PART TWO

GATS AND THE ROLE OF REGULATION IN SERVICES TRADE
CHAPTER SIX

GATS AND DOMESTIC REGULATION:
BALANCING THE RIGHT TO REGULATE AND
TRADE LIBERALIZATION

Jan Wouters and Dominic Coppens

1. Introduction

Today we are witnessing remarkable changes in the structure of service sectors: liberalization of service markets, transnationalization of service companies and growing foreign direct investment in service sectors. Services, which developed in the past 30 years into the largest economic sector in many countries, are increasingly transcending national borders. The General Agreement on Trade in Services (GATS), the World Trade Organization’s (WTO) set of multilateral rules governing international trade in services developed during the Uruguay Round, aims at facilitating this shift towards international liberalization by breaking down national barriers. These barriers are very different from the ‘traditional’ barriers that affect international trade of goods. Due to their ‘invisible’ character, services are barely affected by border measures: there are no tariffs, and quotas are very hard to uphold. Rather, services are subject to a “myriad of domestic regulations”. So, while the liberalization of trade in goods only recently became involved in sensitive domestic areas such as technical standards, GATS had to tackle from the outset internal policy issues ranging from qualification and licensing requirements in professional services,

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1 The first author is Professor of International Law and the Law of International Organizations, Director of the Institute for International Law, Leuven University; Of Counsel, Linklaters De Bandt, Brussels. The second author is Research Assistant at the Institute for International Law, Leuven University. We would like to thank Markus Krajewski and Bart De Meester for their helpful comments on an earlier version of this paper. All errors remain ours. An earlier version of this paper is published in K. Byttebier, K. Van der Borght (Eds.), J. Wouters, F. Zia Mansoor (Ass. Eds.), WTO Obligations and Opportunities—Challenges of Implementation, London, Cameron May, 2007, pp. 25–84.
