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WTO SERVICES NEGOTIATIONS IN CRISIS; POLITICAL WILL MUST BE MOBILIZED URGENTLY

(Geneva, Switzerland) The World Trade Organization (WTO) services negotiations are in crisis, and all WTO members need to demonstrate the political will necessary to ensure that they do not fail. This is the message from the Global Services Coalition, which includes the leading service industry associations of Australia, Chile, EU, India, Japan, the United States, and other countries. It is a message coming from the private sector in both developed and developing countries.

The deadline for WTO members to submit initial services offers passed more than two years ago, but nearly 30 WTO members, not counting the least developed countries, still have yet to submit an initial offer. The offers that have been tabled moreover – many of which have only been put forth in recent weeks – provide little new liberalization, and in many cases do not even capture existing levels of market openness. Revised offers, meanwhile, were to be submitted on May 31 of this year, an obligation met by only 9 WTO members.

There has been some progress in recent weeks. For example, several additional revised offers came in after the May 31 deadline. In addition, all but one of the APEC member economies have now submitted at least an initial offer. However, that recent effort has not been matched in other regions.

Last year, the Global Services Coalition and its constituent organizations strongly supported the effort to get agricultural negotiations back on track because, without agriculture, there would be no Round. Unfortunately, services have not kept pace. The talks are in crisis because the politically difficult work needed in capitals to formulate meaningful services offers, is not, by and large, being done. The expected conclusion of the Round at the end of 2006 presents a daunting deadline; without significant progress by the Hong Kong Ministerial this December, the deadline will be impossible to meet.

A Round that ends with agriculture and goods agreements but no meaningful progress on services is unacceptable. Services are an integral part of the negotiations, and must be accorded the same stature, and addressed with the same negotiating intensity, as agriculture and goods. This in turn requires a continued mobilization of political will, and the Global Services Coalition calls on WTO members to move with all haste, and mount the political effort necessary to produce more commercially meaningful services offers.

In our view, "meaningful" offers will, as a starting point, capture existing liberalization, with a view toward broadening and deepening commitments, in all modes of supply, across as many service sectors as possible.

We do not underestimate the difficulty in achieving meaningful offers. However, the opportunity for WTO members to significantly boost their trade, economic output, and employment is at stake. Last year, total world trade in services represented only 23% of the value of world trade in goods, largely because of the prevalence of barriers to international trade in services. There is thus tremendous scope for growth in services trade, and numerous studies have pointed to the welfare gains to be had from the liberalization of trade in services. A University of Michigan study, for example, calculates that the global welfare gain from the elimination of all services barriers would be \$1.6 trillion, far greater than the potential gains from barrier reductions in agriculture and goods.

The services crisis demands bold action. WTO members must take into consideration the lack of progress in the quality of the services offers when making the "First Approximation" in July, which will be crucial to a successful Hong Kong Ministerial in December, and ultimately a WTO services agreement that opens up markets and provides new trade, investment, and employment opportunities for services suppliers worldwide. A statement noting the tabling of new offers in recent weeks and only inviting WTO Members to continue to participate actively will not be sufficient.

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