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CETA and EUJEPA: outcomes and implications for EU-AU negotiations

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Question

- If the STRI is cross-referenced against services commitments in the CETA and the EUJEPA, are identified high barriers being liberalised?

Overview

- EU trade treaties: service outcomes
 - CETA
 - EUJEPA
- Canada's STRI:
Identifying the most restrictive sectors
- Japan's STRI :
Identifying the most restrictive sectors
- Conclusion/Implications for EU-AU negotiations

MA, NT, MFN

- Market Access: Gives each Party's services suppliers or investors access to the domestic services market.
- National Treatment: Treats foreign suppliers or investors no less favourably than domestic suppliers or investors.
- MFN treatment: Each time a party offers a more beneficial treatment to a Trade Partner in a future bilateral agreement, it has to extend the same treatment to all partners to its trade agreement.



CETA: service outcomes

- Negative list - all service sectors are liberalized - exemptions are listed in specific Annexes.
- Chapter 8: Investment
- Chapter 9: Cross-border trade in services (mode 1 & 2)
 - Annex 9-C: courier services covered by Chs 8, 9 s.t. reservations.
 - Exceptions: for CA cultural industries, for EU AV services, all but some air services, financial services, procurement, subsidies.
 - NT, MA, MFN
- Chapter 10: Temporary entry + stays for business purposes
- Chapter 11: Mutual recognition of professional qualifications
- Chapter 12: Domestic regulation
- Chapter 13: Financial services
- Chapter 14: International maritime transport services
- Chapter 15: Telecommunications
- Chapter 16: E-commerce



EUJEPA: Trade in services, investment liberalisation and electronic commerce (Ch 8)

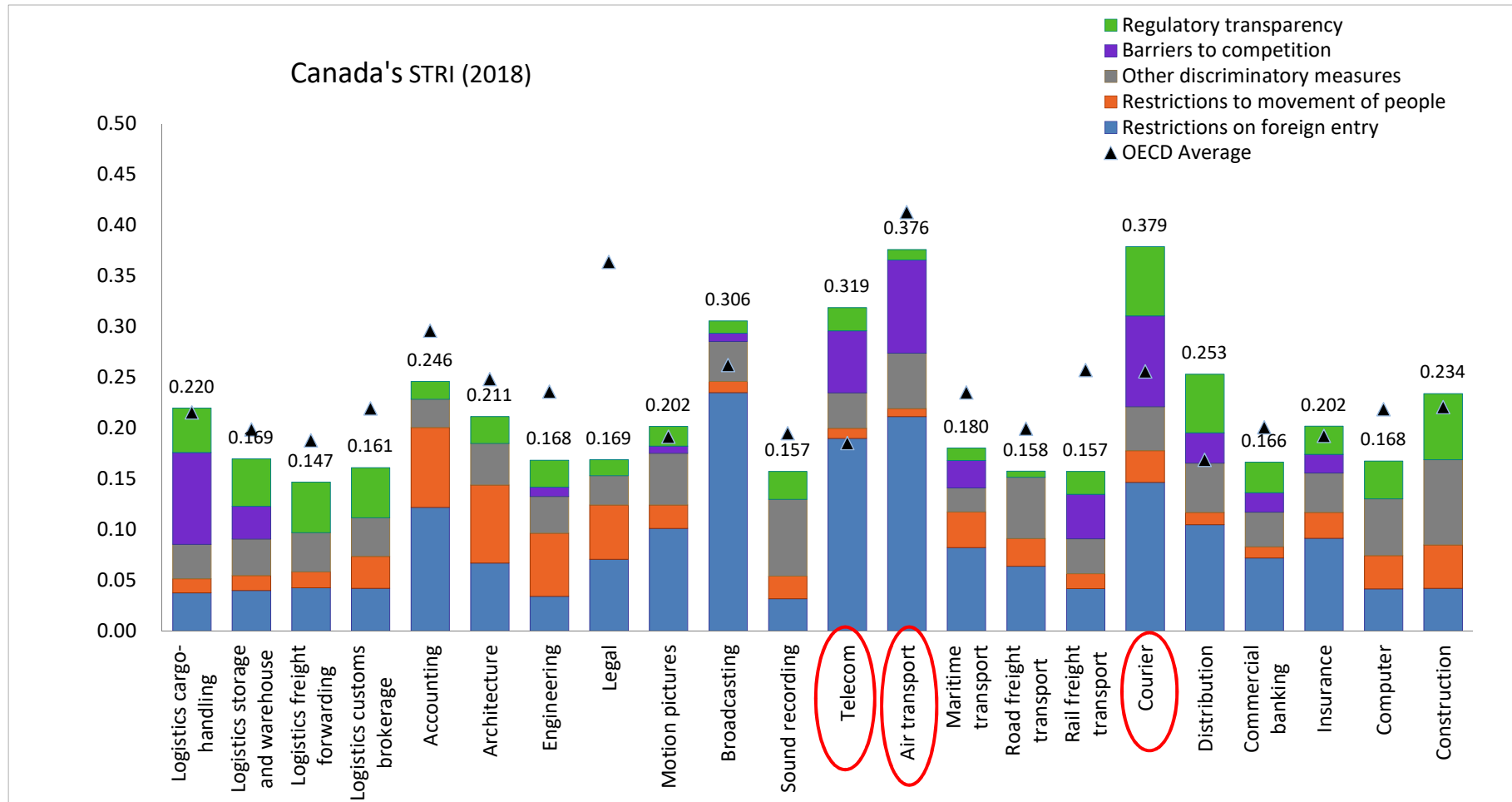
- General Provisions
- Investment liberalisation – MA, NT, MFN
- Cross-border trade in services – MA, NT, MFN
 - Exceptions: air services other than aircraft repair and maintenance, CRS services, ground handling services, selling and marketing; AV services, cabotage in maritime transport services, govt procurement, subsidies.
- Entry and temporary stay
- Regulatory framework
 - Domestic regulation
 - General provisions– Mutual recognition of prof qualifications
 - ***Postal and courier services (not in CETA)***
 - Telecommunications services
 - Financial services
 - International maritime transport services
 - Electronic commerce



STRI Analysis



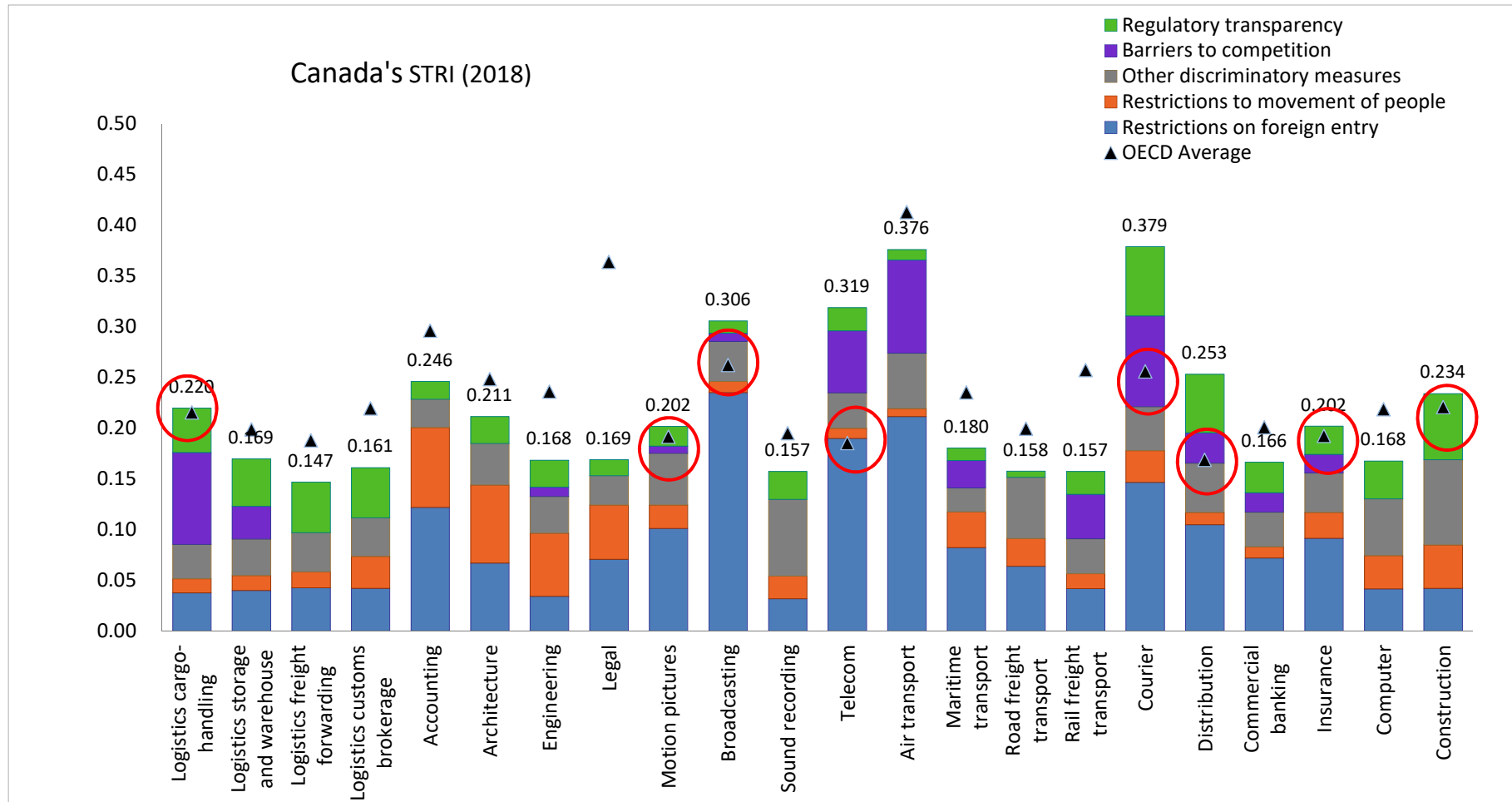
CA STRI: Identifying the most restrictive sectors



Important STRI caveats

- STRIs are ordinal (only rank matters)
- They are really qualitative but expressed as values $0 \rightarrow 1$
- Difference in index value \neq difference in economic impact.

CA STRI: Identifying the most restrictive sectors



An Example: Digging Deeper into Canada's STRI for Courier Services

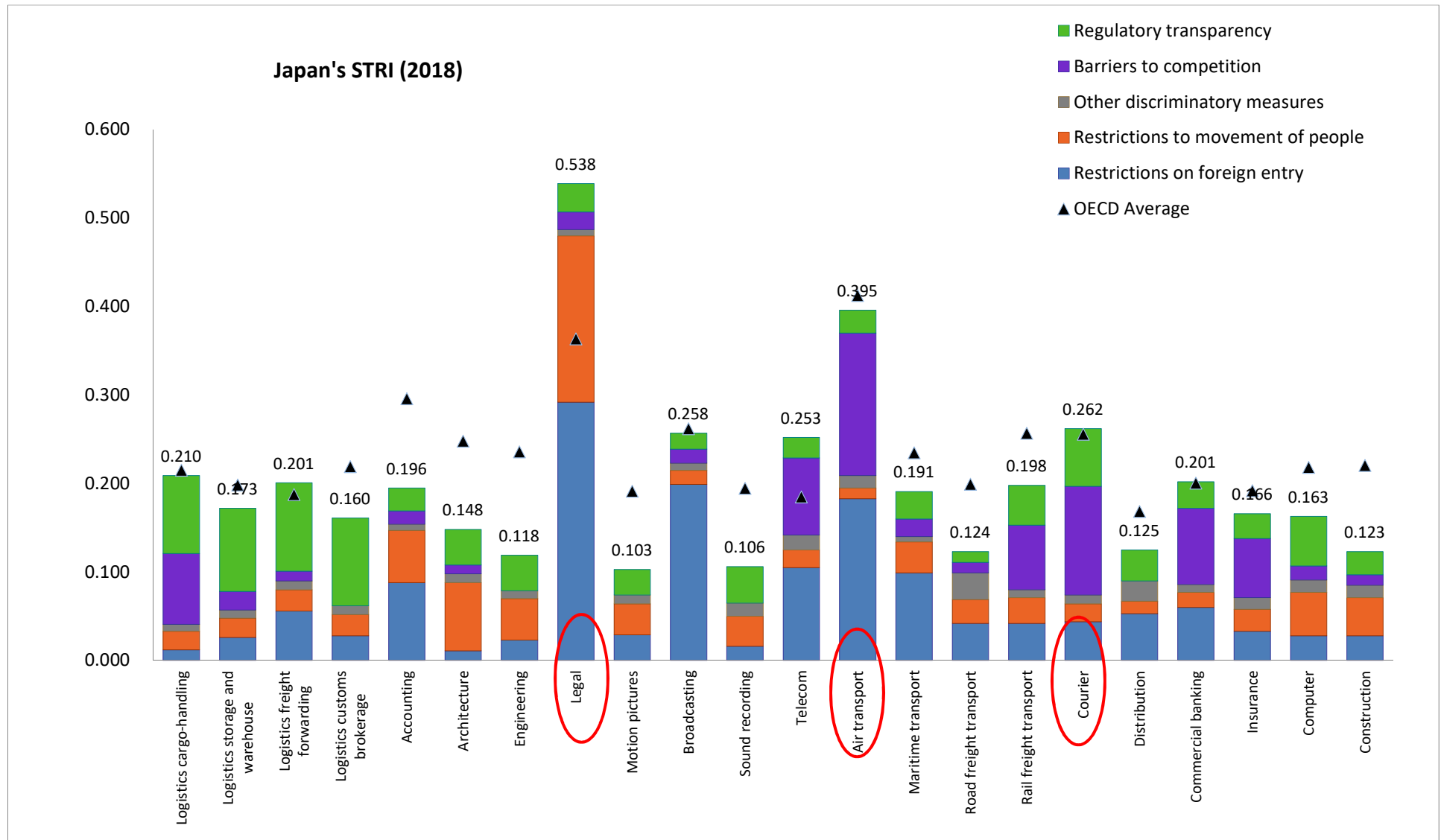
- Score = 1 for all identified measures in all policy areas:
- 4 restrictions on foreign entry
 - Postal monopoly - Canada Post ownership, Director residency, screening.
- 4 other discriminatory measures
 - Tax treatment at the federal level for small Canadian firms,
Explicit preferences for local suppliers for procurement.
- 4 barriers to competition
 - Monopoly, preferential postal network for Canada Post
- 3 measures on regulatory transparency
 - Time and number of documents needed to process visas.
- 2 restrictions to movement of people
 - Labour market tests on contractual and independent suppliers.



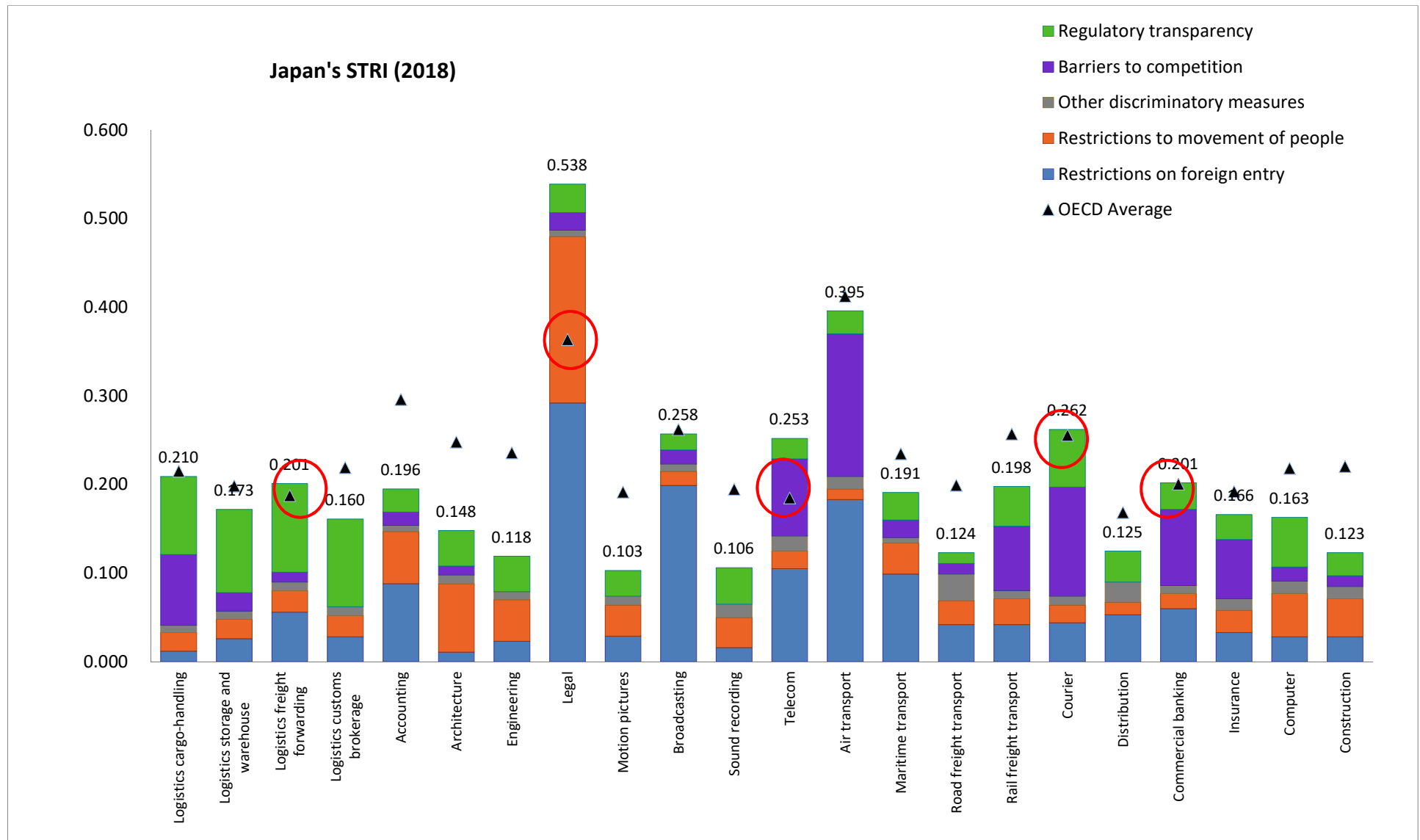
Courier services STRI: issue

- Community Service Obligations (CSOs)
 - Reserved letter delivery service – Canada Post
 - Canada Post has:
the sole and exclusive privilege of collecting, transmitting and delivering letters *weighing up to 500g*, with the exception of outbound international mail
(Sections 14 and 15, Canada Post Corporation Act).
- Commercial business
 - Parcel delivery, express delivery services etc.
- Why include market segments tied to CSOs in the STRI?

JP STRI: Identifying the most restrictive sectors



JP STRI: Identifying the most restrictive sectors



Comparing (common) restrictive measures in courier services across countries



Courier services restrictions: AU, CA, JP

Indicator	Value given in answer to indicator question			# of countries with high score (=1)
	AU	CA	JP	
Limits to the proportion of shares that can be acquired by foreign investors in publicly-controlled firms	No	Yes	Yes	2
Board of directors: at least one must be resident	Yes	Yes	No	2
Screening exists without exclusion of economic interests	Yes	No	No	2*
Cross-border data flows: cross-border transfer of personal data is possible to countries with substantially similar privacy protection laws	Yes	No	Yes	2
Labour market tests: intra-corporate transferees	Yes	No	Yes	2
Labour market tests: contractual services suppliers	Yes	Yes	Yes	3
Labour market tests: independent services suppliers	Yes	Yes	No	2
Public procurement: Procurement regulation explicitly prohibits discrimination of foreign suppliers	Yes	No	No	2
National, state or provincial government control at least one major firm in the sector	Yes	Yes	Yes	3
The government can overrule the decision of the regulator	No	Yes	Yes	2
The designated postal operator obtains preferential tax or subsidy treatment	Yes	No	Yes	2
The designated postal operator obtains exemptions from transport bans	Yes	No	Yes	2
Access to the postal network is granted on a non-discriminatory basis	No	Yes	No	3**
Range of visa processing time (days)	15	32	1	2
Number of documents needed to obtain a business visa	13	10	7	2
Time taken for customs clearance (days)	1.73	0.13	1.42	2
A de minimis regime is in place: Import duties (USD) ¹	190.00	15.30	91.50	2

Source: constructed from data from OECD STRI policy simulator, 2018.

Notes: * AU (the Australian government adopts a flexible, reviewing foreign investment proposals against the

Implications

- Might be useful for negotiators?

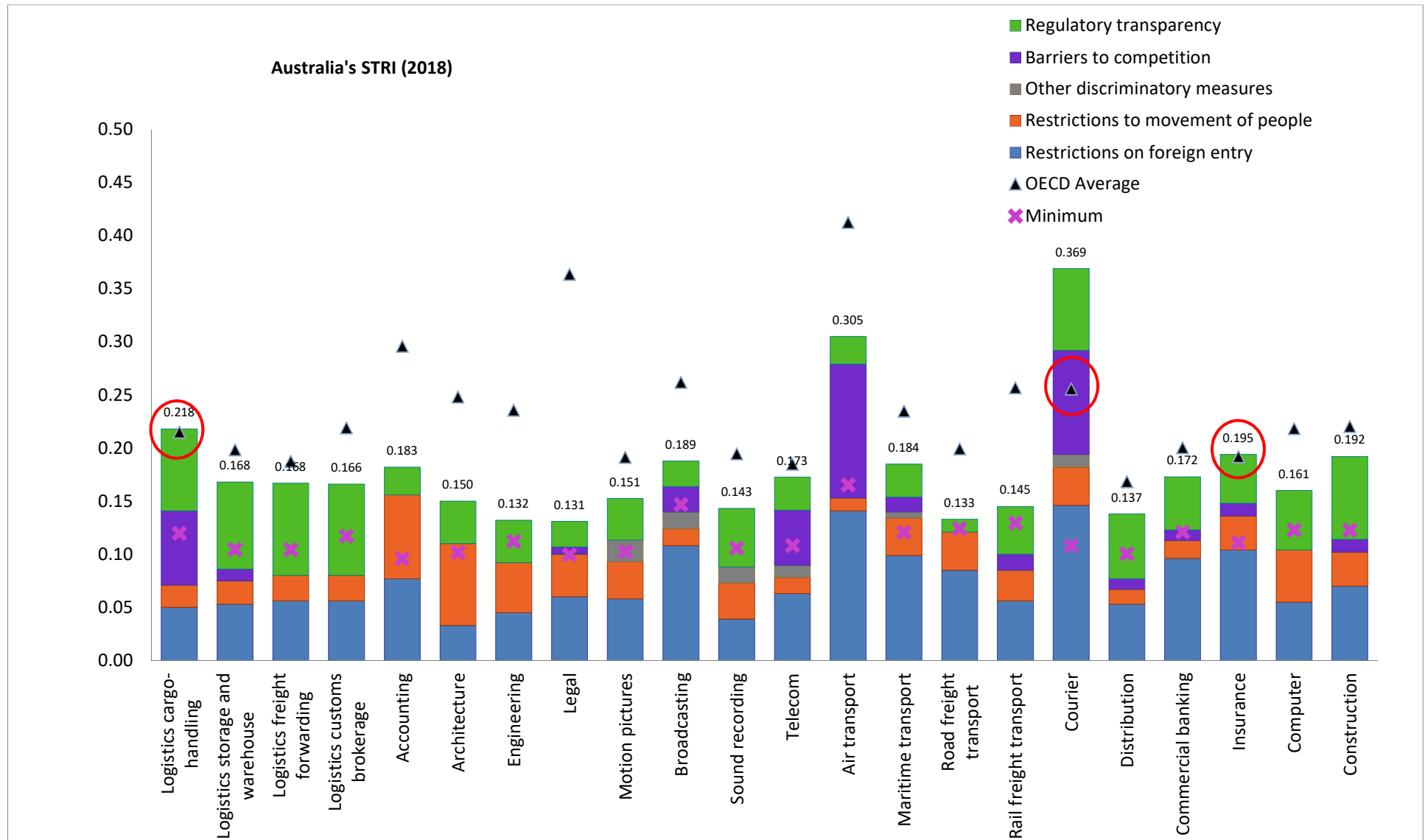
Back to our Question

- If the STRI is cross-referenced against services commitments in the CETA and the EUJEPA, are identified high barriers being liberalised?
- Somewhat..

Summary

- Canada more restrictive than OECD average in:
telecommunications, distribution, courier,
broadcasting services, *insurance*, logistics cargo-
handling, motion pictures, construction.
- Japan: *Legal, telecommunications, courier,*
commercial banking, logistics freight forwarding.
- CETA & EUJEPA has specific chapters/sections for
 - Telecommunications,
 - Financial services,
 - MRA for professional services.
- Australia's STRI ?

Australia's STRI (2018)



EU-AU Negotiations: EU's Textual proposal

- EUJEPA style – Investment liberalisation and trade in services.
- General Provisions
 - Exclude most air, CRS, ground handling services, selling and marketing; AV services, domestic shipping
- Investment liberalisation – MA, NT, MFN
- Cross-border trade in services – MA, NT, MFN
- Entry and temp stay for business purposes – [Annex on ICT](#)
- Regulatory framework
 - Domestic regulation
 - General provisions – MR PQs
 - Delivery Services - postal, courier, express
 - Telecommunication services
 - Financial services
 - International maritime transport services



Summary

- Respective treaties partly targeted at services sectors with current relatively high restrictiveness.
 - MR, telecomm, FS for CETA and EUJEPA
 - EUJEPA (and likely EU-AU) have a subsection dedicated to postal / courier services.
- Canada's STRI indicates a higher than average restrictiveness in courier services but no dedicated section in CETA.



The End

Thank you!

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Positive and Negative lists

- EU trade deals for services and investment typically use principles of National Treatment (NT) and Market Access (MA).
- Commitments and exceptions in the agreement text use either:
- **Positive list:** each Party explicitly lists the sectors/subsectors in which NT and MA commitments apply.
Next, it lists all exceptions, with the limitations it will apply.
- **Negative list:** a Party can skip the first step. Sectors/sub-sectors *not* listed are open to foreign service providers under the same conditions as for domestic suppliers.
In principle, all service sectors are liberalised - existing exemptions from NT and MA are enumerated in specific Annexes.
 - Annex I: existing legislation that runs counter to MA and NT
 - Annex II: sectors for which a party retains their right to deviate MA and/or NT commitments in the future.