



MULTI-YEAR EXPERT MEETING ON TRADE, SERVICES AND DEVELOPMENT

THIRD SESSION

11–13 May 2015

Room XXVI, Palais des Nations, Geneva

Statement by Mr. Joakim Reiter
Deputy Secretary-General of UNCTAD

Excellencies,
Ladies and Gentlemen,

Good afternoon.

I know it may be strange, for you and for me, that I deliver an opening statement once the session has even started.

Due to previous commitments, I knew I could not be here this morning, but I could not miss the opportunity to address this session. Trade, Services and Development is an area dear to me and closely related to my professional career.

It is my pleasure to be here today and welcome you to the third session of the *Multi-Year Expert Meeting on Trade, Services and Development*.

Let me start this morning with a little of history.

Not long ago, services used to be the orphan of trade policy. For some, they were considered "unsexy" or out of focus.

In fact, as you may remember, the General Agreement on Trade in Services (GATS) came nearly half a century after the entry into force of the GATT of 1947, the GATS' counterpart in merchandise trade.

Even in the Doha Development Agenda, up to 2008, services were treated as a second rate market access issue after agriculture/AMA and NAMA.

But this began to change, and for good reasons.

Services have become the most dynamic segment of international trade. Since 1980, world services trade has grown faster than trade in goods, although from a relatively modest basis. And, developing countries have strongly participated in that growth.

As a negotiating topic, services are now becoming part of core modalities, as it should be.

Far higher ambition has been obtained through recent Free Trade Agreements, or FTAs. While "binding overhang" is still by far predominant, serious commitments are being made in some

FTAs. This is the case, for instance, of the freshly negotiated Comprehensive Trade and Economic Agreement between the EU and Canada.

Another example is the Trade in Services Agreement, or TiSA. The treaty includes 24 members of the WTO, developed and developing countries, which together account for 70% of world trade in services. And certainly, another case in point is the WTO services waiver to grant preferences for LDCs.

Of course the inclusion of services provision is still not in all the places where it should be. And this is the case of the Information Technology Agreement or the Environmental Goods Agreement. More should be done in this respect.

But services are not only getting attention at the international level, also at the national one. In terms of output, services account for nearly 75% of developed country's GDP and 50 % in the case of developing countries. In terms of employment, services employ nearly 40% of the work force in developing countries and over 70% in developed ones.

There has also been an evolution in terms of services: They are increasingly tradable and increasingly embedded in goods. In fact, trade in services represents around 20% of global trade, but when measured in terms of trade in value-added, the share almost doubles.

Services are increasingly recognised for their effects on the entire productive capacity of countries, rich and poor. A number of services work as lubricants to all economic activities, thereby determining a country's growth and development prospects. This is the case of energy, telecom, logistics, transport, financial services, and insurance, just to name a few.

But services matter well beyond economics. They define our quality of life. And in this context, services such as sanitation, transport, telecoms or education hold a key role in the attainment of the forthcoming sustainable development goals.

Ladies and Gentlemen,

Improving the services sector is of strategic importance, particularly given the many potential positive externalities that it has on other sectors. But this interconnectedness also makes it more difficult, and at times sensitive, to reform than other parts of the economy.

And we have much to do in this front.

There is a large untapped potential in the services sector of developing countries that can be harnessed for sustainable development. And to achieve this, we need to get policies, regulations and institutions right.

Let me give you an example of why we need the three.

Many services, particularly infrastructure services, depend crucially on a physical network. Since it rarely makes sense to have two competing roads between two points or competing electricity

grids, there is a risk of market failures stemming from economies of scale. In other words, owners of the network exercising market power. This requires government action in the form of policies and regulations to correct the distortion.

However, there is the risk that such intervention results in what we call government failure -- economic inefficiencies and the misallocation of scarce resources. Put it differently, there is a risk that the remedy is worse than the disease. We thus need sound regulatory frameworks.

But a sound regulatory framework is not enough. We also need strong institutions to enforce the regulation and avoid regulatory capture. This means that the regulator, created to act in the public interest, instead advances the interests of the agents it is supposed to regulate.

Getting policies, regulations and institutions “right” sounds good, but it is easier said than done. The challenge is even bigger in developing countries, where, in some cases, the services sector is still nascent and underdeveloped, and so are the national regulatory frameworks.

The challenge is big, but the task is not impossible; UNCTAD can help. And one of the ways in which we can do it is through our Services Policy Reviews (SPRs).

The reviews have served as a tool for assessing the robustness of services regulations and institutions and the potential of services and trade. This has helped countries to identify: 1) constraints in services sector development and trade and; 2) practical solutions to find the appropriate policy mix to improve services sector performance.

Nine countries have already undertaken our policy reviews: Kyrgyzstan, Nepal, Uganda, Rwanda, Lesotho, Peru, Nicaragua, Paraguay and Bangladesh. And we are glad that a number of high-level policymakers and trade negotiators from these countries are with us today to share their experiences.

Ladies and Gentlemen,

The objective of this expert meeting is to identify, within the area of services, best practices at the level of policymaking, regulations, institutions and trade negotiations. And you, with your expertise, are fundamental for reaching this objective.

Before concluding, I would like to leave you with three questions that are important to address in the context of your discussions:

1. How can we set up a policy, regulatory and institutional framework that is best fit to specific national circumstances and needs?
2. What tools are there which can help policymakers and regulators to undertake stocktaking and assessment exercises on services?
3. What lessons can be learned, and best practice identified, in devising national policy and regulatory frameworks?

I am sure that your discussions over the next three days will lead to valuable insights on these issues. I wish you success in your deliberation.

Thank you.