



<input type="checkbox"/>	Bachelor's thesis
<input checked="" type="checkbox"/>	Master's thesis
<input type="checkbox"/>	Licentiate's thesis
<input type="checkbox"/>	Doctoral dissertation

Subject	International Business	Date	27.12.2019
Author(s)	Siiri Valkama	Number of pages	100+appendices
Title	Cross-border trade in services under modern EU trade agreements: An example: Boosting Finnish trade in services		
Supervisor(s)	D.Sc. Esa Stenberg, D.Sc. Riikka Harikkala-Laihininen		

Abstract

International trade has taken centre stage in the international politics, with even trade wars making headlines. The World Trade Organization (WTO) is failing due to the suspension of the Doha-round negotiations and its Appellate Body being rendered inoperative. This has meant that the focus of trade negotiations has shifted more towards the bi- and plurilateral level discussions. These new generation trade agreements include the liberalisation of services, a sector which has been one of the latest and perhaps most difficult fields to liberalise. This study takes the Finnish services trade under the Comprehensive Trade and Economic Agreement (CETA) as an example case in point. As far as trade agreements go, CETA, the mega-regional trade agreement between the EU and Canada has been a trail blazer: the first one to come into force and start to take effect. It extensively liberalises trade in services.

The aim of this study is to find out how new generation EU trade agreements can promote Finnish trade in services. The theory section reviews literature on trade policy and trade in services and draws together a framework useful for the purpose of this study. The applied research approach was a qualitative one, since the researcher wanted to understand an ongoing phenomenon more deeply. Both primary expert interviews and secondary textual data were used as source of information for a qualitative thematic analysis.

The main results are focused on how the agreements can be foreseen to benefit companies. The potential for new trade in services that EU trade agreements grant for European (and Finnish) companies is significant and the Canadian market can serve as a pilot for other destinations. The economic impact on Finnish companies' service exports would seem to be limited as Canada is not among Finland's biggest trade partners. That could change, however, as the countries have a lot in common. The responsibility for taking advantage of these freshly negotiated comprehensive preferential trade agreements (PTAs) lies in the hands of companies, as the benefits of preferential trade agreements do not take effect automatically. The key in being able to exploit the new opportunities is providing the right advice and easily available support and guidance for companies. For that, cooperation on the EU and national levels are needed, as well as pooling the knowledge of the public and the private sector.

Key words	trade in services, trade agreements, EU, CETA, Finland
------------------	--





<input type="checkbox"/>	Kandidaatintutkielma
<input checked="" type="checkbox"/>	Pro gradu -tutkielma
<input type="checkbox"/>	Lisensiaatintutkielma
<input type="checkbox"/>	Väitöskirja

Oppiaine	Kansainvälinen liiketoiminta	Päivämäärä	27.12.2019
Tekijä(t)	Siiri Valkama	Sivumäärä	100+liitteet
Otsikko	Cross-border trade in services under modern EU trade agreements: An example: Boosting Finnish trade in services		
Ohjaajat	KTT Esa Stenberg, KTT Riikka Harikkala-Laihin		

Tiivistelmä

Kansainvälisestä kaupasta on tullut yksi polttavimmista keskustelunaiheista politiikassa aikana, jolloin jopa kauppasodat vaikeuttavat maailmankauppaa. Maailman kauppajärjestö WTO:n toiminta on jumiutunut, sillä sen viimeisin monenvälinen Doha-neuvottelukierros keskeytettiin ja järjestön valituselimestä on tehty toimintakyvytön. WTO:n ongelmien takia kauppasopimisen painopiste on siirtynyt enemmän kahden- ja useanvälisiin sopimuksiin. Näissä uuden sukupolven sopimuksissa myös pitkään sivuroolissa ollut palvelukaupan vapauttaminen on saanut enemmän huomiota. EU on yksi maailman johtavista modernien kauppasopimusten neuvottelijoina. Esimerkkinä tässä tutkielmassa tarkastellaan vuonna 2017 tilapäisesti voimaan tullutta Comprehensive Economic and Trade Agreement'ia (CETA). Sopimus EU:n ja Kanadan välillä on ollut uranuurtaja, sillä se on yksi ensimmäisistä hyväksytyistä uuden sukupolven EU-kauppasopimuksista, ja se vapauttaa laajasti myös palvelukauppaa. Se luetaan kokonsa puolesta *mega-alueelliseksi* kauppasopimukseksi.

Tutkimuksen tavoitteena on selvittää miten EU:n uuden sukupolven kauppasopimukset voivat edistää Suomen palvelukauppaa. Se tekee niin kokoamalla ensin teoriaosuudessa kauppapolitiikan ja palvelukaupan kirjallisuutta yhteen ja luomalla niiden perusteella kehyksen, joka soveltui parhaiten tähän tutkimukseen. Tutkimuksen empiriaosuus toteutettiin laadullisena, sillä haluttiin ymmärtää käynnissä olevaa ilmiötä paremmin. Metodeiksi valikoituivat asiantuntijahaastattelut ja sekundääriaineiston keruu. Kumpaakin aineistoa analysoitiin laadullisin menetelmin ja vertailtiin sen jälkeen siitä tehtyjä päätelmiä olemassa olevaan kirjallisuuteen kauppapolitiikasta ja palvelukaupasta.

Tärkeimmät johtopäätökset keskittyvät siihen, että CETA tuo merkittäviä uusia mahdollisuuksia eurooppalaisille yrityksille. Kauppasopimuksista saatavat hyödyt eivät kuitenkaan tule voimaan automaattisesti, vaan ovat pitkälti kiinni yritysten oma-aloitteisuudesta. CETA-sopimus tarjoaa monia mahdollisuuksia myös suomalaisille palveluyrityksille, mutta sen kansantaloudellisen vaikutuksen arvellaan jäävän suhteellisen pieneksi, sillä Kanada ei ole Suomelle kovin suuri vientikohde. Potentiaalia palveluviennin lisäämiseksi kyllä on, sillä markkinat ovat monella tapaa yhteensopivat ja Suomessa on paljon tietotaitoa aloilla, joiden osaamiselle myös Kanadassa on kysyntää.

Avainsanat	palvelukauppa, kauppasopimukset, EU, CETA, Suomi
------------	--





**UNIVERSITY
OF TURKU**

Turku School of
Economics

CROSS-BORDER TRADE IN SERVICES UNDER MODERN EU TRADE AGREEMENTS

An example: Boosting Finnish cross-border trade in services

Master's Thesis
in International Business

Author:
Siiri Valkama

Supervisors:
D.Sc. Esa Stenberg
D.Sc. Riikka Harikkala-Laihin

27.12.2019
Turku

The originality of this thesis has been checked in accordance with the University of Turku quality assurance system using the Turnitin OriginalityCheck service.

TABLE OF CONTENTS

1	INTRODUCTION.....	7
1.1	Background and motivation for the study.....	7
1.2	Purpose and structure of the study	10
2	SETTING THE RESEARCH SCENE.....	14
2.1	Evolution of the European Union trade policy	14
2.2	Negotiating trade deals	19
2.3	Comprehensive Economic and Trade Agreement (CETA)	21
2.4	Finnish trade with Canada in cross-border services	23
3	TRADE POLITICS.....	25
3.1	Trade in the international political economy	25
3.2	Trade policy subsystems.....	27
3.3	Trade policy instruments	31
3.4	The impact of trade agreements	32
3.5	Trade policy systems in the EU.....	33
4	CROSS-BORDER TRADE IN SERVICES	34
4.1	International trade in services	34
4.2	Barriers to trade in services	35
4.3	Liberalising trade in services in trade agreements	37
4.3.1	The General Agreement on Trade in Services.....	37
4.3.2	Reciprocal preferential trade agreements	38
4.4	Synthesis.....	43
5	RESEARCH DESIGN	46
5.1	Research strategy	46
5.2	Primary expert interviews.....	48
5.2.1	Data collection	48
5.2.2	Data analysis	52
5.3	Secondary data	53

5.3.1	Data collection.....	53
5.3.2	Data analysis.....	54
5.4	Evaluation of the study.....	55
6	FINDINGS.....	59
6.1	Development of EU trade agreements to encompass service liberalisation.....	59
6.1.1	Political situation.....	59
6.1.2	Failing multilateral framework/WTO.....	60
6.1.3	Globalisation.....	61
6.1.4	The challenges EU has faced.....	62
6.1.5	Finland's take on trade agreements.....	64
6.2	Liberalisation of services trade as part of PTAs.....	66
6.2.1	Service trade as part of PTAs.....	66
6.3	New opportunities EU PTA's could offer Finnish trade in services.....	69
6.3.1	The effects in general.....	69
6.3.2	The effects for service trade in Finland.....	72
7	CONCLUSIONS.....	77
7.1	Discussion.....	77
7.1.1	What has led the EU to negotiate new generation bilateral PTAs that encompass service liberalisation?.....	77
7.1.2	How is trade in services liberalised as a part of PTAs?.....	79
7.1.3	What opportunities can modern PTAs bring to trade in services from Finland?.....	80
7.1.4	How can new generation EU trade agreements promote Finnish trade in cross-border services?.....	84
7.2	Theoretical contribution.....	85
7.3	Managerial implications.....	85
7.4	Limitations and suggestions for future research.....	87
8	SUMMARY.....	89

ACKNOWLEDGEMENTS.....	91
REFERENCES.....	92
APPENDICES.....	101
Appendix 1. Interview questions.....	101
Appendix 2. List of secondary data documents.....	101
Appendix 3. Coding and themes used in empirical data.....	102

LIST OF FIGURES

Figure 1. Structure of the thesis	13
Figure 2. The state of EU trade in 2019	17
Figure 3. The EU trade negotiation process.....	20
Figure 4. Number of regional trade agreements currently in force and notified to the WTO, years 1948-2017.....	29
Figure 5. The different approaches for liberalizing services in trade agreements	40
Figure 6. Quarterly Canada-EU goods and service trade in CAD \$.....	70
Figure 7. Canadian Services Imports from the EU by category from Q4 2017 to Q2 2018.....	71
Figure 8. The utilisation rate of the benefits of trade agreements in the EU	86

LIST OF TABLES

Table 1. Operationalisation of the research	48
Table 2. Interview details.....	51

LIST OF FREQUENTLY USED ABBREVIATIONS

CCP	Common Commercial Policy
CETA	EU-Canada Comprehensive Economic and Trade Agreement
EU	European Union
EUTP	European Union Trade Policy
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GATS	General Agreement on Trade in Services
MS	Member States of the EU
PTA	Preferential Trade Agreement
SME	Small and Medium sized Enterprises
TEU	Treaty on the European Union
TFEU	Treaty on the Functioning of the European Union
TiSA	Trade in Services Agreement
TTIP	Transatlantic Trade and Investment Partnership
WTO	World Trade Organization

1 INTRODUCTION

This chapter will introduce the research topic and give motivation as to why this study was conducted. It will introduce the reader to the situation in the world trade arena and the general theories and concepts of international trade policy as well as the EU trade policy scheme. The purpose and structure of this study are laid out.

1.1 Background and motivation for the study

After decades of a golden era of deepening globalisation and increasingly open trade relations, the recent political turmoil has caused a new wave of protectionism and barriers on trade in some parts of the world. The recent turbulent political situation in the world trade arena has had many effects on the field of trade policy. Trade policy is one of the broader areas of study in the field of international political economy (IPE). IPE studies the constant mutual interaction of economics and politics in the world arena (Frieden & Lake 1999, 1), and it includes theories on international trade along with trade policy, theory and empirical studies of trade.

Trade policy comprises the different policy decisions of governments directly or indirectly intervening in the economy. There are always winners and losers that arise from these policy choices. Trade policy deals with those decisions and their economic effects that mould the environment of international transactions. (Kerr 2007, 1; Oatley 2018, 2.) What was previously more of a technical regulatory process governing international trade (Young & Peterson 2006, 810) and protecting domestic industry from foreign competitors, has now been transformed into a means of major power struggle and has become the hot topic of the news. Therefore, what was known as Trade Policy, can more aptly be called Trade Politics in this thesis.

The reasons for turmoil are many, such as the changing power relations in the world as China, a former supplier and resource of cheap labour, is rising to seriously compete with the more traditional “Western” powers of the economy, like the USA or the EU (BBC.com 2018). Also, from the point of view of the EU, the two main shocks of late have been the British vote in 2016 to leave the EU (Brexit) and actions taken by the President of the United States Donald Trump in the trade policy field. They have both been happening in a very short period of time and have made the EU’s pursuits of promoting free trade and multilateralism more complicated. Brexit is very likely to further complicate the liberalisation of trade in services as well (Delimatsis 2017). The USA has

assumed more protectionist unilateral and bilateral (rather than multilateral) approaches to its trade agreements and The People's Republic of China has been exposed to have conducted unfair trade practices. (Eduskunta 2018.) This has caused China and the USA to wage a so-called trade war with each other, both competing by imposing increasing barriers to trade from the other country. The threat of a worsened trade war or better yet an economic war between the USA and the rest of the world (particularly China) has affected economies around the world, including Finland (Euractiv.com 2018; Kauppalehti 2019).

However, despite the fact that a part of the world is backing away from international cooperation in trade, the EU is still a champion of deeper integration free trade and globalisation, both at the multilateral and bilateral level (Young & Peterson 2006, 809). Trade policy has been its exclusive competence since the Treaties of Rome, meaning that it has had the sole competence to negotiate trade policy on behalf of all the member states (MS) of the EU. Since the Treaty of Lisbon (Official Journal of the European Union 2007) entered into force in 2009, the EU's exclusivity in trade matters encompasses almost all aspects related to trade at the world stage, including investment, services, and the commercial aspects of intellectual property. (Bollen 2018, 2.) EU trade agreements have evolved from solely removing tariffs to coordinating on many other sectors of the economy to make cross-border trade less complicated (Young & Peterson 2014, 216).

The EU trade policy (hereafter referred to as EUTP) is guided by the Common Commercial Policy (CCP). It consists of different policy bundles of different types that are grouped into multilateral, bilateral, and unilateral systems. The multilateral level in practice means the trade talks in the World Trade Organization (WTO). The bilateral trade policy system concerns the several free trade agreements (FTAs) that the EU can negotiate with other states. The unilateral system is a collection of one-sided tools, such as anti-dumping measures, which can be used to protect its own economy from foreign harmful trade actions or to try to open access to foreign markets. (Bollen 2016, 2–3.)

As a part of its Trade for All -agenda (European Commission 2015), the European Union is setting more and more new ambitious goals for its external trade relations. The EU is committed to promoting trade that takes the core principles of responsible trade into consideration and has decided to pursue international trade cooperation with its main strategic trade partners despite (or because of) difficult times in the trade policy arena. In fact, the EU has recently managed to advance its goal and conclude several of its biggest free trade agreements in years.

The EU recently concluded the Comprehensive Economic and Trade Agreement (CETA) with Canada, which took almost a decade to negotiate and was finalised in September 2017 (HS 2016; Valtioneuvosto 2017). The EU also entered into an Economic Partnership Agreement (EPA) with Japan, which came into force in February 2019. In June 2019 the EU has just come to an agreement with the MERCOSUR, a group of Latin-American countries, about its biggest trade agreement to date (European Commission 2019a). On top of the deals with Canada, Japan, and Mercosur, many other negotiations have proceeded and are on-going with Singapore, Vietnam, Australia, and New Zealand, to mention a few significant ones. The Trade in Services Agreement (TiSA) between the EU and 22 other nations as well as The Transatlantic Trade and Investment Partnership (TTIP) between EU and the US are no longer negotiated due to the US President Donald Trump's differing policy objectives. Reaching some kind of agreement between these strategic trade partners still remains a top priority for all the "friends of services" and for both the EU and the US in general (Delimatsis 2017, 583).

In these recently concluded, "new generation" EU trade agreements (Young 2015, 1254), the EU has taken a more comprehensive approach than before. The scope of the agreements is broader than before, taking into account aspects of the economy that were not included to such an extent before, such as services and more forms of digital trade. *Services* are intangible economic activities and they form an integral part of almost all world economies by now and are making up over 70 percent of the EU's GDP (Delimatsis 2007, 9). The importance of the service sector is also recognised by the EU and its negotiating partners. Therefore, the modern bilateral preferential trade agreements (PTAs) make service-related commitments that build on top of the WTO General Agreement on Trade in Services (GATS). Reciprocal regional (RTA) and preferential trade agreements (PTA) are trade agreements that states can negotiate with other countries on a bilateral/plurilateral basis (Woolcock & Heydon 2009, 3). In this study, the abbreviation PTA will be used to express all the types of reciprocal and regional preferential free trade agreements.

Despite its growing importance, the service sector remains quite heavily restricted and regulated (Beaulieu 2007, 150). The barriers on trade in services are often less evident compared to those on goods. However, the effects of barriers on market access and national treatment may well determine the whole feasibility of trading services (Delimatsis 2007, 2, 37). Regulating services as a part of trade agreements is different from regulating goods. This is because of the different nature of services, as they are

mostly intangible activities. Therefore, the same tools that are used to regulate goods trade; tariffs and quotas, are not effective for services. When exported, goods physically cross borders. When delivering a service abroad, there are many ways of doing it. A natural person can go abroad to provide his/her services, a consultancy project can be submitted online to a foreign customer, a company can establish an office abroad to provide a service or a tourist can simply spend money for a service abroad. (Beaulieu 2007, 150; Mattoo et. al 2007, 5–6.)

When observing export statistics of Finland – an EU member state – 68% of the growth in exports has come from services (Palta 2018a). By value added, export of services has surpassed the domestic value-added created by the export of goods in the 2000s (Official Statistics of Finland 2019). Finland sees itself very much as a small open service economy, very dependent on exports (Haaparanta et al. 2017, 8). By joining first, the European Economic Area (EEA) and in 1995 the EU, Finland has chosen the free trade path, finding great value in using the leverage of the large weight the EU has in trade negotiations, while at the same time opening its own national economy to the pressures of globalization.

To sum it up, there are protectionist political waves sweeping across the world after what seemed to be the golden era of deeper trade integration and globalisation. Despite this, the EU continues to promote freer trade in the form of its own updated modern free trade agreements. As a part of these agreements, more sectors of trade are covered and liberalised than before. Services is one of these sectors that has seen its barriers negotiated down after having been somewhat restricted due to high regulatory barriers on service trade. The EU–Canada trade agreement CETA makes service trade related commitments, and this thesis uses it as an example to analyse the impact of trade liberalisation as a part of modern EU trade agreements on the service exporting sector of Finland. The next chapters will explain the purpose and structure of this study.

1.2 Purpose and structure of the study

There is rather little literature on new generation EU trade agreements due to the novelty of them. Especially in Finland, there are few experts and research on trade policy, and it is not directly taught in any university. Many researchers have focused on modelling the average foreseeable effects of preferential trade agreements through using a gravity equation (see, for example, Baier & Bergstrand 2007; Marchetti 2011; Eicher & Henn 2011). Since extensive liberalisation of services is a rather novel element of trade

agreements, it is timely to study their effects especially for a country that relies heavily on exports in its economy. Instead of conducting a numerical study, it is useful to find out how the exporting companies themselves could better understand and benefit from existing and upcoming agreements that make trade simpler. This knowledge can complement a quantitative study. The country specific view on trade policy preferences can be useful as it sheds light on what and why different countries' preferences are the way they are (Bollen 2018, 18).

Services are taken into centre stage, as they are an important sector of the exporting economies of the EU MSs, including the small and especially open economy of Finland, where services make up around 70 % of the GDP. Finland is used as an example market as it is a member state of the European Union and its exports of services could possibly benefit from the understanding and better utilisation of trade agreements. It is also the home country of the researcher, thus where experts were most convenient to find and interview.

With winners and losers emerging every time trade policy is in question, the negotiations or trade agreements are always contentious (Kerr 2007, 2). CETA is used as an example because of the controversies it awoke being the new standard setter for modern trade agreements. The negotiations of CETA were lengthy with controversies and problems aplenty with the last stretch example being the wrangling in the parliament of the French-speaking Wallonia region of Belgium. Due to its more comprehensive content, the EU–Canada trade deal, unlike most other EU agreements, needs to be ratified by a total of 38 national parliaments after the signing, as some MSs have sub-federal parliaments, like in the case of Belgium. (The Guardian 2016.)

Regulating cross-border trade in services has only been introduced within the last decade in EU's newer trade agreements, including CETA. This makes it a timely and novel element to study. This thesis will therefore focus particularly on the effects of CETA, since it is the first EU mega-regional (major regions) trade agreement and can be seen as an agreement that sets standards for future trade negotiations (European Commission 2017a). It being a comprehensive economic and trade deal, the deal covers among others also service exports. This modern deal also allows EU companies to take part in and bid for certain public contracts in Canada. That means that, for example, a Finnish company that has the best expertise in some field can apply for the competition to be the one supplying a particular service to a Canadian province.

Until recently Finnish companies have not traded with Canada in remarkable volumes, but with the new deal in place, VATT (2017) Institute for Economic Research is expecting to see an increase in for example service exports. The expected impact in the VATT study on Finnish GDP (+0,04%) is slightly higher than that of the EU average (+0,03%). The trade between the counterparts (Finland and Canada) is expected to double compared to what it was pre-CETA. It is therefore interesting to see how much the service trade liberalisation as a part of trade agreements will actually affect trade in services.

In any kind of research, defining the research topic and narrowing down research questions is instrumental for it to be manageable, since it is not worthwhile nor possible to try to look at everything concerning a field (Eriksson & Kovalainen 2008, 6). The topic of this study revolves around the development of EU trade policy and trade in cross-border services. The purpose of this study is to find out how the new modern and more comprehensive EU trade agreements affect cross-border trade in services. The main research question is thus: How can new generation EU trade agreements promote Finnish trade in cross-border services? The main research question is divided into three sub questions which help grasp the whole purpose of the study:

- What has led the EU to negotiate new generation bilateral PTAs that encompass service liberalisation?
- How is trade in services liberalised as a part of EU PTAs?
- What new opportunities can modern EU trade agreements bring for trade in services from Finland?

As an example of the latest PTAs and the first of the modern kind in EU in the 2010's, this study examines the CETA between Canada and the EU and its significance to trade politics in general and to the Finnish economy in particular. As the trade in services is a major novelty in CETA, its significance to the trade of services is chosen as a case in point. In particular, the point of view of international business and relations is the focus. The field of trade policy combines economics, law and politics, which makes it very complex and interesting. The general level of knowledge on trade policy matters can be considered quite limited among the public, perhaps especially so in Finland. This study could be useful for any person or company wanting to learn about trade policy. The study aims to make the complex field more accessible and understandable by using an example agreement to illustrate its effects.

This research has been outlined to focus on external trade policy and elements in bilateral trade agreements from the point of view of the EU and Finland, which is used as an example of an EU member state. This thesis will not look into the legislative aspects

of trade agreements nor will it analyse the content of any particular agreements in greater depth, as that would be too broad a field for this type of a research paper. Figure 1 will illustrate the structure of the thesis.

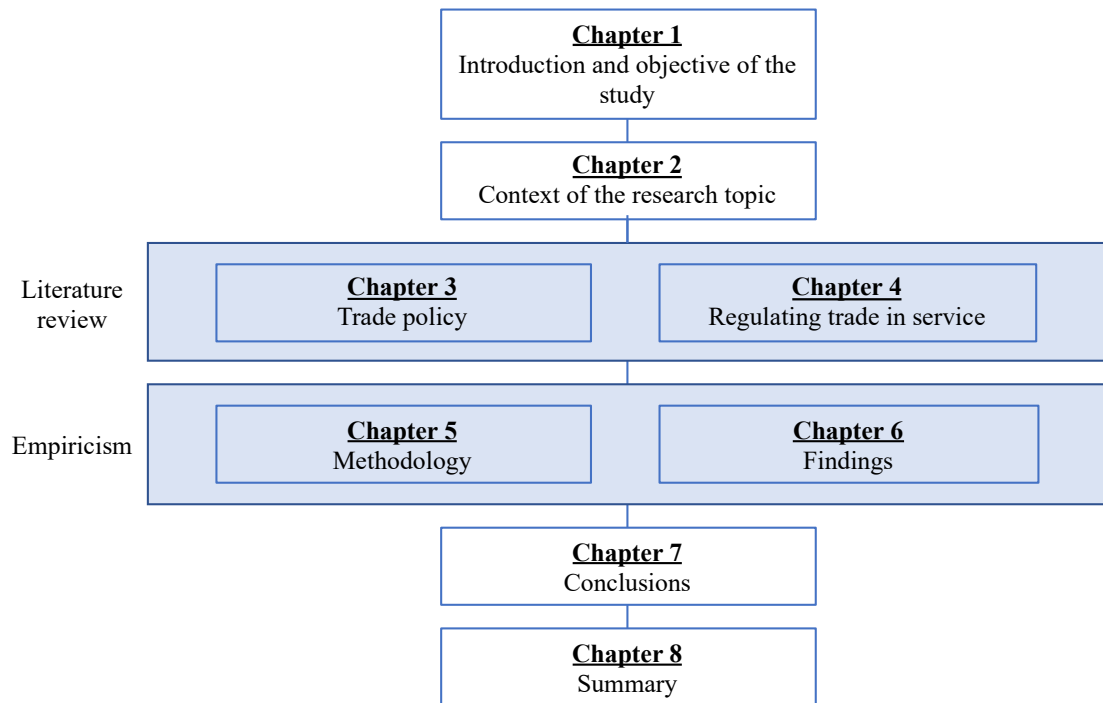


Figure 1. Structure of the thesis

The structure of the thesis builds on this short introductory chapter, which presented the current state of the world trade policy arena, what the EU is doing trade policy wise and why it is timely to study the selected topic. Also, the research questions were defined, outlined and their reasoning validated. Chapter 2 will present the context of the research. First it will briefly present the evolution and process of EU trade policy making and will also open the context of the example cases; trade agreement CETA and Finnish cross-border trade in services. Chapter 3 reviews selected theories on international trade, and trade policy and chapter 4 the literature on cross-border trade in services. The relevant literature and theory are drawn together into a framework used in this study in chapter 4.4. In Chapter 5 the research design and approach are presented with care. The results of the empirical part of the study are analysed in Chapter 6. The conclusions drawn from the analysis and its links to theory are presented in Chapter 7 along with implications, limitations and future research suggestions. Finally, the whole report is summarised in Chapter 8.

2 SETTING THE RESEARCH SCENE

This chapter will give context to the research and some relevant background information about the current state of EU trade policy, some information on EU trade agreements and CETA. It will also present the facts of Finnish service trade to Canada.

2.1 Evolution of the European Union trade policy

The European Union trade policy (EUTP) or EU Common Commercial Policy (CCP) was for the first decades after World War II focused on the multilateral trading system GATT and later the WTO, which was top priority in the policy preferences. In the 1980's EU's bilateral trade policy became more proactive. Despite fears, even in the 1990's Europe did not back away from trade liberalisation and become "Fortress Europe". (Hanson 1998.) For several decades before the millennium, the EU's bilateral trade deals had focused on neighbouring regions, former colonies of member states and prospective candidate countries and were mainly negotiated for foreign policy purposes rather than commercial trade instruments.

This changed in 2006, when the Commission's (2006) "Global Europe" communication put a new level of emphasis on bilateral relations with economically significant partners. As a part of its Global Europe and Trade for All -agendas, the European Commission was setting more ambitious goals for its external trade relations. The EU was committed to promoting trade that takes the core principles of responsible trade into consideration and has decided to pursue international trade cooperation with its main strategic trade partners despite (or because of) difficult times in the trade policy arena. Thus, in 2007 the EU took a more offensive role and started trade negotiations with the Association of South Eastern Asian Nations (ASEAN), India and South Korea. (Bollen et al. 2016, 279–282; Stoll 2017, 3.)

As a response to the prolonged economic crisis of 2008 and the historically significant downturn in international transactions, the EUTP has not experienced any drastic change but rather has shown continuity. The EU did not resort to protectionism during the 2008 crisis unlike many nations did during the Great Depression of the 1930s (Eichengreen & Irwin 2010, 871), but instead continued to fiercely negotiate new FTAs, as it saw trade liberalisation as essential for restoring growth. Even if protectionist discourse rose during the 2008 crisis in some member states, pursuing those policies on EU policy-making level was made impossible by having had delegated the trade

responsibility to the supranational institutions and requiring for example the Commission's proposal for any new negotiations. (Bollen et. al 2016.) This era gave rise to the first modern FTA concluded with another developed country, the EU-Korea FTA (KOREU) in 2009. (Bollen et al. 2016, 280–282.)

Bollen et al. (2016, 290) see the EUTP as divided into the trade negotiations themselves and the trade-defensive field. According to the authors, these EU trade policy sub-systems continued to develop, although asymmetrically, over the 2008 crisis. Before the crisis, the EU had not managed to start negotiations with strategic partners such as Japan, the US, or Canada. Then after the crisis, on the one hand, EU was proactive towards pursuing new PTAs with more important trading partners, while on the other hand, significant opposition to some more restrictive reforms in trade defence measures and international government procurement was observed. Bollen et al. (2016, 282) concluded that these changes in attitudes and perceptions towards how EU trade policies should be, were made possible by the reshuffling of the majority coalitions formed by MS within the Council. That means that those MS that had previously assumed some position towards EU's pursuits regarding some specific issue in trade policy, had changed their minds. Thus, after the crisis, in addition to some new calls for trade defence measures, there was more support for the "liberalising", negotiating field as well. Due to this reshuffling of MS preferences, the negotiations with Canada, Japan, and the US that EU had previously refrained from, were now able to begin.

In the European Commission's (2010) Communication trade was once again an important component. Multilateral level Doha round still remained a top priority. 2015's Trade for All -communication addressed some new traditionally non-trade related issues of responsibility (European Commission 2015). Advancing trade policy through the multilateral level has always been the EU's top priority, but of late it has started to pursue also its own regional and bilateral PTAs, moving its focus from first neighbouring regions to developing countries, and in the end also into negotiations with other developed countries, like South Korea, Canada and Japan to mention a few.

The EU has 39 trade agreements in place with 69 countries. There are even more that are partly in place, pending, being updated, or currently being negotiated. The EU is negotiating deals on many fronts. The agreements that are in focus during the time of writing this study, in 2019, are the ones with Vietnam, Singapore, New Zealand, Australia, Mexico, Japan, Mercosur and Canada (CETA). Of these, CETA has already entered provisionally into force in September 2017 and EU-Japan Economic Partnership

Agreement (EPA) entered into force February 2019. On the Mercosur agreement the Commission has reached a deal during the summer of 2019. Negotiations with the US on the Transatlantic Trade and Investment Partnership (TTIP) were put to a halt for an indefinite time at the end of 2016 by President Trump, but negotiations on a new agreement have slowly begun. (European Commission 2019b.) The Figure 2 presents the current state of EU trade agreements on the map with colour-coding.

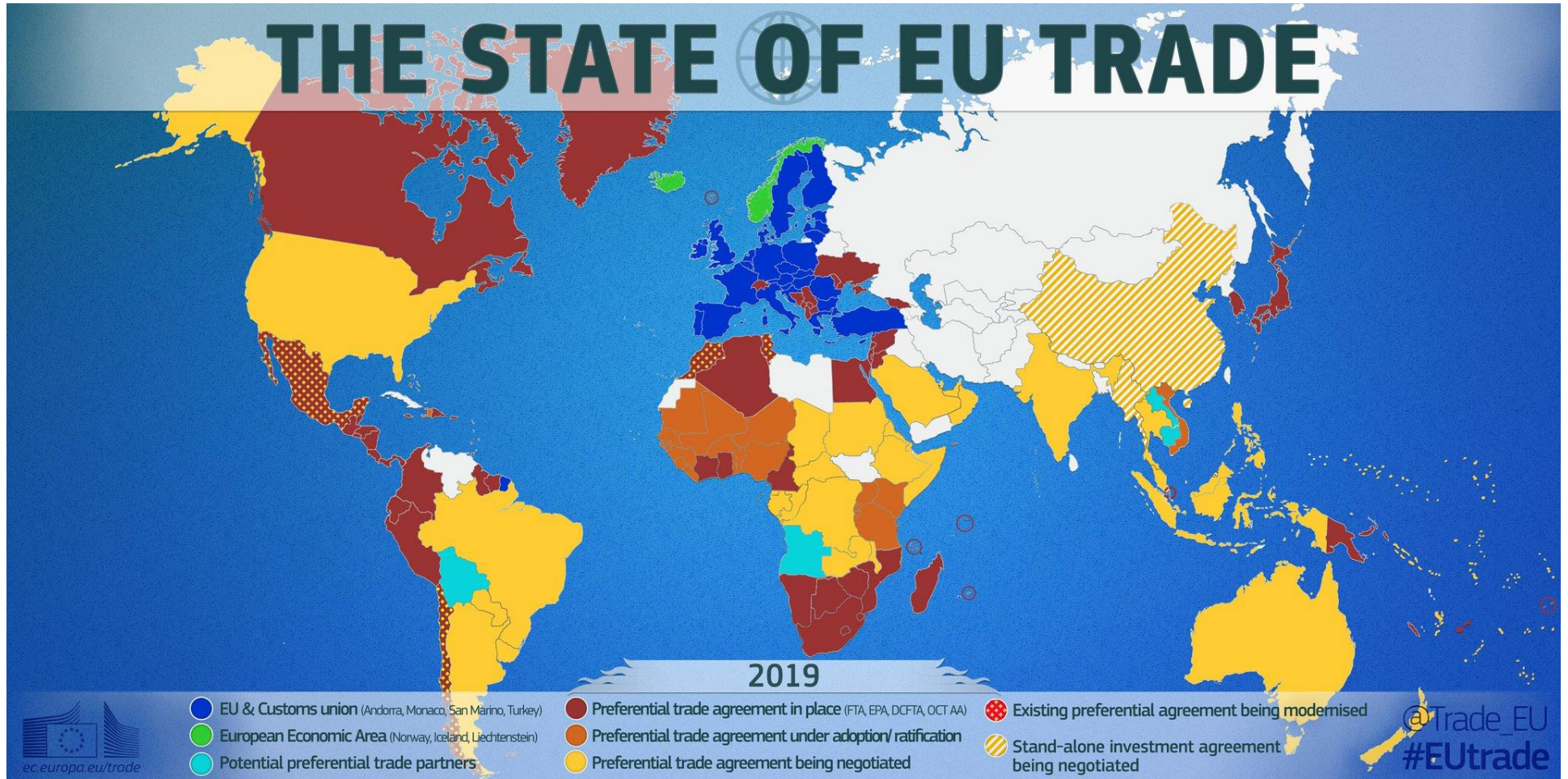


Figure 2. The state of EU trade in 2019 (European Commission 2019b)

As shown in Figure 2, quite a significant number of countries and economic areas already have or are developing some kind of preferential trade arrangements with the EU. The figure by European Commission (2019b) labels countries by colour into those that belong to the 1) EU & customs union, or 2) the European Economic Area (EEA), 3) those with PTAs in place, 4) existing PTAs under modernisation, 5) PTA being negotiated, 6) PTAs currently being adopted/ratified, or 7) potential PTA partners, as well as 8) solely investment agreements being negotiated (China and Myanmar).

The biggest areas with no pending negotiations or potential cooperation prospects at the moment are Russia and Belarus, many central Asian countries well as some African nations and countries in the Middle and South Americas such as Cuba and Venezuela. There are several reasons as to why the EU is not negotiating trade with these countries, the reasons including political differences between the countries and the EU, and for example in Russia's case, the EU stopped negotiations and has even imposed sanctions on Russia after its actions in Ukraine. During the summer of 2019, the European Council has recommended action towards Turkey that may result in trade sanctions (European Council 2019).

2.2 Negotiating trade deals

Forming the major part of largest free trade area in the world (EEA), the EU is a promoter of free trade. The EU negotiates trade agreements on behalf of all the EU member states. Agreeing to trade more freely, the EU creates more jobs in the market and strengthens its economy. Negotiating as a whole gives the Union member states more negotiating power, since the EU as an economic area is also the world's biggest exporter. The EU has had the exclusive supranational competence to decide on trade deals outside the EU since the Treaties of Rome, meaning that the specific aspects defined in the treaty fall under the EU's exclusive responsibility, and are negotiated in Brussels, the capital of EU (Bollen et al. 2016, 281).

Article 206 of the TFEU (2016, 139) defines the Common Commercial Policy (CCP) as so: "-- the Union shall contribute, in the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international trade and on foreign direct investment, and the lowering of customs and other barriers." Article 207 of the TFEU (2016, 140) continues on the matter by defining that the CCP shall be based on uniform principles, especially when it comes to changes in tariffs and deciding on trade and customs agreements in trade in goods and services, as well as the commercial

aspects of intellectual property, foreign direct investment, export policy, liberalisation of trade and trade protection measures. CCP also defines the roles of the main EU institutions – the Commission, the European Parliament and the European Council – in decision-making. The Commission prepares, negotiates and proposes the EU’s international trade agreements. The Council and the Parliament then decide jointly whether to approve or not the Commission’s proposals. (European Commission 2019b.) The following Figure 3 explains this negotiation process, which can take several years to complete.

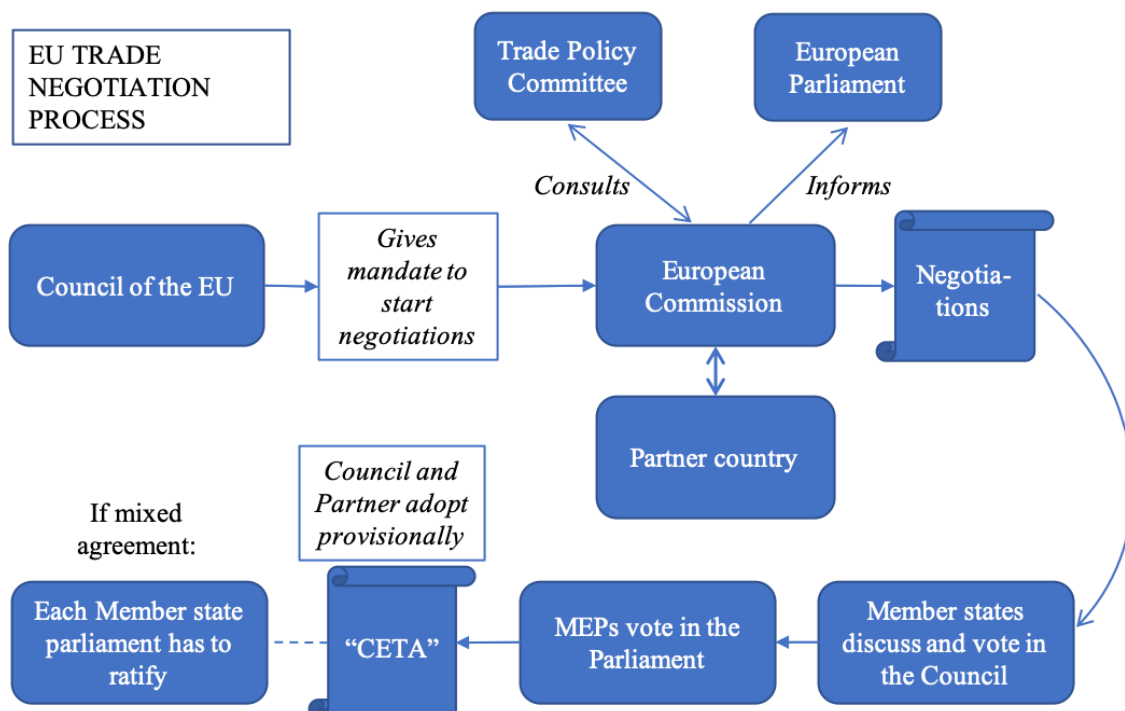


Figure 3. The EU trade negotiation process (adapted from European Commission 2019b)

As seen in Figure 3, the negotiation process starts from the Commission first requesting authorisation from the Council to negotiate an agreement with a trade partner. The Council gives the Commission its mandate, which sets out what the Commission should achieve with the agreement. The second step is when the Commission negotiates the deal with the trade partner country, closely working together with the Trade Policy Committee (TPC) of the Council, as well as keeping the European Parliament fully informed during the whole process. The Commission holds meetings with representatives of the civil society and publishes for example position papers and proposed texts, factsheets, background and impact assessments and reports on progress made in the negotiations. In the negotiations, issues such as removing or cutting tariffs, quotas, barriers for service

export and opening the right to bid for public contracts and cutting bureaucracy, are addressed with the purpose of making trade less complicated. (European Commission 2019b.)

Once the negotiations are completed, the Commission publishes the agreement and presents it to the Council and the Parliament. The Council and the Parliament review and study the deal and have the power to decide whether to accept it or not. If they both accept, the EU can sign the deal. For mixed deals, which include contents that fall under both under EU and member state responsibilities, the deal needs to be ratified and signed by all member states to fully enter into force. All parties signing it and the agreements being published in the EU's Official Journal concludes the agreement. (European Commission 2019b.)

2.3 Comprehensive Economic and Trade Agreement (CETA)

This chapter presents the Comprehensive Economic and Trade Agreement (CETA), its negotiation process and what is new in its content compared to previous trade deals the EU has negotiated.

CETA is a bilateral trade agreement between the EU and Canada meant to further strengthen their close economic and trade relationship by eliminating most of the remaining barriers for trade and investment (Official Journal of the European Union 2017). The EU and Canada reached an agreement after almost a decade of negotiations. The negotiations for CETA began in May 2009 and ended when it was signed in October 2016 by Canada, the European Council and the European Commission. The European Parliament then gave its consent in February 2017 and the agreement entered provisionally into force in September 2017. Only provisionally so far, because CETA is a "mixed" trade agreement, meaning that it includes parts that are outside of the EU's exclusive competencies and therefore need to be accepted by the member states. This means it has to be ratified in all member states' parliaments before it can fully enter into force. At the time of writing this study (December 2019), it has been ratified by 14 out of 28 member states (European Council 2019).

The negotiations for CETA were lengthy, and they came across several difficulties on the way. A Joint Interpretative Instrument was made between the EU member states and Canada after tough negotiations, where the agreement's effects (or lack thereof) on certain sensitive sectors are further explained (Council of the EU 2017). The latest and commonly well-known dispute was caused by the parliament of the Belgian French-

speaking region of Wallonia, when they refused to accept the agreement by vetoing it, holding the rest of the EU waiting since unanimity of all member states' parliaments was required. In the end, the Kingdom of Belgium requested on 7.9.2017 for an opinion of the EU Court of Justice related to whether the Investor State Dispute Settlement (ISDS) procedure embedded in CETA was compatible with EU treaties. The EU Court of Justice then ruled that CETA is compatible with EU primary law (ECJ 2019).

CETA has faced a lot of criticism and in fact some believe it causes unemployment and other negative issues for the economy (see, for example, Kohler & Storm 2016). CETA and other PTAs have encountered significant resistance in for example France, an EU member state (LesEchos.fr 2019). France has however recently voted to ratify the contentious agreement. The vote passed with a narrow majority, opponents expressing concerns about agriculture and the environment (France24.com 2019).

CETA however aims to boost trade, growth and jobs in the EU and Canadian markets. The agreement text itself has approximately 1000 pages and 30 chapters covering different sectors of trade (Official Journal of the European Union 2017). The main parts of the agreement cover trade in goods, trade in services, public procurement, investments, intellectual property rights, sustainable development and special support for small and medium sized companies. CETA is one of the most complex and complete trade agreements, taking into consideration new aspects of trade that had not been present in previous trade deals the EU negotiated up to date. It has been said to set the trend and standard for future trade deals. (European Commission 2017a.) However, CETA was also an example of how complicated it is to get a mixed agreement through the process of ratification.

One remarkable aspect about CETA is that it offers better trade conditions for suppliers of services than previous EU agreements (European Commission 2017a). It opens up the Canadian market in the fields of for example financial services, postal and courier services, telecommunications, and transports, while keeping public services fully protected. It also recognises each country's specific qualifications for certain regulated professions, like accountants, architects, engineers and lawyers. The agreement makes moving temporarily across the Atlantic for work easier. (European Commission 2017c.)

2.4 Finnish trade with Canada in cross-border services

As a member state of the EU, Finland is one of the parties in the EU-negotiated trade agreements. This chapter looks at the situation of trade between Finland and Canada, the other signatory party to CETA.

Already in 2009, according to VATT (2014), Finland was a service economy and it will be so even more in the future. Services exports make up for a large share of Finnish success in exports and are taking a bigger role, as in general jobs from traditional industry disappear while jobs in service sectors increase at a considerable speed. The services exports have made up around one third of the total gross value of export in the recent years, but around 70 percent of the value added. Service exports have been growing steadily and faster than other exports, and Palta (2018b) aims at doubling them by 2025 as their full potential could be something much more.

This study chose to focus on the effects of trade agreements on services sector exports especially in Finland because it is an important factor of economic success for Finland and the world could benefit from Finnish service expertise even more. In general, the biggest service categories that Finland exports are ICT services, second biggest professional services such consultancy and management services in different fields, as well as some transport services, charges for the use of intellectual property rights, and travel. (Eurostat 2019).

Finland and Canada have a lot in common. They are both located in the North, they have a similar climate, comparable natural resources, a bilingual parliamentary democracy, and share a largely similar set of societal values. Many large Finnish companies do business in Canada, and now with CETA in place, doing business should become more accessible also for smaller companies. Finland can offer arctic know-how and other competencies in the fields of sea transport, energy production, infrastructure, meteorology, cleantech services and ICT-services, for example. Finland and Canada both have a strong forest industry as well as metal industry and engineering works industry. (Ministry for Foreign Affairs 2019.) Due to these numerous similarities between the markets, there would be much more potential in the trade relations among the two nations than is currently being realised. Realising this potential depends on the efforts both countries make to boost it (Kauppapolitiikka.fi 2014).

Finnish exports to Canada in the year 2017 consisted mainly of machinery, mineral fuels and oils, vehicles, pharmaceutical products, electrical and electronic appliances, iron

and steel products as well as paper. Major Finnish companies that have a presence in or export to Canada include Wihuri, Kemira, Wärtsilä, Nokia, Ponsse, Amer Sports, Metso, KONE, Outotec, Stora-Enso and Neste. Finnish exports to Canada are not very large in volume compared to some other markets. According to Customs Finland (2018), in 2018 Finnish exports to Canada were 664 million euros. In 2016 service exports from Finland to Canada amounted to 132 million Canadian dollars (approx. 90 million euros), and CAD128 million (87 million euros) the other way (Government of Canada 2018).

Trade between Finland and Canada showcases an example of the potential that could lie in trade between the EU member states and Canada, like-minded partners in many aspects. While volumes of trade are not massive, there is plenty of room to grow and improve. Therefore, by looking into the literature on trade policy and services trade, we will be able to point out how the trade could best benefit from existing EU PTAs.

3 TRADE POLITICS

This chapter reviews the literature on trade policy and focuses mostly on the European Union perspective of it. It starts from the foundational theories of trade in the international political economy, and how trade policy is part of the concept. The main concepts and theories about trade policy instruments and agreements and their developments are briefly explained.

3.1 Trade in the international political economy

Let us first look into the broader branch of studies within which trade studies fall. *International political economy* (IPE) is a field of study on the constant mutual interaction of economics and politics in the world arena (Frieden & Lake 1999, 1). It “studies the political battle between the winners and losers of global economic exchange” (Oatley 2018, 2). In practice IPE can mean the study of almost anything governing the world economy, how government policies are affecting the markets or vice versa; how economic forces shape government policies (Frieden & Lake 1999, 1; Oatley 2018, 2). The IPE research field includes issues related to production, money and finance, trade, and, for example, problems related to developing economies and other rising or stagnant issues in the international political economy. *Trade policy* falls under the IPE field of study. As it is a tool in the game of political power struggle between nations, the title of this chapter is “trade politics”.

Nations trade because they benefit by doing so as we know from the basic principle of comparative advantage. The first wave of free trade internationally can in fact be considered to date back to the 18th century, when local individual entrepreneurs demanded their governments to abolish trade and finance restrictions, so they could practice their businesses abroad. The second wave of the opening up of trade in Europe happened in the 19th century. Scholars offer different explanations to the long-term changes that happened in trade policy at that time. (Frieden & Lake 1999, 6.) The opening is more likely to have been motivated by values and ideology, rather than only because of economic or political interest. The theory of tariffs, which were regarded as a collective good until then, was questioned, since tariffs are often in the interest of only few but end up at the expense of everyone. The elimination of restrictions of trade became more widely approved. (Kindleberger 1999, 73–74.) Trade liberalisation became a commonly accepted principle of governments. The formation of the General Agreements on Tariffs

and Trade (GATT) in 1947, that later (1995) was developed into World Trade Organization, helped this process. (Kerr 2007, 1.)

The fundamental idea of the functioning of perfectly competitive markets is that supply and demand adjust themselves to meet each other and form the so-called market-clearing equilibrium. The equilibrium then determines the prices and quantities of goods produced in the economy. In reality, domestic and international markets have not been proven to work as perfectly competitive markets. Even though liberalisation of trade is more widely accepted nowadays, governments, among the many other players in the market, can still intervene and alter patterns in consumption, the components of the equilibrium, or virtually any other variable in the economy. Governments can make changes in different aspects of the economy, such as setting barriers on trade. (Frieden & Lake 1999, 2.) Those intervening actions are some of the protective instruments that governments can use to conduct their trade politics.

Although it has been proven by economists that it is almost always beneficial for nations to trade goods and services with one another, nations' policy preferences nevertheless shift from free trade to protectionism in waves. (see e.g. Krugman & Obsfeld 1994, 4; Oatley 2018, 94–95.) *Protectionism* means government intervention in the economy to protect its own from the threat of foreign suppliers. It is standing its ground even though standard economic models consistently show that government intervention cannot raise social welfare. The reason behind protectionism's periodic success is the existence of well-organised special interest groups eager to lobby governments to protect their industries from foreign competition. (Delimatsis 2007, 44–45.) However natural it was in the case of a certain industry to want to protect their own, society and welfare at larger scale would be better off in the end when all trade protection is removed, and the nation specialises in the industries where it has comparative advantage over others. This way resources would be most efficiently allocated. (Oatley 2018, 94–95.)

Even though free trade has been proven numerous times to be the most beneficial way for all to trade, protectionist measures still occasionally stand their ground in government policy. The shifting political waves and interest group lobbying offer some explanations to why parts of the world view opening their markets for foreign competition differently than for example the EU.

In practice, and especially in such a diverse and large market like the EU, the field of trade policy is complicated and intertwined with other policies, and one needs to look into, among others international trade law and economics, and all aspects of international

politics in order to grasp how it is made. Trade policy decision-making processes and underlying principles are all different, varying according to the type of trade policy instrument in question and the trading partner(s) in question, therefore it is useful to next observe trade policy in its different contexts and sub-systems (Bollen 2018, 2).

3.2 Trade policy subsystems

Trade policy comprises the several public policies that regulate and affect the passage of goods and services across borders. Trade policy instruments include tariffs, quantitative restrictions, legislative barriers, and other kinds of barriers on trade. (See, for example, Young & Peterson 2014, 15.) Trade policy transfers resources to specific industries and factors of production and thus reallocates income in the economy. Governments face pressure from different interest groups to protect the domestic producers by imposing barriers. (Delimatsis 2007, 58.) Therefore, governments intervene in international markets causing direct or indirect economic effects. Trade policy deals with those effects and with the economic and political winners and losers that arise in the aftermath of those interventions, and also with the institutions (free trade agreements) and questions relating to their effectiveness (Kerr 2007, 1).

Trade policies are developed by different level institutions, sub-systems. The only organisation governing the trade rules on a world-wide level is the World Trade Organisation (WTO). The *multilateral* regulative framework, WTO, is the trade policy backbone governing international trade. Most nations of the world, in fact 164 out of approximately 195 independent states, are members of the WTO at the moment. That means that they are committed to trade complying with the multilateral rules-based trading system. WTO's policies cover 98% of world trade. (WTO.org 2019.) In addition to the multilateral level, there are the *pluri- and bilateral* level systems, as well as *unilateral* trade instruments for conducting policies one-way. The world of trade is governed by all these trade agreements, which exist in thousands.

Reciprocal trade agreements come in different sorts of levels: multilateral (WTO), plurilateral, bilateral, regional (like ASEAN, USMCA) and megaregional (like TTIP, TPP, CETA) trade agreements. (Griller et. al 2017; Stoll 2017, 4; Kerr 2007, 2). The *multilateral system* began when international trade was negotiated in the General Agreements on Tariffs and Trade (GATT) since after the second World War in 1947, to avoid repeating the harmful protectionist trade policies that were practiced after the onset of the Great Depression.

The GATT dates back to times before European integration. The Uruguay round of trade negotiations, in 1994, expanded the GATT and it became the WTO in 1995 (Young & Peterson 2014, 73). The WTO framework includes three main agreements: GATT, the General Agreement on Trade in Services (GATS) and an agreement on trade-related aspects of intellectual property (TRIPS). Both GATT and later on the WTO allow the creation of regional and megaregional preferential free trade agreements (FTA) in addition to the multilateral level as long as they are not in contradiction with the multilateral commitments. (Kerr 2007, 7; Miner 2007, 36.)

Trade under the WTO rules is based on certain foundations: reciprocal tariff reduction and non-discrimination (Young & Peterson 2014, 73). The latter consists of the most-favoured nation (MFN) and national treatment (NT) principles. The MFN means that countries cannot discriminate between their trading partners. This in practice means that if a country grants one country a more favourable market access by lowering tariffs, it should do the same for all the WTO members. However, the WTO allows discrimination in the form of preferred trade relations if they are agreed upon and adhere to strict conditions. These preferential relations can be PTAs or for example giving developing countries easier access to the market or restricting trade of certain goods due to unfair trading. The NT on the other hand calls for no discrimination between imported and locally produced goods once they have entered the market in question. (WTO.org 2019.)

Trade negotiations on the multilateral level are very complicated and involve many parties and areas. The WTO rules are based on the negotiations held with all the member states. The multilateral system is facing a severe crisis, and the most recent negotiation round, called the “Doha round” has not been making any progress and is foreseen to remain that way for the time being. (Schwab 2011, 104; Wouters et. al 2015, 1.)

The *bilateral system* of trade policy consists of a group of PTAs that for example the EU can make with third countries (Bollen 2018, 3). The WTO framework has always been complemented by preferential, bilateral, regional, free trade agreements, all names for the same genre of preferential trade agreements, that are here called PTA. The agreements are between a smaller group of countries that deviate from the MFN principle of the WTO (Stoll 2017, 3–4). They are bilateral or plurilateral and can be formed between two or more countries, within or across regions (Koopmann & Wilhelm 2010, 309).

The network of these different types of reciprocal PTAs is expanding fast, and all significant trading nations have been, in one way or another, part of discussions on PTAs ever since the suspension of negotiations on the WTO Doha Round (Roy et al. 2006, 5–6). An increase in both number and content complexity of these agreements can be observed (Foster et al 2011, 84; Stoll 2017, 3). These PTAs have for a long time been focusing mainly on regional neighbours (EU and NAFTA as examples) but have since been formed also between distant countries and regional blocs (Foster et al. 2011). Thus, in addition to the multilateral level, there is a growing network of PTAs among smaller groups of countries, that make an exception to the principle of non-discrimination. The following Figure 4 shows their growth during the past decades.

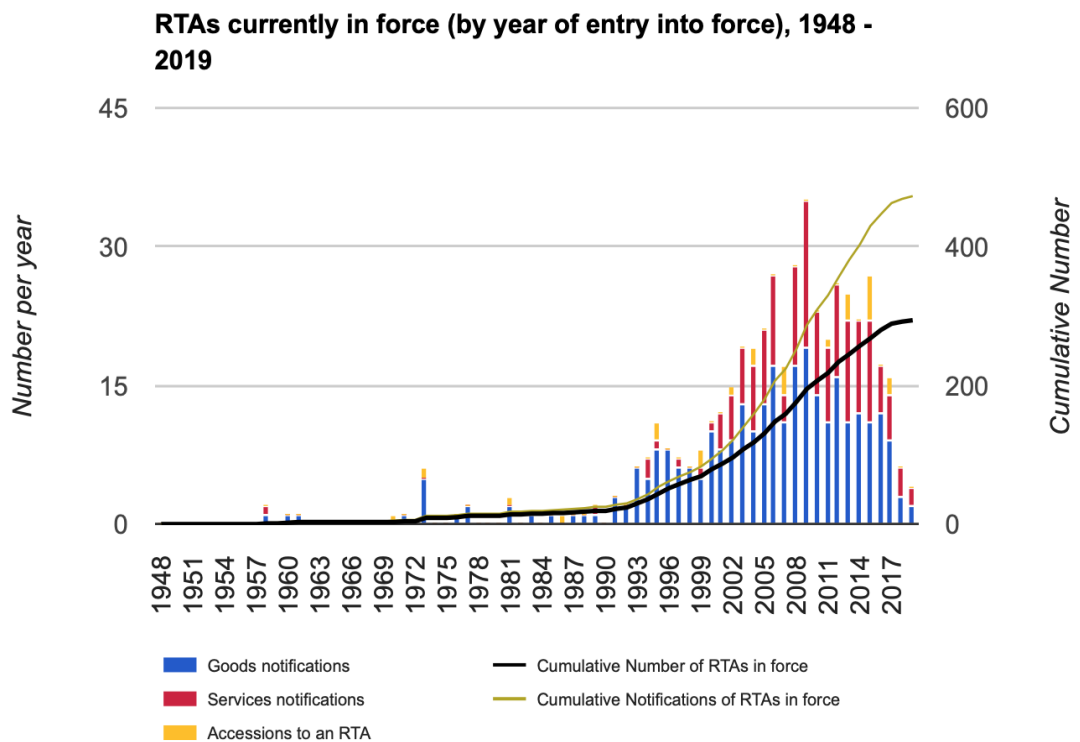


Figure 4. Number of regional trade agreements currently in force and notified to the WTO, years 1948-2017 (WTO.org 2019a)

The Figure 4 presents the accumulation of PTAs that have been notified to the WTO. In June 2019, there were 294 PTAs in force and notified to the WTO. On top of this there are agreements that are not yet notified. Out of these, 159 are agreements covering trade in services, and 264 in goods. 14 PTAs that are currently in force (out of which 13 include services) have been signed by the US, while the same number is 42 (17 including services) for the EU.

The inability to proceed in the complex WTO Doha round negotiations has left willing members to promote trade liberalisation in smaller coalitions (Stoll 2017, 4; Woolcock & Heydon 2009, 3). Therefore, recently even so-called *mega-regional* PTAs have been negotiated between the world's leading powers, like the EU, US, Canada and Japan (Griller et al. 2017; Stoll 2017, 4). These agreements are called mega-regional because they are between major economies and cover a new level of economic volume and depth. These mega-regionals, especially CETA and TTIP caused lively debate in the general public as well as among the academics, who have criticized among others, aspects related to investment protection and regulatory cooperation and the openness of the negotiation process. (Stoll 2017, 4.)

“New generation” PTAs (Young 2015, 1254) are lengthy and complex agreements, which often follow a similar structure. Many parts of the agreements correspond to the rules of the WTO but take many parts further (WTO plus) and introduce new aspects as well. (Stoll 2017, 6.) The recent PTAs regulate and liberalise market access, non-tariff barriers and regulatory cooperation. They also address investment and competition related issues, and issues traditionally outside the scope of trade policies, such as labour rights, environmental protection, sustainable development, and cultural heritage, as well as governance of trade and arrangements for dispute settlement. (Young 2015, 1254; Stoll 2017, 6–10.) The provisions related to the market access for goods and services go beyond WTO levels and eliminate barriers on almost all trade (Stoll 2017, 6). As tariffs among WTO members are already relatively low, the non-tariff barriers (NTBs) and regulatory cooperation is what is emphasized in particular in the PTAs (Hoeller et. al 1998, 27). The NTBs are barriers on trade that are not direct tariffs but differences in regulation, for example standards for certain products or services that need to be met. These standards may prevent trade because they are different in other countries. (Stoll 2017, 7.)

On top of the multilateral and bilateral systems, the EU is one of the most active institutions in using the *unilateral system* to pursue its foreign policy targets. In fact, acting through the unilateral policy level is more common in the day-to-day policymaking, than negotiating something on the multilateral or bilateral level. The unilateral system of trade policy consists of the non-reciprocal and trade defensive policies that the EU can conduct on other countries. These policies include for example the challenging of third countries' trade barriers to acquire greater market access to those markets or using tools such as anti-dumping or trade sanctions (Young & Peterson 2014, 26, 102).

3.3 Trade policy instruments

Trade policies differ according to their desired purpose and the instrument chosen for that. Different trade policies cater for different policy objectives, which can broadly be categorised into three distinct groups: welfare, protection, and foreign policy objectives. (Young & Peterson 2014, 30). Traditional trade policies are mainly for economic welfare purposes, regulatory policies for fixing market failures (Young & Peterson 2014, 185). Young and Peterson (2014, 15) list key trade policy instruments as anti-dumping duties, preferential market access, quantitative restrictions (quotas), tariffs, technical barriers to trade, trade disputes and sanctions.

Anti-dumping duties are duties imposed on products that are attempted to be sold in a foreign market below the fair market price (price dumping), harming competition in the target market. Preferential market access means permitting some partners' goods and/or services a more preferable access to the market than others hold. *Quantitative restrictions* are exactly those, a restricted quantity of a certain good or product category that a partner is allowed to export or import in a certain period of time. *Tariffs* are the simplest of the trade policies (Krugman & Obstfeld 1994, 195). They are customs duties or taxes that affect the price of imported foreign merchandise products, favouring local products and giving them price advantage over the imported ones. *Technical barriers to trade (TBT)* are composed of differences in regulative processes and standards, such as certification and testing requirements. *Trade disputes* can arise between partners and they might have to be solved in specific trade dispute settlement procedures. *Trade sanctions* can be placed upon imports in the form of bans or other types of restrictions on trade from a certain trading partner. These policy instruments all serve different purposes and can be utilised in bilateral or multilateral trade agreements, or also be appointed unilaterally. (Young & Peterson 2014, 15.)

The dominant form of trade negotiations used to be mainly negotiating tariff reductions between partners. But especially in the years after the mid-1980s, trade policy has evolved and broadened to encompass for example trade in services and foreign direct investment, thus the importance of tariffs has weakened in modern times (Krugman & Obstfeld 1994, 196). These developments have given rise to other common protective tools such as *regulatory cooperation* and *anti-dumping policies* and thus made trade policy more complex in the 21st century. (Young & Peterson 2014, 215.) As the scope

and complexity of the field has increased over time, it has given rise to the use of a greater number of trade policy instruments. (Kerr 2007,1.)

Instruments like trade agreements have evolved from solely removing tariffs on goods to coordinating on many other fronts of the economy, such as services, to make cross-border trade less complicated (Young & Peterson 2014, 216). The much wider harmonisation of regulations includes issues also related to for example employees' treatment and responsible environmentally friendly practices (e.g. Hübner et al. 2017, 843). Due to the overall decrease of tariffs worldwide thanks to the GATT/WTO, the significance of non-tariff measures/-barriers (NTM/NTB) on trade is highlighted (Woolcock & Heydon 2009, 46). NTB is a commonly used term that encompasses those previously mentioned measures that are not direct tariffs, but in some other way complicate market access or treatment beyond borders.

3.4 The impact of trade agreements

In general, it is thought, that freer trade under trade agreements is beneficial overall to the economies party to it. How trade agreements affect the trade between parties depends on the type of agreement in question. Trade agreements include different level provisions to remove trade barriers, such as tariffs, quotas and other regulatory barriers. Through the WTO, all member nations are able to be part of negotiating the barriers.

Recent PTAs however regulate market access of goods and services, non-tariff barriers and regulatory cooperation, investment and competition, dispute settlement and governance. On top of the "ordinary", strictly trade related issues, the agreements also increasingly take a stance on responsibility aspects related to labour and human rights, environmental protection and sustainable development to mention a few. (Stoll 2017, 6–11.)

Eicher and Henn (2011) find that the existence of the WTO alone does not significantly increase trade volumes between its members. However, regional and bilateral PTAs do so quite noticeably. Foster et al. (2011) and Egger et al (2011) find that the existence of a PTA has a positive effect on trade between partners. Baier and Bergstrand (2007) find out that PTAs approximately double the bilateral trade between two members after 10 years. A recent working paper by the IMF (Hannan 2016, 5), finds out that establishing a trade agreement between two economic partners increases exports between them by approximately 80 percentage points over the course of 10 years. VATT (2017) approximates the impact to around 40 percent.

The impact of mega-regional PTAs like CETA is stronger economically, socially, environmentally and politically, therefore it has also caused disputes in the public. The agreements go way beyond the WTO standards in many sections. The main benefits the agreements bring its participants are integration on a regulatory level and lowering of tariffs. Opening access between markets bring economic growth. Regulatory coherence between markets may result in exporters having to bear less responsibility of finding out about all the different standards. (Stoll 2017, 5, 19, 22.)

3.5 Trade policy systems in the EU

The EU trade policy consists of the three levels of trade policy introduced in this chapter. The EU Common Commercial Policy (CCP) sets the framework for trade policy in the EU and it consists of policy bundles of different types that are grouped into the multilateral, bilateral, and unilateral systems. The multilateral level in practice means the trade talks in the World Trade Organization (WTO) and its rules and procedures, which set boundaries on the terms used in international transactions, also on EU trade policy. (Bollen 2018, 2.) The bilateral trade policy system concerns the several preferential trade agreements (PTAs) that the EU can negotiate and conclude with other states. Mainly the EU is committed to further liberalise the markets in the multi- and bilateral trade policy dimensions, but it can also use its protectionist measures and its one-sided tools. The unilateral system is a collection of one-sided tools, such as anti-dumping measures, which can be used to protect its own economy from foreign harmful trade actions, or to try to open access to foreign markets. (Bollen 2018, 2–3; Young & Peterson 2014.)

Trade policy has been an exclusive EU competence since the Treaties of Rome, but its scope has expanded over the decades. The Treaty of Lisbon in 2009, made changes after which the EU's exclusivity has covered all aspects of trade, including investment, services and intellectual property related issues. (Bollen 2018, 2.) The EU has an important role in the global governance of trade. It was when the EU and US trade negotiators met to discuss and solve their different takes on domestic support for agriculture that gave rise to the formation of WTO in November 1992. Europe's trade policies have an effect on the economy of the whole world, since it is still the biggest market and trader in the world and will remain an important one. (Young & Peterson 2014, 215.)

4 CROSS-BORDER TRADE IN SERVICES

This chapter sheds light on the literature on cross-border trade in services. First, the concept of trade in services is defined. Then the different barriers on trade in services are presented. Lastly, the institutions in which it can be regulated and liberalised are introduced. At the end of the chapter 4, both theory literature sections are drawn together to form a framework and synthesis that presents the main concepts that this study revolves around in a condensed manner. This helps understand the connections of the literature to the actual empirical study that is presented after.

4.1 International trade in services

Services are a group of intangible economic activities, apart from manufacturing, mining and agriculture. The results of a service can often be observed, but the service itself cannot be touched, unlike manufactured products. It is a large and diverse sector (Jensen 2011, 11). One way the services can further be divided is into consumer and producer services, the former meaning those services that are meant for final consumption by consumers and the latter that work as an input in the production of goods or other services. Consumer services are both personal and collective services, like tourism and cleaning services vs. public health care. Producer services on the other hand include transport, communication and computer-related services. Many sectors also work to provide for both producing side and consumption, like telecommunication. (Marchetti 2011, 212–213.)

The firms in the service industry used to be regarded mainly as small and the jobs as low-skilled, which is not the case anymore as many service jobs are high-skilled and highly paid (Jensen 2011, 12.) Services used to be perceived as non-tradable and short-lived, the sort of activities that need to happen at the place of consumption; like when at a hairdresser or doing a construction service, the customer and the supplier need to be present to receive the service (Beaulieu 2007, 150; Delimatsis 2007, 9; Hoekman et. al 2007, 369). However, with modern digital information and communications technology solutions, moving the service itself has also been made possible and that has broadened the concept of the tradability of a service and foreign direct investment (FDI), as Mode 1 and Mode 3, respectively (as defined later) (Marchetti 2011, 213; Mattoo & Stern 2007, 3; Hoekman et. al 2007, 369).

Traditionally, until the beginning of the 80s, services were regarded as a supporting activity that is not independently productive nor has real value on its own. International

service transactions are often thought to require international factor mobility, such as labour or capital moving abroad in order for the supplier and the receiver of the service to be in immediate proximity (Delimatsis 2007, 8, 37). Perhaps due to the previously poorer availability of service data compared to data on goods meant its true importance remained rather unknown (Jensen 2011, 12.)

International trade in services can take four different forms: 1) cross-border trade, 2) consumption abroad, 3) foreign direct investment (FDI) and 4) labour movement. Cross-border trade means services supplied from one country to another, a software service delivered to another country electronically, for example. Consumption abroad would mean for example tourism or education services. Commercial presence means establishing service functions in another country by foreign direct investment. Labour movement, or the presence of natural persons providing their services abroad, would be for example when a consultant moves abroad to offer a service. (Deardorff & Stern 2007, 169; Beaulieu 2007, 150; Mattoo et. al 2007, 5–6.)

Nowadays services are present everywhere in multiple forms and contribute strongly to economic developments. Services are traded in increasing volumes and the service sector has become the largest sector measured in productivity in most countries of the world, and it contributes also to the other sectors. Services play a key role in the general functioning of the market, as they are the backbone of many other business activities and the whole information and business network, permitting for example direct interactive communication (Delimatsis 2007, 9, 62; Jensen 2011, 11, 20).

4.2 Barriers to trade in services

Despite its growing importance, measured in openness, trade in services is still typically one of the most protected and closed sectors of the economy. Liberalisation of trade in services continues to come up against difficulties arising from states' differing regulation of trade in services, which they have set up either to promote social welfare of citizens or to protect own suppliers from foreign competitors as well as due to the specific characteristics of the different service sectors (Odudu & Lionis 2012, 1). The sector remains highly protected due to protectionist measures and heavy domestic regulation in the field of services. (Beaulieu 2007, 150.) Its liberalisation through trade agreements was making slower progress than that of goods trade (Hoekman & Mattoo 2013).

Services are diverse, and so is their regulation. A barrier to trade in services can be any policy that complicates service suppliers and consumers' interaction through the

aforementioned four modes of trade in services. It interferes with the possibilities of companies from one country to compete with those of another country. (Deardorff & Stern 2007, 169.) There are so-called “natural” barriers of course, that result from distance between markets or differences in cultures and languages (Hoekman & Sauv  2007, 285). Here, however, we focus on the man-made regulatory barriers for trade in services.

A barrier or impediment can either restrict supply or make it more costly. The measurement of the quantified cost effect of a non-tariff barrier (NTB) to trade is called the “tariff equivalent”. (Deardorff & Stern 2007, 169.) Barriers to trade in services are grouped into restrictions on market access and restrictions in domestic regulation. These barriers are often mixed with domestic regulations and are therefore rather difficult to tell apart. (Delimatsis 2007, 39, 76.) Deardorff and Stern (2007, 178) characterise the barriers as either non-discriminatory/discriminatory or applying to entry/establishment or the operations of a company. Domestic regulations are non-discriminatory, meaning domestic and foreign suppliers should be treated on the same terms. Domestic regulations range from requirements in qualification and licensing to other country specific procedures (Mattoo & Sauv  2003, 9). Domestic regulation can restrict trade. Regulatory interventions on legislation done by governments can be either sector specific or country specific (Delimatsis 2007, 1).

Services are intangible and invisible in nature, thus imposing direct restrictions on cross-border trade in services, such as tariffs or quotas, would be too difficult and expensive (Delimatsis 2007, 37–38). As there are no immediate restrictions on service trade at the borders, the domestic barriers on trade make up most of the burdensome barriers. Trade in services faces more domestic regulations than trade in goods (Mattoo & Sauv  2003, 11). Regulation creates benefits but also costs, and the level of domestic regulation can in fact determine the whole feasibility of doing trade in services. (Delimatsis 2007, 2, 37.) The barriers that affect trade in services are more complicated and less transparent than those affecting goods.

Governments want to protect domestic service providers and policy objectives by regulating trade in services domestically rather than by the cross-border flow. Thus, most services are subject to some kind of domestic regulatory intervention. Governments sometimes justify protectionist measures by referring to economic objectives or to pursue non-economic objectives, for reasons including national security, education, healthcare or policy objectives. Services often operate in politically sensitive sectors. Governments have traditionally owned and directly or indirectly controlled many service sectors. Many

services still continue to be supplied or closely regulated by the government. (Delimatsis 2007, 38, 47, 66.) These are some of the reasons why services come up against occasionally high domestic regulatory barriers.

To find a fine balance in the relationship between trade and investment liberalisation and domestic regulatory autonomy is one of the most important and difficult issues in international trade, and it affects also trade in services. Local rules and regulations are often needed to ensure their fit to the local conditions, but regulatory differences between trading partners can be significant barriers for free trade. (Hoekman & Mattoo 2013, 132; World Bank Staff 2003, 221.) As we have read now, services trade faces many barriers. In the next chapter we will take a closer look at some agreements that have attempted to liberalise trade in services.

4.3 Liberalising trade in services in trade agreements

As trade in services has become a significant part of most economies, also its rules-based liberalisation has become common. The key trade agreements that regulate the conditions of trade in services are presented below.

4.3.1 The General Agreement on Trade in Services

Regulatory cooperation can smoothen cross-border trade in both goods and services. Agreements that liberalise trade in services became noticeable in the 1980-1990's, with for example the making of NAFTA and the EU Single Market with its four freedoms, including the free movement of services. In 1995, the General Agreements on Trade in Services (GATS) entered into force. GATS, the multilateral framework focused on the progressive liberalisation of services trade was negotiated under the General Agreement on Tariffs and Trade (GATT) for decades (Hoekman & Sauvé 1994, 283; Mattoo & Sauvé 2003, 11; WTO.org 2018.)

The aim of GATS is to progressively liberalise services trade (Mattoo & Sauvé 2003). The GATS covers 12 service sectors and 150 sub-sectors. This diversity of the sectors is a special characteristic of service trade (Delimatsis 2007, 1). Because of GATS, service trade liberalisation and regulatory cooperation was further boosted (Marchetti 2011, 215). Market access and national treatment are the main liberalising tools embedded in the GATS, as well as in most of the newer agreements presented next (WTO.org 1994). Research says that the Uruguay negotiation round made little

improvement in addressing better conditions for market access and national treatment for services (Hoekman & Mattoo 2013, 133). What is interesting about newer agreements is to determine whether they go beyond the GATS in their efforts to liberalise trade in services. As this study focuses on the preferential trade agreements, literature on the newer pluri- and bilateral agreements is examined more carefully in the next chapter.

4.3.2 Reciprocal preferential trade agreements

All significant trading nations have been, in one way or another, part of discussions on preferential trade agreements (PTAs) ever since the suspension of negotiations of the WTO Doha Round (Roy et al. 2006, 5). There is considerable interest towards the liberalisation of trade and investments in services as a part of these agreements (Beaulieu 2007, 150). It is recognised that there are large potential gains in the international rules-based cooperation in services (Delimatsis 2007, 9). As mentioned earlier as well, services are often a vital input to the production of other services and goods. They enable other sectors to work efficiently by providing services such as banking, insurance, expert services like accountancy, telecommunications and transport services. The liberalisation of trade in services is of critical importance for the EU as well. The service sector is the only area in which there is still significant negotiation traction. Rules-based liberalisation of services trade is important because in today's world it is impossible for any nation to prosper without an inexpensive and effective services infrastructure. (Delimatsis 2017, 1; Hoekman et al. 2007, 370.) Thus, improving service tradability will, by default, benefit other sectors' performances too.

Service liberalisation is not a new phenomenon but as a part of PTAs it has rather recently become more frequent. Most of the PTAs negotiated since early 1990s include some service sector commitments that do not go beyond GATS. However, a surge in the number of more ambitious agreements can be seen, as the biggest share of these kinds of PTA's were created and notified to the WTO after the year 2001. (Hoekman & Mattoo 2013, 135; Marchetti 2011, 210.) As of June 2019, there are a total of some 159 PTAs notified to the WTO under the GATS Art. V that include some level of commitments in services (WTO.org 2019a). Roy et al (2006, 58) suspect that it may well be all the buzz around negotiating new bilateral and plurilateral PTAs that has been drawing attention away from the WTO multilateral Doha services negotiations.

The PTAs differ in the type of commitments that they make towards service liberalisation. The PTAs that cover services trade can take two different main forms: those

that call for deeper integration (positive integration) and those that are simply FTAs that do not aim for broader harmonisation of regulation (negative integration). The only existing examples of the first form of PTA are the EU and European Economic Area (EEA). The free movement of services is one of the key four freedoms embedded in the EU (Marchetti 2011, 218). Services and service providers enjoy this freedom of movement as well as freedom of establishment within the EU internal market.

The second form, negative integration agreements, could be categorised further into three approaches: those agreements that use a *GATS-type approach*, those that have an approach similar with *NAFTA*, and the ones that take a *hybrid approach* of the two previously mentioned. (Marchetti 2011, 214.) These three types of liberalisation modalities are defined to be the so-called positive-list (bottom-up) and negative-list (top-down), and their combination (see, for example Roy et al. (2006, 8). The *GATS-type* agreements take on the positive-list approach.

In practice, in the GATS-type agreements using the positive list approach, the liberalisation obligations apply only to those sectors that are specifically mentioned, in other words, naming sectors from the bottom up. Even within those labelled sectors are special reservations in countries' national schedules. The *NAFTA-type* agreements adopt the negative-list approach. The negative-list agreements liberalise everything unless stated otherwise in the list of reservations, therefore liberalising everything from the top to bottom. In their combined versions, which are becoming more popular, the agreements use negative-listing for all but the sensitive sectors, where positive-listing is used (Woolcock & Heydon 2009, 236).

By using these hybrid versions, parties have aimed to avoid irregularities between the different modes of supply and between trade in services and trade in goods. (Roy et al. 2006, 8.) The EU negotiated PTAs used to generally adopt a GATS-type approach, whereas all US-negotiated PTAs have taken a "new generation NAFTA-approach", in practice a combination approach (Roy et al. 2006, 10; Marchetti 2011, 216–217). During the last decade though, the EU approach has changed from positive-listing to a mainly negative-listing formula. The Figure 5 lays out these approaches to best understand their connections.

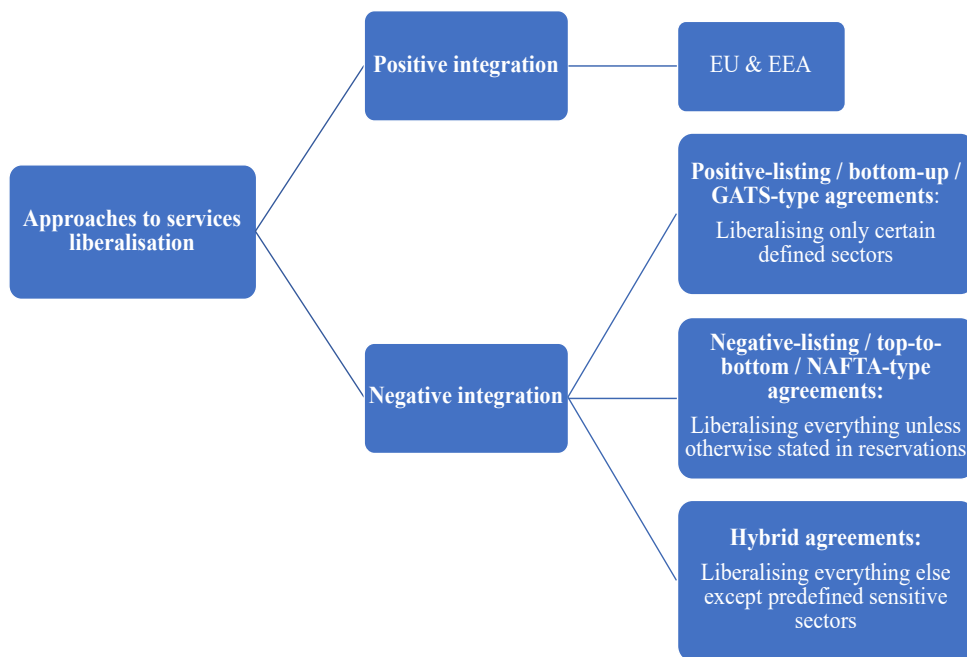


Figure 5. The different approaches for liberalizing services in trade agreements (see, for example, Roy et. al 2006).

Figure 5 groups the different approaches to those with positive integration and negative integration further into three different types. The positive-listing, GATS-type approach takes into consideration almost all aspects of services trade, grouping them in four different modes, distinct from the earlier grouping of Mattoo et. al (2007, 5–6):

- Mode 1: Cross-border trade (or supply),
- Mode 2: Consumption abroad,
- Mode 3: Commercial presence (of foreign suppliers)
- Mode 4: Temporary movement and presence of a foreign natural person providing services. (Marchetti 2011, 215; Delimatsis 2007, 25–26):

In the *Mode 1*, or cross-border supply, the interaction between the supplier and the consumer happens over distance and the “service” itself crosses the border. In *Mode 2*, literally the consumer consumes a foreign service abroad, moving either physically or virtually to buy the service. Examples include a hairdresser service, or a virtual course bought online. *Mode 3* means, that the supplier may establish a foreign subsidiary abroad and provide services there. *Mode 4* takes into consideration the movements of foreign natural persons that are providing a service abroad. (see, for example, Marchetti 2011, 215; Hoekman & Mattoo 2013, 133.)

The *NAFTA-type agreements* include both a service and investment chapter. The service chapter covers the other modes as the GATS-type approach but does not include Mode 3 foreign direct investment (FDI) (Marchetti 2011, 217). In the combined approach, the mode 3 is often covered in both services chapter and the investment chapter (Roy et

al 2006, 10). As we have now covered how PTAs categorise and define different types of service trade, we will move onto discussing how the agreements actually regulate trade in services.

Market access and *national treatment* are the key obligations regulating trade in services in the PTAs. Market access conditions are meant to prevent governments from carrying out certain measures restricting the supply of services. Such measures regarded in GATS-type PTAs are limitations on the 1) total number of suppliers, 2) number of transactions or assets, 3) value of operations or output, 4) the number of employees, 5) restrictions on the type of legal entity and 6) restrictions on foreign equity participation. (Marchetti 2011, 215.)

The national treatment commitment on the other hand obliges a nation to treat foreign services and service providers with no less favourable terms in aspects regarding the supply of services than it would treat a like national provider (see, for example, Hoekman & Mattoo 2013, 138; Marchetti 2011, 216). However, these provisions are neither unconditional nor are they actually containing any obligation on their own. All these conditions are negotiable, and only when agreed upon will they be made part of the national schedule. (Marchetti 2011, 216.)

The liberalising effects of PTAs have been researched. Roy et al. (2006) compare the actual deepening of the integration in recent PTAs vs. GATS level service commitments, with the conclusion that PTAs make at least as liberalising commitments as in GATS, but in most cases significantly more. In the GATS, commitments are relatively limited in depth. GATS-style positive-list liberalisation approaches are generally found to yield more limited results, while PTAs using a NAFTA-style negative-list approach make more profound development in really liberalising trade in services, as they bind and lock in at least the status quo (current practice). Modern reciprocal PTAs can be labeled as GATS-plus (GATS+) trade agreements, if they go further in liberalization than the existing WTO-level GATS commitments in certain areas (Delimatsis 2017, 595). Alternatively, they can also have GATS-minus parts (Hoekman & Mattoo 2013, 140).

Modern PTAs also offer more transparency since the level of openness is explained clearly (Marchetti 2011, 218). The NAFTA-style agreements have in general been more productive than the GATS-style, and it can partly be explained because the US, a powerful negotiator and one of the main initiators of PTAs, has used this (although combined) approach in its agreements. (Roy et al 2006, 55.)

The *state of play* in services trade agreements has developed over the decades. After 2000, for the first time in history the main players in the services negotiations (for example the EU and USA) have engaged in PTAs including service commitments outside of their neighbouring regions, that is, EU negotiating agreements with other non-EU European countries and US with Canada and Mexico for example. Research also pointed out that at the moment of publishing (2006), the largest developed countries (like the EU, China or the US, Japan and India) did not have PTAs amongst themselves but rather with more developing countries, with the only exception of the US-Australia FTA. (Roy et al. 2006, 7–8; Hoekman & Mattoo 2013, 132.) This aspect has of course changed since, as has been mentioned already in the introduction presenting recently concluded PTAs between major players in the world economy.

The depth of the commitments varies between countries, agreements and sectors. In the EFTA and European Community (EC) (renamed EU after 2009) for example, the sector of audio-visual services remains mostly unaffected by the PTAs. (Roy et al 2006, 54.) According to Delimatsis (2017, 622), services are a sphere where EU attempts to keep a balance between a preferentialism and multilateralism. The EUTP is at a point where it needs to make important choices regarding trade policy in services, as it is currently balancing somewhere between “shallow multilateralism” and “deep bilateralism” with its trade partners. The EU is in internal conflict regarding the adequate level of openness in certain sensitive silos, for example the aforementioned audio-visual or public services.

Even though negotiations between the EU and US are in a complicated situation while writing this thesis due to political turbulence and a shift in discourse towards other pressing issues, the TTIP, or a similar trade deal between the two global trade superpowers remains a key priority and objective of the EUTP. Services sector remains a significant interest and completing the TTIP and TiSA is crucial for the development of regulations governing global trade in services. (Delimatsis 2017)

The new agreements involving deeper integration can boost regulatory reform and openness in the service sector also domestically. The markets for services enabling trade, such as the financial, telecommunications or business services can be mutually beneficial and interoperable. They could build trust and spread the give-and-take of trade deals. Cooperation or coherence in regulatory reforms would benefit the bilateral partners but also any third party, since reforms in practices and processes related to regulation cannot be applied on a discriminatory basis. (Delimatsis 2017, 625).

The positive effects of services liberalisation are not automatic (Mattoo & Stern 2007, 3.) The availability of statistics on bilateral service trade flows has previously made assessing the effects of service PTAs on the volume of trade in services. Marchetti (2011, 229–230) finds out that the volume of bilateral trade in services between partners indeed increases, on average, by 12-15 percent when there is a PTA in place. Distance (as in transaction costs) plays a part in determining the scope of services trade. The “home market effect” is also visible in his results, which means that the larger countries have a tendency to be net exporters of services that have high transport costs and significant economies of scale. He was not, however, able to find a remarkable difference between the effects of simply free trade areas and of deeper integration areas.

4.4 Synthesis

Wrapping up the theory sections and explaining their connections to this research will help in keeping the purpose of this study in mind as we move on to the empirical section of this study. Many different forces guide trade in the international political economy. Players such as the state and the society can alter the course of the markets and economy. Trade policy deals with trade agreements and trade barriers, amidst which the economic losers and winners of government interventions have to organise their trade in the world.

Trade policy in practice happens through different reciprocal and non-reciprocal instruments and on different levels of negotiation. The reciprocal policies are negotiated on the multilateral (WTO) and bilateral system level. The non-reciprocal policy level consists of the unilateral system and its instruments that can be used to pursue unilateral market access or to defend markets from foreign powers or impose sanctions. In this study, the reciprocal bilateral system and its preferential trade agreements (PTAs) are taken into a closer examination as the EU’s recent reciprocal preferential trade agreements are the focus.

The EU external trade policy is guided by the multilateral trade framework WTO. Trade under the WTO follows certain principles of non-discrimination between trade partners. However, the framework allows the deviation from these non-discrimination principles by enabling the creation of preferential trade relations between a smaller group of WTO member states. PTAs are thus agreements that for example the EU can negotiate with third countries, while still functioning under the rules of WTO. Especially recent PTAs make trade related commitments on a deeper level than the WTO. Also, their coverage has broadened to encompass more sectors of the economy, including services.

Service-related commitments are more comprehensively included in the most recent EU-negotiated PTAs, an example of which is the mega-regional PTA CETA between the EU and Canada. In modern PTAs the non-tariff barriers and regulatory cooperation play a big role, as tariffs are already relatively low world-wide thanks to the WTO. This makes the PTAs benefits for services trade especially favourable, as they are not affected by the more traditional barriers to trade (tariffs or quotas) but instead are at times heavily hindered by regulatory differences.

International trade in services is a fairly recent phenomenon. It has been recognised as a very significant creator of added value in world trade. It has been transformed from having been regarded as a non-tradable intangible to the most significant sector in most developed economies. Services play a key role in the general functioning of the market, as they are the backbone of many other business activities. Therefore, the liberalisation of trade in services is gaining more and more attention in the media and is focused on in policy negotiations and trade agreements.

Services are a group of intangible economic activities, apart from manufacturing, mining and agriculture. International trade in services can take four different forms: 1) cross-border trade, 2) consumption abroad, 3) foreign direct investment and 4) labour movement. Services are liberalised as a part of the multilateral General Agreement on Trade in Services (GATS) as well as through bilateral and plurilateral agreements like the Comprehensive Economic and Trade Agreement (CETA) and Trade in Services Agreement (TiSA).

A barrier or impediment for trade in services can either restrict supply or make it more costly. Barriers to trade in services are grouped into restrictions on market access and restrictions in domestic regulation. Thus, cross-border trade in services is can be liberalised (by regulating it) through the conditions of market access and domestic regulation.

Services trade liberalisation has different depths and approaches. The *positive integration* approach aims for a deep and broad harmonisation of regulation in the field, the only example of which is the EU and the EEA. The *negative integration* approaches are simpler free trade agreements seeking to liberalise services trade to a varying depth. All other trade agreements fall in this category. This category agreements can either liberalise in principle all sections of the field, apart from some specific reservations, or liberalise only specifically indicated sections. Lately combination approaches are also commonly applied, for example in the EU and US.

Most PTAs, based on the GATS framework, categorise the modes of supply in services trade into the following: mode 1) cross-border trade (or supply), mode 2) consumption abroad, mode 3) commercial presence (of foreign suppliers), and mode 4) temporary movement and presence of a foreign natural person providing services.

The impact of trade liberalisation through PTAs both on the general volume of trade and for services trade specifically is significant according to research. Depending on the study, with all else constant, trade flows could be increased by up to 50 percent. The following chapters will be presenting the empirical part of this study as well as the results of the analysis and conclusions reached.

5 RESEARCH DESIGN

The aim of the fifth chapter is to show how the empirical part of this study has been carried out, to be able to find answers to the research question of how the modern EU trade agreements can promote Finnish trade in services. It will present and justify the choices made in this study regarding research design and methodology. This section presents the data collection and analysis methods used and evaluates the whole study in relation to typical evaluation criteria of qualitative research.

5.1 Research strategy

The whole study, its research design, data collection and its analysis methods depend on the nature of the phenomenon at hand (Eriksson & Kovalainen 2008, 27). This research has been conducted as a qualitative study. The decision to choose a qualitative research approach over a quantitative one was made for several reasons. The qualitative approach fits the purpose of this study, since the aim of a qualitative study is to try to have deeper understanding of a *social phenomenon* in its natural setting, which is complex, political and economic, just like the topic of this research (Marković et al. 2017, 34; Silverman 2001, 32). One distinctive difference between the two approaches is that, unlike in the quantitative research, qualitative research is able to see reality as constructed of social and cultural aspects. This cultural and social viewpoint of observing reality is something quantitative research can neglect, and therefore it is another reason as to why this research is a qualitative one. (Silverman 2001, 29.)

Qualitative research has some characteristics that separate it from the quantitative approach. The data collection method, the perspective of the informants, the discretionary or theoretical sampling, the qualitative-inductive analysis of the data, not setting a hypothesis, the style and format of the findings and the narrative are mentioned by Eskola & Suoranta (1998, 15). The data is collected and analysed in a format one way or another transformable to text. It can either exist because the researcher has created primary data, for example transcribed interview text, or it can exist naturally without the input of the researcher, as a piece of text or another document (Silverman 2001). For this study, both primary data and secondary data was collected and analysed. It is also typical of a qualitative interview to continuously update the research plan as new data comes in and the process goes further, which was the case in this research process as well. The research

plan was constantly reviewed as the researcher obtained more information on the topic. (Hirsjärvi et al. 1996, 165; Eskola & Suoranta 1998, 15.)

The perspective of the informants is in the core of the research. The qualitative researcher is always defined by subjectivity rather than objectivity. Even though a certain level of subjectivity will affect her work, she has aimed to be as objective as possible, for example not to confuse her own views with those of the interviewees. The discretionary sampling means that normally only a handful of cases are analysed for qualitative research. (Eskola & Suoranta 1998, 17–18.) Taking a qualitative research approach means that the analysis of the collected data is richer, and every view presented in the documents analysed in a study is as valuable as the other. It is indeed the *content and quality* of what is being expressed in the data, not the quantity, that matters in this qualitative research.

For this qualitative research, two types of empirical data have been collected and analysed to ensure adequate depth of information regarding the topic. First, a handful of expert interviews were conducted to get more knowledge on the different points of views on EU trade policy development and the scope of service trade. The interviewee naturally has knowledge of specific details only to a certain extent. Thus, to fill the gaps, a set of secondary data was collected and analysed to find answers especially to the two last sub-research questions: how trade in services is liberalised as a part of EU PTAs and what new opportunities modern EU trade agreements can bring for trade in services in Finland?

The primary data (expert interviews) is original and unforeseen, while the secondary data (text documents) has initially served another purpose but have now been harnessed for the purpose of this new research. Thus, by collecting and doing a qualitative analysis of these primary and secondary data is how the study hopes to bring a contribution to existing literature and give insights on the chosen research topic. The operationalisation table 1 below will present the structure of the research more carefully and link interview/secondary data themes to the sub-research questions.

Table 1. Operationalisation of the research

Main research question	Sub-research questions	Links to theory presented in the thesis	Themes recurring in analysis of primary and secondary data
How can modern EU trade agreements promote Finnish trade in cross-border services?	What has led the EU to negotiate new generation bilateral PTAs that encompass service liberalisation?	Trade policy	<ul style="list-style-type: none"> · Political situation · Failing multilateral framework · Globalisation · Challenges EU has faced · Finland's take on trade agreements
	How is trade in services liberalised as a part of EU PTAs?	Cross-border trade in services	<ul style="list-style-type: none"> · Services trade regulation as a part of CETA
	What new opportunities can modern EU trade agreements bring for trade in services from Finland?	Impact of trade agreements and service liberalisation	<ul style="list-style-type: none"> · Effects of CETA · New opportunities for Finnish service trade

Table 1 presents the operationalisation and the division of the research question and the sub-research questions in a table format. It also lists and names the themes and questions used in both interview and secondary data analysis and links them to the theory chapters presented in the literature review section of this thesis. The main research question in the first column is divided further into the three sub-research questions in the second column. In the third column the topics of the corresponding literature review chapters are marked. The following chapters will enlighten the reasons behind these choices of research strategy.

5.2 Primary expert interviews

5.2.1 Data collection

The researcher has collected the primary empirical data by interviewing Finnish trade policy experts from different organisations representing different views on the EU trade policy sphere. Choosing interviews as the method and primary source of data was a choice made for several reasons. By conducting interviews, the researcher was able to obtain

information about the phenomenon at hand, which is important as there is not a lot of scientific literature about it, especially not from the point of view of Finland.

Interview is a very common method of data collection, where both the interviewer and interviewee influence each other (Eskola & Suoranta 1998, 85). Interviews can happen in face-to-face manner or through some means of communication, phone call or email as examples. They can be individual or group interviews. (Eriksson & Kovalainen 2008, 78.) This study included face-to-face individual interviews and one interview with two people present. One respondent gave his answers through email.

There are diverse forms of interview and ways to name them. One simple way to categorise them is by the level of permanence in the formatting of the questions and the overall structuredness of the interview. On the other end of the structured–unstructured spectrum lies the *structured* interview, and on the other far end is the *open* interview. In a structured interview, questions and their order remain unchanged for all of the interviewees and the interview situation resembles filling in a survey questionnaire orally. An open discussion, on the other hand, is as close to a normal conversation as can be but on a specific predefined topic. In between are *semi-structured* interviews, in which the questions are the same throughout, but answers are free-form and *thematic* interviews, that go through a predefined set of themes, but the order, formatting, and answers are all free and flexible. (Hirsjärvi et al. 1996, 204–205; Eskola & Suoranta 1998, 87; Gillham 2000, 60.)

These interview types differ in how flexible as methods they are, and how the role of the interviewer and the interviewee is seen. The qualitative interview type chosen for this research is the thematic interview. For its flexibility it fits the purpose of this study best. The researcher wanted to make sure that certain themes are covered in the interview but did not want to limit the breadth of information to simple answers to specified questions, as more interesting information could potentially come up if given more freedom to deviate from a structured pattern (cf. Eriksson & Kovalainen 2008, 82). Due to the flexible and varying formatting, sequence and depth of the interview themes discussed, the answers from each informant are not totally comparable, nor is it possible to reconstruct an all-encompassing list of questions. However, the common themes/questions used as guidelines in the interviews are listed in the Appendices.

Interviewing experts only was a choice made by the researcher. Experts have knowledge about the field from a broader perspective and interviewing them can save a lot of resources compared to interviewing, for example single companies on their

perspectives. As the expert also possibly knows a vast network of professionals in the field, he/she might be able to indicate other possible interviewees (Bogner et al 2009, 2). This proved to be very useful for this study, as indeed the experts in key positions were able to point out other well-established professionals in the field.

The mentioned chain of events is called the snowball technique. In this case it meant receiving recommendations from established informants on other people working in the trade policy sector in Finland (cf. Hirsjärvi & Hurme 2015, 59). This resulted in a handful of names of possible experienced experts to interview. One interviewee was contacted after seeing them lecture at international trade related events and some of them were sought out from the web pages of the organisations they represent which were of interest to this study. The people chosen were longer term professionals in their field and their *competence* and knowledge were most important (cf. Holstein & Gubrium 1995, 21). By using this sampling technique, the researcher was able to come to the conclusion that perhaps the most relevant people had been contacted, as the same names were being repeated by several interviewees.

Interview invitations were sent out during spring 2019, when the theory section of this thesis was almost in its full breadth, so to have enough prior information in order to be able to form interesting and relevant interview questions. Setting up the interviews happened via e-mail, in which the researcher presented herself and the themes around which the study topic revolves without revealing all the questions. The place and time were set, and other practical arrangements were made. Interviews happened at the interviewees' workplace or at a public library. (cf. Hirsjärvi & Hurme 2015, 20, 73–74.) The interviews were spread out over the whole spring, since the researcher wanted to make sure the interviewees would be as relevant as possible, only sending new invites after receiving recommendations from the previously interviewed.

Invitations were sent to 12 experts in organisations representing parties somehow involved in the trade policy field. Out of these, five in total replied and agreed to an interview. The number of interviews that were carried out was left rather limited due to the inability to find enough people who are long-term experts in specifically trade policy matters and also some scheduling difficulties as well as the experts' schedules not matching with those of the researcher. Two invitees had also already changed workplace. The Table 2 lists the details of the interviews.

Table 2. Interview details

Date and place	Interviewee	Expertise related to trade policy	Duration	Method
31.1.2019 09:00 Helsinki	Taneli Lahti	Director of EK Brussels, Confederation of Finnish Industries	40min	face-to-face
11.2.2019 17:00 Helsinki	Jediitta Tiainen	Former Special Advisor to MEP on International Trade	45min	face-to-face
12.2.2019 10:00 Helsinki	Marja Kuosmanen	Counsellor, Department for External Economic Relations, Ministry for foreign affairs of Finland	60min	face-to-face
	Aino Friman	Commercial Secretary, Department for External Economic Relations, Ministry for foreign affairs of Finland		
23.4.2019	Timo Vuori	Vice President, International Affairs; Secretary General of ICC Finland, Finnish Chamber of Commerce	-	email

Table 2 shows the dates of the interviews, names and professional titles and expertise of the experts interviewed as well as the interview duration and execution method. The interviews were conducted in a face-to-face manner (cf. Eriksson & Kovalainen 2008, 78) apart from the interview with Timo Vuori, which was done over email, as setting a meeting would have been difficult due to time constraints. All the respondents agreed to have the interview recorded and their names stated in the research document. The researcher had familiarised herself with the recording function of the device she used and tested the audibility of it in all interview situations. At some point of the interview, the interviewees were asked to share some details of their career so far in the field of trade policy. Some of the interviewees asked to see the thesis and the parts where they participated when it is ready and were provided with their corresponding sections by email with a possibility to comment.

The interview questions were formed beforehand. The nature of the interview questions was thematic and thus flexible and both the interviewer and interviewee were able to speak freely and add additional questions and comments. The interview situation followed guidelines presented by, for example, Hirsjärvi & Hurme (2015, 89–110), and

started with a brief general introduction and some small talk. Out of the interview questions, first more general themes were addressed to familiarise oneself with more broader phenomena happening in the EU trade policy and agreements and was then followed by more specific themes related to the research question of this study. The respondents covered some of the sub-questions in their free speech which made the interview more conversational and flexible. Each respondent answered to themes which they knew best and some of them were left unanswered due to them not being relevant related to the person's background or knowledge of certain details. To ensure the quality of the interviews, the researcher was paying attention not to pose leading questions, but to try to remain as surprised, neutral and objective as possible (Eskola & Suoranta 1998, 19-21, 138.) The interview data was then transcribed, analysed and used in this research. How that was done is explained in the next chapter.

5.2.2 Data analysis

The interviews were recorded in digital format and listened to repeatedly. The interview recordings in their entirety were transcribed into a Word-document (cf. Hirsjärvi & Hurme 2015, 138–140). As the interview language was Finnish, the mother tongue of the researcher and the interviewees, there were little chances of mishearing or misinterpreting the text. The transcribed text was then translated into English for the relevant parts, taking care not to miss any nuances of the spoken language but trying to make the message clear and understandable. The researcher is fluent in English but was constantly double-checking vocabulary to portray the meanings right.

The transcribed interview text was analysed using a thematic analysis method, which is one of the several qualitative analysis methods used with data. The stages in the process include reading, categorising, finding connections and reporting on those connections. In practice these procedures often happen in a spiral-like manner (cf. Eskola & Suoranta 1998, 151–153; Hirsjärvi & Hurme 2015, 144.) First the researcher carefully read through the transcript several times and then started to take note of issues in the interviewees' answers that might be relevant for the objective of the research. Those recurring issues were first highlighted without yet further thinking which theme they might relate to. The researcher then started colour-coding the issues based on the themes that were identified. The highlighted parts were then collected into a separate document and provisionally divided into groups of issues related to the same theme. The groups or themes were then titled accordingly. From there the similar answers were combined, compared and

summarised into the actual findings of this study. Respondent's names were cited if their answers were somehow either distinct from the other respondents' or if they mentioned something specific to their background or the point of view of the organisation they represent. Some (translated) direct quotations were used to refresh and diversify the text and give the reader an idea of the phrasing and nature of the interview discussion.

5.3 Secondary data

5.3.1 Data collection

The researcher decided to acquire secondary data to complement and deepen the knowledge got from the data collected in the interviews, thus mixing information found in both types of sources. Secondary data as a concept means that the data is "naturally occurring" (Silverman 2001, 159), in other words, it existed already before and without the influence of the researcher. It can be found in various different forms, such as textual documents, stories, videos and audio (Eriksson & Kovalainen 2008, 77–78). For this research, textual documents produced by official institutions of the countries involved in the EU trade agreement negotiations were collected.

The data originally served a different purpose but was now used to resolve the objective of this study. The secondary textual data was more detailed in nature and therefore was able to contribute to more informative findings in this study. It was also more easily available for the researcher, not being limited by schedules and place. Depth, content and efficiency-wise it made sense to use data created by an expert in the field, rather than try to create similar data yourself with limited resources. Also, interviewing experts on numeral facts or exact graphs on how trade between two countries has developed over the years can only exist as an estimate in a person's mind. Therefore, it was useful to consult some documents that may be able to present additional information related to the research question.

In order to be able to report what the main impacts are that CETA has on service trade, this research has focused its analyses to a handful of reports and other textual documents discussing CETA in the years 2016-2018, which is right before and during CETA being actively implemented. The researcher searched the Internet with search words such as "CETA impact", "services liberalisation", "service trade" and "Finland". The search results were read carefully and those that seemed most relevant for the objective were saved for further reading. Among the documents were scientific articles,

research reports, news articles and promotional material for Finnish companies to do business in Canada. Once the researcher noticed that many shorter reports were repeating the results of the main reports prepared by for example VATT and the Commission, the researcher concluded that a certain level of saturation was reached.

The documents were further scrutinised and those that were chosen as part of the study were produced by official, reliable or established institutions. These institutions include the EU, the Governments of Canada and Finland, and official research services of the countries in questions. The list of secondary data documents analysed in this research are documented in the [Appendix 2](#) along with the interview guide. By choosing to analyse secondary sources, this study has the opportunity to draw conclusions from an already-existing broad and specific data that has been collected to better understand the phenomenon at hand, the impact of service liberalisation as a part of CETA. The process of analysis is explained in the next chapter.

5.3.2 Data analysis

This research used qualitative content analysis as the method to process and analyse the secondary data collected. Content analysis is a research method or “broad family of techniques” for processing scientific data (Morgan 1993, 112). It is a tool for mining new knowledge from already existing data that can be useful for understanding a phenomenon. Using the method, replicable and valid conclusions can be drawn from data about their context (Krippendorff 1980, 21). The data used in this study is secondary, meant originally for other purposes, but can still be useful for drawing further new conclusions when looked at from a more specific angle.

What makes qualitative content analysis differ from quantitative is the ways in which it produces the codes and makes the counts. A qualitative researcher finds the codes from within the data itself, while quantitative uses a predefined set of codes it begins to search for in the data. A qualitative researcher relies on careful reading of the data. Counts are what result from the coding process. A quantitative research focuses on the ‘what’ and ‘how many’ and presents the numerical results and ends its analysis there, whereas a qualitative research asks the questions ‘why’ and ‘how’ did the result show certain pattern. (Morgan 1993, 114–116). As with analysing the interview data, the texts went through a similar thematical analysis (Eskola & Suoranta 1998, 75). Thus, this method corresponds to that of the interview data analysis.

The qualitative content analysis generally consists of four procedures: summarising content, forming inductive categories, explicating and structuring (Mayring 2004, 268–269). Along those guidelines, the selected texts were read through carefully. Then the sections that seemed most relevant for the research question were highlighted. The highlighted parts in the texts containing similar meanings, related to each of the themes presented in the operationalisation table, were coherently coded with different colours and collected into a Word-document together with the interview data. The text was simplified and grouped thematically, and the main points from each text were presented in a simplified way and reflected to the others in the results section of this thesis.

5.4 Evaluation of the study

As this is a qualitative study, it is especially important for the researcher to prove to the reader that the research process is done “by the book”. This study is the writings of one researcher and making sure the choices made by the researcher are transparently laid out will help establish trust in the reader. Therefore, in this study the researcher has aimed to document the research process by explaining all the choices she made as carefully as possible. Since there is no statistical information to back the findings, evaluating the trustworthiness of a study through a framework will ensure transparency, and the scientific nature and quality of this research (Eriksson & Kovalainen 2008, 290).

There are different frameworks for assessing the quality of a qualitative study. Reliability and validity are classic evaluation criteria used for assessing both quantitative and qualitative research. Here, a parallel framework originally created by Lincoln and Guba (1985) is chosen and applied to analyse trustworthiness – the “goodness” of the study. Lincoln and Guba (1985, 290) define trustworthiness as being able to persuade the audience to believe that the findings of a study are worthwhile to take into account. This alternative but commonly applied framework was chosen since it is especially adapted for the nature of a qualitative study (Eriksson & Kovalainen 2008, 291). It uses four criteria for assessing the trustworthiness of a research: *credibility, transferability, dependability and confirmability*.

Credibility, as the first criterion, corresponds to the classical criteria of internal validity (Lincoln & Guba 2016, 104). It is used as one of the four main factors contributing to the trustworthiness of a study (Lincoln & Guba 1985, 301). With this criterion in mind it is necessary to prove to the reader that the findings of the study are truthful and reflect the real world without researcher bias. The credibility of a study can

be assured with different techniques. Prolonged engagement, persistent observation, and triangulation are part of those. (Lincoln & Guba 1985, 301–316; 2016, 104.)

Prolonged engagement in other words means familiarising oneself with the topic thoroughly with sufficient time and creating trust with the source of the empirical data, in this case with the interviewees and the data (Lincoln & Guba 1985, 301). In this study, by searching on the internet and acquiring knowledge from previous interviewees, the researcher made sure that all interviewees were experts in their field with years of experience and knowledge of the developments of EU trade policy and/or cross-border service trade in Finland. They were contacted well in advance, the location was picked by them, and some introductory questions were posed to establish trust and to get to know the interviewee and their experience. The interviewer also introduced herself and the objective of her study briefly. The researcher also made sure that the persistent observation materialised, ensuring that the researcher is focused on the issues that actually count, having engaged in the topic for long enough. (Lincoln & Guba 1985, 304).

Other tools for improving credibility were also used. The rightfulness of the interpretations of the data were member checked, in other words reviewed by sending the corresponding results section to the informant in question for reviewing. Triangulation, or “using multiple perspectives to refine and clarify the findings of your data” (Eriksson & Kovalainen 2008, 289) was assured by interviewing multiple experts and using multiple secondary texts as source. Another tool, peer debriefing, was used in the thesis seminar meetings, where the study was read and also commented on by all non-invested participants of the group.

Transferability, as the second criterion, is meant for assessing how well the results of a specific study could be transferred to another context (Lincoln & Guba 1985, 297). It replaces the concept of external validity (Lincoln & Guba 1985, 300; 2016, 1055). In this study generalisability is not possible and it has not been the aim either, although with the help of a thorough and thick description of the research context in Chapter 2 and the research process, the reader can determine if it is possible to apply these results as indicative in another similar context (Lincoln & Guba 1985, 316; 2016, 105). The research and its results could in some cases be useful for analysing the effects of service liberalisation also in newer EU trade agreements, such as the one concluded with Japan by the time this thesis was written. The results could show a trend in the effects that CETA or other modern trade agreements could have on another service sector in another member state economy, for example that of another Nordic country, such as Sweden.

Dependability or reliability, the third criterion, evaluates the quality and logic of the research process as a whole, including data collection and analysis and theory generation. It will recognise also the researcher's influence on the results, how consistent the results are, and how well they could be repeated in the same context (Lincoln & Guba 1985, 300, 316). The stages of the research process were elaborated to let the reader know the logic behind it and increase its dependability. With the help of the operationalisation table, one can easily spot the connections and purposes of the different sections. This research could be repeated again using the same steps and by analysing the same material, the researcher would find these same recurring that have proven to be the focus of the interview and data written on the topic.

However, interviews are always a rather subjective source of primary data, as the interview could be interpreted in the researcher's mind in varying ways and the questions asked are also chosen by the researcher and depend on her mindset. The interviews were recorded and transcribed as carefully as possible into the researcher's mother tongue, and the key points then translated into English as a part of the "Findings" chapter. There is always a possibility to misunderstand information that is spoken language, but the researcher made every effort to carefully analyse what the meanings of each spoken text was, and the translation process should not have distorted the meanings, as the researcher is fluent in written English.

Confirmability, an alternative to objectivity, the fourth and last criterion, assesses whether the results of a study are well linked back to the data and could be confirmed by other researchers, with the purpose of assuring the researcher was not biased and did not have his/her own interests distorting the scientific process (Lincoln & Guba 1985, 319). The researcher kept a reflexive journal throughout the research process. The data for the empirical part of this study was collected in the form of primary interviews and secondary textual data. The secondary data is available publicly, but the interview transcript material is only available through the researcher as it will not be made public in its entirety. Therefore, another researcher can only partly confirm the results. However, the reasoning for the conclusions drawn is explained thoroughly and the themes used in the interview and data analysis are provided as an appendix at the end of this document.

It can also be useful for the reader to be able to evaluate the reliability of the data used in this study. The fact that the secondary data used for the content analysis are made by official institutions that had and have a role in the negotiations and implementation of CETA means that they present their analysis of the data they have collected as observative

as possible, but there is always a possibility that these parties have their own preferences in what they wish to emphasize when reporting on the possible effects of a trade agreement they have been negotiating. The Commission (representing the EU executive institution), Finnish State officials (representing the views of an EU member state in the Council, a negotiating partner), Research Institute VATT, and the Government of Canada (representing the other negotiating partner) all have their own preferences on what they wish to emphasise particularly much to the public and decision-makers.

However, the research results achieved from the analysis of the secondary documents are independent of the political influences of the producers of the reports. The analysis and conclusions made in this study are based on a very limited number of studies and interviews, but they are thorough in quality and content. The analysis and conclusions are subjective, made from the point of view of the researcher, however trying to keep the analysis process as logical as possible. The researcher chose to focus on service trade in particular and picked the themes most relevant for trade in services.

6 FINDINGS

In this chapter, the results of the research data analysis are presented by theme. They are organised in a way that helps understand their relation to the sub-research questions of this thesis.

6.1 Development of EU trade agreements to encompass service liberalisation

6.1.1 Political situation

One of the key explanations behind what has led the EU to start negotiating modern bilateral trade agreements in the past decade is the shift in the general political direction outside and also inside Europe. The world has witnessed a shift from extreme trade liberalism and the golden era of globalisation, to a more protectionist “foxhole war”, where each party is at war with each other from inside their own hole that they dug for themselves (Tiainen, discussion 11.2.2019). Interviewees identified a new state of political play in Europe and the world. The recent developments have affected the EU and world trade policy arena in ways that eventually led to many trade partners being keen on negotiating new bilateral trade agreements with the EU. Thus, the EU has played an important role in setting standards for future trade agreements and leading by example in promoting responsible free trade also in times of turbulence.

Interviewees recognise the great turmoil of the past decade in the field of trade policy. Tiainen (discussion 11.2.2019) mentions some of the shifts in direction that took place during the time she was following trade policy closely. Especially after the US presidential election, such as no longer negotiating the TiSA and TTIP, the disputes related to CETA, the WTO not able to function and the US blocking new members of its Appellate Body from being appointed. There were also the tariffs dispute between the US, EU and China and the British vote to exit the EU, all at the same time. WTO – the foundation pillar of world trade is breaking due to lack of consensus among the big economies of the world. (Tiainen, discussion 11.2.2019.) The EU is trying to push WTO forward, but there are other forces pulling the WTO in the opposite direction, like the US focusing on unilateral trade policies and China not being the kind of member of the WTO that was initially expected (Kuosmanen, discussion 12.2.2019).

According to Lahti (discussion 31.1.2019) and Vuori (email 23.4.2019), the EU with its trade policy agenda has successfully and strategically seized the opportunity to take a

bigger role in setting trade standards in this situation where the US has backed away from the multilateral trade policy architecture and is strongly challenging it. Lahti (discussion 31.1.2019) also points out, that while China is challenging the global economic balance with its own actions, it has announced its commitment to the multilateral trading framework, unlike the US.

In this situation of uncertainty, where the US argues with China, threatens the EU, and pokes both North and South in the Americas, [--] the EU as an open economy, large market, and forerunner of rules-based trade has become the guiding light of the multilateral rules-based trading system.

(Lahti, discussion 31.1.2019)

Because of this lead role, important trade partners worldwide have been lining up to negotiate trade agreements with the EU to make up for the weak spots left by the absence of a functioning WTO framework, which is discussed in the next chapter (Lahti, discussion 31.1.2019).

6.1.2 Failing multilateral framework/WTO

All respondents name the WTO not being able to function the way it should anymore as one of the reasons behind EU recently agreeing on multiple bilateral trade agreements. The priority and preference of the EU trade policy has been to promote the multilateral trading system in general, which entails keeping the WTO functioning and regulating trade through WTO rules. For that reason, the EU was initially reluctant to negotiate bilateral trade agreements, because it would have taken off pressure from advancing the WTO. Yet, noticing that the latest negotiation round of the WTO, the so-called Doha Round, proved to be a slow way to develop international trade and to eliminate barriers for trade, the EU had to wisely take initiative outside of the WTO framework and negotiate deals for itself. The original plan was to only negotiate TTIP with the USA, but after a shift in the political situation, the EU started to negotiate more broadly with its main partners. (Vuori, email 23.4.2019.) The Commission has succeeded well with this agenda (Lahti, discussion 31.1.2019; Vuori, email 23.4.2019).

While the EU attempts to save the WTO are still continuing alongside, negotiating trade agreements bilaterally is the standard for the EU at the moment. Nevertheless, both the web of bilateral agreements and the multilateral WTO framework are needed to work parallel to each other. In case the WTO level agreement negotiations do not succeed, some members may decide to negotiate plurilateral trade agreements. The purpose is to first

negotiate with a smaller group of WTO member states, and then hope others will come aboard. TiSA (Trade in Services Agreement) is an example of a plurilateral deal. (Kuosmanen, discussion 12.2.2019.)

6.1.3 Globalisation

As an explanation for the increased breadth of content and aspects covered in the newer trade agreements, interview respondents offer several suggestions. While negotiating bilateral trade agreements, the parties acknowledged that the world has changed quite a bit (Lahti, discussion 31.1.2019). Globalisation as a phenomenon has perhaps put pressure on creating broader agreements that include for example chapters on sustainable development, environment, work-life conditions and investments. Doing business has developed rapidly, and services and the movement of data being important aspects to take into consideration nowadays. Since trade deals are meant to serve international trade, they must also meet the needs of what trade is actually like today and in the future. Hence, they have developed to encompass more aspects of trade, as trade itself is getting more multiform. (Tiainen, discussion 11.2.2019).

Alongside with more traditional goods trade, the newer agreements aim to agree on for example services trade and investments and, for example, to make the SMEs' position better. Developing the rules of services trade and opening it to competition is important, as there are still national restrictions affecting it, such as permit conditions and nationality requirements. (Vuori, email 23.4.2019.)

With the size, power and resources entrusted in the EU, negotiating deeper trade agreements is easier than as a single nation with more limited recourses, like that of Finland (Tiainen, discussion 11.2.2019). These bilateral FTAs allow parties to address special challenges of bilateral trade (Vuori, email 23.4.2019), and make it possible to also negotiate non-traditional trade related issues, such as sustainable development issues, and embed them into the agreements. By legislating trade through bilateral trade agreements, the EU is also ensuring its fundamental values are being conveyed through trade (Kuosmanen, discussion 12.2.2019). Tiainen (discussion 11.2.2019) believes the agreements might even need to extend further to digital service trade and look at concepts like blockchain and other new technology that are currently only in their infancy as part of the trade agreements. All in all, there is need for comprehensive and modern trade agreements for businesses to be able to trade smoothly in ways that are relevant for today's economy.

6.1.4 The challenges EU has faced

Although the EU has successfully managed to advance its trade policy and conclude agreements with strategic trade partners, it has not done so without facing many challenges on the way. The negotiations have sparked up a lot of debate and even some critique in the public. The positions of different member states vary as well. This resistance can be due to for example fears related to globalisation, to the increased competition at home markets, the investment protection scheme and other political reasons. The different challenges and positions taken by member states that the interviewees mentioned are presented in the following sections.

As examples, both TTIP and then CETA encountered a lot of resistance and some critique from the public and certain sectors of the economy. Interviewees name several explanations for people's resistance and worries concerning entering into trade agreements. Some of the opposition may have been about the general fears related to globalisation, power being transferred somewhere out of the reach of citizens. Another is the critique towards the investment protection scheme. For Lahti (discussion 31.1.2019) the rationale behind the fears and the critique was left quite vague. He points out that the power, instead of having been taken out of the reach of the citizens, would be put in a place that is easily monitorable. As what comes to the investment protection, having clear rules and methods for dispute settlement could benefit the partners. Currently investment protection is widely based on bilateral agreements between EU countries and third countries. (Lahti, discussion 31.1.2019.) As an example, interviewees mention Finland's approximately 100 investment agreements. All EU member states have these similar but not identical networks of agreements.

In the end in CETA's case the opposition was beginning to look like the Brexit tragedy, not concerning the agreement itself or any of its element, but some other complex internal or regional political reasons and then Wallonia's regional parliament decided not to ratify the agreement and held 500 million other European citizens as hostage. The situation did not make any sense and was then solved. (Lahti, discussion 31.1.2019)

When the European Parliament deals with FTAs, the same opposition and party-specific questions often arise, and CETA was no exception in this way. In CETA's case, apart from the investment protection aspect, the opposition was not necessarily related to the agreement itself, but rather to the more general resistance towards globalisation. Many trade liberal countries' representatives (like those of Finland) did not understand what the

problem with CETA was, and as Tiainen (discussion 11.2.2019) pointed out, Canada is such a like-minded partner in many ways with the EU. Canada shares the same basis of values and partly even the same language base. Even the Vietnam and Japan agreements now caused similar questions to arise, related to for example sustainable development and worries about the agreements' adherence to the ILO (International Labour Organization) agreements.

According to Vuori (email 23.4.2019) the new bilateral agreements have not caused any more disputes than the multilateral ones did. The agreements give rise to debate because they are no longer only negotiating the tariffs that affect the outer borders, but also negotiating the target market regulations towards a non-discriminating direction. This non-discrimination principle affects the local market situation, which can lead to different national actors, such as companies, seeing the increased competition as a threat.

There are several fears related to foreign investors. Some issues are worthy of being worried about. Some fears though are groundless in the point of view of international trade and fair and healthy competition. One of the fears mentioned are those related to foreign investors threatening public services. (Vuori, email 23.4.2019; Tiainen, discussion 11.2.2019.) Tiainen (discussion 11.2.2019) mentions an illustrative example: some members of the public had worries related to foreign powers coming to collect Finland's clean surface waters to be used as drinking water elsewhere. In this example, the worries proved to be groundless, as many members of the public, due to limited knowledge, confused the concepts of public *services* and public *procurement*.

Trade policy has become a part of broader political discussion and there are instances taking part in it that do not completely understand the nature of trade policy and its limited possibilities of influence. (Vuori, email 23.4.2019)

The views of different member states towards PTAs vary broadly. Finland's take on FTAs and free trade in general is very positive. In Finland all the sectors of the society; the employers', employees' and labour market associations, are pro free trade. This is a typical characteristic especially of the Nordic countries but is not the same everywhere in Europe. There are parts of Europe, where promoting free trade is considered to always create losses and has to be compensated with other policy actions. (Lahti, discussion 31.1.2019.)

These differences in attitudes are related to the uneven distributions of the benefits of trade agreements. Even though trade agreements are often regarded as generally useful

and beneficial for the economy, growth and trade, the benefits of them are not always distributed equally. This unequal distribution of its effects is thought to cause some countries or sectors to be “losers” and some to be “winners” of trade policy actions. The real issue is to find a balance in which the “losers” are taken into consideration and their needs reacted to, if they do not succeed in international competition. (Kuosmanen, discussion 12.2.2019.) In those parts of Europe where there are bigger worries related to FTAs, some more political actions could be done to dispel those fears. This could entail more discussion on what rules-based trade actually is, and in what ways it affects the economy, as well as what kind of support structures could be built in the society to combat the creation of this “losers” class. (Lahti, discussion 31.1.2019.)

6.1.5 Finland’s take on trade agreements

In Finland’s experience, there do not need to be as many “losers” caused by trade agreements (Lahti, discussion 31.1.2019). The following sections present the reasons for it mentioned by the interviewees. One of the underlying reasons is the fact that Finland is one of the countries that have truly benefited from globalisation and free trade, as Vuori (email 23.4.2019) puts it:

In the Nordic countries, globalisation, free trade, and European integration has generated only winners, and everyone has benefited from it widely. (Vuori, email 23.4.2019)

Finland is a small country that is considered a market liberal country in the EU. It has been and is in Finland’s interest to open markets for international competition. Finland has benefited from exports and its wellbeing is built on participating in global economic activity and the functioning of imports and exports, as its own market it so small. The Finnish economy would not last very long, if it decided to go for the other end of the spectrum, to close its economy from the outside, as it would cause such significant economic disadvantage and would cost the nations wellbeing. Therefore, in Finland’s case, viewing trade policy openly and entering into FTAs is reasonable and beneficial, as the nation will become wealthier.

So even though there are some disputes in some individual questions, in the bigger picture there prevails a collective perception in Finland that international trade is something worth being in favour of. (Friman, discussion 12.2.2019)

On another note, interviewees credit Finland's positive take on FTAs on its abilities to skilfully read the economy and the world's progressions, and its ability to swiftly adapt to new technologies and take advantage of them and innovate products with high demand in the world.

In Finland we know quite well how to read the economy and understand that a market economy means competition and that everything cannot stay the same if development goes further. And that is happening naturally all the time; whatever development happens in companies, it will affect in any case, whether there is a trade agreement or not. (Friman, discussion 12.2.2019)

Lahti (discussion 31.1.2019) believes that behind Finland's success in making the best of trade agreements are many factors, such as *good political choices*, a *functioning democracy* and an *open society*. Finns have an ability to seek for and achieve *consensus* in both big and small matters of the society, and the rather good *cooperation* between employers, employees, authorities, and government. Finland also has a *high education level* which allows economic resources such as labour to be efficiently in use. The higher the level of education the more flexibility and elasticity there is in the labour market, so people can more easily transfer to new tasks and positions and put their know-how to use where needed. In comparison, even within Europe, the education levels still vary quite a lot. (Lahti, discussion 31.1.2019).

To sum it up, even though promoting free trade and the existence of FTAs is widely regarded as beneficial for the economy, the attitudes on how it is regarded still vary broadly. One underlying reason for being sceptical about globalisation and the modern FTAs is the uneven distribution of their benefits. This uneven distribution may be due to some country specific issues, such as how the economy, labour market or sectors are structured, or some more general attitude towards international trade in general. Countries' views differ from each other too. Countries such as Finland view trade liberalisation positively all across the board due to the Northern nation's beneficial relationship to free trade and globalisation in general and because of the suitable structure of its economy. In other EU countries the benefits have not been so even, and therefore attitudes towards FTAs also remain sceptical. These fears and doubtful views could be dispelled by certain policy actions to increase awareness of the potential effects of trade agreements.

6.2 Liberalisation of services trade as part of PTAs

The Comprehensive Economic Trade Agreement (CETA) between the EU and Canada is used as a primary example to illustrate how trade in services is liberalised as a part of modern trade agreements.

6.2.1 Service trade as part of PTAs

The interviewees and secondary data offered some insights to the specificities of how modern PTAs regulate and liberalise service trade. Regulating services trade is done through addressing market entry and national treatment related issues. The latter means the kind of treatment and conditions under which a company can enter the Finnish market, or in CETAs case, the Canadian market. In addition to those, agreements are made concerning rules related to fields like telecommunication, financial services or maritime transport. These agreements mainly wish to streamline mutual concepts, for example to set straight what the concepts of telecommunication and maritime transport mean for each partner. There is also a part for national regulation, which concerns service trade and investments through the national permission procedures. Primarily, agreeing on the permission procedures aims to make, for example, establishing a company as smooth as possible, and preventing member states, parties or attitudes from imposing excessive fees or handling times for foreign companies. (Friman, discussion 12.2.2019.)

The rules agreed upon in the trade agreement are quite general in nature. The regulation happens either on EU level or on the national level, depending on the issue. When agreeing on service trade, it is possible to alter the prevailing practice, but as a rule, most commonly in trade agreements the current practice is fixed. Therefore, it is fixed so, that from the point of view of the company the situation cannot go into a worse off direction.

The logic of market entry is different in services trade compared to goods trade. In goods trade it is possible to witness true liberalisation in the form of lowering or elimination of tariffs when entering into a trade agreement. From the services trade point of view, this sort of exact liberalisation happens very rarely in the EU. (Friman, discussion 12.2.2019.)

A trade agreement makes service trade related commitments through two different mechanisms. In the first mechanism, the current legislation is locked in, meaning that the current treatment and the conditions for doing business offered from both sides remain

stable. In CETA's case, this would mean that the EU locks in the certain treatment they are offering Canadian companies at that moment, and Canada does the same to EU companies. The other mechanism then is the one for making so-called political reservations. With these reservations, the EU can, for example, reserve the rights to make changes to the current situation. In this case, the EU could in practice reserve the right to further liberalise, but also to back out from that liberalisation. This right to step back or further introduce changes does not apply to those conditions that have been locked in in the previous element. The first mechanism, locking the current treatment, is thus very important especially with regards to investments. As investors usually make investments in the long term, knowing that the treatment it receives will at least not get worse next week (or in the coming years), is a prerequisite. The second mechanism conveys a message of a certain type or insecurity. (Friman, discussion 12.2.2019.)

If trade in services or investments is liberalised, it usually happens for other political reasons rather than due to trade agreements. In the EU context service liberalisation can be complicated, because member states like Finland make service-related commitments also as a part of their national legislation. Thus, due to questions of authority and competence, the Commission cannot dictate which laws Finland can or cannot have in those areas that fall under national competence. A different case is of course those EU level legal acts that all EU member states are obliged to comply with. (Friman, discussion 12.2.2019.)

Unlike in GATS, the service-related commitments that CETA makes are fragmented and divided into several chapters of the agreement (Delimatsis 2017, 595). According to Delimatsis (2017, 595), CETA builds on the WTO GATS framework, but is a "GATS-plus" agreement as it demands deeper integration in the areas of professional qualifications, financial services, maritime transport services, telecommunications and e-commerce. CETA includes provisions and trade issues not yet addressed at the WTO level, which makes it the EU's "most ambitious" agreement of such category up to date.

CETA is the first EU negotiated trade agreement that uses a negative-list approach for its market access commitments, meaning all services sectors are liberalised, apart from those on the list of reservations (Delimatsis 2017, 596). Thus, it resembles a NAFTA-type agreement. Certain sensitive sectors of the economy were excluded from liberalisation under the agreement. The EU decided to exclude audio-visual services and health and education services, and Canada excluded cultural services and affairs related to minorities and aboriginals. Both parties excluded certain public services, like social

services, gambling and betting services, as well as water related services. (Delimatsis 2017, 596.)

Services export conditions are impacted by CETA. Services form three quarters of Europe's economy and companies in the EU are world leaders in many service industries (European Commission 2017b). What regards liberalisation of trade in services, CETA was the most comprehensive economic and trade agreement the EU had negotiated to that date (VATT 2017). Therefore, the agreement offers better conditions for service suppliers in the EU, offering greater mobility for company employees and mutual recognition of professional qualifications in professions such as engineer, accountant, architect and lawyer (European Commission 2017b, 23). CETA will allow EU firms to sell and invest in services in Canada. Especially EU companies have opportunities in services and investment in areas like telecoms, finance, professional services, environmental services, container shipping and dredging. There is also an act called the Investment Canada Act that substantially increases the threshold for acquisitions of Canadian companies (except state owned) by foreign firms, which could simplify investment projects for EU investors. (European Commission 2017b, 22; 2018b.)

CETA has effects on *labour movement and professional qualifications*. Barriers on the movement of people have been some of the most significant challenges hindering service trade between the partners. CETA brings significant improvements to the ease of moving labour between the continents (European Commission 2017b, VATT 2017, 18). In fact, CETA includes the most ambitious liberalisation to this. Temporary entry of EU citizens into Canada (and vice versa) for work purposes is made easier, as well as recognising professional qualifications through a mutual framework.

Labour mobility and trade are closely interlinked and therefore exporting can become noticeably easier and more competitive as employees of the exporting company can work and reside temporarily (up to 3 years) in Canada. It may in this way boost trade in the companies whose products benefit from this movement of workers. (VATT 2017, 18.) The personnel working in exporting companies, statistically especially those who are male, high-skilled employees or blue-collar workers are expected to benefit from CETA. The real-wage effects in turn are not very significant. (VATT 2017, 33.)

CETA's effects on *public procurement* opportunities were discussed. Canadian federal government, provinces and municipalities purchase goods and services from the private sector worth 30 billion euros. Since CETA will open municipal public procurement markets to EU in a way it has not opened them previously to any other

trading partner, EU companies can bid for Canadian public procurement contracts in an online platform. EU firms have traditionally been highly competitive in fields such as infrastructure projects and the sort. (European Commission 2017b.)

The report prepared by the European Commission (2017b) claims that the effect of the liberalisation of public procurement markets could be very beneficial for EU companies, while the report prepared by VATT (2017) argues that the effect on EU economy is not expected to be major. According to VATT (2017) even the quasi-complete opening of public procurement markets in Canada will not likely mean that EU firms' shares of the market will increase significantly. Their argument is that in general, despite the opening of for example the EU public procurement markets for all firms in the internal single market of the EU, by far the most public procurement contracts are still won by local companies. In fact, local firms in the EU were 900 times more likely to win a public procurement contract than a foreign company.

6.3 New opportunities EU PTA's could offer Finnish trade in services

6.3.1 The effects in general

The benefits of more modern and comprehensive trade agreements are multiple. In general, the best situation would be to have rules that are the same everywhere and to everyone, so that global and highly integrated companies could do business smoothly. This will matter especially for services but also in goods trade, as parts come from all over the world and value chains are widespread.

The comprehensive and multiregional trade agreements would help business, since tariffs are already low in many countries, to have a clear common framework on how to act with also with the non-tariff measures would simplify doing business. (Kuosmanen, discussion 12.2.2019.) The agreements benefit entrepreneurs, employees and consumers by opening markets, lowering regulative barriers and the costs of doing business. This makes business more efficient, easy and advantageous. (Lahti, discussion 31.1.2019.)

The expected economic benefits of CETA for EU economy vary according to the source. The report by DG TRADE (EC 2017b, 3) comes to the conclusion in their study, that on average CETA will lead to an increase of at least 8 percent (year-on-year) in trade between the EU and Canada. The agreement is predicted to add between 1,7-2,1 billion euros to the EU GDP yearly. The Finnish VATT (2017) report expects a direct economic effect of about 0,03 percent in EU GDP. A joint first report by European Commission and

the Government of Canada (2008) predicted an approximate growth of 0,08 percent in EU GDP. The expected effects on the Canadian economy are predicted to be bigger (2,4-3,0€ billion yearly) due to the more significant importance of EU as a trading partner for Canada – Canada is the only the EU’s 12th most significant trade partner while EU is Canada’s 2nd biggest. (EC 2017b.)

The examination of the *realised* benefits of CETA is limited to the first year of its being in effect. During this first year, the observed effects are moderate but nevertheless positive. The Canadian Government (2018) has documented statistics for the time after CETA entered into force. Figure 6 shows developments in trade between the EU and Canada for the quarters of the year from Q1 2016 to Q2 in 2018.

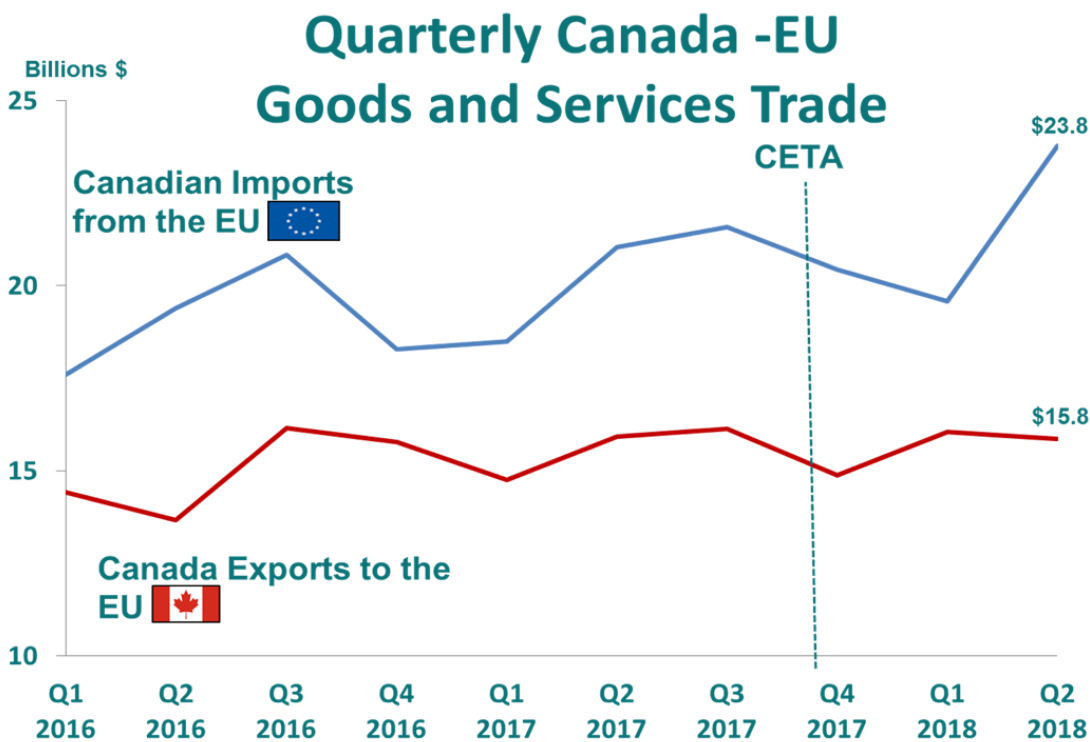


Figure 6. Quarterly Canada-EU goods and service trade in CAD \$ (Government of Canada 2018)

As can be seen from the Figure 6, since CETA entered into force during the fourth quarter of the year 2017 (Q4) until the second quarter (Q2) of 2018, both EU exports to Canada and EU imports from Canada (in this case labelled “Canadian imports from the EU” and “Canada exports to the EU” due to the source being Canadian) have risen. The EU exports to Canada have risen significantly more than the imports from there. Compared to the equivalent period pre-CETA, EU exports to Canada have witnessed a 10,3 percent increase (\$63.8 billion in total), while imports from Canada saw a 0,7 percent increase

over the equivalent pre-CETA period. Expressed in two-way trade, the growth was 6,1 percent, a little less than the expected yearly increase, but indeed there are no statistics for the full first year. (Government of Canada 2018.) It is still very early on in the process, but some progress can already be seen. Figure 7 shows the situation of service imports by major categories into Canada from the EU since CETA entered into force in Q4 2017.

Canadian Services Imports from the EU by Major Category (Q4 2017 to Q2 2018)

Description	\$M	%	Δ% *
Commercial Services	9,885	65.4%	6.4%
Travel Services	3,876	7.4%	1.9%
Transportation Services	3,837	5.7%	9.4%
Government Services	205	2.0%	0.0%
Total	17,803	100.0%	5.9%

Figure 7. Canadian Services Imports from the EU by category from Q4 2017 to Q2 2018 (Government of Canada 2018)

Figure 7 shows that from Q4 2017 to Q2 in 2018, the category of transportation services imports to Canada grew the most (by 9,4 percent) and the one to grow the least was government services (0,0 percent).

The European Commission (2018b) also reports on the progress made so far during the 1-year path since the inauguration of CETA between EU and Canada. They claim it is too early to make any definitive conclusions, but the agreement is showing positive results, which is good news for EU exporting firms. Again, the latest EU statistics covering the time of CETA being in force only reach June 2018, but since then, results have shown an over 7 percent increase in year-on-year in exports. This increase is especially showing in certain types of goods, such as machinery, pharmaceuticals, some personal and house décor categories.

However positive the potential benefits of the agreement, a big challenge relates to the relevancy of trade agreements. The fact is, that negotiating them takes a long time. This often means they might be slightly outdated already when they enter into force and no longer offer any real significance in relation to the needs of trade. Trade agreements

can of course be renegotiated, but that also requires common effort and is lengthy as a process. (Tiainen, discussion 11.2.2019.)

6.3.2 The effects for service trade in Finland

The effects of a trade agreement depend on the agreement and on the services sector in question. In general, the modern PTAs, including CETA, promote Finnish companies' chances of offering services in international markets with more equal terms than before. These services can according to the interviewees be for example telecom, financial, transport or consultancy services. The access to partake in public procurements has also been made easier. There is potential for Finland to offer expertise in for example technologies related to ice-breaker vessels building, information technology, clean tech and meteorology, dredging, environment and transport services among many others (Palta 2017).

There are new opportunities brought by trade agreements such as CETA. In the field of cross-border trade in services, investments are emphasised most. (Friman, discussion 12.2.2019). However, Friman (discussion 12.2.2019) also points out that the realisation of new benefits and opportunities that trade agreements could offer falls short, as it depends heavily on companies' actions. The benefits depend on the company and the sector that the company operates in, the way it interprets the agreements, what benefits it sees, and how it plans to take advantage of it. Even for what regards trade in goods, the tariff benefits do not take effect automatically but instead require actions and some looking into. Hence, in service trade, the benefits are less visible.

Especially in the context of service trade, [trade agreements] rather offer a certain kind of framework and, in certain matters, a guarantee that in the future this direction cannot be protectionist, that in the future either this state remains or then it goes into a more liberal direction. (Friman, discussion 12.2.2019)

Canada's share is fairly small in Finland's export trade. There is no exact information available about what is exported from Finland to Canada. But it is certain, that IT services make up a big part, as it makes up over 40% of the Finnish cross-border service exports at the moment. IT services are usually exported as a part of something but also independently, as they are easy to transfer. Another batch that is exported to Canada is the support services that come as part of the capital goods that Finland export. The support services include the service contracts that come with an investment good, a Kone elevator,

for example. Maintenance and repair services are exported either across borders, as a person moving across the border to take care of it, or they go as an investment. Bigger companies establish a significant number of subsidiaries to take care of the services-functions in those countries.

A significant part of services that cross the border are thus IT services. These are supplied by service industry companies, but any company's exports may include a category for "solution". Companies also in Finland often sell solutions instead of certain products and services, and often they include different types of digital services. These several different types of digital services have developed exponentially as part of the trade agreements. For example, CETA is already a rather old agreement as the part for electronic trade and commerce consists of barely a couple of articles with the minimum topics discussed already in the WTO. When compared to the more recent EU-Japan agreement, one is able to see that some remarkable changes have happened in the past couple of years, and the most significant change altogether in these agreements is that the EU has comprehensively started to discuss digital trade. Previously electronic trade was discussed as a part of service trade, but now it has been separated into its own independent section. (Tiainen, discussion 11.2.2019; Friman, discussion 12.2.2019.)

The service trade statistics drag behind quite a lot and are based on a survey, so they are not as exact as goods trade statistics. The statistics come with a couple of years delay and the exact volumes are uncertain. Therefore, one cannot make direct conclusions, that since CETA has entered into force, services trade has increased because of it. Kuosmanen (discussion 12.2.2019) reminds that knowing the effect would require a more extensive evaluation of the effects that a single agreement has had on trade between the partners, as the reasons behind growth are not certain since several other things can affect it too. Nevertheless, the trend seems to be right as the exports in goods have been growing at a fair speed in a comparative time span. After CETA provisionally entered into force, exports had risen by some 10% in a time period corresponding to the same period in the previous year. (Kuosmanen, discussion 12.2.2019.)

Kuosmanen (discussion 12.2.2019) points out that knowing exactly how much exports would grow immediately after CETA enters in force fully could not be foreseen. The assumption is, that the agreement does further export possibilities, but to predict in what time span and how much so is speculative. She also reminds that it is easier to have exact liberalisation of services trade embedded in an FTA, if the partner country in question is less open to begin with. Often the chances for liberalisation reforms may be

easier in those cases as there may already be on-going reforms and a genuine willingness to open up the market. The direct effects of an FTA entering into force between partners are thus bigger the more there is exact liberalisation in the agreement and the more closed the partner economy was initially.

In CETA's case, Canada had already been a relatively open market with relatively low barriers for trade, so the decision whether or not to export services or investments to Canada is made for other reasons than solely due to the existence of a trade agreement. Surely a trade agreement has an effect by creating a certain kind of security and judicial certainty. From the point of view of a company, there is no immediate effect on the moment of the entering into force of an agreement, Canada is the same Canada that it was prior to the agreement. In other words, the exports to a partner country can be encouraged due to the certainty brought by an FTA, but there needs to of course be an external motivation for a company to start exporting to the Canadian market. (Kuosmanen, discussion 12.2.2019.)

As mentioned before, what regards trade in services and investments, CETA was the most comprehensive deal the EU has negotiated up to this date, and it will benefit Finnish small and medium sized enterprises the most (VATT.fi). The liberalisation of trade in services could boost Finnish service exports to Canada. The Finnish economy is a service economy, since services make up around 70 percent of the economy (UM 2018). Finland relies heavily on exports and in fact service exports have been growing continuously since the beginning of 2017 (Statistics Finland 2018).

According to the ex-ante report prepared by VATT Institute for Economic Research (2017, 1) on the expected economic impacts of CETA on the Finnish economy, reducing the non-tariff measures (NTMs) is in the centre of the attention of the CETA agreement. In addition to the agreement removing almost all remaining tariffs on trade between the nations, it also removes technical and legislation barriers that restrict trade and investment.

The CETA agreement is expected to have an effect of around 0,04 percent on Finnish GDP year-on-year. It is slightly higher than the effect on EU GDP on average (0,03) because the non-tariff measures affecting Finnish imports from Canada are already quite minimal, Canada is a more important trade partner for Finland than it is for EU on average, and some of the most important product groups Finland exports to Canada are within those that are predicted to benefit from the deal the most. (VATT 2017.)

Prior to CETA the direct exports from Finland to Canada were creating approximately 350–450 million euros of domestic value added annually between the years 2011 and 2015. In the year 2015 the share of services in this added value had risen to 50 percent, compared to the mere 20 percent it was in 2002. Some 30-50 percent of added value domestically from trade to Canada is generated by service exports. A big share of Finnish service exports originates from the industrial sector. Services, machinery and appliances as well as electrical products have been remarkable producers of domestic value added in exports from Finland to Canada, in fact the combined effect of these three product categories has for the past years formed around 60 to 70 percent of the total sum. (VATT 2017, 2.)

Around 800-1200 firms in total exported directly from Finland to Canada between the years 2002 and 2014. Most of these were goods exporters, but the share of service exporting firms increased dramatically from 90 to 150 in this period of time. 10-12 percent of all the Finnish firms exporting services were exporting to Canada, which is a considerable amount taken into consideration the remoteness of Canada location-wise and the barrier for trade in services that were in place pre-CETA. For Finland this rather small share of 10-12 percent can also be explained by the fact that some service exports are actually embedded in manufacturing industries' exports. (VATT 2017, 6.)

The VATT (2017, 30) report states that there were hardly any public procurement related transactions between 2000 and 2014 from Finland to Canada and that the effect of CETA to this sector might be rather minimal. However, the nearly total opening of this market could potentially result to some increase. As for the labour movement being made easier, it could potentially benefit Finnish exporting firms, as a lot of the service exports are closely linked to the manufactured products, so moving employees could make a difference in services offered to complement manufactured products (VATT 2017, 18).

The opportunities CETA offers for Finnish service industry are many. So far mainly the bigger and more productive companies have exported to Canada, because even without a trade agreement in place, the bigger companies can push through the barriers as they have more resources than smaller companies. So, alongside with more traditional goods trade, the newer agreements aim to agree on for example services trade and investments in a way that makes especially the SMEs' position better off. With this regard, the small and medium sized companies are the ones that will benefit the most from the agreement taking effect, since CETA opens new possibilities and makes market

entry easier, so that more Finnish companies can export inexpensively to Canada. (Tiainen, discussion 11.2.2019; Palta 2017; VATT 2017, 37.)

The Service Sector Employers Palta (2017) still estimate that the service sector could benefit especially from the opening of public procurement markets in Canada. Even though the public procurement contracts are massive in volume and are mostly manageable for big companies, smaller companies can join forces and sub-contractors and other players in for example the technology industry benefit from the deals bigger companies make. Finland has internationally recognised skills in the IT field, different export services and engineering. A considerable part of Finnish service exports are indeed IT-related services and solutions, different electronic platforms and programs and business services including expert consultancy and design services. (UM 2018.)

7 CONCLUSIONS

This chapter contains the conclusions that can be drawn from analysing the data and discussing it in the light of existing literature. Also, the theoretical contributions and managerial implications of the study, as well as the limitations and further research opportunities are discussed.

7.1 Discussion

The findings from the data collected were thematised and are now discussed in the light of existing literature. The discussion is grouped to the sub-research questions:

- What has led the EU to negotiate more modern bilateral PTAs?
- How is trade in services liberalised as a part of EU PTAs?
- What new opportunities can modern EU trade agreements bring for trade in services from Finland?

These sub-questions help find an answer to the main research question in the final chapter: How can modern EU trade agreements promote Finnish trade in cross-border services?

7.1.1 What has led the EU to negotiate new generation bilateral PTAs that encompass service liberalisation?

The world of trade is governed by the multilateral, bilateral and unilateral level systems. There are several reasons for the recent development of EU trade agreements into a more modern and comprehensive direction. A shift in the general political direction from the golden era of globalisation and trade liberalisation back to a more protectionist field of world trade policy has pushed EU to stand up for its values and take initiative in liberalising world trade. The US and China practise more unilateral trade policies and even inside Europe a lot of forces are bubbling underneath as was seen when the UK, a member of the European Union for 46 years, decided to leave the EU and continue negotiating on its own. The EU is negotiating free trade agreements all over the world, filling the void that the US is leaving behind with its newly protectionist trade policy actions. A growing number of people are under the impression that president Trump is not actually trying to achieve any actual economic benefits by imposing barriers on trade and starting a trade war, but is instead playing his power geopolitics in trying to contain China's growth (The Straits Times 2018; Washington Post 2018). This is exactly what

the theory says on how trade policy actions can actually be used for pursuing political power goals (Frieden & Lake 1999, 11–12). Trade policy has become more political in nature and is increasingly used as a tool for pursuing political interests, which is one of its several purposes of use (Young & Peterson 2014, 30).

According to the interviewees in this research, the shift in direction of other great powers of the world economy, and the non-functioning of the WTO negotiations left those who still vouch for free trade to get in line to negotiate comprehensive FTAs with the EU, as also expressed in literature (Stoll 2017, 4; Woolcock & Heydon 2009, 3). According to the interviewees, the EU has been, and still is, a strong promoter of free trade and the multilateral trade framework. The EU has thus been leading the way and setting standards for PTAs now that the WTO is failing to advance its decision-making due to members like the USA (and its President) retrieving and challenging the multilateral system. However, literature also states that after decades of “multilateralism first”, the EU’s commitment to the multilateral trade framework seems diminished over the past years due to its pursuits of more bilateral trade relations (Bollen 2018, 2–3). Therefore, there are some differences in how the interviewees and some parts of literature view the EU’s commitments to the promotion of the multilateral level trade system.

In a world moulded by globalisation and the rapidly changing nature of doing business, trade agreements that address and meet the requirements of modern international trade are needed. Therefore, the EU was there to negotiate such modern agreements with other willing partners including Canada, Singapore, Japan, Korea and Australia to begin with. This study first defined CETA as a mixed and megaregional trade agreement, first of its kind in many ways, especially with regards to how extensively it liberalises trade in services.

However needed and beneficial, in its attempts to promote free trade and negotiate new PTAs, the EU has come across some challenges. The negotiations of new PTAs, especially CETA, TTIP and TiSA, sparked up a lot of debate and also critique from some sectors of the public. In general, the resistance could be seen to relate to the uneven distribution of the benefits of globalisation and international trade over time, as well as to some more specific worries about investment protection and loss of power from the people to multinationals. This is in accordance with literature, as Stoll (2017, 4) also mentions the lively debate these new mega-regional agreements have sparked related to for example investment protection and regulatory cooperation, as well as the non-transparent negotiation process. Also, informants mention that simply the increased

breadth of issues covered in newer trade agreements causes people to discuss the matter more vocally. Some fears and worries do not have ground while others do make sense in some areas where promoting free trade is seen to increase losses in some countries and sectors. The theory of trade policy presents that trade policy actions always have effects that create both winners and losers (see, for example, Kerr 2007, 1; Oatley 2018, 2).

As a comment to question this, interviewees present their views on why in the case of Finland, the predominant belief is not always this. In general, Finland's view of trade policy is very positive and unlike in many countries, almost all players in the economy are supporters of freer trade. This is a characteristic of the northern "trade liberal bloc". As an explanation interviewees and data suggest several explanations to why in Finland this inevitable creation of losers is not the general opinion, and the existence of trade agreements is considered a win-win situation for all. The offered explanations include for example Finland's high dependency on international trade and exports, Finland's skills to read the economy and its development, acceptance of rising and falling industries, high quality products and services being traded, and adequate education and flexibility in the job market. This flexibility helps prevent the "loser" class, unemployment, from being created, in the case of shifts between sectors and factors of production due to opened foreign competition. This refers to the sector and factor models presented for example by Oatley (2018, 71). Finland also has a high education level which allows economic resources such as labour to be efficiently in use also in times of unexpected developments.

7.1.2 How is trade in services liberalised as a part of PTAs?

Regulating service trade in general happens either on EU level or national level, so through either regulating market entry or regulating services as a part of national legislation. In the national legislation, the conditions under which a company can enter, for example the Finnish or the Canadian market, as well as the treatment they will receive in that market, are agreed upon. Also, mutual concepts of doing business are streamlined and it is made sure that the procedure for acquiring permissions for starting a business are made as smooth as possible for foreign companies.

Regulating market entry is different for services trade compared to goods trade, which also came up in the interviews. In goods trade there can be direct and exact effects of liberalisation in the form of lowered tariffs, for example. In service trade such direct effects are very rarely in place, but instead regulating happens through locking in the current practice in both partner economies, meaning that from the point of view of the

company the situation at the target market will not change to worse direction in those fields that are fixed in the agreement. In some rare cases the prevailing practice can also be altered. Literature confirms that regulating trade in services is different, as different tools are effective for an intangible service than a tangible good crossing the border. Trade at the multilateral level is regulated under the GATS, and PTAs build on that foundation.

Literature states, that previously EU made PTAs were negative integration agreements, that took the “GATS-type” approach in its liberalising commitments, meaning that only those parts are liberalised that are specifically mentioned in the agreements, and even then containing reservations (Roy et al. 2006, 10; Marchetti 2011, 216–217). Indeed, CETA builds strongly on the GATS when regulating trade in services, but it liberalises many aspects further, which makes the agreement a “GATS-plus” agreement (Delimatsis 2017, 595). However, in the case of CETA, the EU has for the first time changed its approach and implemented a more “NAFTA-type” negative-list approach, meaning CETA liberalises everything but those that are specifically put in the list of reservations (Delimatsis 2017, 596). That made it the most ambitious agreement in its category up to date.

Trade agreements make services trade commitments through two different mechanisms. In the first mechanism the parties agree to confirm and lock in some areas of the current practice and treatment that foreign companies receive when they come in the market. The first mechanism thus is good especially for investors looking for stable market conditions. With the second mechanism, political reservations, the parties however reserve the right to alter the current practice and change their minds in those conditions that have not been locked in within the first mechanism. This is consistent with literature.

7.1.3 What opportunities can modern PTAs bring to trade in services from Finland?

Since services form three quarters of the EU economy, and 70 percent of the Finnish economy, liberalising service trade has the potential to benefit many companies that provide different services. CETA was the first more comprehensive economic and trade agreement that EU negotiated, that extensively liberalises service trade and regulates investments. Therefore, it was used as an example to illustrate how EU negotiated modern PTA’s could benefit service trade in Finland, an EU member state. CETA offers better conditions for service suppliers in the EU, allows for temporary labour mobility and streamlines some professional qualifications in both markets. It also opens the public

procurement market for companies. Just how beneficial that could turn out to be for EU companies is yet unclear.

Theory and the analysis of the results of the qualitative analysis showed some recurring themes that can help answer to the question what new opportunities CETA could create for service exports from Finland to Canada. The data on CETA effects analysed were focused on the different types of trade in services also defined by for example Beaulieu (2007, 150) and Mattoo et. al (2007, 5–6) and which included 1) cross-border trade, which in CETA's case could cover the opened electronic, IT telecommunication and other professional services. The data did not focus on the 2) consumption abroad, as CETA does not cover fields of tourism or education. The 3) foreign direct investment was also covered in CETA, by offering more facilitated investment opportunities than before. 4) Labour movement is in its temporary form embedded in the CETA. These different types of services are presented slightly differently in the GATS: Mode 1: Cross-border trade (or supply), Mode 2: Consumption abroad, Mode 3: Commercial presence (of foreign suppliers), and Mode 4: Temporary movement and presence of a foreign natural person providing services (Marchetti 2011, 215; Delimatsis 2007, 25–26).

The effects of a trade agreement depend on the agreement and on the services sector in question. In general, the modern PTAs, including CETA, promote Finnish companies' chances of offering services in international markets with more equal terms than before. These services can be for example telecom, financial, transport or consultancy services. The access to partake in public procurements has also been made easier. The agreements benefit entrepreneurs, employees and consumers by opening markets, lowering regulative barriers and the costs of doing business. This makes business more efficient, easy and advantageous. In the service sector, investments are most emphasised in CETA's potential benefits.

In general, the existence of a trade agreement is thought to be beneficial for the economy. The agreement will help modern businesses operate more smoothly, as it streamlines regulation. Canada is already a relatively open country with low tariff levels, so the trade agreement mainly helps businesses by tempering down the non-tariff barriers on trade, such as regulatory uncertainties and differences in the target market national legislation. The liberalisation of services often in fact happens for other political reasons than only because of trade agreements, so there needs to be some independent motivation to export there. As global supply chains in goods are very complex and scattered the

origins of each component can prove to be difficult to track and ascertain for the purposes of exporting to a particular market. From that point of view, these agreements especially benefit services and their exports are much simpler because their origin does not need to be investigated.

The *expected* economic benefits of CETA for EU economy vary according to the source. The report by DG TRADE (EC 2017b, 3) comes to the conclusion in their study, that on average CETA will lead to an increase of at least 8 percent (year-on-year) in trade between the EU and Canada. The trade volume between the EU market and Canada had increased by over 8% during the first year of CETA being provisionally in effect. However, interviewees remind that these increases would need a more thorough analysis to know what exactly has influenced this development. The increase in trade cannot be automatically attributed only to the existence of CETA between the two markets as it could be due to other reasons as well.

Finnish export volumes to Canada have been rather small in scale. The statistics of service exports relies on surveys as services are not as easy to count at the border as goods are. What exactly Finland exports there is not known. Statistics in general, also for service trade, are available with a delay. However, as IT services make up for over 40 percent of Finnish service exports, it is logical to assume that IT services are also exported to Canada. They are easy to transfer from one location to another. Another service type that is exported to Canada from Finland goes with the capital goods and investments into construction and machinery. For example, Kone exports elevators and other transfer solutions to Canada, but also makes long-term service contracts for these products that it has supplied. Thus, together with these investment goods, they also provide maintenance and repair services and do so often through a subsidiary company established in the target market.

In all promotional material on the CETA trade agreement, it is presented as a highly beneficial deal for companies but in practise its effects depend on the companies themselves, their activity and commitment to find out about the benefits and put them to use. CETA can be beneficial for the Finnish service sector, but its influence methods remain limited and a lot of its potential depends on the companies themselves in taking initiative and starting to do more business with Canada. The PTA may dispel some of the uncertainties that companies have concerning settling into a new market.

These trade agreements do not threaten the functioning of public services, but instead allow, in some cases, foreign companies to take part in public procurement competitions

to be selected as a service provider, for example for building a publicly funded building or a piece of infrastructure.

The expected economic implications of CETA on EU economy as a whole are modest, but positive. The effect on the Canadian economy is more significant, simply explained by the importance of the EU as a trading partner for Canada relative to the importance of Canada to EU. The expected economic effect of CETA on EU economy is an increase of 0,03 percent of the GDP and by the end of the first year of the agreement having been in force, preliminary statistics showed an increase of 7% (year-on-year) in trade between the two partners. Literature on the effects of PTAs on the partners' economy concluded that on average the volumes of trade between the partners increase on average double-fold (Baier and Bergstrand, 2007) or by around 40 percent, or 80 percentage points, depending on the study (Hannan 2016, 5; VATT 2017, 35).

CETA extensively liberalises trade in services. It opens up new fields like the financial, telecommunications, transport, and postal and courier services for EU firms. It will offer easier conditions for temporary movement of labour for workers of exporting companies (up to 3 years depending of the task) and a framework for the mutual recognition of professional qualifications in professions such as engineer, accountant, architect and lawyer, which may well boost the service business as well.

The Canadian public procurement market will be open to EU firms more than to any other trade partners of Canada. The effects that is expected to have on the volumes of public contracts won by European firms is low, but nevertheless it does open up the market almost totally, which offers a new possibility that bigger companies could benefit from.

These more general effects of CETA on the EU economy and service sector help with answering to the sub research question: What new opportunities can modern EU trade agreements bring for trade in services from Finland? All in all, there is potential for Finnish service exports to grow to Canada. As Finland is a service economy, liberalising international trade in services can boost the Finnish service exports to Canada, which was already bringing the biggest added value from trade with Canada. CETA will mostly benefit Finnish SMEs by opening a possibility for them to trade to Canada with lower barriers. So far mostly bigger companies have exported to Canada, due to the bigger effort (barriers) that was needed to trade. CETA brings opportunities for Finnish companies to offer expertise in for example technologies related to ice-breaker vessels building,

information technology, cleantech and meteorology, dredging, environment and transport services among others.

The expected economic effect of CETA on Finnish GDP is foreseen to be around 0,04 percent (y-on-y). It is slightly higher than the EU average (0,03) because of Canada's bigger role for Finland as a trading partner, the fairly low barriers on trade to begin with, and because the main exports from Finland to Canada include those sectors which are expected to benefit the most from CETA. They include sectors such as the manufacturing sector and services. In fact, an interesting finding from the VATT (2017) research is that a lot of the Finnish exports of services are actually hidden under manufacturing and industry exports. This difficulty of differentiating goods and industry from services is recognised also in the importance and challenges of the industry exports from Finland (Helsingin Sanomat 2018).

7.1.4 How can new generation EU trade agreements promote Finnish trade in cross-border services?

Finally, as we have now discussed what developments led to the negotiations of these new modern EU trade agreements and what they actually are, how they regulate trade in services, we can draw together how, all-in-all, can they promote Finnish trade in cross-border services.

CETA was one of the first PTAs negotiated as a very comprehensive trade and investment agreements between two highly developed economies. It had an effect on the future trade deals, setting new standards on many fronts, both being ambitious in its coverage of different sectors of trade, as well as taking into consideration aspects of responsibility and sustainability with regards to labour rights, environmental issues etc. It also paved the way and taught the EU that the newer trade agreements will not be made as "mixed" agreements, like CETA was, meaning its contents fell both under EU competence as well as member state competence. The liberalisation of services as a part of CETA is a big step forward, but there still remain some barriers on trade in more sensitive or tightly regulated services. Overall CETA can be significant in increasing trade between the EU and Canada, also in the form of services, as both economies are service-oriented.

For Finland and its service exporters, CETA's potential is vast but its effects cannot be expected very significant as it has not been a major export destination for Finnish companies or vice versa. However, it does open many new opportunities and potential for

businesses willing to start exporting services to Canada or doing their exports on better terms. For certain service sectors, such as certain professional services, trade is made significantly easier.

7.2 Theoretical contribution

A new study brings contributions to the existing theoretical literature by taking a new point of view and creating additional information. This study presented novel and secondary information gathered for a purpose that is different from other studies, thus creating new literature in the field of EU trade policy.

In the literature review of this study, the literature on trade policy more generally was combined with that of trade in services to acquire a bigger picture of the framework in which service liberalisation happens. The same basic concepts, phenomena and types of agreements exist in both theories, but the instruments used to liberalise or protect services differ from those used with goods and they are key in understanding how services are indeed more complex to regulate and liberalise.

Observing the business environment of service trade exports from the Finnish perspective gave this research the novel point of view compared to the existing literature, thus adding country specific contribution. Bringing together experts in the field of trade policy in Finland led to information being presented in a way that has not been seen before. As literature on these novel agreements from the point of view of services are not many, nor have there been many analyses of their effects on Finnish trade in services, a more thorough look at these issues adds valuable information to those interested in understanding the concept of trade policy, trade agreements or what needs to be considered when exporting services abroad.

7.3 Managerial implications

Companies could benefit from practical advice on how exports in services could be boosted. The topic of this study is timely, and it could be of use for anyone who is willing to learn more about the field of trade policy, and how it is organised in the world and the EU. It can also be useful for those, who are interested or plan on setting up a company that offers services and would like to trade those services abroad, using one of the 4 different modes of supply of service trade. This study presents how services are regulated

in the international context, which could help companies in understanding why there are barriers and how many of them can be overcome when there is an agreement in place.

The reader of this study will find that there are many ways to benefit from trade agreements. One aim of this study was to raise awareness of issues related to trade agreements and how to make the best of their potential benefits for one's business. Finland is utilising around 80 percent of the potential benefits brought by trade agreements in the form of lowered barriers for trade, while countries such as Austria, Bulgaria, Estonia, Croatia and Lithuania reach above 90 percent in the utilisation rate (Figure 8, Kauppapolitiikka.fi 2017). Therefore, there is a solid base level of practical knowledge in Finland but there is also room for improvement. As mentioned in the "Discussion" chapter 7.1, these benefits do not apply automatically, but instead companies should try to be active themselves in searching for possibilities to export services etc. to the target market. So far not full potential has been reached, as seen in Figure 8.

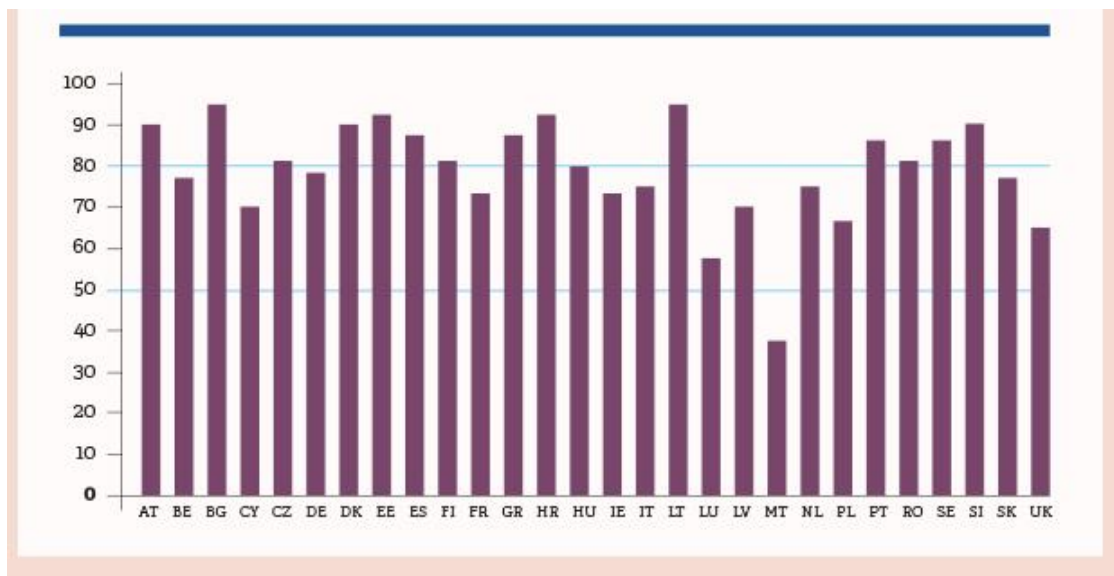


Figure 8. The utilisation rate of the benefits of trade agreements in the EU. (Kauppapolitiikka.fi 2017)

Figure 8 presents the utilisation rate of the benefits brought by trade agreements in each of the EU member states in 2017. Malta takes advantage of less than 40 percent of the potential benefits, while mostly the rates vary between 50-100 percent of the maximum benefit. Finland is among the better performers in this regard. Some explanations for not taking advantage of the agreements are the burdensome task of reporting on the origin of products and components, lack of knowledge and resources. Global supply chains are very complex and scattered and can prove to be difficult to track and ascertain for the

purposes of exporting to a particular market. From that point of view, the existence of these modern agreements especially benefits services, and their exports are much simpler because their origins do not need to be investigated.

Authorities could also promote awareness of trade agreement more and set up new and effortless ways for companies to make the most of them. Especially for small and medium sized enterprises these issues can be very complicated to find out independently. There are online databases and platforms, where companies can do research on what is needed to do trade with another country. The Ministry for Foreign Affairs of Finland is doing market access related work but could promote it even more and encourage companies to be in contact if ever considering the options. They offer information on how to take advantage of EU trade agreements (Um.fi 2019). Also, the European Commission provides information on this in their Market Access Database on all the categories one could export (madb.europa.eu). Team Finland offers comprehensive information services for companies wishing to do business abroad, in for example, Canada. They also keep an updated, free of charge service on market opportunities around the world, and help Finnish companies communicate with foreign customers looking for suppliers (Team-Finland.fi 2019). There also exists a worldwide network of contacts via FinnCham chambers of commerce as well as a network of international contacts through Suomen Yrittäjät (Confederation of Finnish Enterprises) (FinnCham.fi; Yrittajat.fi).

To summarise, Finnish trade in services could further be promoted. Companies are responsible for finding out about the benefits and possibilities to take advantage of a trade agreement in their business. The process could be aided by the relevant institutions by offering companies a platform, for example, where they would have easier access to information portal could include answers to frequently asked questions and easily available contact details and encouragement to contact the relevant instances that know more about market access and regulation concerning service exports, for example directly to Team Finland or to the team of experts in the Ministry for Foreign Affairs.

7.4 Limitations and suggestions for future research

Inevitably, this research has its limitations. The biggest limitations are both in the quality and quantity of suitable data found for the qualitative analysis, as there are not many comprehensive sources available that assess the impact of such a recent phenomenon as modern PTAs, including CETA. The results that a researcher is able to draw from such a limited set of data can be detailed but not entirely applicable since the source data is

mainly speculative due to the novelty of the topic of this thesis and detailed ex-post statistical data mainly not being available quite yet for the two previous years of trade in services. The theory section does not cover everything related to trade in services and their liberalisation in trade agreements, as the trade agreements and the field itself is relatively complex. The number of interviewees was left quite limited. Still, there was a certain level of saturation in the data, as most interviewees mentioned similar issues and generalisation was never the aim of this research. However, more specific questions and more sources could have brought more insight on the matter.

To take this research further, for example in a master's thesis level study, would make sense to set this phenomenon of extensive trade liberalisation in services into its larger context. This could be done by complementing secondary data with a broader overview of theory and expert interviews on the implications for future trans-Atlantic trade relations between EU (especially Finland) and Canada (and later hopefully the United States). Taking a company point of view in the interviews could also help clarify what truly are the issues that rise when exporting services and taking advantage of a trade agreements.

8 SUMMARY

This Master's thesis focuses on the liberalisation of trade in services as a part of modern EU trade agreements, taking trade in services from Finland under CETA into focus. The aim of the study was to find an answer to the research question: How can modern EU trade agreements promote trade in cross-border services in Finland? In order to constitute a thorough answer to the question, three sub-questions were introduced: 1) What has led EU to negotiate more modern bilateral trade agreements? 2) How is trade in services regulated as a part of trade agreements? 3) What new opportunities do modern trade agreements bring to trade in services from Finland? First the study presented the research context of EU trade policy, CETA and Finnish trade in services towards Canada. Then based on a literature review on trade policy and trade in cross-border services, the theoretical framework was built for the purpose of this study. It consisted of service trade liberalisation as a part of preferential trade agreements (PTAs) and general trade policy literature.

A series of expert interviews and secondary data analysis were conducted. The findings and conclusions drawn in this study found out that despite a noticeable turn in the trade political arena in the world, the EU has pursued its freer trade policy goals ambitiously through the past decade. It has advanced its bilateral level trade agreements with strategic trade partners while still remaining a proponent of the failing multilateral trading system. The new comprehensive and modern EU negotiated PTAs have been an answer to the increased complexity of the field of trade policy and they have become more significant in nature, covering an increasing volume of world trade and novel sectors such as services. An example of a modern mega-regional PTA, services trade under the Comprehensive Economic and Trade Agreement CETA, was taken into focus.

CETA is the first of its kind in many ways, setting standards for future trade agreements. It has many implications for trade in cross-border services, as it extensively liberalises many service sectors and reduces regulatory barriers between Canada and the EU. As a member state of the EU, also Finnish companies get to take advantage of the agreement. In fact, it offers new opportunities and encouragement for especially Finnish SMEs that may not previously have had the resources and knowledge to dodge or go through all the barriers there used to be on trade between the two economies. Now with a trade agreement in place, the study found out that with proper information being available, the success of taking advantages of the service trade liberalisation offered by

the new trade agreement depends solely companies' own activity and willingness to decide to export to Canada.

ACKNOWLEDGEMENTS

The author would like to warmly thank the interviewees who found the time and interest to meet for a discussion and plant a seed of deeper understanding on trade policy related matters. My family, friends and loved one, thank you for always supporting me along the way and pushing me forward. The writing process had its ups and downs, and the author learned a lot on the way, not least about herself. I want to also thank my supervisors D.Sc. Riikka Harikkala-Laihininen and D.Sc. Esa Stenberg, and the Turku School of Economics for being a great place to think ahead.

REFERENCES

- Baier, S. L. – Bergstrand, J. H. (2007) Do free trade agreements actually increase members' international trade? *Journal of international economics*. Vol. 71, 72–95.
- BBC.com (2019) How the world is grappling with China's rising power <<https://www.bbc.com/news/business-45948692>>, retrieved 16.7.2019.
- Beaulieu, E. (2007) Trade in services. In: *Handbook on international trade policy*, ed. by Kerr, W.A. & Gaisford, J.D 150–162. Edward Elgar Publishing Inc.
- Bollen, Y. (2018) EU Trade Policy. In: *Handbook of European policies: Interpretive approaches to the EU*, ed. by Huber Heinelt – Sybille Münch, 191–206. Edward Elgar Publishing, Cheltenham.
- Bollen, Y. – De Ville, F. & Orbie, J. (2016) EU trade policy: persistent liberalisation, contentious protectionism. *Journal of European integration*. Vol. 38 (3), 279–294.
- Bogner, A. – Littig, B. – Menz, W. (2009) (Eds.) *Interviewing experts*. Palgrave Macmillan, Hampshire.
- Commission of the European Communities (2006) Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions. Global Europe: Competing in the World.
- Council of the EU (2016) Press release: EU-Canada trade agreement: Council adopts decision to sign CETA. <<https://www.consilium.europa.eu/en/press/press-releases/2016/10/28/eu-canada-trade-agreement/>>, retrieved 17.12.2019.
- Customs Finland (2018) Country statistics. <<https://tulli.fi/en/statistics/country-statistics>>, retrieved 17.12.2019.
- Deardorff, A. V. – Stern, R. M. (2007) Empirical analysis of barriers to international services transactions and the consequences of liberalization. In: *A Handbook of international trade in services*, ed. by Mattoo, A. – Stern, R. – Zanini, G., 169–220. Oxford University Press.
- Delimatsis, P. (2007) *International trade in services and domestic regulations: necessity, transparency, and regulatory diversity*. Oxford University Press, Oxford.

- Delimatsis, P. (2017) The evolution of EU external trade policy in services – CETA, TTIP and TiSA after Brexit. *Journal of international economic law*. Vol. 20 (3), 583–625. Oxford University Press, Oxford.
- ECJ European Court of Justice (2019) Opinion 1/17 of the Court. <<http://curia.europa.eu/juris/document/document.jsf?text=&docid=213502&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=707133>>, retrieved 4.7.2019.
- Eduskunta (2018) EU:n kauppapolitiikan ajankohtaiset haasteet. <<https://www.parliament.fi/FI/tiedotteet/Sivut/EU-kauppapolitiikka-ajankohtaiset-haasteet.aspx>>, retrieved 28.10.2018.
- Egger, P. – Larch, M. – Staub, K.E. – Winkelmann, R. (2011) The Trade Effects of Endogenous Preferential Trade Agreements. *American Economic Journal: Economic Policy* 3, 113–143.
- Eichengreen, B. – Irwin, D.A. (2010). The slide to protectionism in the Great Depression: Who succumbed and why? *The journal of economic history*. Vol. 70 (4), 871–897.
- Eicher, T.S. – Henn, C. (2011) In Search of WTO Trade Effects: Preferential Trade Agreements Promote Trade Strongly, But Unevenly. *Journal of International Economics*, Vol. 83(2), 137–153.
- Eriksson, P. – Kovalainen, A. (2008) *Qualitative methods in business research*. Sage Publications Ltd, London.
- Eskola, J. – Suoranta, J. (1998) *Johdatus laadulliseen tutkimukseen*. Vastapaino, Tampere.
- Euractiv.com (2018) Expert: US-China dispute ‘is not a trade but economic war’, <<https://www.euractiv.com/section/economy-jobs/news/expert-us-china-dispute-is-not-a-trade-but-economic-war/>>, retrieved 17.12.2019.
- European Commission (2010) Communication from the Commission to the European Parliament, the Council, the European Economic and Social committee and the Committee of the Regions. Trade, Growth and World Affairs: Trade Policy as a core component of the EU's 2020 strategy.
- European Commission (2015) Trade for all: European Commission presents new trade and investment strategy. <<http://trade.ec.europa.eu/doclib/press/index.cfm?id=1381>>, retrieved 27.2.2019.

- European Commission (2017a) CETA - a trade deal that sets a new standard for global trade. MEMO/17/271 <http://europa.eu/rapid/press-release_MEMO-17-271_en.htm>, retrieved 3.7.2019.
- European Commission (2017b) The economic impact of the Comprehensive Economic and Trade Agreement (CETA): An analysis prepared by the European Commission's Directorate-General for Trade. <doi:10.2781/236080>, retrieved 25.11.2018.
- European Commission (2017c) In focus – CETA. <<http://ec.europa.eu/trade/policy/in-focus/ceta/>>, retrieved 3.7.2019.
- European Commission (2018b) One year on EU-Canada trade agreement delivers positive results. <<http://trade.ec.europa.eu/doclib/press/index.cfm?id=1907>>, retrieved 8.11.2018.
- European Commission (2018c) Policy making. <<http://ec.europa.eu/trade/policy/policy-making/>>, retrieved 30.10.2018.
- European Commission (2019a) EU and Mercosur reach agreement on trade. <<http://trade.ec.europa.eu/doclib/press/index.cfm?id=2039>>, retrieved 1.7.2019.
- European Commission (2019b) Negotiations and agreements. <<https://ec.europa.eu/trade/policy/countries-and-regions/negotiations-and-agreements/>>, retrieved 28.8.2019.
- European Council (2010) EUCO 21/1/10 REV 1. European Council conclusions, 16.9.2010. <https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/116547.pdf>, retrieved 13.11.2018.
- European Council (2019) EUCO 9/19 European Council conclusions. <<https://www.consilium.europa.eu/en/press/press-releases/2019/06/20/european-council-conclusions-final-20-june-2019/>>, retrieved 16.7.2019.
- European Council (2019) Comprehensive Economic and Trade Agreement (CETA) between Canada, of the one part, and the European Union and its Member States, of the other part. <<https://www.consilium.europa.eu/en/documents-publications/treaties-agreements/agreement/?id=2016017>>, retrieved 3.7.2019.
- Eurostat (2019) Trade in services by type, Finland. <<https://ec.europa.eu/eurostat/web/international-trade-in-services>>, retrieved 17.12.2019.

- Foster, N. – Poeschl, J. – Stehrer, R. (2011) The impact of Preferential Trade Agreements on the margins of international trade. *Economic systems*, Vol. 35, 84–97.
- France24.com (2019) French parliament approves controversial EU-Canada trade deal CETA. <<https://www.france24.com/en/20190723-french-parliament-approves-controversial-eu-canada-trade-deal-ceta>>, retrieved 18.12.2019.
- Frieden, J.A. – Lake, D.A. (1999) *International political economy: Perspectives on global power and wealth*. Routledge, London.
- Friman, Aino (2019) Commercial Secretary, Department for external economic relations, Ministry for foreign affairs of Finland. Interview 13.2.2019.
- Gillham, B. (2000) *Case Study Research Methods*. Bloomsbury Publishing.
- Griller, S. – Obwexer, W. – Vranes, E. (2017) *Mega-Regional trade agreements: CETA, TTIP, and TiSA: New orientations for EU external economic relations*. Oxford Scholarship Online.
- The Guardian (2016) EU and Canada sign CETA free trade deal. <<https://www.theguardian.com/business/2016/oct/30/eu-canada-sign-ceta-free-trade-deal-trudeau-juncker>>, retrieved 15.1.2019.
- Haaparanta, P. – Tamminen, S. – Heikkinen, S. – Aunesluoma, J. – Nilsson Hakkala, K. – Kiviluoto, J. – Lavikainen, K. – Rissanen, A. (2017) 100 vuotta pientä avotaloutta – Suomen ulkomaankaupan kehitys, merkitys ja näkymät. *Valtioneuvoston selvitys- ja tutkimustoiminnan julkaisusarja 73/2017*.
- Hannan, S. A. (2016) The Impact of Trade Agreements: New Approach, New Insights. *IMF Working paper*, WP/16/117.
- Hanson, B. T. (1998) What happened to Fortress Europe? What happened to fortress Europe?: External trade policy liberalization in the European Union. *International Organization*, Vol. 52.(1), 55–85.
- Helsingin Sanomat (2016) EU ja Kanada allekirjoittivat pitkään kiistellyn kauppasopimuksen. <<https://www.hs.fi/ulkomaat/art-2000002927809.html>>, retrieved 28.10.2018.
- Helsingin Sanomat (2018) Vientiteollisuus on yhä vahva, mutta se katsoo Suomen politiikkaa uudella tavalla. <<https://www.hs.fi/paivanlehti/30112018/art-2000005916022.html>>, retrieved 29.11.2018.
- Hirsjärvi, S. – Remes, P. – Sajavaara, P. (1997) *Tutki ja kirjoita*. Kirjayhtymä Oy, Tammer-Paino Oy, Tampere.

- Hirsjärvi, S. – Hurme, H. (2015) *Tutkimushaastattelu: Teemahaastattelun teoria ja käytäntö*. Gaudeamus, Helsinki.
- Hoekman, B. – Mattoo, A. (2013) Liberalizing Trade in Services: Lessons from Regional and WTO Negotiations. *International Negotiation*, Vol. 18, 131–151.
- Hoekman, B. – Sauv , P. (1994) Regional and multilateral liberalization of services. *Journal of common market studies*, Vol. 32(3), 283–317.
- Hoekman, B. – Mattoo, A. – Sapir, A. (2007) The political economy of services trade liberalization: a case for international regulatory cooperation? *Oxford Review of Economic Policy*, Vol. 23(3), 367–391.
- Hoeller, P. – Girouard, N. – Colecchia, A. (1998) The European Union's Trade Policies and their Economic Effects, *OECD Economics Department Working Papers*, No. 194. OECD Publishing, Paris.
- Holstein, J. A. – Gubrium, J. F. (1995) *The active interview*. SAGE Publications, Thousand Oaks.
- Hübner, K. – Deman, A-S. – Balik, T. (2017) EU and trade policy-making: the contentious case of CETA. *Journal of European integration*, Vol. 39 (7), 843–857.
- Jensen, J. B. (2011) *Global Trade in Services: Fear, Facts and Offshoring*. Peterson Institute for International Economics, Washington, D.C.
- Kauppaletti (2019) Maailmantalouden keskeinen riski näyttää toteutuvan – Suomessa kasvu saattaa hidastua lähes olemattomiin. <kauppaletti.fi/uutiset/maailmantalouden-keskeinen-riski-nayttaa-toteutuvan-suomessa-kasvu-saattaa-hidastua-lahes-olemattomiin/>, retrieved 17.12.2019.
- Kaupapolitiikka.fi (2014) Kasvua Kanadasta. <<https://kaupapolitiikka.fi/kasvua-kanadasta/>>, retrieved 17.12.2019.
- Kaupapolitiikka.fi (2017) Kaikki irti kauppasopimuksista. <<https://kaupapolitiikka.fi/kaikki-irti-kauppasopimuksista/>>, retrieved 17.12.2019.
- Kaupapolitiikka.fi (2017) CETA tuo valonpilkahduksia Kanadasta. <<https://kaupapolitiikka.fi/valonpilkahduksia-kanadasta/>>, retrieved 17.12.2019.
- Kerr, W. – Gaisford, J. (eds) (2007) *Handbook on international trade policy*. Edward Elgar Publishing, Cheltenham, Gloucestershire.

- Kindleberger, C. P. (1999) The rise of free trade in Western Europe. In: *International political economy: Perspectives on Global Power and Wealth*, ed. by Frieden, J.A. & Lake, D.A., 73–89. Routledge, London.
- Kohler, P. – Storm, S. (2016) CETA without blinders: How cutting “trade costs and more” will cause unemployment, inequality, and welfare losses. *International journal of political economy*, Vol. 45, 257–293.
- Koopmann, G. – Wilhemn, M. (2010) EU Trade Policy in the Age of Bilateralism. *Intereconomics*, Vol. 45(5), 305–312.
- Krippendorff, K. (1980) *Content analysis: An introduction to its methodology*. Sage Publications, California, Beverly Hills.
- Krugman, P. R. – Obstfeld, M. (1994) *International economics: Theory and policy*. HarperCollins cop, New York.
- Kuosmanen, Marja (2019) Counsellor, Department for External Economic Relations, Ministry for Foreign Affairs of Finland. Interview 13.2.2019.
- Lahti, Taneli (2019) Director of EK Brussels, The Confederation of Finnish Industries. Interview 31.1.2019.
- LesEchos.fr (2019) Ceta, Mercosur: les Français très réticents face au libre-échange. <<https://www.lesechos.fr/politique-societe/societe/ceta-mercotur-les-francais-tres-reticents-face-au-libre-echange-1041235>>, retrieved 18.12.2019.
- Lincoln, Y. S. – Guba, E. G. (1985) *Naturalistic Inquiry*. Sage, Newbury Park, California.
- Lincoln, Y. S. – Guba, E. G. (2016) *The Constructivist Credo*. Routledge.
- madb.europa.eu (2019) Exporting from the EU – What you need to know. <<https://madb.europa.eu/madb/indexPubli.htm>>, retrieved 13.7.2019.
- Marchetti, J. A. (2011) Do PTAs actually increase parties’ services trade. In: *Preferential Trade Agreements: A law and economics analysis*, ed. by Bagwell K. D. & Mavroidis, P. C., 210–232. Cambridge University Press, New York.
- Marković, M. R. – Alecchi, B. E. A. (2017) *Qualitative methods in economics*. Routledge, Abingdon, Oxon.
- Mattoo, A. – Sauv e, P. (2003) (Eds) *Domestic Regulation and Service Trade Liberalization: A Challenge for the WTO*. World Bank and Oxford University Press.
- Mattoo, A. – Stern, R.M. – Zanini, G. (Eds) (2007) *A handbook of international trade in services*. Oxford University Press.

- Mayring, Philipp (2004) Qualitative content analysis. In: A companion to qualitative research, eds. Flick, U. – von Kardorff, E. – Steinke, I., 266–269. Sage, London.
- Miner, W. (2007) The modern history of trade policy. In: *Handbook on International Trade Policy*, ed. by Kerr, W. & Gaisford, J., 29–43. Edward Elgar Publishing, Incorporated, Cheltenham, Gloucestershire.
- Ministry for Foreign Affairs (2019) *Maailman markkinat 2019–2020*. <https://issuu.com/ulkoministerio/docs/maailman_markkinat_2019-2020>, retrieved 7.7.2019.
- Morgan, D. L. (1993) Qualitative content analysis: A guide to paths not taken. *Qualitative health research*, Vol. 3 (1), 112–121.
- Oatley, T. H. (2018) *International political economy: interests and institutions in the global economy*. Routledge, New York.
- Odudu, O. – Lianos, I. (2012). *Regulating trade in services in the EU and the WTO: Trust, distrust and economic integration*. Cambridge University Press, Cambridge.
- TFEU Treaty on the functioning of the European Union (2012) Common Commercial Policy, Article 206 and 207, OJ C326/139–142.
- Official Journal of the European Union (2007) C306. Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community, signed at Lisbon.
- Official Journal of the European Union (2017) L11. Comprehensive Economic and Trade Agreement (CETA).
- Official Statistics of Finland, OSF (2019) International trade in goods and services. <https://www.stat.fi/til/tpulk/2019/01/tpulk_2019_01_2019-06-14_tie_001_en.html>, retrieved 15.7.2019.
- Palta Service Sector Employers (2018a) Palveluvienti. <<https://www.palta.fi/download/12015/>>, retrieved 2.9.2019.
- Palta Service Sector Employers (2018b) Palveluvienti pitää kaksinkertaistaa. <<https://www.palta.fi/palveluvienti-pitaa-kaksinkertaistaa/>>, retrieved 27.11.2018.
- Politico.eu (2016) Walloon parliament rejects CETA deal. <<https://www.politico.eu/article/walloon-parliament-rejects-ceta-deal/>>, retrieved 29.11.2018.

- Roy, M. – Marchetti, J. – Lim, H. (2006) Services liberalization in the new generation of Preferential Trade Agreements (PTAs): How much further than the GATS?. *WTO Staff Working Paper*, No. ERSD-2006-07. WTO, Geneva.
- Schwab, S. C. (2011) After Doha: Why the negotiations are doomed and what we should do about it. *Foreign affairs*, Vol. 90(3), 104–117.
- Silverman, D. (2001) *Interpreting qualitative data: Methods for analysing talk, text and interaction*. SAGE, London.
- Stoll, P.T. (2017) Mega-regionals: Challenges, opportunities and research questions. In: *Mega-regional trade agreements*, ed. by Rensmann, T., 3–24. Springer International Publishing.
- Team-Finland.fi (2019) Market Opportunities. <<https://www.team-finland.fi/en/services-for-companies/market-opportunities/>>, retrieved 13.7.2019.
- Tiainen, Jediitta (2019) former Special Advisor on International Trade to a Member of the European Parliament. Interview 11.2.2019.
- trade.ec.europa.eu (2018) Overview of FTAs and other trade negotiations. <http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc_118238.pdf>, retrieved 29.11.2018.
- (UM) The Ministry for Foreign Affairs in Finland (2018) Palveluissa uusia mahdollisuuksia <<http://www.ulkoasiainministerio.fi/public/default.aspx?nodeid=50032&contentlan=1&culture=fiFI#Palveluissa%20uusissa%20mahdollisuuksia>>, retrieved 28.11.2018.
- Valtioneuvosto.fi (2017) EU:n ja Kanadan välinen sopimus CETA astuu voimaan. <https://valtioneuvosto.fi/artikkeli/-/asset_publisher/eu-n-ja-kanadan-valinen-sopimus-ceta-astuu-voimaan>, retrieved 29.10.2018.
- VATT (2014) Honkatukia, J. – Tamminen, S. – Ahokas, J. Suomi on jo palvelutalous. *VATT Policy Brief*, 1-2014.
- VATT (2017) Tamminen, S. – Nieminen, J. – Nilsson Hakkala, K. The expected economic impacts of the EU–Canada Comprehensive Economic and Trade Agreement. *VATT Research Reports*, 187.
- Vuori, Timo (2019) *Vice President*, International Affairs; *Secretary General of ICC Finland*, Finnish Chamber of Commerce. Email 23.4.2019.
- Woolcock, S. – Heydon, K. (2009) *Rise of Bilateralism: Comparing American, European and Asian Approaches to Preferential Trade Agreements*. United Nations University Press.

- World Bank Staff (2003) *Domestic Regulation and Service Trade Liberalization: A Challenge for the WTO*, ed. by Mattoo, A. & Sauve, P. World Bank and Oxford University Press.
- Wouters, J. – Marx, A. – Geraets, D. – Natens, B. (Eds) (2015) *Global governance through trade*. Edward Elgar Publishing, Cheltenham, UK.
- WTO.org (1994) Annex 1B: General Agreement on Trade in Services. <https://www.wto.org/english/docs_e/legal_e/26-gats.pdf>, retrieved 12.6.2019.
- WTO.org (2018a) Why is the liberalization of services important? <https://www.wto.org/english/tratop_e/serv_e/gats_factfiction2_e.htm>, retrieved 28.11.2018.
- WTO.org (2018b) Statistics on trade in commercial services. <https://www.wto.org/english/res_e/statis_e/tradeserv_stat_e.htm>, retrieved 13.12.2018.
- WTO.org (2019a) Figures on Regional Trade Agreements notified to the GATT/WTO and in force. <<http://rtais.wto.org/UI/publicsummarytable.aspx>>, retrieved 25.6.2019.
- WTO.org (2019b) Understanding the WTO. <https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm>, retrieved 22.7.2019.
- Young, A. R. (2015) Liberalizing trade, not exporting rules: the limits to regulatory coordination in the EU's 'new generation' preferential trade agreements. *Journal of European public policy*, Vol. 22(9), 1253–1275.
- Young, A. R. – Peterson, J. (2006) The EU and the new trade politics. *Journal of European public policy*, Vol. 13(6), 795–814.
- Young, A. R. – Peterson, J. (2014) *Parochial Global Europe: 21st century trade politics*. Oxford University Press.

APPENDICES

Appendix 1. Interview questions

Background question

1. Tell about your expertise in the field of trade policy, what kind of work have you been doing?

Interview questions:

1. What is new in these modern EU preferential trade agreements?
2. How are these agreements beneficial?
3. How is CETA an example of this kind of an agreement?
4. Why has the content of PTAs like CETA been broadened to cover more sectors of the economy, like services?
5. Is this level of comprehensiveness the new “normal”?
6. Why have these more comprehensive agreements caused dispute?
7. How has this been seen in the case of CETA and how can these PTAs be promoted in the future?
8. What are the opportunities CETA brings for service exports?
9. Is there already knowledge on what kind of effects CETA has had on the Finnish exports to Canada and from there to Finland?
10. What kind of new opportunities does CETA offer for Finnish exporting companies?

Appendix 2. List of secondary data documents

Delimatsis, P. (2017) The evolution of EU external trade policy in services – CETA, TTIP and TiSA after Brexit. *Journal of International Economic Law*. Vol. 20 (3), 583–625. Oxford University Press, Oxford.

European Commission (2015) Trade for all: European Commission presents new trade and investment strategy. <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1381>, retrieved 27.2.2019.

European Commission (2017a) CETA - a trade deal that sets a new standard for global trade. MEMO/17/271.

European Commission (2017b) The economic impact of the Comprehensive Economic and Trade Agreement (CETA): An analysis prepared by the European

Commission's Directorate-General for Trade. <doi:10.2781/236080>, retrieved 25.11.2018.

European Commission (2018b) One year on EU-Canada trade agreement delivers positive results. <<http://trade.ec.europa.eu/doclib/press/index.cfm?id=1907>>, retrieved 8.11.2018.

Government of Canada (2018) CETA benefits already visible a year after its entry into force. <https://www.international.gc.ca/gac-amc/campaign-campagne/ceta-aecg/year_one-premiere_annee.aspx?lang=eng#9>, retrieved 25.11.2018.

Palta Service Sector Employers (2017) CETA avaa palveluviennille ovet Kanadaan. <<https://www.palta.fi/blogi/ceta-avaa-palveluviennille-ovet-kanadaan/>>, retrieved 27.11.2018.

VATT (2017a) Tamminen, S. – Nieminen, J. – Nilsson Hakkala, K. The expected economic impacts of the EU-Canada Comprehensive Economic and Trade Agreement. *VATT Research Reports 187*.

VATT.fi (2017b) EU:n ja Kanadan välisestä vapaakauppasopimuksesta uusia markkinamahdollisuuksia erityisesti pk-yrityksille. <https://vatt.fi/artikkeli/-/asset_publisher/eu-n-ja-kanadan-valisesta-vapaakauppasopimuksesta-uusia-markkinamahdollisuuksia-erityisesti-pk-yrityksille>, retrieved 29.10.2019.

Appendix 3. Coding and themes used in empirical data

EU trade policy developments	Political situation Failing multilateral framework/WTO Globalisation EU challenges Finland's experience of trade agreements
Liberalisation of services	Services trade regulation as part of PTAs
Opportunities offered by PTAs (CETA)	CETA economic effects CETA effects for service trade CETA opportunities for Finnish services trade