Spotlight on the trade ministers

By ANTHONY NIGHTINGALE, TONY NOWELL and JANE DRAKE-BROCKMAN

TRADE ministers from 21 Asia-Pacific economies representing 61 per cent of the global economy and 44 per cent of world trade have gathered in Kazan, Russia, at a time when the world economy is facing the prospect of an economic downturn.

The Doha Development Agenda in deep freeze, all eyes are on trade ministers everywhere, when and wherever they meet.

Governments in the region and the world are struggling to find ways to bolster growth. Businesses in the region are expecting solutions. Apec has adopted a growth agenda, but it needs to see action. One area where there is real room for move is trade and investment flows in the goods sector. The results have been extraordinary and the growth dividends have been real. The time has come to pay equal attention to the services industries to achieve comparable gains in regional connectivity and leading to enhanced regional prosperity.

Services sector

After all, services now account for 68 per cent of regional GDP, a focus purely on the goods sector no longer makes commercial sense. Opening up to services trade and investment and dealing with all kinds of regulatory choke points affecting both goods and services supply chain operations is the 21st century agenda.

Apec is unique in having a formal Apec Business Advisory Council (ABAC) which provides officials and politicians with valuable insights into problems the business community faces. In a report on services issues in Honolulu last year, ABAC highlighted the long overdue need for an Apec initiative on services and called for establishment of a high-level advisory group including government representatives, business stakeholders and think tanks, to consider how governments might be able to make more serious progress.

A report from a task force established by another Apec stakeholder, the Pacific Economies Cooperation Council (PECC) along with the Asian Development Bank Institute also recommended regional institutions take a fresh approach to services.

The two reports, between them, provide an irrefutable evidence-based case for the role of services in the Apec economy and the necessity, for future regional job growth, of more sustained official attention.

As per capita income increases, most countries witness a rising share of services in total output. The services sector's share of regional employment has grown vigorously and now outweighs agriculture and industry as the largest employer, creating more than 123 million jobs over the last 10 years.

Services industries provide the essential infrastructure networks for the goods-producing sectors; indeed, "embodied" services such as R&D, logistics and marketing are an essential component of all finished products. The services sector consequently plays a key enabling role, driving growth and development across the whole Apec economy.

Hard at work: Worker loading goods bound for export. Services now account for 68% of regional GDP, a focus purely on the goods sector no longer makes commercial sense.

Exporting services

All Apec economies are exporting services, but for most Apec economies, services' share of exports is still well under the global average of 25 per cent. This means there is much room for improvement.

But at a time when such uncertainty, taking a step toward getting on grips with this sector, even if only a first step, would signal to the business community that the growth agenda is real and investments are welcome.

This week in Kazan, PECC and ABAC joined forces in a dialogue with officials to draw attention to the crucial importance of services and to make concrete proposals on the way forward.

The fact is there has been no progress, since completion in 1997 of the WTO negotiations on financial services and on movement of natural persons, in building the global governance for services. And not enough has been done on a regional or bilateral basis to compensate.

Are Apec governments listening to their stakeholders? Are they prepared to focus on the issues that will impact most on creating jobs for future generations? Trade ministers have an opportunity in Kazan to make it clear that they are listening and that they will act. All eyes are on trade ministers.

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