

**"Climate of the WTO Services 2000 Negotiations"**

**Speaking Notes for an Address to the  
Services 2000 Business-Government Dialogue**

**by**

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## **Introduction**

- It is a pleasure to have the opportunity to speak to you today, in my capacity as Chair of the Council on Trade in Services, on the very important services negotiations currently underway at the WTO.
- I should point out that as an ambassador and former government minister, I am very aware of what the comedian Bob Wells meant when he said "for every action, there is an equal and opposite government program".
- Governments, particularly the 139 governments which comprise the WTO and which operate by consensus, will occasionally take a long time to resolve issues of pressing importance to you.
- After all, it was a wise commentator who, when told that scientists had revealed that it took a million years to carve out the Grand Canyon, responded that this must have been a government project!
- I raise this issue in a humorous way to underline that as we embark on our ambitious agenda of negotiations at the WTO, we will all need to show continued patience and realism. Making progress will require both time and hard work. However, I also believe we have grounds for optimism.
- This morning, I would like to discuss the current state of the services negotiations and what lies ahead.

## **First, let's start with the big picture**

- The WTO today, despite its failure in Seattle, is still very much in business. It remains as relevant as ever to the well-being of the international trading system.
- Our agenda in Geneva is full. Among other things:
  - the services and agriculture negotiations have been launched (and these sectors, combined, total nearly 1/3 of everything that is traded around the world);
  - accession processes are underway for over 30 countries wanting to join the organization (including China, Russia, Chinese Taipei, Saudi Arabia and the Ukraine);
  - we are engaged in a complex process of examining the "implementation" concerns of developing countries where these Members want, in their words, to "re-balance" a wide range of WTO agreements in order to increase the benefits they bestow;
  - And we are looking at how best to reform the WTO, particularly increasing transparency - be it in internal decision-making or external relations with outside stakeholders.

- These issues are all challenging, and the way forward will depend on both the leadership shown by key Members, like the United States, in marshalling consensus across a wide range of issues, and on the ability of the business community to bolster support for the WTO, including the services negotiations themselves.

## **Second, the service sector epitomizes a bright, hopeful future**

- These negotiations launched in January of this year are building on the existing General Agreement on Trade in Services (GATS).
- As you know, the GATS is about trade liberalisation not deregulation. It clearly defines what trade restrictions are, and establishes a process to reduce them through successive rounds of negotiations. The Agreement explicitly recognises the right of Members to regulate. And above all, Members are committed to liberalise (grant market access and national treatment) only in the sectors they agree to.
- In order to provide for such an à la carte liberalisation mechanism, the Agreement is complex. Most importantly, as you know better than I, the significance of the services sector to the global economy continues to grow:
  - More than 60% of world production is derived from services, and while services trade (on a balance-of-payments basis) amounts to one-fifth of total world trade, trade in services is growing more rapidly than merchandise trade.
- The World Bank has reported that the services share of world GDP during the period 1980 to 1998 rose by 5%. In developing countries, this increase has been estimated at 9%.
- For the United States, as well as my own country Canada, services plays a huge role in our respective economies. Some 67% of Canada's GDP, and 71 % of the U.S.'s, is generated by services - compared to 2% in both our countries for agriculture, and 31 and 27% respectively for industry.
- Service industries are now the number one employer in many countries and over \$1.3 trillion US dollars worth of services were exported around the globe in 1998. This figure represents a healthy annual growth rate of 7% per annum since 1990.
- Clearly, the service sector is a leader in the global high tech economy. Which makes the ongoing negotiations on services extremely important. Specifically, they represent a chance to bring forward liberalization in key sectors such as telecommunications, financial, energy, environmental, tourism and distribution services.

- Although some of these sectors have seen recent liberalization agreements (i.e. telecoms and financial services) the accelerated pace of technological change and internal economic reforms is already creating the conditions and desirability for further GATS liberalization.
- Furthermore, services is a win-win situation for both developed and developing countries. Unlike some North-South issues which were divisive in Seattle, services was then and continues to be a relatively unifying force.
- Indeed, liberalization is now seen as an essential ingredient in any development policy. And countries understand that the development of a competitive services industry is closely linked to liberalization.
- One area, for example, where developing countries have already identified a strong interest is in tourism. The Dominican Republic, El Salvador and Honduras have put forward a comprehensive proposal on this subject which has acted as a focal point for discussions. The Council has already agreed to hold a symposium to further our thinking on this subject in the new year.
- Above all, developing nations also understand that multilateral legal bindings under the GATS would create the stable and predictable regulatory environment necessary to attract significant foreign capital and technology.

### **Third, while still early days, negotiations are proceeding well.**

- As I mentioned earlier, the services negotiations technically started on January 1<sup>st</sup> and thus far, they have been guided by a constructive and positive spirit on the part of all Members. In fact, back in 1998, the Services Council started the preparation process for the negotiations with an exercise of information exchange.
- The objective of that exercise was to establish an information base that would allow Members to develop an appreciation of how services trade has evolved under the GATS, and how the new negotiations should be directed to achieve the most benefits for all. However, despite best efforts, the information base for services trade remains seriously deficient, particularly on the statistics side.
- Members have therefore agreed that an assessment of trade in services should be an on-going process during the negotiations. To this end, a seminar on services statistics, as proposed by Canada, was held in October this year. All Members thought it extremely useful since it highlighted where there are knowledge gaps and what future work will be required in different fora to improve the collection of statistics on trade in services.

- The GATS also requires that for each round of negotiations, guidelines and procedures must be developed. Prior to the Seattle Ministerial, Members developed such guidelines. The draft enjoyed wide support. However, in the absence of a successful outcome in Seattle, the text obviously does not have any formal status. The Services Council has therefore had to restart discussions on the negotiating guidelines.
- Proposals on this matter have been received from a number of countries. Members have already agreed that 1, as Chair of the Service Council, will prepare a composite text, after the Council's December meeting, that will pull together all ideas put forward by Members. This will serve as a basis upon which we will eventually agree on definitive negotiating guidelines. Our aim is to reach agreement by the stock-taking meeting in March, where Members will also assess progress made to date.
- I think it is fair to say that the U.S. submission is the most ambitious, proposing full bindings in market access and national treatment in all modes of supply and in a broad number of sectors, as well as meaningful liberalization beyond the bindings of the status quo. The U.S. proposal is also the only one which contains a precise timetable for the negotiations, including a deadline for their conclusion by December 2002.
- While the different proposals on guidelines continue to be discussed, Members have already agreed on a work programme for the first phase of the negotiations. This work programme includes the GATS built-in agenda.
- A very helpful development has been the announcement by both the European Union and the United States that they will be submitting, in December or January, sectoral papers identifying their general objectives for the access negotiations. In a sense, this could be viewed as a "soft launch" of the access negotiations.
- I also believe this is the type of leadership that is required to maintain the momentum of our work and to encourage other countries to come forward with their positions as well.
- In broad terms, the services negotiations can be seen as consisting of two parts: the rule-making exercise and the negotiations on further liberalization.
- On the rule-making side, the subsidiary bodies are continuing the mandates provided for in the GATS built-in agenda to negotiate disciplines on:

- emergency safeguard measures;
  - subsidies;
  - government procurement; and,
  - domestic regulations (to ensure measures relating to qualification requirements, technical standards and licensing requirements do not constitute unnecessary barriers to trade).
- For the negotiation of further liberalization, the starting-point is seen to be the elaboration of the negotiating guidelines. The guidelines are expected to provide necessary direction for the negotiations on:
    - the objectives;
    - the sectoral coverage of the negotiations (non-exclusion of any sector);
    - the possible modalities that may be used in the negotiations (bilateral, plurilateral or multilateral);
    - the flexibility for developing countries (opening fewer sectors and liberalizing fewer types of transactions);
    - the treatment of least-developed countries; and,
    - the treatment of autonomous liberalization undertaken since the conclusion of the Uruguay Round.
  - As you are also aware, we are currently in the process of conducting the mandated reviews on most-favoured nation (MFN) exemptions and the Air Annex.
  - On the MFN exemptions, we are nearing completion of a very exhaustive review which will provide a basis for negotiations in this area. On the Air Annex, we have already had one session on developments in this sector since the Uruguay Round, and we will hold, in December, another two-day session on the operation of the Annex itself.
  - All told, the Services Council has launched a rather ambitious work program. This is not to mention the heavy technical work program on services nomenclature and scheduling guidelines that is being undertaken by the Committee on Specific Commitments where Members also hope to conclude talks by the March stock-taking meeting.
  - In this regard, I believe that the input and support of the services private sector, such as yourselves, will be vital throughout this process. Governments need to be properly informed of your positions. As well, you need to help governments reach out to a wider constituency to build public understanding and support for what these negotiations mean to citizens and communities at large.
  - I would welcome your views on how the WTO itself can best reach out to the private sector and other stakeholders.

**Finally, the services negotiations, together with those in agriculture, are important ingredients towards an eventual launch of a new Round**

- As I've mentioned, the services negotiations have started with a very positive atmosphere. And it is vital that we continue to make progress. These negotiations are important for the WTO. They are also a key ingredient to any launch of a new Round. Stumbling on one or both of the mandated negotiations would certainly not help create the confidence and momentum that such a re-launch so desperately needs.
- In addition, although some Members have stressed the importance of parity between the negotiations on services and agriculture, this linkage has not resulted to date in any tensions. And I very much hope it remains that way.
- No doubt, having a services negotiation taking place in the context of a wider new Round would maximise the final outcome. However, services negotiations on their own are capable of bearing fruit. This was clearly shown by the one-sector negotiations on financial services and basic telecommunications that were concluded in December and February of 1997 respectively.
- Therefore, WTO Members simply cannot afford to spare any effort to ensure that these new negotiations are a success.

**Closing remarks**

- In closing, we have a lot of work ahead of us in Geneva. The negotiations on services and agriculture, together with the wide range of other issues before the WTO, make for a full agenda.
- And as we move forward on this agenda, we should be mindful of the great inventor and car-maker Henry Ford who said: "obstacles are those frightful things you see when you take your eyes off your goal."
- On services, the stocktaking meeting that the Services Council will hold next March will be key in reaching agreement on a number of the issues, like the negotiating guidelines, as well as charting our way forward for the next stage of the work which many Members are anticipating will include a launch of access negotiations.
- Overall, it will be all the more important for the services negotiations to keep moving forward; to reap the benefits of further service liberalisation; to demonstrate that the WTO continues to function effectively in the post-Seattle environment; and ultimately, to serve as a catalyst for the launching of a new Round.
- I remain confident that we can and will succeed and I look forward to working with all of you as Chair of the Services Council to realise this exciting and important objective.