



CAMBODIA'S COMMITMENTS UNDER GATS

Its implications on the Economy

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What is GATS?

- GATS is an international trade agreement that came into effect in 1995 and operates under the umbrella of the WTO.
- The aim of the GATS is to gradually remove all barriers to trade in services.
- The idea is to open up these services to international competition.

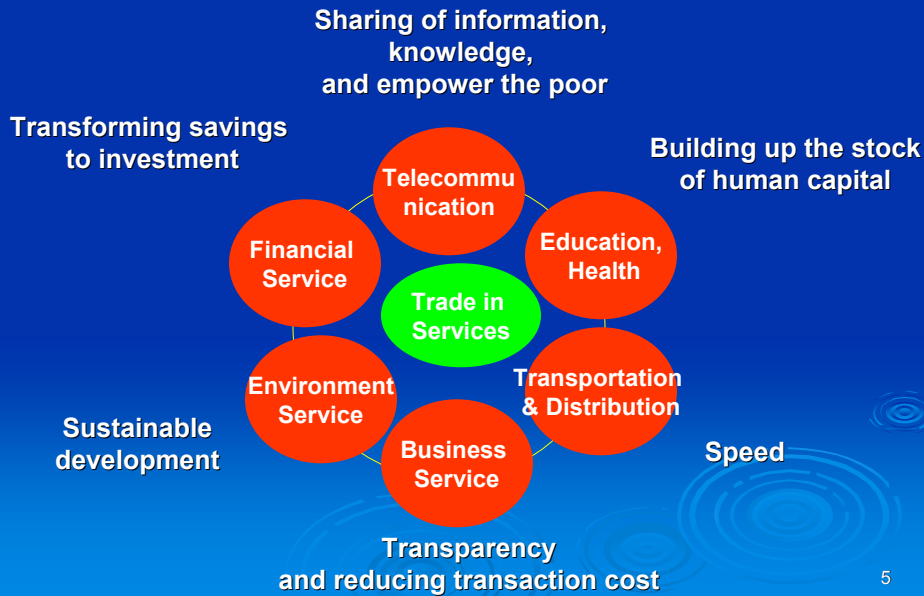
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Mode of Supply

- **Mode 1 or Cross-border supply:** service is delivered within the territory of the service consumer (*Distance-learning program from country A relayed in country B*).
- **Mode 2 or Consumption abroad:** Consumer receives the service outside its territory (*B's resident attends a post-graduate course in A*).
- **Mode 3 or Commercial presence:** Service supplier establish any types of business in the foreign territory to supply the service (*University from A operates a training center in B*).
- **Mode 4 or Presence of natural person:** service is delivered by the foreign employee, who is present in the territory of consumer (*Teacher from A gives courses in B*).

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Why Trade in Services Should Be Liberalized



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Benefit of Global Liberalization

- Mobilization of investment resources
- Incentives for improving managerial efficiency.
- Transfer of technology and managerial know-how (especially through foreign direct investment)
- Increased consumer choice, and competition drives down prices.
- But some countries are still reluctant to liberalize their sectors (most of ASEAN countries)

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Service Industry in Cambodia

- The share of services increased dramatically after economic integration, started in the earlier 1990s.
- It accounts for about 46% of GDP in 2003, and employs about 20% of the total labor force (1.2 million workers).
- Cambodia has liberalized all sector in services excepted for few public service sectors, such as electricity, water supply, and railways.

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Major service sectors

		1970	1990	2003
Total Services		34%	34%	46%
Construction		4%	3%	5%
Transport & Communication		2%	6%	7%
Trade		2%	9%	10%
Tourism		3%	1%	8%
Finance		1%	1%	2%
Public Administration		18%	3%	4%
Real Estate & Business		2%	7%	6%
Other Services		2%	4%	4%

Source: Economic Institute of Cambodia (EIC)

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Horizontal Commitments

- There is no discrimination between local and foreign investors, excepted for:
 - Foreigners can lease land but not own
 - Foreign workers can get working permit for two years, renewable. However, foreign investors shall have obligation to provide adequate and consistent training to Cambodian staffs, including promotion to senior positions
 - No limitations on the participation of foreign capital , excepted for some sectors
- There is no distinction between ASEAN and WTO members

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Commitments By Sector

- Tourism (Liberalized, excepted for Guides)
- Construction (Unbound, but no service across border)
- Transportation (49% capital for foreigner)
- Telecommunication (Regulated by MPTC)
- Financial Services (Licensed and regulated by MEF for Insurances & NBC for Banks)
- Health Services (Headed by Cambodian)
- Distribution (de facto liberalized)

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Conclusion

- Liberalization of trade in services will lead to the improvement of quality of service, and lowering cost for consumers.
- But, this needs to be regulated to assure sustainable development, so that local investment and job creation should not be jeopardized.

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Thank you for your attention!

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