
**GENERAL AGREEMENT ON TRADE IN SERVICES (GATS):
POSSIBLE IMPLICATIONS FOR LOCAL GOVERNMENT**

Report of the Corporate Director, Resources, Access and Diversity

1 PURPOSE OF THE REPORT

- 1.1 The report fulfils a commitment made, as a consequence of a Council question in May, to voice concerns of the Council and request clarification from the Government of the impact of the World Trade Organisation (WTO) General Agreement on Trade in Services (GATS) on the Council.

2 REPORT

- 2.1 GATS is an agreement signed in 1994 under the WTO, the purpose of which is to liberalise trade between countries. GATS' current remit extends to 160 service sectors, many of which are – in different ways – the responsibility, directly or indirectly, of local government. As a member of the European Community, which is a signatory to GATS, the UK is governed by the agreement.
- 2.2 Negotiations are currently taking place on extending the remit of GATS. These negotiations are expected to be completed in 2005. Once a service is committed with GATS any government (and by extension, local government) regulation which actually or potentially restricts the market and discriminates (even inadvertently) against foreign companies is open to challenge within the WTO rules.

There is currently considerable uncertainty about the exact implications of the extension of GATS for local government services.

- 2.3 There are two levels of obligation under GATS
- **general**; and
 - **specific commitments**.

By signing up to GATS in 1994 governments have made a **general commitment** to engaging in a negotiation process, with the aim of achieving a progressively higher level of liberalisation in their service sectors resulting in **specific commitments**.

2.4 Observations of the operation of GATS in the private sector service areas already covered suggest that there is an exceptionally strong commitment to the radical removal of virtually all barriers to trade and a reluctance to accept restrictions unless a national Government fights hard to include them.

2.5

2.5.1 Currently, Local Authorities often impose conditions on service provision contracts or developers, to ensure public services are delivered to meet the diverse needs of the local population and that developments are not detrimental to Local Plans.

The possible implications for local government are that the addition of new service sectors may broaden the scope of GATS to such an extent as to have a detrimental effect on the Council's ability to deliver their policy objectives.

Once a specified service is committed with GATS, any Council policy which could potentially restrict trade with foreign companies will be open to challenge under the WTO rules.

2.5.2 Therefore, unless limitations on its market access commitment are insisted upon by the UK Government, through the European Community, the extension of GATS may:-

- override the Council's ability to withhold planning permission to protect areas of particular historic and artistic interest
- restrict the Council's ability to prove an 'economic needs test' on applications, for new supermarkets, other trade initiatives, by foreign investors
- restrict the Council's ability to regulate economic activity in pursuit of social or environmental objectives of the Council
- limit the extent to which the Council can implement sections of the Local Government Act 2000 requiring the promotion of the economic, social and environmental well-being of the area.

2.5.3 The reason for concerns over possible implications for Local Government is that if countries undertake to add service sectors to the agreement, a wide range of restrictions imposed on service companies, whether national or Local Authority led, risk being challenged by another country. To avoid such a situation the Government must have reserved the right to impose such restrictions at the time of the addition of these service sectors to the agreement.

2.6 In contrast, WTO states that 'WTO negotiations to liberalise trade in services were no threat to government services and that such sectors of the services economy were in fact excluded from the negotiations'.

3 RECOMMENDATIONS

3.1 That the City Council expresses its concern to the Government, about the possible implications of GATS, requesting assurances that further negotiations on GATS are carried out in consultation with Local Authorities.

4 FINANCIAL AND LEGAL IMPLICATIONS

- 4.1 Financial – the effects of the GATS cannot at this point be accurately estimated.
- 4.2 Legal – to add the support of Leicester City Council to those bodies lobbying to protect authorities' current legal standing of its freedoms in procurement, planning and other decision making.
- 4.3 Other implications

Other implications	Yes/no	Paragraph references written in this report
Equal Opportunities	Yes	2.5
Policy	Yes	2.5
Sustainability and Governmental	Yes	2.5
Crime and Disorder	Yes	2.5
Human Rights Act	Yes	2.5
Elderly persons/people on low incomes	Yes	2.5

5 BACKGROUND PAPERS

- The General Agreement on Trade in Services (GATS): Possible Implications for Local Government.
LGA/LGIB Briefing Paper
- WTO News 2002 Press Releases
Press/299 28 June 2002
Dona Development Agency
- www.wdm.org.uk World Development Movement Site
- www.warwick.ac.uk/csrdj/GATS/site Warwickshire University GATS site
- LGIB Briefing Paper

6 REPORT AUTHOR/OFFICER TO CONTACT

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DECISION STATUS

Key Decision	No
Reason	N/A
Appeared in Forward Plan	No
Executive or Council Decision	Executive (Cabinet)