



Trade Facts

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The WTO General Agreement on Trade in Services (GATS) and the States: The Facts

The United States is the world's leading exporter of services, which account for about three quarters of our GDP and 8 out of every 10 jobs in the United States. International markets generate huge opportunities for US service providers, and make up nearly one-third of our exports. The U.S. services market is one of the most open in the world. But foreign markets are often closed to U.S. service providers through discriminatory policies and barriers, so we seek to open markets through trade agreements like the WTO's General Agreement on Trade in Services, or GATS. GATS can create important new opportunities for U.S. providers of services like banking, telecommunications, express delivery, retailing, and professional services. At the same time, the GATS is carefully crafted to preserve state sovereignty. These are the facts:

GATS does not and will not overrule the ability of states to regulate, or force the privatization or deregulation of state-regulated services, or automatically preempt state authority.

GATS explicitly recognizes the right of governments to regulate.

- The text of GATS clearly respects the sovereign right of WTO members to regulate services and to introduce new regulations as necessary. Many services industries are carefully regulated in the public interest, and in many instances this is carried out at the state level.
- Nothing in the GATS will impair the ability of the United States and sub-federal governments to establish, maintain, and fully enforce domestic laws and regulations protecting consumers, health, safety, and the environment.

GATS in no way forces deregulation of any sector or public service.

- Liberalization of services trade should not be confused with deregulation, or privatization. When a government decides to open a sector to private competition, *trade liberalization* means allowing foreign firms to participate in those markets on an equal footing with domestic firms., U.S. firms should be treated in a fair and non-discriminatory fashion when operating overseas and regulatory policies should simply be administered in a reasonable, objective, and impartial manner – just as they are here in the United States.
- All domestic laws, regulations, qualification requirements and other standards that apply to domestic service suppliers will also apply to foreign service suppliers, so governments fully preserve their right to regulate.

GATS in no way forces privatization of any sector.

- In fact, the GATS expressly recognizes the authority of national governments to supply services and to maintain public monopolies in any service sector they designate. Services supplied in the exercise of governmental authority are excluded from coverage. Nothing in the GATS or the GATS negotiations *requires* governments to open sectors to private competition.
- The GATS does not give foreign service suppliers the right to acquire or invest in government monopolies supplying services.

GATS will not automatically preempt any state laws.

- GATS does not in any way automatically preempt or invalidate state laws, even those that may be inconsistent with the agreement.
- In the GATS negotiations, our trading partners have made many requests from us. But requesting something doesn't mean it's going to happen. If a trading partner seeks changes in a state law, we will consult with the state. But if such a change is not possible, USTR simply responds to our trading partners that the United States is unable to remove that limitation at this time. The bottom line is that nothing the U.S. is offering in these negotiations would require the states to make any change in their laws or regulations that they have not already adopted or agreed to adopt.