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Global Services Summit Media Coverage

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Trade in services is key to recovery

By Michael L. Ducker – 10/12/09



(The Hill) - Today and tomorrow, at the Global Services Summit in Washington, a diverse group of leaders from business, government and academia will champion the message that the service sector holds the key to unlocking economic recovery and future growth.

As the largest sector in the world, services account for more than two-thirds of economic activity — and without services, global trade would freeze up, economic growth would stagnate and development gains would be lost. Services also make up an important part of our everyday lives. If you own a cell phone, use a bank, ship packages, draft up a contract, insure property or sell on e-Bay, you are relying on services.

And while services fuel more than 65 percent of global economic activity, they only account for about 20 percent of world trade. This goes to show that the service sector has yet to scratch the surface of its vast potential.

From my perspective, this untenable imbalance arose from the pervasive trade and regulatory barriers that stifle services trade around the world. Take for example the express delivery industry, which FedEx represents. The restrictions imposed by some countries that limit the services we can provide our global customers include anti-competitive practices of government-owned or -authorized monopolies, inefficient customs procedures, cumbersome licensing requirements, and restrictions on foreign investment, among others. Moreover, countries often adopt regulatory regimes that conflict with those of its neighbors, further burdening the flow of goods and services across borders. And these are just some examples from the express delivery industry. Even more challenges are faced by other companies working to serve customers on a global basis.

Leaders at the Global Services Summit are coming together at a crucial time. In the midst of the global economic downturn and a precipitous decline in global trade and investment, the public and private sectors must take action to help unlock the growth potential of the service sector for both developed and developing countries alike.

And if we as a global community can do a better job of tapping into this enormous potential, I believe that service businesses and those they employ can make a significant contribution to the strength and duration of an economic recovery. We see signs of a slow recovery, but to achieve sustainable growth, we must accelerate trade and investment in resilient and high-potential areas such as services rather than allow protectionist measures to slow us down.

Of course, a solution will not be delivered overnight at the Global Services Summit. Many of the barriers to services trade have been built over many decades, and they will be difficult to dismantle. Every day at FedEx, we see firsthand how these barriers limit the opportunities for our customers' growth and prosperity — whether they face trade finance restrictions, inefficient customs regimes, licensing limitations, technology interference, insurance challenges, or other obstacles preventing fair and open competition. These barriers produce a ripple effect around the world, resulting in fewer market opportunities for businesses and fewer choices for consumers.

What we need now to fuel future job growth and economic prosperity in the U.S. and abroad is a multilateral trade deal. Unfortunately, the Doha Round of negotiations has so far failed to produce meaningful results that would increase services trade. Services negotiators have been told to wait for agriculture and manufacturing negotiations to progress, but those negotiations have been stalled for years. Whatever gains are achieved in the manufacturing and agriculture negotiations can only be fully realized in tandem with the opening of markets in the service sector.

Service businesses and their employees are absolutely, positively vital to the health of the global economy. The Global Services Summit provides a unique platform upon which leaders can map out policies and strategies that will produce real market access, grow our economies and create jobs. In this economic climate, the service sector should not be overlooked. It may be our best hope to lead the world into a meaningful and sustainable economic recovery.

Ducker is president, international, of FedEx Express and the immediate past chairman of the Coalition of Service Industries.

**U.S. services meeting draws Doha round players**

By Doug Palmer – 10/12/09

WASHINGTON (Reuters) - Farm and manufacturing issues long at the center of world trade talks will take a back seat to finance, telecommunication and other service sectors at a meeting here this week that has attracted top trade officials from the United States, European Union and India.

Bob Vastine, president of the Coalition of Service Industries, said he hopes to hear new ideas from U.S. Trade Representative Ron Kirk and others for increasing global services trade, both inside and outside of the Doha round.

"Nobody wants Doha to fail ... But we are indeed looking for other ways forward," said Vastine, whose groups is hosting the "global services summit" on Tuesday and Wednesday.

Services account for more than two-thirds of the U.S. economy and almost 30 percent of U.S. exports, which totaled nearly \$1.83 trillion dollars in 2008.

But agriculture has dominated the Doha round since it was launched in the capital city of Qatar on Nov. 14, 2001, with the goal of helping poor countries prosper through trade.

That reflected demands on the United States and the EU to offer big cuts in trade-distorting farm subsidy and tariffs before developing countries detailed their own concessions.

Manufacturing concerns have received more attention in recent years but services talks still lag far behind.

KIRK ON TUESDAY, LAMY ON WEDNESDAY

Kirk kicks off the event on Tuesday with a speech that Vastine said he hopes will make clear that major developing countries will have to open some of their service markets as part of a Doha deal.

European Commissioner Catherine Ashton, Indian Commerce Minister Anand Sharma, Australian Trade Minister Simon Crean and others then hold a roundtable on services trade.

"We have finally stepped over the threshold into the main ring," Vastine said.

India's refusal to say what service sectors it could open for more trade has been frustrating for the United States, especially in the face of New Delhi's politically difficult demand that Congress grant more temporary-entry visas for Indian software engineers and other professionals.

"They've never told what us they're going to offer. What are they going to give us back? ... We hope to hear from India, Mr. Sharma, some progressive ideas about resolving some problems," Vastine said.

WTO Director General Pascal Lamy, who the Coalition of Service Industries once feared wanted to diminish the importance of services to a final Doha agreement, will address the group on Wednesday morning.

Charlene Barshefsky, who was U.S. Trade Representative under former President Bill Clinton, said the Obama administration should design a "comprehensive market-opening program" for services that looks beyond Doha.

One option would be a services trade initiative among a group of "like-minded countries" that then could be brought back to the WTO for others to join, she said.

"I think there needs to be a push to complete Doha, but the clock is ticking on Doha. There's only so long that one can wait for a serious services initiative," said Barshefsky, who will speak to the conference on late Tuesday. (Editing by Mohammad Zargham)



WASHINGTON (Reuters) - The United States cannot agree to a deal in the Doha round of world trade talks until other countries make better offers to open their markets to services trade, the top U.S. trade official said on Tuesday.

"We know that the biggest gains to the global economy are likely to derive from multilateral services liberalization, but the offers on the table right now fail to deliver on that promise," U.S. Trade Representative Ron Kirk said at the Global Services Summit.

"We have said flat-out that there will be no deal without a solid result on services which would result in new market opportunities, but we believe that a positive outcome is still achievable," Kirk said.

The Doha round has focused "almost obsessively" on agricultural and manufacturing issues for the nearly eight years since it was launched on November 14, 2001, Kirk said.

He told the group that a successful agreement must also include negotiations on services and the rules governing the use of anti-dumping and other domestic trade remedy laws.

European Trade Commissioner Catherine Ashton said the EU agreed that better offers to liberalize services for the Doha round to advance and urged U.S. services companies to step up efforts to push for a global trade deal.

"It's central to Doha. It's not yet had it's day. It needs a bigger voice. It needs a bigger push," she said. Services account for more than two-thirds of the U.S. economy and almost 30 percent of U.S. exports, which totaled nearly \$1.83 trillion in 2008.

AGRICULTURE HAS DOMINATED

But agriculture has dominated the Doha round since it was launched in the capital city of Qatar with the goal of helping poor countries prosper through trade.

That reflected demands on the United States and the European Union to offer big cuts in trade-distorting farm subsidies and tariffs before developing countries detailed their own concessions.

Manufacturing concerns have received more attention in recent years but services talks still lag far behind.

Indian Commerce Minister Anand Sharma noted that developed countries already have a much larger share of services trade than developing countries.

But India agrees that it is time for negotiations on services to proceed "horizontally" with agriculture and manufacturing, Sharma said.

Hopefully, that would set the stage for a successful WTO ministerial set for later this year in Geneva, he said.

Kirk also said the United States had opened a dialogue with the 21 economies of the Asia-Pacific Economic Cooperation to explore options for boosting cross-border services trade within the fast-growing region.

He said he hoped that initiative would give a boost to the services negotiations within the WTO.

Australian Trade Minister Simon Crean urged the United States to work harder to finish the Doha round, which he said would give the global economy a badly needed boost.

"No one is expecting Doha to be the perfect outcome," but it would provide a new platform on which countries can build better bilateral and regional trade agreements that go even further, Crean said.



US Kirk: No Doha Deal Without Services Trade Access

By Tom Barkley – 10/13/09



WASHINGTON (Dow Jones, Wall Street Journal) -- U.S. Trade Representative Ron Kirk called Tuesday for more progress in opening up trade in services in the Doha round of global trade talks.

Kirk said there could be no deal on the long-stalled negotiations unless they result in new market opportunities in the services area, something he said is "still achievable."

"We know that the biggest gains to the global economy are likely to derive from multilateral services liberalization, but the offers on the table right now fail to deliver on that promise," he said in prepared remarks to a conference on international services trade. Kirk targeted major emerging economies in particular.

"Some of the largest emerging markets are still walled off to services trade by regulations that restrict foreign competition and tilt the playing field in favor of domestic champions," he said, adding that the restrictive policies are usually in the form of unwritten, non-tariff barriers.

Negotiations resumed last month on the talks that were launched in 2001, with the goal of reaching a successful conclusion next year. Talks broke down late last year amid disagreements between the U.S. and India, in particular. Kirk plans to meet with Indian Commerce Minister Anand Sharma later Tuesday.

While most of the discussions so far have focused on agriculture and manufacturing trade, Kirk said more progress is needed in services as well. During a panel discussion that followed, Sharma and European Union Trade Commissioner Catherine Ashton agreed that services need to be discussed at the same time as talks on agriculture and trade.

Ashton said the deal is about 80% complete, but it needs direction. Focusing more on services could convince the U.S. that it has more to gain from the overall agreement, she said.

Sharma said more effort must be made to protect the interests of the poorest countries.

"We have to reassure the poorest of the poor that we all are committed to work collectively for development," he said.

While a perfect deal may not be possible, Sharma said he is optimistic that a "fair and equitable" agreement could be reached.

Beyond Doha, Kirk said the U.S. sees increasing opportunities to boost services trade with Asian economies and has started a dialogue with members of the Asia-Pacific Economic Cooperation.

Kirk told reporters on the sidelines of the event that an APEC agreement on services could end up being the vehicle to making progress in that area in the Doha talks. Noting that the U.S. is hosting the APEC meeting in 2011, he said, "We're looking at the reality and advantage we have of that being a very good, strong working coalition."

In the meantime, he has asked the International Trade Commission to study the role of small and medium-sized businesses in services trade, which he will use to target policies more appropriately to help those companies.



U.S. to strengthen trade relations with India

By iStockAnalyst – 10/13/09

WASHINGTON (Xinhua News Agency) -- The U.S. government is ready to strengthen bilateral trade relations with India and make progress for the World Trade Organization's Doha round agenda, U.S. Trade Representative Ron Kirk said Tuesday.

Kirk and Indian Commerce Minister Anand Sharma met Tuesday in Washington to discuss a range of issues for the U.S.-India Trade Policy Forum (TPF) meeting in India scheduled for Oct. 26.

India is one of the largest and one of the most important trade partners for the U.S.. In 2008, the total volume of goods and service being traded between India and the U.S. totaled 41 billion dollars," Kirk said. "I know that is an impressive number, we believe it can and should be higher."

By improved market access to India, we can create new jobs here in America," Kirk added.

The TPF is the main policy tool for the bilateral trade agenda, and the United States and India are working together to create greater opportunities for trade and investment.

Since Indian Prime Minister Manmohan Singh's visit to the United States in July 2005, during which a number of trade and economic initiatives were announced, the office of the U.S. Trade Representative (USTR) has engaged with India on trade and investment matters through a number of venues.

An interagency collaboration, the USTR-led TPF is the principal trade dialogue between the United States and India. It has five Focus Groups: Agriculture, Investment, Innovation & Creativity (intellectual

property rights), Services, and Tariff & Non-Tariff Barriers.

Besides bilateral trade relationship, Kirk and Sharma acknowledged the productive Doha Round discussions that took place last week in Paris.

Kirk said the two sides have shared desire of commitment to make progress of the Doha development agenda and will talk about cooperation to put the WTO's Doha round talks on a more successful path to conclusion.

Latest data show that India was the United States' 17th largest goods export market and the 18th largest supplier of goods imports in 2008.

The U.S. goods trade deficit with India was 8 billion dollars in 2008.



Doha best hope for services trade reform: Lamy

10/14/09



WASHINGTON (Reuters) - World trade talks, although slow moving, offer the best hope of expanding global markets for finance, shipping and other big service sectors, the head of the World Trade Organization said on Wednesday.

"I understand that many of you would be frustrated by the slow pace of the Doha round and by the fact that the fate of services negotiations is linked to other areas under negotiation," WTO Director General Pascal Lamy said in a speech at the Global Services Summit.

"But it would be disingenuous to believe that services liberalization would be easier outside the Doha round," Lamy said, adding he thought it was possible to finish the nearly eight-year-old trade round in 2010 as the Group of 20 leaders have recently committed to do.

Services such as banking, shipping and telecoms account for upward of 75 percent of rich economies and a majority and growing share of many developing countries. But they still account for less than 20 percent of world trade.

The slow pace of the Doha round, and the intense focus on agriculture and manufacturing issues in those talks, recently has prompted U.S. service companies to look at other initiatives for expanding international trade.

Former U.S. Trade Representative Charlene Barshefsky on Tuesday outlined several options in a speech at the Coalition of Service Industries meeting, including the negotiation of a services-only free trade agreement between the United States, the European Union and Japan.

She also suggested "sectoral" agreements, such as one covering services offered on the Internet, where a

critical mass of countries would agree first to liberalize trade and invite others to join later.

BIG TRADE-OFFS NEEDED, LAMY SAYS

Lamy argued it would be harder to persuade big emerging markets such as China and Brazil to further open their financial and environmental services markets outside of a broad negotiations where those countries could expect to make gains in other areas, such as agriculture and manufacturing.

India and others also would find it difficult to convince the United States and the European Union to provide more temporary entry visas for developing country software engineers and other professionals outside of a global trade round, he said.

"That is why I believe that it is worth throwing your weight behind a Doha services deal, a big part of which is already on the table," Lamy said.

Although agriculture and manufacturing have dominated the the Doha talks so far, Lamy assured the service industries audience there would not a be a final Doha deal without "a substantial services package."

U.S. Trade Representative Ron Kirk said on Tuesday that major emerging countries had to make better offers to open their services market for there to be a Doha deal.

The United States also wants a clearer view of what new market openings developing countries would make in agriculture and manufacturing before agreeing on a proposed set of "modalities" for cutting tariffs and farm subsidies.

The EU believes negotiators should build on what they have achieved already on agriculture and industrial goods while focusing more attention on services, EU Trade Commissioner Catherine Ashton told Reuters in an email.

"We should engage in a horizontal process to clarify the outstanding issues, specifically on services. Only then we can get a better understanding of what the final deal will look like," Ashton said.



New data technology trade rules needed: Microsoft

By Doug Palmer – 10/14/09

WASHINGTON (Reuters) - Countries need to forge new trade rules governing the movement of electronic data across borders as the world becomes increasingly connected, a Microsoft official said on Wednesday.

As more and more software services are provided over the Internet, "people will be calling on computers located around the world," said Brad Smith, senior vice president and general counsel for the U.S. software giant.

"We have a patchwork of laws around the world that is increasingly creating a very confusing almost quagmire for information providers," Smith said at the Global Services Summit -- a meeting that brought

together banking, telecommunications, shipping and other service industry professionals.

One country may insist that e-mails be kept for a year for security purposes while another requires they be erased after six months to protect privacy, he said.

"If that's the case, it's very difficult to locate a data center in one country and provide that service to consumers in another country," Smith said.

Technology will continue to change and "the trade rules will need to change in order for these benefits to continue to flow around the planet," Smith said.

Former U.S. Trade Representative Charlene Barshefsky, in a speech to the same group on Tuesday, suggested the creation of a new Internet trade agreement to foster the delivery of software services across borders.

Smith did not endorse that approach, saying a variety of mechanisms mechanisms may be appropriate.

Peter Cowhey, a senior counsel in the U.S. Trade Representative's office, told the service group the Obama administration was taking a comprehensive at trade rules governing information communication technology.

There are a number of "barriers at the border" that potentially could be addressed through the World Trade Organization or bilateral forums, Cowhey said. Those include a conflict between globally coordinated standards for information communication technology and national standards some countries have pursued, he said.

It also is important that legitimate efforts to boost cybersecurity are done in a way that maximizes global efficiency and commerce, Cowhey said.

Consumer choice and data privacy issues, as well as the procedures that governments follow when they restrict access to global information services are other areas that might be ripe for international rule making, he said.

(Editing by Mohammad Zargham)



No world trade deal without services agreement:

US

By P. Parameswaran – 10/14/09



WASHINGTON (AFP) — The United States has said it would not endorse any new global trade accord unless it contained a "solid" deal on services, urging Asian nations in particular to liberalize the lucrative sector.

"We know that the biggest gains to the global economy are likely to derive from multilateral

services liberalization, but the offers on the table right now fail to deliver on that promise," said US Trade Representative Ron Kirk said Tuesday.

"We have said flat out that there will be no deal without a solid result on services which would result in new market opportunities, but we believe that a positive outcome is still achievable," he told an international conference on service industries in Washington.

"Some of the largest emerging markets are still walled off to services trade by regulations that restrict foreign competition and tilt the playing field in favor of domestic champions," he said, without naming the countries.

The policies, he said, often take the form of "unwritten and unspoken" non-tariff barriers.

European Union Trade Commissioner Catherine Ashton agreed that "services are critical to the success" of the longstanding Doha Round of trade talks to frame a new global trade agreement.

She said services could play a crucial role in stoking growth to help the global economy emerge from the recession following the recent financial crisis.

"They play a central role in our bilateral agreements and we have to make sure they are moving up the agenda of the multilateral negotiations," Ashton said at the conference organized by the Coalition of Service Industries.

Services trade, which ranges from architecture to voicemail telecommunications and space transport, is a key component of the World Trade Organization (WTO) negotiations launched in Qatar's capital in 2001 to establish new global trade rules.

The Doha talks were aimed at boosting global commerce to help developing countries, but deadlock between the major trading blocs has dashed repeated attempts to forge a pact.

The Doha Round collapsed in Geneva last year amid differences between India and the United States. Negotiations resumed last month.

Kirk met Tuesday met with Indian Commerce Minister Anand Sharma, and the two discussed issues to be addressed at a US-India Trade Policy Forum meeting in India on October 26, Kirk's office said.

Sharma told the conference that "we have to reassure the poorest of the poor that we all are committed to work collectively for development," adding that he was optimistic that a "fair and equitable" agreement could be reached, according to The Wall Street Journal.

Developed nations are trying to prise open the services sector in developing nations, which are seeking tariff reductions and subsidy removals in the manufacturing and agriculture sectors in the rich economies.

Australian Trade Minister Simon Crean said the services sector should take a "more driving and strategic role" in the Doha Round, "linking itself to the manufacturing and agriculture sectors to show that it's adding value."

He said developing nations producing commodities and manufactures could stamp their mark in global trade if they could deepen their services sectors.

"My real pitch is for the services sector to not see itself as a separate sector, but to see itself as an enabler and a driver and an opportunity" for the other two sectors, Crean said.

Underscoring the rising potential value of the services trade, Kirk said the information and communications market alone was estimated at nearly four trillion dollars globally.

The United States, he said, wanted its Asian trading partners to adopt new policies that would facilitate cross-border services trade.

"And if we are successful, that work will amplify our efforts at the WTO," said Kirk.

"Competition in services can help Asian nations to improve the efficiency of their domestic markets, stimulating domestic demand and reducing their dependency on export-driven growth."

The United States is currently engaged in talks with fellow economies in the Asia-Pacific Economic Cooperation (APEC) forum to spur services trade throughout Asia.



Need to deepen economic engagement between India and the US: Anand Sharma meets USTR and EU Trade Commissioner

Indian Embassy Release – 10/14/09

Shri Anand Sharma, Commerce and Industry Minister, during his meeting with the US Trade Representative Ambassador Ron Kirk last evening in Washington DC emphasised that there is a need to deepen the economic engagement between the two countries and accord a special thrust to investments on mutually agreed priority areas, specially infrastructure, energy, science and technology, space research and high technology collaboration and agro processing. Indian investments in USA in 2008-09 were more than US investments in India and Shri Sharma mentioned that vigorous efforts were required to deepen the economic engagement. The Minister said Ron Kirk will be travelling to New Delhi later this month for discussions on Indo-US Trade Policy Forum.

Ambassador Kirk expressed appreciation for the initiative taken by India to re-energize the Doha process by holding the informal WTO Ministerial Meeting in September 2009. They noted that the leaders had reaffirmed their commitment for an ambitious and balanced outcome of Doha round by 2010, referring to the progress made in the Delhi ministerial. The two Ministers noted that progress had taken place since that meeting and a roadmap had been chalked out by the negotiating chairs in Geneva ahead of the WTO Ministerial Meeting scheduled in November 2009. He also conveyed concerns regarding the effect of the loss of duty preference under the Generalized System of Preferences (GSP) which had affected many labour intensive industries in India. Shri Sharma also emphasized the need to create a special

dispensation for Indian professionals travelling to USA on temporary assignments in fulfilment of contractual obligations.

Earlier in the day Shri Sharma addressed the Global Services Summit organized by the Coalition of Service Industries. The session entitled "Services Trade and Investment: Key to Global Economic Recovery" was also addressed by his counterparts from EU, Australia, Panama and Colombia. In his remarks Shri Sharma outlined the contours of the expansion of services sector in India which today contributed 55% of the GDP and 40% of exports. He advocated against any attempt to restrict the free movement of professionals and cautioned against protectionist measures by some countries. He highlighted that Indian investments, including in the IT sector, had created over 300,000 jobs in the US.

On the margins of the Summit, the Minister had discussions with EU trade Commissioner Baroness Catherine Ashton. During their discussions, the ministers took stock of the ongoing India-EU FTA negotiations and other areas of economic engagement ahead of the India-EU summit scheduled to be held in New Delhi in early November. Shri Sharma also had bilateral discussions with his Australian counterpart, Simon Crean.



'Balanced and fair' Doha trade deal possible: India

By Hardeep Sidhu – 10/14/2009



Washington, Oct 14 (IANS) - Indian Commerce Minister Anand Sharma says while a perfect Doha deal may not be possible, he is hopeful a "balanced and fair" trade deal protecting the interests of the poorest countries could be reached.

"We have to reassure the poorest of the poor that we are all committed to work collectively for development," he said at a conference on global services trade here Tuesday.

Sharma said India agrees that it is time for negotiations on services to proceed "horizontally" with agriculture and manufacturing to set the stage for a successful WTO ministerial level round later this year in Geneva.

But a "balanced and fair" Doha deal needs to take into account that developed countries already have a much larger share of services trade than developing countries, he said.

"I think offers have to be good from everyone, also from the United States of America," Sharma said. Later, Sharma discussed the Doha Round negotiations with US Trade Representative (USTR) Ron Kirk. The two also discussed a range of issues that will be taken up in the US-India Trade Policy Forum (TPF) meeting they will chair in New Delhi Oct 26.

The TPF is the main policy tool for the bilateral trade agenda, and the US and India are working together to create greater opportunities for trade and investment.

Also in that light, Kirk and Sharma acknowledged the productive Doha Round discussions that took place last week in Paris, USTR's office said.

At the conference Kirk said there could be no deal on the long-stalled negotiations unless they result in new market opportunities in the services area, something he said is "still achievable".

"We know that the biggest gains to the global economy are likely to derive from multilateral services liberalisation, but the offers on the table right now fail to deliver on that promise," he said.

"Some of the largest emerging markets are still walled off to services trade by regulations that restrict foreign competition and tilt the playing field in favour of domestic champions," he said, adding that the restrictive policies are usually in the form of unwritten, non-tariff barriers.

Sharma also met Australian Trade Minister Simon Crean to discuss the Doha round of talks. (IANS)



BALANCE OF PAYMENTS - Service, Please

By Bruce Stokes – 10/15/09

(National Journal) At the G-20 summit in Pittsburgh last month, the world's major economic powers promised "to adopt policies that promote balanced global demand." For the United States, that means producing more of what Americans consume, while foreigners consume more of what is produced here.

Growing the exports of U.S.-made services such as insurance, banking, architectural and legal expertise can make an important contribution toward this needed rebalancing of American trade. Although services account for nearly two-thirds of global economic activity and, in recent years, services trade has actually been growing more rapidly than manufacturing production and merchandise trade, services still account for less than one-fifth of world trade.

But, as participants in the Global Services Summit hosted by the Coalition of Services Industries heard this week in Washington, the obstacles to expanding that commerce are formidable. Realizing America's services export potential will require hard-nosed negotiating in the ongoing Doha Round of multilateral trade negotiations and creative new thinking about possible services-only trade agreements with Europe and Japan.

It has been the goal of every U.S. administration in recent history to grow exports. But the persistence of trade imbalances is testimony to the fact that imports have consistently increased faster than exports. The current U.S. account deficit, the broadest measure of America's balance sheet with the world, was 5.3

percent of GDP in 2007. By the end of 2009 it will have fallen to about 3 percent, which most economists think is sustainable and poses no destabilizing threat to the world economy.

However, much of the recent improvement is due to a falloff in imports, down 33 percent this year thanks to the recession. Once the U.S. economy picks up, imports could return with a vengeance.

To head off the renewed global financial instability that could ensue, the Obama administration has a limited number of rebalancing options:

A weak dollar. The dollar has fallen about 9 percent on a trade-weighted value since March 2009, according to estimates by the St. Louis Federal Reserve. But it is still worth more than in much of 2007 and 2008. So a further weakening of the dollar is in order.

Trade policy. U.S. merchandise exports were down 24 percent in the first eight months of this year compared to the same period in 2008. Services exports were down by only 12 percent. The global market for American-made services remains relatively strong. And the Obama administration needs to focus on completing trade deals that offer the greatest opportunity to sell more U.S. services abroad, especially in markets, such as Europe and Japan, where services constitute a large share of the local economy.

At the moment, the Doha Round of multilateral trade negotiations offers little prospect of that beneficial outcome. Harvesting what is now on the negotiating table in Geneva in agriculture and manufacturing would actually result in U.S. imports growing twice as fast as exports, according to recent estimates by the Peterson Institute for International Economics.

Economists have long argued this would be good, because imports benefit consumers. But in the post-financial crisis world, with a new priority in rebalancing international accounts, a trade agreement that worsens the trade imbalance is not in America's interest.

For the Doha Round to be successful, greater trade liberalization is necessary, especially in services. But, as U.S. Trade Representative Kirk told the Services Summit, "the offers on the table right now, in the services sector, just aren't there." They would deliver no "meaningful new market access" according to an assessment by the Coalition of Services Industries this summer.

To correct this shortcoming, the Peterson Institute analysts suggest a "topping up" of the Doha agenda: a 10 percent cut in services' trade barriers. By their calculations, such an outcome could increase annual U.S. services exports by \$10.8 billion, more than the likely combined growth in agricultural and goods exports from the Doha Round.

But the Peterson analysts readily acknowledge that this is an optimistic goal, given the limited services liberalization under discussion.

So the Obama White House needs to think more broadly. Former U.S. Trade Representative Charlene Barshefsky suggested to the Services Summit that the administration consider a services-only trade agreement with Europe and Japan. This effort could supplement whatever is accomplished in the Doha Round and, while difficult to conclude, might ultimately deliver greater benefits than are possible in Geneva at this time.

The rebalancing of the global economy and, more specifically, the establishment of a more sustainable American trade balance is long overdue. These goals cannot be achieved simply by growing exports in lieu of other measures, such as a weakening of the dollar. But, in that context, the expansion of services exports - through more ambition in the Doha Round and new services deals with large and growing markets -- can be an important part of the solution.



U.S. Stresses Need for Services Deal as Part of Doha Round Agreement

By Shaun McCausland - 10/15/09

(WorldTrade\INTERACTIVE) In an Oct. 13 speech to an international summit on services sponsored by the Coalition of Service Industries, U.S. Trade Representative Ron Kirk reiterated the need to include new commitments in services trade as part of any eventual Doha Round agreement. Kirk's comments come amid growing calls for the U.S. to make clearer its position on how to advance the sputtering talks.

Services account for more than 75% of the domestic economy but only 30% of international trade by U.S. companies, Kirk said, in part because "at too many borders, the door of opportunity is still closed." While "the world's leading economies have made solid commitments to services liberalization through the WTO system," he added, "some of the largest emerging markets are still walled off to services trade" by regulations and policies, often unwritten and unspoken, that restrict foreign competition and tilt the playing field in favor of domestic champions.

The U.S. is taking a number of steps to address these barriers. The primary objective is to secure a services agreement as part of the Doha Round, Kirk said, since "the biggest gains to the global economy are likely to derive from multilateral services liberalization," but "the offers on the table right now fail to deliver on that promise. We have said flat-out that there will be no deal without a solid result on services which would result in new market opportunities, but we believe that a positive outcome is still achievable. So we will continue to put forth new ideas that may help us to build a better outcome."

The U.S. is also pursuing an initiative with Asia-Pacific Economic Cooperation forum member nations to invigorate services trade throughout Asia. "Competition in services can help Asian nations to

improve the efficiency of their domestic markets, stimulating domestic demand and reducing their dependency on export-driven growth," Kirk asserted. "We are asking our Asian trading partners to adopt new policies that will facilitate cross-border services trade. And if we are successful, that work will amplify our efforts at the WTO."



US presses for further liberalization: RP confident issue will not delay Doha talks

By Jessica Anne D. Hermosa - 10/16/09

(Business World) - THE US government reiterated yesterday that it would not sign on to a global trade pact being brokered at the World Trade Organization unless other economies promise deeper commitments to liberalize trade in services.

But the Philippines, for its part, can only open up its service sector by so much as the Constitution limits foreign participation in certain industries, a Trade department official said.

Officials from both countries said, however, that negotiations can still be concluded speedily.

"We know that the biggest gains to the global economy are likely to derive from multilateral services liberalization, but the offers on the table right now fail to deliver on that promise," US Trade Representative Ron Kirk said at an international conference on service industries in Washington organized by the Coalition of Service Industries.

"We have said flat out that there will be no deal without a solid result on services which would result in new market opportunities, but we believe that a positive outcome is still achievable," Mr. Kirk said. European Union Trade Commissioner Cather Ashton at the same event similarly tagged services as "critical" in the Doha round of trade talks.

Sought for comment, Jose Antonio S. Buencamino, Trade department's lead official for WTO matters, said the Philippines is constrained in the negotiations by limits posed by the Constitution.

"There are many service sectors that are by definition closed to further liberalization because of constitutional provisions," he said in a telephone interview yesterday.

Foreign ownership of firms in the telecommunication, mining, education, and media, among others, is limited by Philippine law.

But the Philippines, whose economy is kept afloat by remittances from overseas Filipino workers, is still open to participating in talks for opening up services because it has "offensive interests...in the movement of persons," Mr. Buencamino said.

This sticking point, however, will not drag down the conclusion of the free trade talks, Mr. Buencamino said.

"It means the negotiations will be long and hard. Whether that will mean conclusion in six years time, I

don't think so. There is an effort to do a lot and get nearer to concluding it next year," Mr. Buencamino said.

Labor economist Rene E. Ofreneo, meanwhile, said the Philippines should be wary of freeing up its service sector further.

"The root cause of the global financial crisis was the extreme liberalization of services, of financial services. It created a speculative market that used instruments with strange sounding names," Mr. Ofreneo, who is also Fair Trade Alliance's executive director, said in a telephone interview.

Filipino workers, anyway, are already able to enter foreign markets with relative ease, Mr. Ofreneo added. "The issue really is social protection for all. What should be discussed is a new global social contract providing labor rights for all," he said.



Australia trade chief sees more US focus on Doha

By Doug Palmer – 10/16/09

WASHINGTON, Oct 16 (Reuters) - The United States remains distracted by its domestic debate over healthcare reform but is becoming more engaged in the Doha round of world trade talks, a top Australian official said on Friday.

Australian Trade Minister Simon Crean met U.S. Trade Representative Ron Kirk on Thursday to discuss efforts to bring the Doha round to a successful conclusion by the end of 2010, a goal set by the Group of 20 leaders in Pittsburgh last month.

"It's difficult to get full engagement because of the issue of healthcare," Crean told Reuters in an interview. "I've come away reinforced in the view that they are engaged."

The Doha round was launched eight years ago in the capital city of Qatar. Negotiators had hoped to reach a deal by January 2005 but ongoing disputes have repeatedly delayed an agreement.

Despite that troubled past, Crean said he was hopeful after his meeting with Kirk that this time could be different.

"I think it still clearly can be done within the timeframe. It requires political will and regular engagement. I think we have the political will. We've got good engagement. We've just got to keep at it," he said.

On another issue, Crean said President Barack Obama's administration is clearly interested in pursuing a regional trade agreement in the Asia Pacific region "but they've not made a final decision on that."

The United States already has free trade agreements with Australia, Singapore, Chile and Peru.

Before leaving office, former President George W. Bush proposed forging those bilateral deals into a regional agreement and bringing in other countries like New Zealand, Brunei and Vietnam.

"There is clearly a strong view (in the Obama

administration) that this is a real opportunity to be a real building block for greater engagement in the Asia region. We've urged them to be involved obviously," Crean said.

The United States would bring "critical mass" to the project, making it more likely others would join, he said.

JAPAN AND CARBON TRADING

Crean also said he would have a better idea whether a free trade deal between Australia and Japan was still possible after visiting Tokyo later this month.

That will be the first Australian engagement with the new government of Japanese Prime Minister Yukio Hatoyama since it took office in August, Crean said.

But members of the new government indicated before the election they were keen to advance the relationship, "so I'm looking forward very much to assessing that much better when I get on the ground there," Crean said.

On another issue, Crean said it was important to Australia's long-term economic interests to pass controversial new carbon trade laws.

Cleaner fuels such as natural gas, which Australia has in abundance, "will attract a premium if market mechanisms are allowed to develop," Crean said.

The government has been struggling to get laws through the Australian Senate to create a carbon emissions trading scheme after winning approval in the House of Representatives.

Despite that situation, Crean said there should not be any doubt in fledging carbon trading markets about the direction of Australian policy.

"It's quite certain as to where the government is. We want to go forward and establish it," Crean said. (Editing by John O'Callaghan)



Microsoft wants data transfer rules - Different rules in each country make it hard to provide data services

By TechPro – 10/19/09



(TechCentral.ie) Countries need to forge new trade rules governing the movement of electronic data across borders as the world becomes increasingly

connected, a Microsoft official has said.

As more and more software services are provided over the Internet, "people will be calling on computers located around the world," said Brad Smith, senior vice president and general counsel for the US software giant.

"We have a patchwork of laws around the world that is increasingly creating a very confusing almost quagmire for information providers," Smith said at the Global Services Summit - a meeting that brought

together banking, telecommunications, shipping and other service industry professionals.

One country may insist that e-mails be kept for a year for security purposes while another requires they be erased after six months to protect privacy, he said.

"If that's the case, it's very difficult to locate a data centre in one country and provide that service to consumers in another country," Smith said.

"Technology will continue to change and "the trade rules will need to change in order for these benefits to continue to flow around the planet," Smith said.

Former US Trade Representative Charlene Barshefsky, in a speech to the same group earlier this week, suggested the creation of a new internet trade agreement to foster the delivery of software services across borders.

Smith did not endorse that approach, saying a variety of mechanisms may be appropriate.

Peter Cowhey, a senior counsel in the US Trade Representative's office, told the service group the Obama administration was taking a comprehensive set of trade rules governing information communication technology.

There are a number of "barriers at the border" that potentially could be addressed through the World Trade Organisation or bilateral forums, Cowhey said.

Those include a conflict between globally coordinated standards for information communication technology and national standards some countries have pursued, he said.

It also is important that legitimate efforts to boost cyber security are done in a way that maximizes global efficiency and commerce, Cowhey said.

Consumer choice and data privacy issues, as well as the procedures that governments follow when they restrict access to global information services are other areas that might be ripe for international rule making, he said.



Services can lead global trade

By Peter Bartlett - 10/22/09

(The Age) THE growth of Australia's service sector (engineering, architecture, telecommunications, education, tourism, financial services, accounting and law) is being hindered by international barriers to trade in services. Services constitute two-thirds of the world's economy and are the fastest growing component of world trade.

A historic meeting of six leading trade ministers (including Australia's Simon Crean) and more than 400 people interested in the services sector in Washington this week was to try and lift the profile of services and the need to lower barriers to trade. With the US facing unemployment levels of 10 per cent and other countries struggling through the global financial crisis, there is hope that the climate is right for reform.

The reality is that the US Administration is focused on domestic issues. There is also a strong anti-trade liberalisation lobby in Washington, which is stronger among Democrats than Republicans.

US Trade Representative Ronald Kirk made the right noises - services are one of the main drivers of growth, services make up more than 75 per cent of the US economy but only 35 per cent of US trade, 95 per cent of the world's consumers live outside the US and the US needs access to markets.

Mr Kirk said the US Government needs to do a better job with small-to-medium-sized businesses to try to turn the US economy around and get people back to work. There are too many international barriers to trade in services. Lowering those barriers will assist the poorest sector in each country.

He said too much attention had been placed on negotiations on agriculture and the manufacturing sector at the World Trade Organisation. Far more could be achieved, he said, by services trade liberalisation.

That sounded positive but Mr Kirk made it clear that there would be no agreement at the WTO until other countries put far stronger offers on the table to open their markets.

Mr Crean is a realist. Mr Kirk described him as the master of the universe in trade. Mr Crean realises that there are significant obstacles in obtaining a successful completion of the Doha Round at the WTO.

He recognises that the services sector is a strength in Australia. He pointed out how Australia can achieve value adding in other countries. He supports moving negotiations on agriculture, manufacturing and services forward horizontally at the WTO.

This is a big change. Previously services have come a distant third. Mr Crean sees the role of the US as crucial for success in liberalisation, and he is playing an important role, trying to get the negotiations for reform, moving.

EU Trade Commissioner Catherine Ashton sees services as critical to economic recovery. She supported horizontal negotiations. She sees a need for more creativity and urgency in negotiations and urged US companies to push Congress for a deal.

Congressman Charles Rangel, chairman of the US House Ways and Means Committee, said that Congress was ready in a non-partisan way to support liberalisation of the restrictions on trade in services.

Former US chief trade representative Charlene Barshefsky thinks it unlikely that WTO negotiations will produce services liberalisation. She said that there are a small number of major players in the services area. Rather than wasting time negotiating with all countries to seek agreement, she would concentrate on the main players.

She believes that consideration should be given to an ambitious, stand-alone FTA for services between Japan, the US and the EU, with other countries having the right to join in. She also noted a need to revisit some of the key services sectors. This was already

happening in financial services, but without the necessary trade input.

Ms Barshefsky called for commitments from President Barack Obama on trade.

Teruhiko Mashiko, the Senior Vice-Minister of Economy, Trade and Industry in Japan, has only been in office for a month, after the historic change in government. He emphasised that liberalisation in the services area is a priority for the new Japanese Government.

Canada's former ambassador to the WTO, Sergio Marchi, said that the US cannot dictate the terms of a trade agreement as it could have years ago, but no agreement could go forward without US support.

Mr Marchi added that there cannot be an effective agreement without US participation. But he was critical of the US. He sees no leadership in the trade liberalisation area and said he believed the US Administration needed to re-engage the US public on the ways that trade liberalisation would assist the US. Mr Marchi called on US businesses to rediscover their voice to lobby the Administration. Otherwise, he said he believes that the political class, faced with lobbyists protecting entrenched interests, would do nothing.

He said that the election of Barack Obama created an atmosphere of global excitement but now there was a desperate need for a trade strategy to come from his Administration.

The Director-General of the WTO, Pascal Lamy, called for further policy and regulatory reforms in favour of services trade. He sees great prospects for the explanation of the sectors such as transport, telecoms, finance, energy, the environment and distribution if trade barriers are reduced.

Australia's John Brogden, CEO of the Investment and Financial Services Association, noted that Australia had the fourth largest pool of funds under management. He called for the opening of the financial services market as Australia had a huge pool of funds looking for international investment.

Australian Services Round Table, representing the country's service sector, joined with sister bodies from around the globe in calling on governments to draw on the energy of the G20 to overcome difficulties and speed progress in the W20.

There needs to be improved market access offers. There needs to be regulatory reform, as well as trade and investment liberalisation. The services bodies recognises a need for further movement after the successful conclusion of the Doha Round and with strong and effective advocates, such as Mr Crean, progress is being made in garnering the support of the key ministers needed to complete Doha, despite concerns about the trade impact on jobs and a lack of effective business advocacy on the benefits of trade.

It may yet be seen that the Washington Services Summit was a turning point in activating the powerful political voice of the global services sectors.

Peter Bartlett attended the summit as vice-president of Australian Services Round Table and is a partner in Minter Ellison Lawyers.

This story was found at:
<http://www.theage.com.au/business/services-can-lead-global-trade-20091021-h96q.html>