

## COMMUNICATION FROM SWITZERLAND

### GATS 2000: Distribution Services

The following communication has been received from the Swiss delegation with the request that it be circulated to Members of the Council for Trade in Services.

#### **I. INTRODUCTION**

1. The distribution sector is a crucial link between producers and consumers. As such, it constitutes an extension of trade in goods, for which it opens up essential new market opportunities. The efficient operation of distribution services guarantees optimal allocation of resources and enables supply to be matched as closely as possible to demand.

2. Distribution services have an important role to play from a macroeconomic point of view, although no precise statistical indicators exist. Distribution is the link between producers and consumers. Efficient distribution allows consumers to enjoy freedom of choice from among a wide range of products. Boosting distribution service efficiency can contribute significantly to reducing prices, particularly in view of the important share of distribution in the price of the end product. Finally, distribution services are labour-intensive.

#### **II. TREATMENT OF DISTRIBUTION SERVICES IN THE GATS**

3. The GATS classification list includes four types of distribution service:

- (i) Commission agents' services
- (ii) Wholesale trade services
- (iii) Retailing services
- (iv) Franchising

4. In principle, distribution services encompass the distribution of goods as well as a number of related services, such as inventory management; sorting and grading of goods into large lots; breaking bulk and redistribution into smaller lots; delivery services; refrigeration services; sales promotion services rendered by wholesalers; and services associated with retailers' businesses, e.g. processing subordinated to selling, and warehousing and garage services.

5. Some goods, namely certain pharmaceutical, medicinal and orthopaedic products, toxic substances and explosives, are often excluded from the scope of the commitments undertaken by Members. Some foodstuffs, beverages and tobacco, together with arms, ammunition and precious metals, are subject to specific provisions and often not included in the commitments. A number of

import restrictions remain in force (e.g. for reasons of food security) and prevail over the distribution of goods.

6. The delimitation of distribution services is not always easy. Some restaurant chains, for example, are involved in distribution when they sell take-away food. It is interesting to note that, in principle, cross-border electronic commerce in goods is covered by distribution service commitments, under modes 1 and 2.

7. As a general rule, few Members have made commitments in the distribution sector (36 Members). Most such commitments relate to wholesale trade (34) and retailing (33). Likewise, only a limited number of Members have liberalized commission agents' services (21) or franchising (23). Even so, Members with commitments account for, on average, around 90 per cent of the GDP of all WTO Members.

8. Switzerland is very liberal in this respect. The four subsectors are completely open, with the exception of a few cantonal restrictions under mode 3 (establishment of commercial presence) and the horizontal restrictions related to mode 4 (presence of natural persons).

9. In mode 1 (cross-border trade) and mode 2 (consumption abroad) there are hardly any market access or national treatment restrictions in the commitments undertaken by Members. Mode 3 commitments, on the other hand, carry a number of restrictions, the most common being the economic needs test, licence issuing requirements and restrictions on investment.

10. Distribution, more than any other service sector, is dependent upon the existence and reliable and transparent implementation of national regulations. Health, safety, urban planning and the environment are among the reasons often adduced by Members in order to enact rules affecting the supply of a distribution service. Although such rules are legitimate, they can at times be more restrictive than is truly necessary.

### **III. PROPOSALS**

11. We hope that more Members will make distribution sector commitments for all modes of supply, cross-border supply in particular. Commission agents' services and wholesale trade should be largely liberalized since they are aimed at a sophisticated clientele. Market access and national treatment restrictions should be re-examined with a view to their elimination.

12. The list of goods subject to restricted distribution on the grounds of national security, food security or public health should be re-examined and kept to a bare minimum. In particular, limitations on trade in pharmaceuticals, foodstuffs and luxury goods should be, if not abolished, at least confined to those which are strictly necessary.

13. Given the significance of national regulations affecting distribution services, we feel that the Services Council needs to examine, in a special session, the pertinence of Article VI (Domestic Regulation) with a view to clarifying its scope in respect of distribution services. Members must be prevented from implementing disproportionate measures in accordance with their individual policy objectives. At the same time, commission agents' and wholesale trade services, which are directed at a sophisticated clientele, should be largely exempted from regulatory restrictions.

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