THE FREE MOVEMENT OF SERVICES (AND THE LIBERALISATION OF MARITIME SERVICE SECTOR) IN THE EUROPEAN UNION (EU): THE LIMITS OF INSTITUTIONAL STEPS FROM ABOVE

Levent Kirval,
Asst. Prof. Dr.
Maritime Faculty
Istanbul Technical University
Email: lkirval@itu.edu.tr

Abstracts. This paper gives an account of the historical development of the free movement of services (including the maritime service sector) in the EU and it also focuses on the limits of institutional steps taken by Brussels in further advancing liberalisation of the Single Market. By moving on from the consensus that is achieved in the multilateral trade negotiations of General Agreement on Trade and Tariffs (GATT) and The General Agreement on Trade in Services (GATS), the EU member states have taken further measures to deepen the economic integration with a view to create a single market by means of free movement of goods, services, capital and labour. However, the free movement of services (and to a certain extent the free movement of labour, due to the cultural differences, the problems in mutual recognition of diplomas and the language problems) have remained limited; although the European institutions have taken various measures and developed the relevant parts of the *Acquis Communautaire* in time. In this context, this paper will elucidate why the services sector is lagging behind within the Single Market, and it will also offer several steps to further deepen the economic integration in this field.

1. INTRODUCTION

Trade has always been an important part of the lives of societies and has influenced the development of cultures. Human beings, by using the goods and services they have produced as a surplus value, have always searched for ways to increase their income. As a result, trade, which was once an activity between cities, has exceeded the boundaries of the states. Port cities have quickly developed and the level of prosperity of the societies that were engaged in trade activities has also increased. The impetus behind the discoveries during the 'middle ages', and the efforts of colonisation that followed, has again been trade.

Firstly, the mutual trade of goods increased between the societies and the states. Yet, in parallel with the increasing needs, the services sector has began to have a trading aspect. People at first thought that this field was not suitable for trading activities. Unlike the trading of goods, in the trade of services, it has been thought that there has to be a direct connection between the service supplier and the person who gets the service. As a result, trade in services is considered as a field that would not have an important place in international trade. However, the existence of transportation as a service sector for centuries quickly proved the shortcomings of this view. And today, 20 % of the world trade is composed of the services sector and as a result of the developing communication technologies; its share is further increasing.

The increase in international trade has also caused various problems in international relations. Global arrangements became very important especially after the World War II as they would eliminate the negative effects of increasing competition and further expand the trade activities. The aim was to create binding rules for trade and further liberalise the world markets.

These efforts to liberalise the trade between states are also visible today within the regional and global political institutions such as the Word Trade Organization, the EU, NAFTA, ASEAN and MERCOSUR. The legal framework of these political structures is detailed in various international agreements.

2. TRADE LIBERALISATION: GENERAL FRAMEWORK

General Agreement on Trade and Tariffs (GATT)

After the Second World War, although there existed a continuing belief in the idea that international trade is important for economic development, the countries decided to create multilateral rules for trading due to the lessons learned from the mercantilism of the previous decades. In this context, after having discussions on tariffs and products, 23 countries signed the General Agreement on Trade and Tariffs (GATT) in Geneva on October 1947. In order to develop international trade, GATT has aimed at the gradual decrease in the custom duties and quantity restrictions, and this agreement is generally regarded as the most important step in the liberalisation of the world trade.

Historically, the most important difficulty that is faced during the international trade activities has been the restrictions and the barriers that countries implement towards each other or a third country[1]. The most widespread of theses barriers are the custom duties and quantity restrictions that the countries apply to foreign origin goods. With the custom duties, the countries decrease the competition chance of the goods entering to their markets and in that way they create a preferential environment for their own producers. In the same way, with the quantity restrictions, the countries give permission to imports in very limited quantities and for certain number of goods. As both the custom duties and quantity restrictions formed an important barrier to international trade, GATT has aimed to gradually remove all these.

Overall, GATT is formed on four main principles, which can be summarized as; The Most Favored Nation Clause, the National Treatment Clause, the Consolidation of the Custom Duties Clause, and the Sole Protection by Custom Duties Clause. In the context of 'The Most Favored Nation Clause', the signatory countries accepted that they, immediately and without any conditions, will implement their most favored nation treatment to the goods and good suppliers of all other countries. However, countries would also be able to define some derogation lists in the areas where they wish to implement different treatments. In the context of The National Treatment Clause, signatory countries confirmed to implement the same treatment, which they implement to their own good suppliers, to all the foreign good suppliers. The Consolidation of Custom Duties Clause aimed liberalisation and harmonization in the long run. And the Sole Protection by Custom Duties Clause aimed at eliminating the non-tariff barriers. (Such as procedural hurdles that are created by national bureaucracies for foreign good suppliers in their entry to the market.)

The scope of GATT has developed in time with the GATT rounds and with the participation of more countries. On the whole, strengthening of international rules for trade has been the main aim of all Rounds. Eight multilateral rounds have been concluded up to today, and these are shown below.

Table 1

GATT Rounds

Rounds	Year	Agenda	Nr. of Participant Countries
Geneva Round	1947	Tariffs	23
Annency Round	1949	Tariffs	13
	1951	Tariffs	38
Geneva Round	1956	Tariffs	26
Dillon Round	1960 – 1961	Tariffs	26
Kennedy Round	1964 – 1967	Tariffs, anti-damping	62
Tokyo Round	1973 – 1979	Tariffs, non-tariff barriers, framework agreements	102
Uruguay Round	1986 – 1994	Tariffs, non-tariff barriers, framework agreements, services, intellectual property rights, solution of disagreements, textiles, agriculture, setting up of the WTO	123

In the meetings of the Dillon Round (1960 – 1961), the common custom duties implemented by the newly established European Economic Community (EEC) to the third countries have been heavily discussed, but a consensus could not be achieved. Only with the Kennedy (1964 – 1967) and Tokyo Rounds (1974 – 1979) the custom duties could be pulled down internationally to an average ratio of 35 %. However, most of the rules implemented in international trade today have been set in the Uruguay Round and it continued more than seven years. The GATT multilateral trade negotiations began in September 1986 in Uruguay and finished on the 15th of December 1993. The Final Draft, which was signed at the end of Uruguay Round negotiations, is composed of agreements, compromises, decisions and declarations. The Final Draft also included the binding confirmation lists prepared by the participating countries, which aimed to decrease and eliminate the tariff and non-tariff barriers.

In the Uruguay Round besides the trade in goods, other subjects such as the trade in services, intellectual and industrial property rights and investments influencing the trade have also been discussed. At the end of the Uruguay Round, 29 agreements and compromises have been accepted as a package. By these agreements the schedule for the mutual liberalisation by countries and country groups has been determined. As a result of the Uruguay Round, the signatory countries of GATT have also decided to transfer all of their trade related rights to the newly formed World Trade Organization (WTO).

WTO began its activities on 1st of January 1995. Today, more than 150 countries are full members of the WTO. The members, in the framework of international agreements embodied in the WTO; aim at creating a system where the countries do not have differentiated treatments towards each other in trading activities. In that framework, the rules that WTO has determined for the liberalisation and the development of the world trade can be summarized as: non discrimination in tariff implementations, the multilateral reduction of custom tariffs, the removal of import quotas and the acceptance of WTO's mediation in trading disputes by the member states.

Surely, the most important agreement within the WTO is GATT. The appendixes of GATT also includes subjects like trade in goods, product standards, subventions and steps to be taken towards anti-damping activities. However, the 'trade in services', which covers a large area from banking to insurance, communication to tourism, transportation to architectural activities, by another international agreement in the framework of WTO; namely the General Agreement on Trade in Services (GATS). The importance of the trade in services has increased and gained an international dimension in the last decades due to the growth in the foreign direct investments, internationalisation of labour, increasing transportation activities between countries and the newly developing services based on information and communication technologies. In this context, GATS has taken its place in the appendixes of the Final Act that was signed after the GATT's Uruguay Round at Marrakech and came into force on 1 January 1995.

General Agreement on Trade in Services (GATS)

GATS is the first multilateral agreement that regulates international trade in services. However, the clear-cut definition of the 'service' term has not been given within GATS, for not excluding possible service sectors that can emerge in the future as a result of the developing technology. Therefore, all the services excluding the 'sectors that governments provide without trading purposes and without competition with other service suppliers' are included to the agreement. Within GATS, international trade in services has been mainly regulated under 11 major headings. These are; professional services, communicational services, engineering and architectural services, distributional services, educational services, environmental services, fiscal services, health and social services, cultural services, services about tourism and travel, transportation services (maritime and others) and other services (such as energy distribution services).

The agreement's main text contains the general rules for international trade in services and the duties of the signatory countries. In also contains the commitment and derogation lists of the signatory countries

about the opening of their service markets to service suppliers. With the commitment lists, the countries (after giving in detail the actual restrictions in the concerned areas) commit themselves for not creating further restrictions. The derogation lists contain the names of the countries, which the signatories will have different trading treatments. In this context, 95 member states have presented their commitment lists in the area of services and 61 member states have presented their derogation lists in the framework of "the Most Favored Nation Principle" in the Final Document, signed after the Uruguay Round in 15th of April 1994.

GATS also prevents the withdrawal of the signatory countries from the liberalisation agreements, which they signed for the trade in services. According to the agreement, if a country that has a commitment in one of the service sectors wants to pull back his commitment, it is responsible to pay for all the losses of the countries which are negatively affected by this situation.

Signatory countries of the GATS also called for regular future rounds to increase the commitments of countries and achieve more advanced liberalisation in the services sector. Article 9 of the GATS stated that a new round should take place no later than 5 years after the entering into force of the agreement. In this context, the new round of GATS discussions began on the January of 2000 in Geneva, but as the number (and determination) of participating countries to this round was not as big as the Uruguay Round, there have not been major advancements in the liberalisation of trade in services.

Today, the restrictions to trade in services generally take place in two ways. The first of these can be examined under the title of "measures affecting the entrance of the supplier to the market". With these measures, the countries are forming barriers against the entry of foreign service suppliers to the national markets. The quotas put on imported services, the necessity of licenses and diplomas in providing services, and residence and working permit requirements can be given as examples to this. The other group of restrictions in services can be named as "national treatment measures" and these can be examined in two subgroups. In the first camp the cost of the domestic services supplier is reduced with the direct state subsidies, where as in the second camp the costs of the foreign service suppliers are increased with various measures. The necessity for foreign banks to provide a higher rate of reserve when compared with national banks, or their responsibilities to pay higher taxes can be given as examples for this. All these aim to form an environment that favours the domestic producer by decreasing the competitiveness of the foreign service supplier.

These measures make the entry of foreign service suppliers to the national markets very difficult. Therefore, GATS is characterized as the most important step taken for the gradual removal of these types of measures. The signatory countries have aimed at determining the actual situation in the area of services first, and following that, they taken steps to prevent the development of similar barriers in the future.

With GATS, the countries have formed their lists of commitments and derogations in 4 major 'Service Modes'. 1st service mode is the "cross border trade in services", 2nd service mode is the "services consumed abroad", 3rd service mode is the "right to provide a service in a foreign country" and the 4th service mode is the 'services given via the movement of real persons".

1st Service Mode – cross border trade in services: In the framework of this service mode, signatory countries lists the countries with which trading in services is possible. Examples to that kind of trade in services are the transportation services, the reservation of tickets and touristic trips by the internet and other telecommunication technologies.

2nd Service Mode – services consumed abroad: In the framework of this service mode, signatory countries lists whether their citizens can or can not receive the services provided abroad. The widest among these kinds of services is the travel of the individuals to other countries and the consumption of the services in these countries.

3rd Service Mode – right to provide a service in a foreign country: The entry of any service supplier to the national market and whether he/she can or can not form a trading entity by opening a company, branch or

an agency is detailed in this service mode. The Countries party to the GATS have determined to which service suppliers they will provide the right to settle.

4th Service Mode – the services given via the movement of real persons: In the framework of this service mode, the regulations for the staff of the foreign companies, which have the permission in the framework of 3rd Service, are given. Signatory countries detail the conditions for the foreigners to supply services.

Broadly, the trade in services has been regulated in the context of these service modes within GATS, and the signatory countries have given clearly their commitments and derogation lists for these service modes. A large derogation list of one signatory country shows that this country does not provide a liberal environment in that area. Yet, because of the differences in service sectors of the countries and their varying economic development levels, none of the countries have given promises to liberalise all the service sectors.

3. LIBERALISATION OF TRADE IN SERVICES IN THE EU

Article 2 of the GATS contains the 'most favoured nation' clause that states that each member state will immediately and without any condition implement a treatment not less differentiated than the one it has implemented to its most favoured country, to any other member's services and service suppliers. In the agreement, the exception of this rule has been given under the Article 5 titled 'Economic Integration'. Here, it states that the signatory countries of GATS may form a group to further develop the liberalisation. In this context, the steps that are taken in the EU for further liberalisation of the services sector are taken in accordance with the GATS.

From beginnings of the European integration up to today, the EU member states have taken steps to create free movement in four major economic areas. The belief here was that the economic integration would facilitate the political unity. These are: the free movement of goods, the free movement of services, the free movement of capital and the free movement of labour.

Of these, the free movement of services in the EEC has been first mentioned in the 59 – 66th articles of the Rome Treaty which came into force on 1 January 1958. Here the term service is used for industrial, commercial and professional services in the Community. By these articles, the gradual removal of the different implementations and restrictions within the Community (following the transition periods) has been decided upon. These articles also underlined that the service providers can continue their activities in the member states for a given period of time and during this period they will have the same rights with the nationals of those countries. These articles also permitted the member states to go beyond the regulations in the implementation phase, if their economic conditions allowed it. As a rule, the services had to be provided within the member states, whereas the supplier and the buyer of the service could reside in different countries. However, after the ending of the service, the supplier or the buyer of the service had to return to his/her country, the services should not have been given freely, and the service had to have a temporary characteristic.

The Rome Treaty has stated that the member states have to protect the level of liberalisation after the Treaty's entry into force. Article 62 has detailed this in the framework of the Standstill rule:

"Member states, concerning the free movement of services, can not put new restrictions to the liberalisation level attained, after the coming into force of this agreement".

As the article created a direct effect on the EU member states about their internal regulations, they could not take legal steps to limit the movement of services after the signing of the Rome Treaty. On the other hand, the timetable and the method of removing existing restrictions have been stated in the Article 63 of the Treaty.

First paragraph:

"Before the ending of the first period, the Council, with the proposal of the Commission, after consulting the Economic and Social Committee and the General Assembly, decides on the General Program for the

removal of the restrictions on service acquirement by unanimity. The Commission presents this proposal to the Council in the first two years of the first period. The Program determines the general conditions and periods of the freedom for each branches of service".

Second Paragraph:

"For the implementation of the General Program or in case of the absence of that program, for the implementation of a phase to liberalise a particular service, the Council; with the proposal of the Commission, after consulting the Economic and Social Committee and the General Assembly drafts directives (after the fist period) first by unanimity then by qualified majority".

In this context, the Council of the EU, with the authority coming from the articles of the Rome Treaty cited above, has prepared a General Program on the free movement of services for the EEC, on 18 December 1961.[2] With the so called program, general principles about the removal of the restrictions on the free movement of services have been decided upon.

The General Program, which was the first general regulation about the free movement of services in the Community, has foreseen the removal of all the favouritisms related with citizenship related laws. In the Program, it has also been stressed that all steps for the liberalisation of trade in services should be taken in coordination. The periods in this program were:

1st period: 1 January 1962 – 31 December 1963;
2nd period: 1 January 1964 – 31 December 1965;
3rd period: 1 January 1966 – 31 December 1967;
4th period: 1 January 1968 – 31 December 1969.

The EEC has aimed to gradually remove all the unfair regulations that existed in the laws of the member states with regards to various service sectors. In the first period, the existent restrictions on the industrial activities, the wholesales and the commercial representatives' activities have been removed. The restrictions in retail sales and food industry would be removed in the second period. Cleansing of the member states' laws from the regulations containing discrimination about self-employment activities (such as doctors, nurses and pharmacists) could only be improved in the third and fourth periods. In the Treaty of Rome, the 12 year transition period (1958 – 1970) of the Customs Union has also been targeted for the removal of the restrictions in trade in services. Undoubtedly, the main idea was the coordinated development of the regulations about the free movement of goods, services, capital and labour. But there have been important difficulties in deciding when to liberalise various service sectors. It can be said that even today a full liberalisation could not be achieved for in service sectors (one important sector being the maritime transportation).

In the transition from the EEC to the EU, as in many other areas, there have also been changes in the regulations about the free movement of services. Especially the 63rd article of the Rome Treaty that detailed how the restrictions on the free movement of services should be removed has become the 52nd article of the Amsterdam Treaty as:

For the liberalization of a particular service, the Council with the proposal of the Commission, after consulting the Economic and Social Committee and the General Assembly, drafts directives by qualified majority.

As a result, the Council of the EU has enacted directives and regulations whose technical details have been determined by the Commission and on which European Parliament has given its view in the following years. The majority of these directives in those years regulated in detail the self-employment activities in the services sectors.

In liberalisation of the trade in services the 'Right of Residence' is crucial. In this context, the regulations about the free movement of labour and right of residence are also related with the free movement of services. The right of residence provides the right to establish work and provide a service to an EU

national. The basis of that mentioned right has been established with the 52 – 58th articles of the Rome Treaty and with these articles the EU member states have affirmed that they will gradually remove the restrictions related with the residence issues.

From its beginnings, the principle of non-discrimination due to citizenship (for EU nationals) has been one of the basic principles of the EU. In this context, the right of residence and working within the Union in another member state has been possible with the view that the free passage of persons from one country to another is necessary for further deepening of the common market. Moreover, European Social Policy which developed again in parallel with the same principle has provided the member states' citizens the opportunity to work under more or less equal conditions within the EU.

The examples of the regulations that form the general legal framework in the free movement of labour and residence, which are also crucial for providing basic services within the EU, are given below:

I – Council Directive 85/384/EEC of 10 June 1985 on the mutual recognition of diplomas, certificates and other evidence of formal qualifications in architecture, including measures to facilitate the effective exercise of the right of establishment and freedom to provide services (OJEC L 223, p. 0015 – 0025, 21 August 1958).

II – Council Directive 64/221/EEC of 25 February 1964 on the coordination of special measures concerning the movement and residence of foreign nationals which are justified on grounds of public policy, public security or public health (OJEC B 056, p. 0850 – 0857, 4 April 1964).

III – Council Directive 73/148/EEC of 21 May 1973 on the abolition of restrictions on movement and residence within the Community for nationals of Member States with regard to establishment and the providing of services (OJEC L 172, p. 0014 – 0016, 28 June 1973).

IV – Council Directive 77/249/ EEC of 22 March 1977 to facilitate the effective exercise of lawyers to provide services (OJEC L 078, p. 0017 – 0018, 26 March 1977).

V – Council Directive 89/48/ EEC of 21 December 1988 on a general system for the recognition of higher-education diplomas awarded on completion of professional education and training of at least three years' duration (OJEC L 019, p. 0016 – 0023, 24 January 1989).

VI – Council Directive 90/364/EEC of 28 June 1990 on the right of residence (OJEC L 180, p. 0026 – 0027, 13 July 1990).

VII – Council Directive 90/365/EEC of 28 June 1990 on the right of residence for employees and self-employed persons who have ceased their occupational activity (OJEC L 180, 13 July 1990).

With the legal steps such as above, it has been possible for the member states' citizens to get the right of free movement and residence. These regulations have also been crucial in the increasing ratio of the trade in services within the EU. According to the data of the WTO, today, 60 % of the total trading of the 46 economically notable countries is formed by the services sector. And the EU is in the position of the world's greatest service provider. The EU has the 25 % of the world trade in services; this ratio is 22 % for the United States and 7 % for Japan.

As it can be easily seen in Tables 2, 3 and 4, services sector is crucial for the economies of the EU member states. However, it is not still possible to say that all the restrictions on trade in services have totally been eliminated within the EU. When observed closely it appears that a large part of liberalisation have taken place in the financial services. Again, in telecommunications, transportation (excluding maritime and air transportation) and energy sectors, one can see the free movement of services to some extent. The level of liberalisation in the trade in services is also visible in the associated parts of the *Acquis Communautaire.* In this regard, some of the major regulations of the different sectors are given below.

Table 2

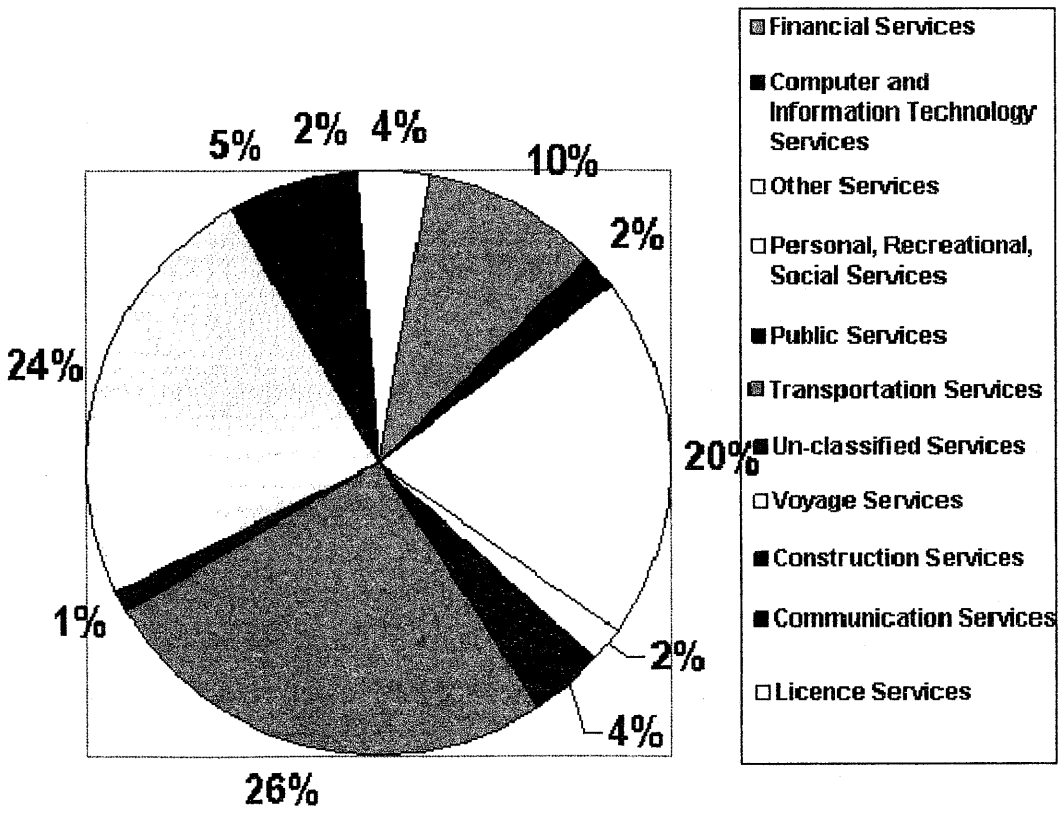
Service Sectors of the EU Member States (% of GDP – 2005 prices)

	Agriculture	Industry	Services - Private (Construction Included)	Services - Public
Germany	1,3	22,8	51,1	19,7
Austria	2,3	22,6	50,6	18,6
Belgium	1,7	22,5	47,7	21,4
Denmark	3,3	16,3	46,3	23,1
Finland	3,5	27,0	41,0	18,2
France	3,1	19,2	48,3	21,3
Holland	3,1	19,4	50,2	20,2
England	1,5	21,9	50,4	19,3
Spain	4,4	21,3	50,0	18,9
Sweden	2,1	24,6	45,0	21,0
Italy	3,1	23,2	50,2	17,4
Luxembourg	0,8	15,0	66,0	16,8
Portugal	4,5	21,2	47,2	21,4
Greece	8,2	14,4	51,6	17,3

Source: Eurostat

Table 3

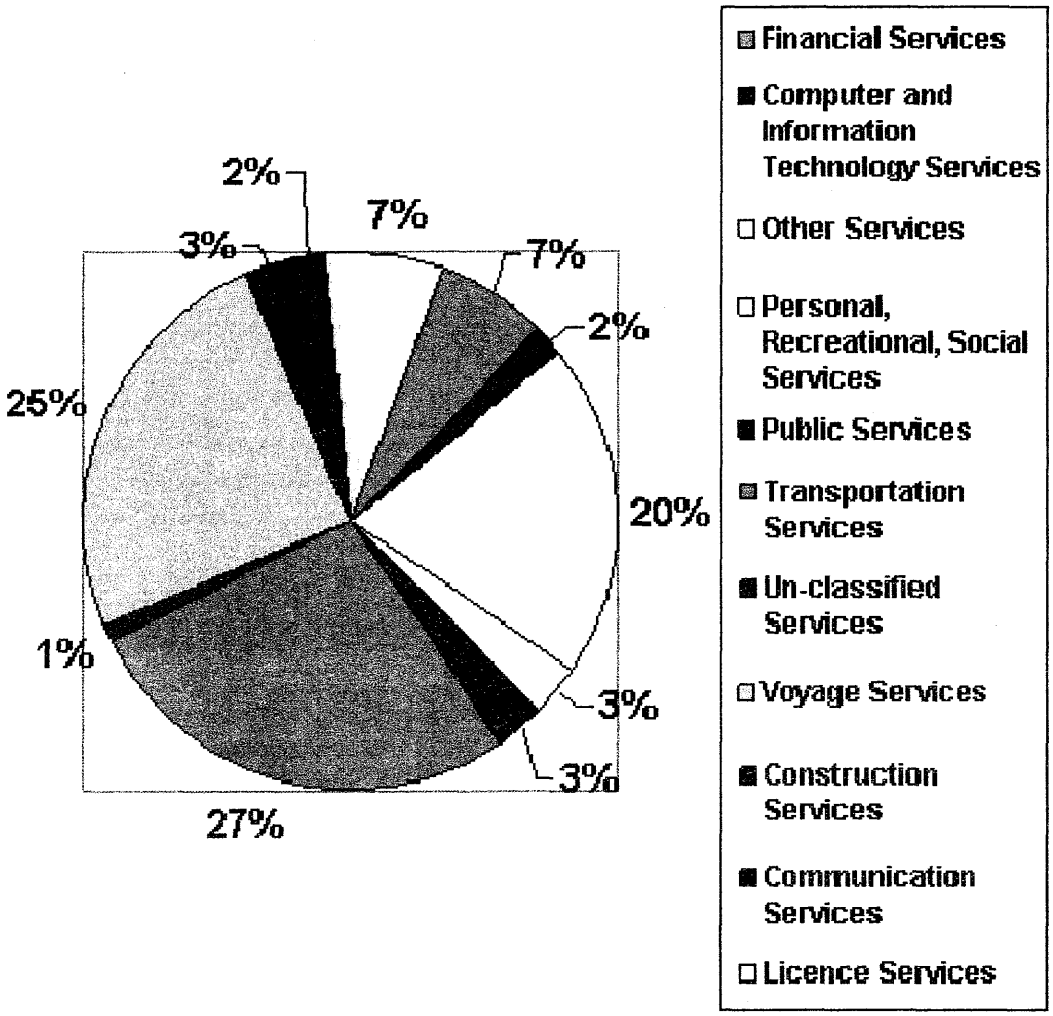
EU Member States' Exports in Services (Sectoral Ratio)



Source: Eurostat

Table 4

EU Member States' Imports in Services (Sectoral Ratio)



Source: Eurostat

General Regulations about Trade in Services

I – Council Directive 63/340/EEC of 31 May 1963 on the liberalization of payments concerning trade in services (OJEC 086, p. 1609, 10 June 1963).

II – Council Directive 63/607/EEC of 15 October 1963 concerning the liberalization of film industry (OJEC L 159, pp. 2661 – 2664, 2 November 1963) (has undergone changes several times).

III – Council Directive 64/222/EEC of 25 February 1964 on the abolishment of the restrictions concerning the sector of wholesales, commercial and intermediate services (OJEC 056, pp. 857 – 859, 4 April 1964).

IV – Council Directive 63/224/EEC of 25 February 1964 on the abolishment of restrictions concerning retail sales and the trade of hand made products (OJEC 056, pp. 869 – 873, 4 April 1964).

V – Council Directive 64/225/EEC of 25 February on the abolishment of restrictions on the sector of reassurance services (OJEC 056, pp. 878 – 880, 4 April 1964).

VI – Council Directive 64/220/EEC of 25 February on the abolishment of restrictions concerning the financial services (OJEC 056, pp. 878 – 880, 4 April 1964).

VII – Council Directive 64/221/EEC of 25 February 1964 on the coordination of special measures concerning the movement and residence of foreign nationals which are justified on grounds of public policy, public security or public health (OJEC 056, pp. 850 – 857, 4 April 1964).

VIII – Council Directives 64/427/EEC, 64/428/EEC, 64/429/EEC of 7 July 1964 concerning the abolishment of restriction about the service supply of various small scale enterprise groups (OJEC 117, pp. 1863 – 1892, 23 July 1964).

IX – Council Directive 65/1/EEC of 14 December 1964 concerning the abolishment of restrictions on agricultural and gardening services (OJEC 001, pp. 001 – 006, 8 January 1965).

As stated before, the Member states are responsible to harmonise their national legislations in parallel with these regulations.[3] The number of regulations about the free movement of services enacted during the transition period of the EEC, and the service sector itself has continued to develop in time. Some examples to these regulations are given below:

I – Council Directives 75/368/EEC and 75/369/EEC of 16 June 1975 concerning the temporary precautions, that are necessary to take in the free movement of services in various sectors (OJEC 167, pp. 22 – 30, 30 June 1975).

II – Council Directive 89/48/EEC of 21 December 1988 on mutual recognition of graduate diplomas (OJEC 019, pp. 16 – 23, 24 January 1989).

III – Council Directive 92/51/EEC of 18 June 1992 concerning the professional education and internships (OJEC 209, pp. 0001 – 0024, 24 July 1992).

Besides these regulations that are related with the general aspects of free movement of services, directives about various service sectors have also been enacted. Examples of these are given below:

Regulations concerning the Agricultural Services

I – Council Directive 67/532/EEC of 25 July 1967 concerning the plantation in the EU member states (OJEC 190, pp. 0005 – 0007, 10 July 1967).

II – Council Directive 67/531/EEC of 25 July 1967 concerning the freedom of nationals of EU Member States to enter agricultural cooperatives in the states they reside (OJEC 190, pp. 0003 – 0005, 10 July 1967).

III – Council Directive 67/654/EEC of 24 October 1967 concerning the services given by self-employed in forestry activities (OJEC 263, pp. 006 – 010, 30 October 1967).

IV – Council Directive 68/192/EEC of 5 April 1968 concerning freedom of access to the various forms of credits for EU nationals to establish farms in the EU (OJEC L 093, pp. 0013 – 0014, 17 April 1968).

Regulations concerning the Insurance Services

I – Council Directive 72/166/EEC of 24 April 1972 concerning the insurances of motor vehicles (OJEC L 103, pp. 0001 – 0004, 2 May 1973).

II – Council Directive 73/240/EEC of 24 July 1973 concerning the basic insurance services (OJEC L 228, pp. 0020 – 0022, 16 August 1973) (has undergone changes for several times).

III – Council Directive 56/580/EEC of 29 June1976 concerning the harmonization of the legislations of the EU member states in the services of basic insurances (OJEC L 189, pp. 0013 – 0014, 13 July 1976).

IV – Council Directive 77/92/EEC of 13 December 1976 concerning the working conditions of insurance companies. (OJEC L 026, pp. 0014 – 0019, 31 January 1977).

V – Council Directive 78/473/EEC of 30 May 1978 concerning the group insurances (OJEC L 151, pp. 0025 – 0027, 7 June 1978).

VI – Council Directive 78/473/EEC of 30 May 1978 concerning the reassurance services (OJEC L 151, pp. 0025 – 0027, 7 June 1978).

VII – Council Directive 79/267/EEC of 5 March 1979 concerning life insurances (OJEC L 063, pp. 0001 – 0008 13 March 1979) (has undergone changes for several times).

VIII – Council Directive 84/5/EEC of 30 December 1983 concerning comprehensive insurances (OJEC L 008, pp. 0017 – 0020, 11 January 1984).

IX – Council Directive 87/344/EEC of 22 June 1987 concerning the expenditures of insurance companies (OJEC L 185, pp. 0077 – 0080, 4 July 1987).

X – Council Directive 91/674/EEC of 19 December 1991 concerning the yearly financial accounts of the insurance companies (OJEC L 374, pp. 0007 – 0031, 31 December 1991).

Regulations concerning the Banking Services

I – Council Directive 73/183/EEC of 28 June 1973 concerning the abolishment of restrictions of the activities of the banks and financial enterprises in the EU member states (OJEC L 194, pp. 0001 – 0010, 16 July 1973).

II – Council Directive 77/780/EEC of 12 December 1977 concerning the harmonization of national regulations on credit associations (OJEC L 322, pp. 0030 – 0037, 17 December 1977).

III – Council Directive 86/635/EEC of 8 December 1986 concerning the integration of the annual financial accounts of banks and financial enterprises (OJEC L 372, pp. 0001 – 0017, 31 December 1986).

IV – Council Directive 89/117/EEC of 13 February 1989 concerning the publication of annual accounts of the branches of banks (OJEC L 044, pp. 0040 – 0042, 16 February 1989).

V – Council Directive 89/229/EEC of 17 April 1989 concerning the usage of resources of credit associations (OJEC L 124, pp. 0016 – 0020, 5 May 1989).

VI – Council Directive 91/31/EEC of 19 December 1990 concerning the multinational development banks (OJEC L 017, pp. 00020, 23 January 1991).

VII – Council Directive 92/30/EEC of 6 April 1992 concerning the observation and inspection of credit associations (OJEC L100, pp. 00052 – 0058, 28 April 1992).

VIII – Council Directive 97/5/EEC of 27 January 1997 concerning cross-border credit transfers (OJEC L 043, pp. 00025 – 0031, 14 February 1997).

Regulations concerning the Stock Markets

I – Council Directive 79/729/EEC of 5 March 1979 concerning the security system coordination about the shares in the stock market (OJEC L 066, pp. 00021 – 0032, 16 March 1979) (has undergone changes several times).

II – Council Directive 80/390/EEC of 17 March 1980 concerning the coordination of the shares in the Stock Market (OJEC L 100, pp. 00001 – 0026, 17 April 1980) (has undergone changes several times).

III – Council Directive 82/121/EEC of 15 February 1982 concerning information to be published on a regular basis by companies the shares of which have been admitted to official stock-exchange listings (OJEC L 048, pp. 0026 – 0029, 20 February 1982) (has undergone changes several times).

IV – Council Directive 85/611/EEC of 20 December 1985 concerning the coordination of the administrative and legal legislations on the collective investments (OJEC L 375, pp. 0003 – 0018, 31 December 1985) (has undergone changes several times).

V – Council Directive 93/22/EEC of 10 May 1993 concerning the services of portfolio investments (OJEC L 141, pp. 0027 – 0046, 11 June 1993).

Regulations concerning the Transportation Services

1 – Council Directive 82/470/EEC of 29 June 1982 concerning the services of transportation, travel and product storage (OJEC L 213, pp. 0001 – 0007, 21 July 1982) (has undergone changes for several times).

II – Council bylaw 4057/86 of 22 December 1986 concerning the maritime transportation between the EU member states and between member states and third countries (OJEC L 378, pp. 0014 – 0020, 31 December 1986) (has undergone changes several times).

III – Council Directive 87/540/EEC of 9 November 1987 concerning the mutual recognition of the diplomas of the employees in the maritime transportation sector (OJEC L 322, pp. 0020 – 0024, 12 November 1987) (has undergone changes for several times).

IV – Council Directive 91/670/EEC of 16 December 1991 concerning the mutual recognition of the civil aviation licenses (OJEC L 373, pp. 0021 – 0025, 31 December 1991).

V – Council bylaw 2407/92 of 23 July 1992 concerning licenses of air transportation (OJEC L 240, pp. 0001 – 0007, 24 August 1992) (has undergone changes for several times).

VI – Council bylaw 3577/92 of 7 December 1992 concerning the liberalization of the services in maritime transportation (OJEC L 364, pp. 0007 – 0010, 12 December 1992).

VII – Council Directive 96/50/EEC of 23 July 1996 concerning the condition of obtaining a certificate for the firms transporting in domestic waters (OJEC L 235, pp. 0031 – 0038, 17 August 1996).

VIII – Council Directive 96/26/EEC of 29 April 1996 concerning the mutual recognition of the licenses of national and international passenger transporting operators (OJEC L 124, pp. 0001 – 0010, 23 May 1996).

Regulations on the Area of Movable and Immovable Properties

1 – Council Directive 67/43/EEC of 12 January 1967 concerning the services given by persons who deal with the purchase, selling and the renting of immovable properties (OJEC L 010, pp. 0140 – 0143, 19 January 1967) (has undergone changes for several times).

Regulations Concerning Services in Film and TV Broadcasting

I – Council Directive 63/607/EEC of 15 October 1963 concerning the abolishment of restrictions on the services given in the area of film industry (OJEC 159, pp. 2661 – 2664, 2 November 1963) (has undergone several changes).

II – Council Directive 70/451/EEC of 29 September 1970 concerning the free movement of services produced by self-employed film producers in the film industry (OJEC L 218, pp. 0037 – 0038, 3 October 1970).

III – Council Directive 95/47/EEC of 24 October 1995 concerning the standardization of the television signals (OJEC 281, p. 0051 – 0054, 23 November 1995).

Regulations Concerning Tourism

I – Council Directives 68/368/EEC and 68/369/EEC of 15 October 1968 concerning the abolition of the regulations that restrict the supply of various tourism services (OJEC 260, pp. 19 – 24, 22 October 1968) (has undergone several changes).

Regulations Concerning Health Services

I – Council Directive 75/362/EEC of 16 June 1975 concerning the mutual recognition of the certificates and diplomas of the health service suppliers (OJEC 167, pp. 0001 – 0013, 30 June 1975).

II – Council Directive 77/452/EEC of 27 June 1977 concerning the mutual recognition of the diplomas of nursing services (OJEC 176, pp. 0001 – 0007, 15 June 1977).

III – Council Directive 78/1027/EEC of 18 December 1978 concerning the coordination of regulations on the service supply of surgeon veterinaries (OJEC 362, pp. 0007 – 0009, 23 December 1978).

IV – Council Directive 78/1026/EEC of 18 December 1978 concerning the mutual recognition of the diplomas of veterinaries (OJEC 362, pp. 0001 – 0006, 23 December 1978) (has undergone changes several times).

V – Council Directive 80/115/EEC of 21 January 1980 concerning the mutual recognition of the diplomas of midwifes (OJEC 033, pp. 0008 – 0012, 11 February 1978) (has undergone changes for several times).

VI – Council Directive 85/433/EEC of 16 September 1985 concerning the coordination of the regulations in pharmaceuticals and the mutual recognition of the diplomas in this field (OJEC 253, pp. 0037 – 0042, 24 September 1985).

VII – Council Directive 93/16/EEC of 5 April 1993 concerning the mutual recognition of the diplomas and certificates of doctors in the EU (OJEC 165, pp. 0001 – 0024, 7 July 1993) (has undergone changes for several times).

Regulations Concerning Other Service Sectors

I – Council Directive 77/249/EEC of 22 March 1977 concerning the free service supply of the lawyers in the EU (OJEC 078, pp. 0017 – 0018, 26 March 1977 1978) (has undergone changes several times).

II – Council Directive 85/386/EEC of 10 June 1984 concerning the mutual recognition of the diplomas about the architectural services in the EU (OJEC 223, pp. 000028, 21 August 1985) (has undergone changes several times).

III – Council Directive 98/5/EEC of 16 February 1998 concerning the possibility to work for lawyers in countries other than countries they have received their diplomas (OJEC 077, pp. 0036 – 0043, 14 March 1998).

As it can be seen with all these regulations, the steps that are taken for the liberalisation of trade in services in the EU have a very large scope, and at the same time, are binding. Undoubtedly these regulations have been influential in the development of the free movement of services in the EU. However, despite all these legal and institutional steps, it is still possible to say that the integration and the liberalisation in the services sector are still slower compared to other economic areas.

Especially the differences between EU member states' taxation and social security systems cause several problems in the service supply. Furthermore, there are several problems about the mobility of the labour force. Today, while for an unqualified employer free movement does not constitute any problems; in jobs requiring diplomas the difference between countries still create difficulties (also for personnel who can work on land and sea in the maritime sector). As an example, in some of the EU member states while 6 years is required to complete the medical education, in others this period can be 5 years. As a result, member states can impede persons who have attained the medical education in another country. Although the European Court of Justice generally decides in accordance with further deepening of the free movement of services in relevant cases and generally decides against the member states which restrict the movement, legislative differences in the member states still create problems.

Moreover, the EU member states have also frequently used the articles of the Rome Treaty which gave them the right to restrict the free movement of services in certain conditions. These articles were as follows:

1. Concerning the public services, the member states are immune from the obligations about the free movement of services[4].
2. Council, with the proposal of the Commission can exclude some of the activities from free movement of services with qualified majority[5]
3. The national bylaws and regulations formed for the public order, public security and public health services in the member states, are immune from obligations of the free movement of services[6].

By making use of these articles, the EU member states restricted the free movement of services, especially until the finalisation of the Customs Union. However, due to the increasing importance of trade in services for economic integration in the Union, these kinds of restrictions have been rarely used during the last couple of years.

4. GENERAL CONCLUSIONS

Today, the general trade between the EU member states is not at the desired levels. Furthermore, the service suppliers of the EU member states can sell only 10 % of their services in other EU member states. This shows that besides the institutional and legal deficiencies, there are also social, cultural and

economic obstacles that prevent the further liberalisation of the trade in services. To this end, the results of a survey conducted by the European Commission are interesting and informative.

Table 5

Obstacles in the Service Supply in Other EU Member States According to the Service Suppliers

OBSTACLES (Respondents gave more than one answer.)	%
1. Difficulties arising as a result of the necessity to use the domestic language in the service supply.	44.3
2. Distance.	36.6
3. Obligation to stay in the country after providing of the services.	34.5
4. Application of the national standards and certificate requirements to the foreign service suppliers.	31.9
5. Various requested documents from the service suppliers.	30.9
6. Complexity of the legal systems of the member states.	30.9
7. Domestic performance reports requested from the service suppliers.	29.3
8. Differences in the domestic business applications.	28.6
9. Necessity to be represented by a local branch.	27.4
10. Lack of the transparency and openness in the local rules.	27.4
11. High costs of opening of a branch in the member states.	25.7

As it can be seen from these results, the problems of further developing the free movement of services in the EU are not solely related with the deficiencies in institutional and legal steps at the national and the supranational levels. In fact, the social and cultural differences between the member states also negatively effect the free movements of services. The full liberalisation of service markets can be possible with the widening of the branches of services and relevant enterprises. Service suppliers, who perceive the EU as a real single market and develop relevant strategies, will be crucial in this regard.

The EU institutions have created quite a lot of regulations to encourage the free movement of services. Especially, in the special Summit meeting held in Lisbon on 23 – 24 March 2000 various decisions concerning the EU economy have been taken. In this Summit, the Council has put forth its new goals aiming at reinforcing the employment in the context of a knowledge based economy, the economic reform and the social harmonization. New strategic goal of the Union for ten years has been described as to create a dynamic economy, achieving sustainable economic growth, having a high competitive power

with more and better job opportunities and social harmony. In order to attain these it has been decided to implement a general strategy containing the goals below[7]:

- The improvement of various policies for research and development, the acceleration of structural reforms for competitiveness and revision of the single market for the transition towards a knowledge based economy.
- The renewal of the European social model, investment in individuals and the continuation of the struggle against social exclusion.
- The implementation of suitable macro-economic policies for a healthy economy and sustainable growth.

In this context, the European Commission has been appointed to prepare a specific program in order to advance the free movement of services. This program has been prepared by the Commission on 29 December 2000[8] and aims the removal of all obstacles against the free movement of services in the Union. In this context, EU Commission organized surveys concerning the relevant sectors to determine the obstacles in front of the free movement of services. The Commission, by working with the member states, has also started to give more support to the new regulations concerning the free movement of services. Recent examples to these kinds of laws are; the liberalization of postal services and the harmonization of added value taxes.

In the framework of the above mentioned program, the EU Commission, following the preparation of detailed lists concerning the actual obstacles, has demanded schedules from the member states to abolish the existing restrictions. With theses steps, the removal of the obstacles in free movement of services partly achieved in 2005. However, there still exist various problems as the member states are reluctant to fully open their service sectors to other member states' service suppliers. Additionally, the cultural, social and business practice differences keep the liberalization of services as a difficult task. Although the EU citizens have the right to move freely within the Union, the number of people who actually reside in a member state other than his/her own to work is still too small. Language differences also make the situation worse. As a result, one can still say that the providing of services in other member states remains as a future goal.

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[1] Trebilcock, Micheal and Howse, Roberts (Eds), *The Regulation of International Trade*, London: Routledge Press, 1995, p. 17.
[2] Official Journal of the European Communities, 15 January 1962, No: 002.
[3] Günuğur, Haluk, 'Free Movement of Services in the European Union and Turkey-EU Relations', Asomedya: Journal of Ankara Chamber of Industry, October 1999.
[4] Article 55/1 of the Rome Treaty.
[5] Article 55/2 of the Rome Treaty.
[6] Article 56/2 of the Rome Treaty.
[7] The Bulletin of the Economic Development Found, 15 – 31 March 2000.
[8] COM (2000) 888 Final.