

PRESS RELEASE

Services trade can revitalize the stalling negotiations at the WTO

15 December 2011 (Singapore) – Despite the fact that the services sector accounts for 68 percent of value-add in the Asia-Pacific region, there is little known about the services sector and has been the neglected component of international trade. It also accounts for 61 percent of employment in the region, up from mere 27 percent when the Asia-Pacific Economic Cooperation (APEC) was founded in 1989. While the services sector has come to dominate the modern economy, international trade in services lags behind and the exports of goods among the APEC member economies are five times larger than exports of services although both sectors have grown by almost 115 percent over the last decade.

These are the key messages contained in the new publication being released by the Pacific Economic Cooperation Council (PECC) and the Asian Development Bank Institute (ADBI), ***Services Trade: Approaches for the 21st Century***.

This report comes at a time as members of the World Trade Organization (WTO) continue to mull over what needs to be done to get the Doha Development Agenda (DDA) out of stagnation since it was started over ten years ago.

According to the report, there are three main explanations behind the lack of progress in the services trade.

1) Lack of awareness of the contribution of services to the economy

While there is general public ignorance of how much contribution services sector accounts for in industry value-add, employment, productivity, export revenue, gross domestic product (GDP), and poverty reduction, there has also been policy failure on services trade reform in the WTO and insufficient progress at a unilateral, bilateral or regional level. Businesses are often more aware than other stakeholders of the potential gain to be made from services trade and investment reforms.

2) Concerns over impact of service openness

Governments remain concerned about the implications of greater degrees of openness for the operation of their regulatory systems. As a consequence, there are big differences between bound and applied commitments to services sector reform.

3) Inadequacies in negotiating modalities

The “request-offer” process, which would have only delivered fragmented results, has failed. The situation beckons an urgent response in the form of services sector reform which can add lubricant to the trading system by improving the many aspects of logistics, communications and finance in a complex supply-chain world.

Based on above analysis, the taskforce has put forward the following proposals for further policy attention and action. The two ideas are aimed at improving regional and global governance in the services sector:

1) Regulatory Principles for Services

Governments should develop a set of regulatory principles that cut across different industries in the form of a generic “services reference paper,” setting out pro-competitive principles that can apply to all services. The PECC-ADBI report also suggests a list of sources which could provide some useful inspiration.

2) A Stand-alone Negotiation on Services

The second idea is proposed on assumption that governments might have higher degree of inter-governmental negotiating success if they were to pursue services negotiations within a new set of arrangements. There are three components to this structure – stand-alone, plurilateral and new formats for commitments. First, services could be organized on a stand-alone basis, free from complexities of negotiations as observed in the case of goods from agricultural and manufactured sectors. It should be highlighted that this option is already an option available to WTO members as mandated through the Uruguay Round as a built-in agenda. Secondly, since less than a third of the WTO members have made services offers in the DDA, new negotiations could commence plurilaterally. In contemplating the possibility of services plurilaterals, participants expressed their preference for a “critical mass” MFN-based approach. Thirdly, as the “request-offer” process has effectively failed, consideration needs to be given to the alternative, a new multi-modal framework accord, such as a standstill and rollback-type deal. The work undertaken for the collective requests to date might offer one possible place to start.

“We must look beyond the DDA and open the way forward for fresh negotiating processes by exercising flexibility in respect to negotiating modalities specifically in services,” said Professor Christopher Findlay, one of the coordinators of the services trade taskforce.

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