



Reforming Trade in Services and Negotiation Processes in Morocco

“Negotiating Trade Agreements: Principles & Practices” SIDA Seminar Follow-up, Amman, January 21st to 29th, 2011.

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Abstract

Arguments in favor of liberalizing the market for services are becoming increasingly widespread. These arguments particularly apply to financial services, telecommunications, and transportation, which are key sectors that significantly contribute to a nation’s economic development.

However, the challenges of liberalizing the market for services to foreign competition are evident. Furthermore, this liberalization entails a broad and complex set of policies, regulatory instruments, institutions and constituencies, domestically and in the foreign arena, in the public and the private sector.

Experience has shown that considerable care must be given to the assessment of the nature, pace and sequencing of regulatory reform and liberalization in order to meaningfully enhance a nation’s economic growth and development.

Morocco has signed, ratified, and implemented several Free Trade Agreements (FTAs) and is engaged in discussions with other partners. Issues that concern the market of services are gaining in importance in Morocco’s foreign trade policy. Moreover, Morocco has continued to reform its sectoral policies, making notable progress in services sector performances in a bid to diversify its economy.

This paper tries to outline some features that concern the trade in services policies and reforms in Morocco and its negotiation process adopted by enforcing bilateral, regional and multilateral agreements.

The Framework of Trade in Services

International trade and investment in services are an increasingly important part of global commerce. Advances in information and telecommunication technologies have expanded the scope of services that can be traded cross-borders.

Many countries now allow foreign investment in newly privatized and competitive markets for key infrastructure services, such as energy, telecommunications, and transportation. More and more of our nationals are traveling abroad to benefit from foreign services such as tourism, education, and medicine and to supply services ranging from construction to software development.

In fact, the trade in services is the fastest growing component of the global economy. In the past decade, trade and foreign direct investment (FDI) in services have grown faster than those in goods.

Services have unique characteristics that affect their tradability. Typical characteristics include:

- (i) **Intangibility** – international transactions in services are often difficult to monitor, measure and tax;
- (ii) **Non storability** – production and consumption often must occur at the same place and time;
- (iii) **Differentiation** – services are often tailored to the needs of customers; and
- (iv) **Joint production**¹, with customers having to participate in the production process.

A common definition of trade in services is that adopted in the WTO framework (Articles 1 & 28 of GATS). It takes the form of four modes of supply:

. **Cross-border (mode 1):** services supplied from the territory of one Member into the

¹ Act of customer's active involvement with the service production and delivery process, either physically or by giving resources (personal travel planners, full-service restaurant, etc...).

territory of another (ex. software services provided through mail, internet, etc...).

. **Consumption abroad (mode 2):** services supplied in the territory of one Member to the consumers of another (ex. tourism or education services; include also shift of a property -ship-repair- abroad without its owner).

. **Commercial presence (mode 3):** services supplied through any type of business or professional establishment of one Member in the territory of another (ex. insurance company establishing a branch -FDI-).

. **Presence of natural persons (mode 4):** services supplied by natural persons of one Member in the territory of another (ex. includes both independent service suppliers and employees of the services supplier **on a temporary basis**).

Data on the trade of services are notoriously weak. The primary source is the balance of payments, where measured flows correspond mainly to modes 1 & 2. UNCTAD data reveals that imports of services roughly doubled over the decade from 2000 to 2009 (tripled from 1980 to 2009). The Total value of imports of services in 2000 was some US\$ 1.54 billion. As of 2009, this had increased to US\$ 3.25 billion.

For the world's largest services trader, the US, the total reported exports are US\$ 505 billion and imports are US\$ 371 billion. The other Top 5 are United Kingdom, Germany, **France (as Exporter)**, China and **Japan (as Importer)**.

Governments have generally implemented policy reforms on a case-by-case basis in order to complement changes in technology in supporting the expansion of trade in services.

Many countries have increased competition within their markets for services by liberalizing FDI, opening access to foreign competition in important sectors such as transport and telecommunications, and privatizing state-owned or controlled service providers.

A recent survey undertaken by the World Bank of the extent of discriminatory policies restricting entry of foreign firms in specific service markets in 30 developing countries has revealed disparate behavior². Many sectors are open, especially for FDI. However, in several sectors various restrictions continue to be imposed, and some sectors are completely closed.

The consensus view is that the tariff equivalents of prevailing restrictions are a multiple of those that restrict goods trade. "Sensitive" sectors vary by country reflecting differences in comparative advantage and the legacy of past policies. Many countries maintain foreign equity or entry restrictions for certain service markets.

Moreover, barriers to entry in a number of service sectors, ranging from telecommunications to professional services, are maintained not only against foreign suppliers but also against new domestic suppliers.

Market liberalization and regulation reforms in service sectors are considered a very complex task. No one can see or foresee the exact impact it has had or will have on employment and economic development. Yet, in theory liberalization in most of service sectors will enhance competition between domestic and foreign suppliers and will ultimately lead to economic development.

In the upcoming parts of this paper, we will analyze reform policies in some service sectors in Morocco and the conventional negotiation mechanism for the preferential agreements that have been signed or which are underway. And we will conclude with some recommendations.

Services Sectors in Morocco

In 2009, Morocco's GDP in U.S. dollars was \$153 billion on a purchasing power parity basis made it the fifth largest economy in Africa and it has the second largest non-oil and gas GDP of the Arab Countries. Macroeconomic fundamentals are stable with consistent growth since independence, low

² Gootiz Batshur and Aaditya Mattoo (2007).

inflation, current account surplus and good foreign exchange reserves.

Growth in the service sector, including those provided by public authorities, has outpaced that of the overall economy in recent years, and now accounts for half³ of Morocco's GDP, up from 40% in 2000. It absorbs about 32.8% of total employment, 2nd Employer after the agriculture sector (58%).

Trade⁴, Transport, Telecommunications, and Tourism are among the most important sectors.

The share of trade in services⁵ in GDP progressed considerably, from 3.1% in 2000 to 7.1% in 2008, reflecting the strong growth in the exports of services.

As a result, exports of services reached 39% of total exports in 2008⁶ (DH 99.7 billion) as opposed to 29% in 2000 (DH 32 billion), a trend which can be explained by the sustained development of both telecommunications and business services in tandem with the development of off-shoring.

Morocco is a net exporter of services with a net balance of DH 48.8 billion in 2008. Earnings from exports of services equivalent to over 64% of exports of goods (80% in 2007) and more than tripled between 2000 and 2009. This is primarily the result of earnings from tourism.

Meanwhile, tourism revenue grew rapidly, reaching DH 53 billion in 2009 as compared to DH 41 billion in 2005 (year before the implementation of Tourism 2010 Strategy).

Since 2006, tourism has been the main source of foreign exchange, ahead of remittances from Moroccans living abroad. The positive trend in tourism is the combined result of the policy of incentives for the subsector and the air transport liberalization policy.

³ 50.1% as average for the period 2003-2009.

⁴ Wholesale & Retail services.

⁵ Equal to the balance (\sum services Exports - \sum services Imports).

⁶ In 2007, services exports reach a pick of 45% of total exports (DH 99.4 billion).

Flows of FDI appear to have been gradually moving away from the privatization operations, for example in several sectors (tourism, real estate, telecommunications, insurance, banking, industry and transport) there has been a strong increase in FDI unrelated to privatization.

France is still the main investor, followed by Spain, United Arab Emirates, United Kingdom, and Germany.

Morocco registered an average inward FDI flows of US\$ 2.3 billion from 2006-2009, with a record level of US\$ 2.8 billion in 2007⁷.

This reflects Morocco's attractiveness as a destination and the impact of Morocco's proactive development strategy in this area in the framework of a public-private partnership.

Morocco's economy has relatively resisted the global financial crisis, and this is due to its financial system,⁸ which has kept the country safe from the effects of the global downturn.

While the global recession had little impact on the Moroccan financial system, the real economy is feeling the pinch, mostly through the nation's current account balance of payments. It has endured a deficit for the first time in eight years on the back of the spiraling trade deficit and a decline in: 1) remittances from Moroccans living abroad, 2) Tourism revenues and 3) Foreign Direct Investment.

The solid growth posted at a time of global recession may be interpreted as a sign of an economy that is not fully integrated into global markets and is more reliant on the domestic demand.

No service sectors have benefited from public stimulus packages, which were mainly destined to aiding industrial⁹ and exporting companies that have been affected.

Services Sector Reform in Morocco: Facts & Theoretical Impacts

Morocco has made considerable progress in recent years in terms of modernizing its economy to create more wealth and reduce unemployment. Morocco has to deal with many challenges: free trade agreements, globalization, gradual phase-out of tariffs, spiraling trade deficit, etc...

Many reforms in key service sectors have been launched; some examples include:

Telecommunication: The liberalization of the telephone industry started in 1999 by allowing a second telecommunication provider to be licensed, and the creation of an independent regulator has given a thrust to competition, increasing investments in infrastructure and improving services while lowering prices.

The former telephone monopoly "Maroc Telecom"¹⁰ has been privatized by enhancing the share of foreign equity and by selling shares in the stock market.

This helped Morocco become a regional call-center platform and has attracted investments from companies' nearshoring non-core business processes.

Banking: The regulatory environment for banking services has been reformed, and its scope extended to "related" institutions such as offshore banks and micro-credit associations. The autonomy of Bank Al Maghrib (BAM) in relation to monetary policy has also been strengthened.

Today, 10% of ownership of most Moroccan banks belongs to foreign equity, while just seven of the 18 banks are units of foreign financial companies.

Several measures have been introduced in recent years to improve transparency and reduce criminal activity in the financial system, such as establishing a unit that gathers intelligence on money laundering.

⁷ World Investment Report 2010, UNCTAD Country Fact Sheet.

⁸ Restrictive currency regime, managed float, small bank assets held abroad, etc...

⁹ Textile & clothes, auto-parts, electronics and leather.

¹⁰ Shareholders in 2010 : Vivendi (53%), Moroccan State (30%), Shares in Stock Market (16.85%), and Staff (0.15%). With a turnover estimated of DH 31.8 billion in 2009.

Air Transport: The liberalization of the air transport industry was meant to help achieve 2010 Tourism Plan objectives. The kingdom flag carrier, Royal Air Maroc, a wholly government-owned company, started a budget airline in 2004, Atlas Blue. Other discount companies have since penetrated the market, with the creation, in 2006, of a second low-cost carrier, Jet4You.

Besides the policies of opening up routes to "low-cost" companies,¹¹ Morocco has signed open skies agreements with the United States in 2001 and the European Union¹² in 2006. Still, Moroccan nationals are precluded from purchasing airline tickets from non-resident suppliers by either internet or telephone.

Maritime Transport: Maritime transport carries 95% of Morocco's foreign trade. Morocco has 30 ports, of which 12 are commercial, 12 fishing and six pleasure ports.

In shipping, port services were under the monopoly of the Government's Office of Ports Development until the end of 2006. The Government's bureau has since been divided into a regulatory agency, the National Ports Authority¹³, and a port operations corporation, "Marsa Maroc".

Morocco privatized the former shipping line monopoly, "Compagnie Marocaine de Navigation", in May 2007, selling a controlling 99% stake to France's CMA-CGM. In July 2009, the state phosphates company¹⁴ had divested its shipping line unit and will outsource the transportation of the mineral.

Among these examples of reforms, there are still state monopolies in subsectors such as rail transportation and postal services. Significant restrictions to entry and competition remain in

other service sectors, like the banking sector, and professional services. For example, the restrictions on entry into the professional services market in Morocco may take the form of nationality requirements, restrictions on commercial presence, or based on economic needs.

Morocco aims gradual regulatory convergence and deep integration with European Union Market, which is its main trade partner, under the new advanced status "Statut Avancé". Bilateral talks are intensifying about the pace and sequencing of priority sectors, which will be subject to regulatory convergence.

In addition to the implementation of the FTA with the U.S, the ongoing negotiations with the EU of a preferential agreement in service sectors represent an effective opportunity for Morocco to anchor its reforms in trade in services policy and to allow more competition between foreign companies.

New growth engines including service sectors...

Realizing it has to rise to these challenges, as early as the first signs that a global crisis was looming, Morocco chose to stick with the gradual course in pursuit of its development policy, which is based on supporting growth, increasing investment, and pressing ahead with the implementation of major projects, structural reforms and the diversification of the economy.

This has resulted in the adoption of sector-specific strategies in the areas of industry, agriculture, tourism, energy, logistics and new technologies. Similar dedicated efforts have been made to promote human resource development through programs for the reform of education and the upgrading of training to meet development requirements as well as to satisfy investors' need of highly qualified human resources.

The main objectives are to preserve financial stability, promote social services and employment, and to ensure vibrant domestic demand.

¹¹ Such as Air Arabia, Corsair, Air Horizons, Air Europa, Virgin Express, and First Choice

¹² Twelve EU Member States (Austria, Czech Republic, Finland, France, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Spain, and Sweden) have ratified it. In Morocco, the agreement was approved by the Government Council on 29 September 2009.

¹³ The regulatory authority is charged with developing and maintaining Morocco's port infrastructure.

¹⁴ OCP "Office Chérifien des Phosphates" generate an annual average of 35% of total value of national good exports.

“Plan Emergence” strategy, part of a large range of major projects, was meant to strike the right balance between specialization and diversification to curb the excessive exposure to cyclical industries.

Seven sectors have been signaled out to improve attractiveness and competitiveness such *Automotive industry*, *Offshoring*, *Aeronautics*, and *Electronics industry* as emerging sectors viewed with considerable potential; or *Agribusiness (including processing of sea products)*, *Clothes & Textiles*, and *Handicrafts* as traditional industries which will be earmarked for upgrades and investment.

Due to Morocco’s proximity, natural comparative advantage, and strong relations with French-speaking countries mostly from Europe, Morocco has the potential to become an offshore center¹⁵ for many French companies that would be able to lower their cost base while still enjoying the benefits of highly educated staff.

It is expected that by 2015, offshore activities will be contributing some DH 15 billion to GDP and generating 91,000 new jobs. Business processes typically outsourced range from information systems’ maintenance and application development to personnel administration and handling of accounting processes.

A new plan, “*Maroc Numeric 2013*”, to boost the Moroccan ICT industry has set out five priorities to focus on over the next four years: the development of offshoring, SME computerization, e-government, broadband access and the promotion of entrepreneurship in new and niche ICT areas.

Among the other initiatives are reinforcement of infrastructure and liberalization. The targets are to build at least around 622 miles of new highway and about 9,320 miles of country roads, the launch of a new Tangiers Med Port (will be Africa’s largest), and construction of

new power stations and logistic hubs, as well as major housing projects that will even build entirely new towns.

Other ongoing initiatives such the new Tourism Strategy (2020 Vision), establishment of Casablanca Finance Center, the Media & Advertising liberalization, and so on, will continue to improve Morocco’s economic position, social development and its international standing.

Theoretical Impacts of Services Sectors Reforms...

Liberalization of trade in services, accompanied by the reform of complementary policies, can lead both to sectoral and economy-wide improvements in performance.

Several empirical sectoral studies support that removing barriers to trade in services in a particular sector is likely to lead to lower prices, improved quality, and greater variety.

Recent research finds that if OECD countries were to allow temporary access to foreign service providers equal to just 3% of their labor force, the global gains would be over US\$150 billion—more than the gains from the complete liberalization of all trade in goods.¹⁶ Both developed and developing countries would have a share in these gains, and they would be largest if both high-skilled mobility and low-skilled mobility were permitted.

Barriers to entry in a number of service sectors, ranging from telecommunications to professional services, are maintained not only against foreign suppliers but also against new domestic suppliers. Full liberalization can, therefore, lead to enhanced competition from both domestic and foreign suppliers. Greater foreign factor participation and increased competition together imply a larger scale of activity, and hence greater scope for generating the special growth-enhancing effects.

The impact of the movement of factors depends critically on whether they are substitutes or complements for domestic factor

¹⁵ Zones for offshore activities Offer cost-competitive, top-quality reception and telecommunication facilities, as well as a system of incentives, especially in the area of skills training and income tax.

¹⁶ Walmsley and Winters (2005).

services. Given the structure of factor prices in poor countries, we would typically expect liberalization to lead to an inflow of capital and skilled workers. Such inflows would be to the advantage of the unskilled poor—increasing employment opportunities and wages.

However, new entrants may focus on the most profitable market segments (“cream-skimming”), such as urban areas, where network costs are lower and incomes higher. There is also evidence that financial services liberalization in some countries has had an adverse effect on access to credit for rural areas and the poor. There is a need, accordingly, to create regulatory mechanisms to ensure that the poor have adequate access to services in liberalized markets.

Many developing countries have moved away from public monopolies in sectors such as communications, financial, and transport services, but are still reluctant to allow unrestricted new entry. Privatization does not axiomatically mean greater competition.

Several studies have concluded that larger welfare gains arise from an increase in competition than from simply a change in ownership from public to private hands. It can mean job creation and technological externalities.

A unilateral approach motivated by the search for greater competitiveness is the best option for opening reforms in sectors such as telecommunications, banking and port industries.

In fact, making these markets more contestable and competitive primarily benefits Moroccan consumers and businesses. These gains are far superior to what partner countries could win.

It is not that it upsets the structure of markets since firstly a developing country, like Morocco, is already open to foreign investors, widely present in the service sectors, and entry of new firms is more likely to diversify the range of existing services.

As seen above, we can conclude that including these reforms in a trade negotiation agenda

will surely delay the potential gains, because of small gains from new suppliers from trade partner countries.

Negotiation Process of Preferential Trade in Services Agreements

Most developing countries are today engaged in service trade negotiations in one or more fora: in the WTO under the General Agreement on Trade in Services (GATS); bilaterally with large trading partners such as the United States or the European Union, e.g. in the context of the Economic Partnership Agreements (EPAs); and regionally, e.g. in the context of MERCOSUR, ASEAN, and COMESA.

Morocco has concluded and implemented several Free Trade Agreements (FTAs) and is engaged in discussions with partners such as Canada, MERCOSUR and the West African Economic and Monetary Union (WAEMU). The countries with which Morocco has concluded FTAs accounted for more than half of its imports and more than two-thirds of exports.

Within the framework of the WTO's General Agreement on Trade in Services (GATS), Morocco is taking an active part in the ongoing negotiations on services. In that context, it has stated its wish for a better balance between rights and obligations under the General Agreement on Trade in Services (GATS) in order to ensure better access for suppliers from a developing country to developed country markets, inter alia by further liberalizing the conditions governing the movement of natural persons (mode 4).

In 2005, and at the request of some WTO members (including the European Communities, the United States of America, Japan, Canada, Norway, Switzerland, China, Egypt and India), Morocco submitted an initial offer¹⁷ that promised the elimination of restrictions in return for some horizontal commitments. The offer submitted by

¹⁷ For the first time, the offer introduced commitments by Morocco for services such as wholesale and retail distribution, maritime transport, mail services, integrated engineering services and related scientific and technical consulting services for the mining industry.

Morocco covered 70 sub-sectors, making it one of the most ambitious offers from any developing country. Morocco also places particular importance on liberalization of the cross-border supply of services (mode 1).

Up to the end of 2010, the unique trade in service preferential agreement that Morocco has concluded and implemented is with the United States since January 1st, 2006. Morocco is also engaged in discussions with partners such as European Union, Arab League (Pan-Arab Free Trade Area) and Agadir Agreement (Arab-Mediterranean Free Trade Agreement).

Discussions with European Union and Arab League are in the Offer/Request exchange phase. Preliminary discussions with Agadir Agreement Members are expected to be launched in the first semester of 2011.

The Ministry of Foreign Trade (MFT) plays the role of the central coordinator of the negotiation process by conducting the sectoral meetings with the other Ministries and public agencies. Each Ministry communicates their positions (offer or request) to the MFT, which elaborate a unique document (national position) and negotiate in close collaboration with the Ministry of Foreign Affairs, in presence of other ministry representatives.

This mechanism supposes that each Technical Ministry have consulted the agencies under their supervision as well as private sector representatives, and validate their positions before they communicate to MFT.

Except the limited human resources affected by services negotiations in the MFT, there is no specific national committee or any formal section in the Ministries, which is dedicated to coordinate the national services strategy.

In the end, because of the nature of internal organization of the Division¹⁸ in charge of negotiating preferential agreements (both goods & services), negotiation processes seem to be more or less redundant vis-à-vis the other Ministries.

¹⁸ International Trade Relations Division, Ministry of Foreign Trade.

Roadmap for conducting negotiations for the trade in services

It is well known that the WTO's Doha Development Agenda (DDA) negotiations still encounter recurring difficulties. Part of the problem can clearly be traced to the fact that the negotiations have focused centrally on trade-offs between agriculture and non-agricultural market access (NAMA).

Generally, slow progress in the service discussions is due to the challenges faced by a majority of WTO members in mastering the regulatory issues of the service sector and in devising a proper role for services in national development strategies.

The lack of an accurate roadmap is generally associated with weak negotiation, regulation, and implementation capacities that developing country members of the WTO are often handicapped with in their ability to engage meaningfully trade in services negotiations.

Such difficulties translate into negotiation stances and levels of bound commitments that connote considerable precaution. The end result is that the development potential of services trading and negotiations in the sector fail to be properly harnessed.

Addressing the above challenges through targeted technical assistance and capacity strengthening must therefore be part of the solution. A recent World Bank study¹⁹ has concluded that optimal gains could be achieved by following a number of key "moments" in the life cycle of the negotiation of service markets. These "moments" are as follows:

- **mapping** a strategy for services in national development plans;
- **preparing** for services negotiations (i.e., developing an informed negotiating strategy or identifying the capacity needs required to do so; setting up the proper channels of communication with key stakeholders; and conducting a trade-related regulatory audit);

¹⁹ Negotiating Trade in Services, A Practical Guide for Developing Countries, International Trade Department, World Bank, May 2009.

- **conducting** a services negotiation (i.e., acquiring a voice in debates on outstanding rule-making challenges in the trade of services by pursuing offensive interests; devising strategies to deal with defensive concerns; analyzing the negotiating requests of trading partners; formulating own requests and offers; and participating in collective requests and offers);
- **implementing** negotiated outcomes (i.e., addressing regulatory capacities and weaknesses; and identifying implementation bottlenecks); and finally
- **supplying** newly-opened markets with competitive and international standard-compliant services (i.e., addressing supply-side constraints on the ability to take full advantage of the outcome of trade negotiations, including aid-for-trade in services).

For an Effective Intra-governmental Coordination: the main issue

Numerous studies have in recent years documented the potential magnitude of the benefits from the free trade in services, which are typically seen as exceeding those emanating from the fully liberalized trade in agricultural and manufacturing products²⁰.

To date, however, the benefits of pro-competitive reform in the market of services have tended to be implemented through unilateral efforts at the domestic level rather than through the collective action at the trade negotiating table, be it at the WTO or under preferential trade agreements (PTAs).

Given the regulatory intensity of many service activities and the range of sectors involved, proper coordination across various government agencies is critical. Promoting an effective process of intra-governmental coordination is likely to generate a number of positive policy-making externalities. These include the following:

To create a whole range of government positions

Negotiating the trade in services policies are information intensive. Coordination is essential to develop negotiating positions based on a complete assessment of key national priorities, and to ensure that negotiators are well informed on the full range of factors influencing the domestic services market.

To create an information base on measures affecting trade in services

One of the key substantive obligations flowing from most trade agreements covering services is to provide trading partners with accurate information on the domestic regulatory environment affecting trade in services.

Meeting such transparency obligations can be assisted by the creation of a central inventory (generally a database) of the various regulatory measures, and a means for keeping that inventory up to date.

To identify and analyze the effects of specific measures on the achievement of economic or social policy objectives

Governments at all levels need to periodically review the effectiveness of existing domestic policies and regulations in achieving underlying economic and social policy objectives. This may include an analysis of the trade or investment effects of regulatory measures.

There is a need to create an awareness of the impact of the trade in services disciplines on regulatory conduct in sectors where commitments are scheduled, including the respect of notification requirements in developing new policy initiatives, all parts of the government need to be sensitized to the need to take into account current services-trade commitments, consider incorporating international standards where applicable, and meet notification requirements and disciplines on regulatory conduct.

To avoid duplication in domestic stakeholder and intra-governmental consultations

Especially among small and very small service firms, it is important to avoid unnecessary surveying in order to retain their cooperation.

²⁰ Hoekman and Mattoo, 2009.

If a particular government entity needs to consult with firms under its direct mandate, this consultation should be coordinated with the trade ministry to include any services-related issues instead of re-surveying the firms specifically on the trade in services.

Given the multitude of sub-sectors and measures arising from the trade in services, it is important to find a balance between engaging intra-governmental partners on issues of mutual concerns and avoiding inundating key departments and agencies with too much information or requests for input.

The establishment of good regular lines of communication between individuals can play a significant role in quickly addressing issues without creating unnecessary processes.

To contribute to an ongoing assessment of the impact of services-trade liberalization

In most countries, data for impact analysis are the responsibility of the national statistical agency. However, such a task is challenging for several reasons.

First, agreements that apply to the trade in services address the issue of the flow of services, while data collection is typically focused on the populations of service industries.

Second, trade in services agreements cover four modes of supplying services, while data collection is typically focused on cross-border trade (Modes 1 and 4), a limited portion of in-country trade such as tourism or education services (Mode 2), and very little of foreign affiliate trade (Mode 3).

Third, a particular service may also be exported by goods manufacturers and firms in related service industries; simply surveying one particular service industry may therefore not always give a complete picture of export activity.

Statistics on the trade of goods include services that are exported by manufacturers, including both services bundled with goods (e.g., maintenance or training agreements) and

stand-alone services sold by manufacturers to foreigners (e.g., financial services, consulting services).

“Bundled” services sold to foreigners need to be distinguished from domestic service transactions that are embedded in exported goods and so are not service exports.

It is therefore helpful to notify the various parts of government that participate in data collection on the relevant issues for assessment and the consequent data requirements.

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