five years from the date of entry into the WTO will be granted the same right in respect of branches of foreign insurance companies. For the same Ukrainian investor who decided to provide banking or insurance services, the necessary conditions are the basis of a legal entity, payment of the authorized capital and a number of other requirements, after which he will be able to open a branch. For doing business are important opportunities translation experts from the parent company in a subsidiary or an expert to visit the company's foundation. Therefore, Ukraine guarantees access to its market for certain categories of professionals with limited duration of their stay in the national territory.

At present, Ukraine is also a subject of regional trade agreements, which illustrates its commitment to implement the strategy of regional integration. In particular, at present within the scope of the WTO are operating about 280 regional trade agreements with the participation of regional associations and independent states. Note that the share of RTS, providing arrangements in the regulation of trade in services account for 48% of the total number of RTS, which reported to the WTO. In addition, negotiations are continuing on 38 RTS, including with Ukraine.

At the same time, Ukraine as an independent participant in international economic relations, represented only 5.8% of the total RTS (Table 1).

**Table 1**

**Ukraine's participation in the RTS, which are reported to the WTO [7]**

RTA Name	Coverage	Type	Date of notification	Notification	Date of entry into force
Armenia - Ukraine	Goods	FTA	17-Jun-2004	GATT Art. XXIV	18-Dec-1996
EFTA - Ukraine	Goods & Services	FTA & EIA	18-Jun-2012	GATT Art. XXIV & GATS Art. V	01-Jun-2012
Georgia - Ukraine	Goods	FTA	08-Feb-2001	GATT Art. XXIV	04-Jun-1996
Kyrgyz Republic - Ukraine	Goods	FTA	15-Jun-1999	GATT Art. XXIV	19-Jan-1998
Kyrgyz Republic - Uzbekistan	Goods	FTA	15-Jun-1999	GATT Art. XXIV	20-Mar-1998
Ukraine - Azerbaijan	Goods	FTA	18-Aug-2008	GATT Art. XXIV	02-Sep-1996
Ukraine - Belarus	Goods	FTA	18-Aug-2008	GATT Art. XXIV	11-Nov-2006
Ukraine - Former Yugoslav Republic of Macedonia	Goods	FTA	18-Aug-2008	GATT Art. XXIV	05-Jul-2001
Ukraine - Kazakhstan	Goods	FTA	18-Aug-2008	GATT Art. XXIV	19-Oct-1998
Ukraine - Moldova	Goods	FTA	18-Aug-2008	GATT Art. XXIV	19-May-2005
Ukraine - Montenegro	Goods & Services	FTA & EIA	25-Apr-2013	GATT Art. XXIV & GATS Art. V	01-Jan-2013
Ukraine - Russian Federation	Goods	FTA	18-Aug-2008	GATT Art. XXIV	21-Feb-1994
Ukraine - Tajikistan	Goods	FTA	18-Aug-2008	GATT Art. XXIV	11-Jul-2002
Ukraine - Uzbekistan	Goods	FTA	18-Aug-2008	GATT Art. XXIV	01-Jan-1996
Ukraine - Turkmenistan	Goods	FTA	18-Aug-2008	GATT Art. XXIV	04-Nov-1995

In addition, the continuing negotiations for the conclusion of the RTS: Canada - Ukraine (date of commencement of the negotiation process - May 17, 2010), Ukraine - Serbia (10 November 2011), Ukraine - Singapore (8 May 2007), Ukraine - Turkey (24 January 2011). However, it is worth noting that among the existing and future RTAs involving questions of Ukraine liberalization of services considered only in three of them. Therefore, among the future direction of the integration of the national economy should be noted deepening of bilateral cooperation in the field of international trade in services, not only with the EU countries and the former Soviet space, but also with the countries of Asia, America and regional associations.

#### 4. Conclusions

For today regional trade agreements have become one of the major driving forces of market liberalization. In this case, the RTAs trade services are mainly on the initiative of the developed countries with strong potential in the field of export of competitive services. At the same time, it should be noted special trend spread RTAs among large and small economies. So, still not signed the relevant agreements are among the major players in the WTO - the EU, USA, China, Brazil, India. On the contrary, one can observe the predominance of agreements between the leaders of international trade in services and developing countries. The reasons for this situation may be in different planes. So, are important differences in the regulation - large country can afford to ignore the regulatory principles of the weaker partner. At that time, both for small economies adoption of regulation of major countries and their convergence with regulatory standards are perceived as effective solutions, especially when it comes to providing preferential access to a large market as compensation. At the same time, in practice, such a regime is most important for trade in goods, than trade in services as regulation in most service sectors becomes non-discriminatory fashion, that is, the rules apply to all companies of the internal market, no matter to what state they belong. In addition, modern agreement between the North and the South include the presence of a new subject of the demand for integration - TNCs interested in the creation of regional production networks, covering the territory of both developed countries and developing countries. This explains the growing business activity in developed countries in the promotion of new projects of regional integration. At the same time, a number of countries, particularly low-income

and low-capacity in the area of trade in services continue to be wary of such agreements. Particularly noteworthy are the issues of harmonization commitments to liberalize markets adopted within the RTS, and national processes in the regulation. New approaches in this area may carry a serious impact on national regulatory regimes and national services sector.

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