



Global Trade and
Investment Advisors

How to include 'Mode 5' services commitments in FTAs and at multilateral stage

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Services increasingly
 used as part of or
 bundled to goods by
 service sectors
 (mode 5)

Including:
 Financial
 Transport
 Logistics
 Software
 R&D
 Environmental

Servicification



Used by:

- Primary sector
- Industrial sector



Used as:

- Inputs
- Bundled
- Firms' activities

GOOD'S TRADE

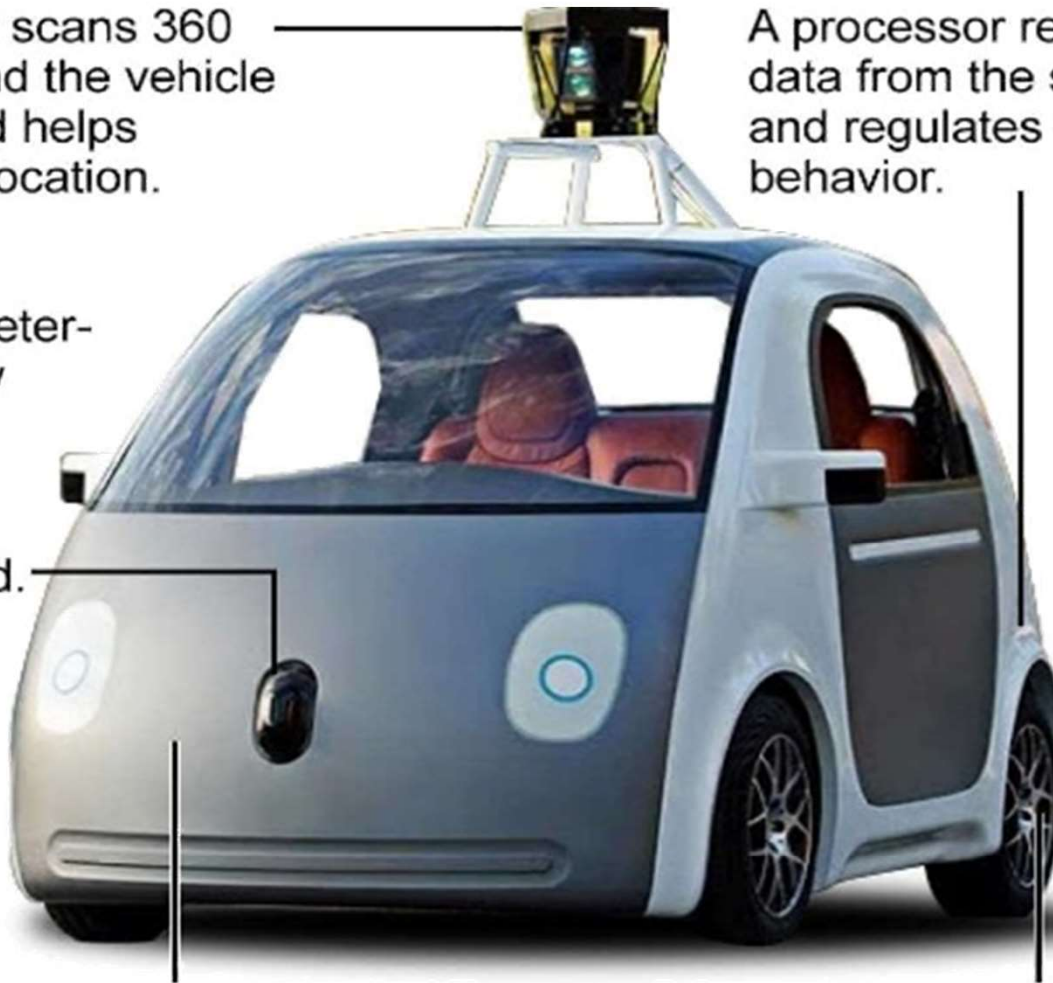


“MODE 5”

A laser sensor scans 360 degrees around the vehicle for objects and helps determine its location.

A processor reads the data from the sensors and regulates vehicle behavior.

Radar helps determine speed by detecting and measuring the speed of vehicles ahead.

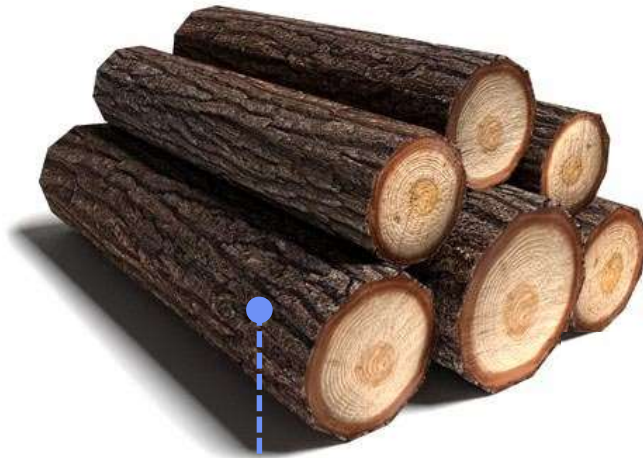


Orientation sensor located inside the car tracks the car's motion and balance.

Wheel hub sensor detects the number of rotations to help determine the car's location.



Productivity
Commission (2014):
Over 50% of value
logging, loading,
harvesting,
stacking,
marshalling at the
port, fumigation.



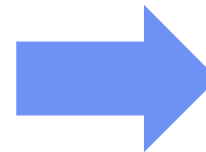
China and Hong
Kong (P. Low 2014
study:

- 30 different services
- 72% of value



MODE 5

Not recognized as a mode of supply under the GATS
Transactions subject to **tariff** barriers/quotas for goods
Rules of origin in FTAs favor country of **assembly**



Penalizes high services value
added **exports**

...or **knowledge**

Findings

Turning attention to liberalization of **trade in goods** to reflect Mode 5 concerns on short term

More comprehensive solution on longer term e.g. comprehensive Global Value Chains [GVC] treaty at WTO

Work on definition: suggested preliminary definition for Mode 5 services

Services added or linked to goods whose value and origin can be detected for customs valuation of the relevant goods

0 options explored

Option	Pros	Cons	Complexity
Options value function (Art 8.1 (b)) (CVA WTO)	<p>Explores options outside formal amendment (e.g. CVA Com Decision)</p>	<ul style="list-style-type: none"> • Limited in scope territorially and services • To check admin burden on business • Objection by dev'ing countries 	<p>Medium-Low (depending on scope)</p>
Standing carrier via exception	<ul style="list-style-type: none"> • Soft law option e.g. CVA Com Decision • Applied by a subset of MS 	<ul style="list-style-type: none"> • Very limited in scope and not suitable to address Mode 5 	<p>Medium-Low (depending on scope)</p>
Standing the Harmonized System (WCO)	<ul style="list-style-type: none"> • Multilateral approach (all HS Parties) • WCO as front-runner 	<ul style="list-style-type: none"> • Lengthy timelines • Identify technical feasibility 	<p>Medium-High</p>
Treaty	<ul style="list-style-type: none"> • Multilateral approach • Comprehensive long-term GVC friendly rules • Possibility of a plurilateral 	<ul style="list-style-type: none"> • Lengthy timelines • Still need for consensus for plurilateral 	<p>Medium-High; Outside WTO (?)</p>

As options

Option	Pros	Cons	Complexity
<p>Forms value addition (Art 8.1 (b) GATS/WTO)</p>	<p>Bilateral; easier to agree</p>	<p>To check admin burden on business</p>	<p>Medium-low</p>
<p>Secondary rule of origin (RoO)</p>	<ul style="list-style-type: none"> • Bilateral option so easier to agree • Minor re-design of RoO 	<p>Sensitivity of RoO in EU and divergent interests by sector and countries</p>	<p>Medium-low</p>

Recommendations

Improve definition of Mode 5 services

Develop additional economic analysis (case studies)

Conduct awareness raising (industry, Member States)

Consolidate relevant knowledge at WTO, OECD, UNCTAD

Map out possible implementation issues under selected options

Further Research

Sectorial case studies

Further assessment of gains for developing countries

Legal decision-making options (pluri- or multilateral agreement) at WTO (or outside)

A GVCs treaty

THANK YOU



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