United Nations

TD/B/C.I/MEM.4/6

United Nations Conference on Trade and Development

Distr.: General
2 May 2014

Original: English

Trade and Development Board
Trade and Development Commission
Multi-year Expert Meeting on Trade, Services and Development
Second session
Geneva, 15–17 April 2014

Report of the Multi-year Expert Meeting on Trade, Services and Development on its second session

Held at the Palais des Nations, Geneva, on 15 to17 April 2014

GE.14-50569

1450569

Contents

I. Chair's summary

A. Opening session

1. The Director of the Division on International Trade in Goods and Services, and Commodities delivered an opening statement on behalf of the Secretary-General of UNCTAD. He stressed that the development of services and access to them, supported by adequate policy, regulatory and institutional frameworks, were important enablers of inclusive and sustainable development. Infrastructure services were the backbone of the economy and contributed significantly to accessing global value chains. These services also played an important catalytic role in helping countries to achieve their economic and social goals and served as a tool for the achievement of the Millennium Development Goals and future post-2015 sustainable development objectives.

2. He recalled that the focus of the multi-year expert meeting was on trade in services, particularly the liberalization of infrastructure services at the regional level. Harnessing the development potential of infrastructure services would require designing best-fit services-related trade policies, which would ensure adequate coherence with national regulations and institutional frameworks. As services liberalization under regional trade agreements (RTAs) tended to lead to deep and comprehensive liberalization, it would raise important challenges for Governments to effectively reconcile liberalization efforts with national regulatory frameworks. At the same time, regulatory and development cooperation under RTAs could contribute to enhanced regional infrastructure, transport networks and connectivity.

3. The Head of the Trade Negotiations and Commercial Diplomacy Branch of the Division introduced document TD/B/C.I/MEM.4/5, entitled "Services, development and trade: The regulatory and institutional dimension". Recalling that RTAs had proliferated worldwide to become a defining feature of the current international trading system and trade policy landscape, she emphasized that adequate design, pacing and sequencing between domestic reform and regional and multilateral liberalization would be a key factor in ensuring a coherent policy and regulatory mix. New approaches to liberalization and regulatory harmonization being pursued under regional and plurilateral processes could have a major bearing on services development and national regulatory efforts. The ability of RTAs to achieve an ambitious outcome did not necessarily depend on specific scheduling approaches, as positive- and negative-list approaches could achieve the equivalent level of liberalization. As a central pillar of developmental regionalism, regional cooperation in infrastructure services could be an effective means of facilitating intraregional trade and accessing markets, and enhancing regional infrastructure networks. The comprehensive work of UNCTAD in services could serve as a knowledge platform in support of developing countries' efforts to further developmental integration.

4. A number of delegates, including capital-based officials, regulators, researchers, academics and representatives of international organizations, civil society and the private sector participated in the meeting. The discussion centred on the exchange of ideas, experiences and lessons learned to determine best-fit national policy, regulatory and institutional frameworks and ways and means for harnessing development benefits of services liberalization and cooperation.

B. Trends in services sectors

5. Participants discussed developments in market structure, business models, technology and new policy priorities affecting services. It was generally agreed that services, particularly infrastructure services, were fundamental to the modern-day economy and were the “glue” of global value chains. Services accounted for 70 per cent of global gross domestic product (GDP) and employment. The value of global cross-border exports in infrastructure services was $1.4 trillion in 2012, equivalent to 32 per cent of total services exports worldwide. However, cross-border trade captured only one dimension of services trade. In developed countries, affiliate transactions through foreign direct investment (FDI) could overweigh the value of cross-border services exports. Services supplied by the temporary movement of natural persons were also expected to account for a significant value, particularly for developing countries.

6. While services had traditionally represented a small proportion of international trade – about 20 per cent of total trade in goods and services – traditional services trade statistics based on balance-of-payment data had failed to capture the full importance of services in international trade. In this regard, recent efforts to measure trade in value added terms had allowed measuring the contribution of services in the production and exports of goods, particularly manufacturing. Services activities, particularly business services, often constituted those segments that added most value to the goods in a value chain. The increased value added of services activities in trade in goods had become an important feature of international trade, and it was difficult to distinguish between the production of goods and services. A major challenge for developing countries therefore, was to integrate effectively in such value-adding segments in global value chains. In the European Union, this phenomenon, which could be termed “Mode 5”, could indeed represent one of the most important modes of supply of services. It might be necessary to reconsider the existing dichotomy of trade rules applicable to goods and services, as trade rules on merchandise trade applied to the services value added incorporated in manufactured goods. Modern trade agreements would need to take into account this new reality to create an enabling business environment.

7. Several participants stressed the importance of improving statistical data on services and undertaking trade impact analyses, especially in relation to jobs, poverty, equity, labour mobility and consumer rights, and taking into account the heterogeneity of developing countries’ realities. While services, particularly infrastructure services, grew in the economy, developing countries tended to register low scores with respect to key infrastructure indicators, such as energy, telecommunications, road transportation and cost of access to the Internet. There were significant variations across developing regions in these respects, and it was important to take into account such regional differences to enable informed decision-making. Several speakers said that while competitive services sectors were key to global value chains, demand for services was not necessarily present in small developing countries, and attractive investment in the sector would require broader policy efforts going beyond trade agreements and liberalization, such as investment in human capital, skills, and a stable and predictable regulatory environment.

8. Among the most notable developments in the areas of services was the rapid expansion and transformation of information technology and telecommunication services, creating a new ecosystem. Two major trends were the steep growth of mobile-cellular subscriptions and growing access to the Internet and broadband. Data traffic was growing and changing in nature. Industry structure had also evolved, from monopolies based on infrastructure networks to markets with more players, enabling the creation of new functional business models. Regulators had to deal with ever-expanding markets, new industry structure, augmented technological complexity and innovation. In this context, some regulators had departed from the traditional sectoral approach to focus on

cross-sectoral regulation, focusing on ex post regulation, as opposed to ex ante regulation. New approaches were required to address the scarcity of spectrum, and these included the focus on technology neutrality, infrastructure sharing, market-based mechanisms and new licensing schemes, with greater emphasis placed on consumer protection and access to services.

9. Energy services were increasingly characterized by emerging regulatory concerns arising from broader socioeconomic challenges, highlighting the intricacies of reconciling several trade and regulatory objectives in the sector. These concerns related to the environment, local contents requirements, national security and lack of consistent regulatory systems. For instance, the experiences of Germany and Spain suggested that measures aimed at reducing carbon emissions, such as subsidies to renewable energy and reduced reliance on nuclear power plants, had, on the contrary, resulted in increased carbon footprints. This had called for a re-examination of existing regulatory approaches in some countries. Another example could be found in the local content requirements increasingly used in infrastructure services to develop key infrastructure domestically, which could result in trade distortions. Geopolitical considerations were another important factor affecting the trade and regulation of water and energy services, as regional tension could arise, defining priority rights for use of scarce resources.

C. Trade liberalization in services and regulations

10. While steps to achieve services liberalization had originally been taken at the multilateral level under the World Trade Organization (WTO), today the avenues for services liberalization had multiplied, with increased attention given to regional and plurilateral initiatives. Against this backdrop, many participants discussed the importance of regulation for services sectors, particularly infrastructure services sectors. It was generally recognized that liberalization presumed regulations. Services liberalization was not just about applying economic theory. Precaution was needed to ensure that the liberalization process be gradual so as to secure policy space for developing a competitive services sector and allow for an adequate sequencing of regulation and liberalization. Several participants expressed concern that services liberation could potentially erode national regulatory regimes, while others said that services liberalization should not be seen as deregulation. The General Agreement on Trade in Services (GATS) had provided flexibilities for developing countries to tailor their commitments to an individual country’s situation, with the right to regulate being a fundamental principle. This was important because the more liberalization that took place in a sector, the more the governments needed to regulate that sector. The role of regulators in that context was to balance the profit objectives of private operators with the social objectives of the entire economy.

11. With respect to the Doha Round negotiations, many speakers pointed to the importance of a balance between the three areas of the negotiations – agriculture, non-agricultural market access and services – since not all countries could find a balance within services negotiations. Others expressed the view that progress in the services negotiations should not be made conditional on progress in other areas. Several participants noted that what was requested of developing countries, such as the use of the benchmarking negotiating approach and the binding of applied regimes, was not matched by equal concessions from trading partners in areas or modes of export interest to them, for example Mode 4.

12. In reality, many of the reforms in the services sector were made unilaterally in the context of autonomous liberalization rather than as a result of trade negotiations, although this had not been the case, notably with WTO-acceding countries. In this sense, trade negotiations were nothing more than the consolidation of a pre-existing situation. Because

of the autonomous nature of services reform, it was often difficult to bind such domestic reforms under a multilateral legal framework and meet the deadlines set in trade negotiations. One participant highlighted the need for continued autonomous liberalization by developing countries, as it was not necessary to liberalize under GATS. Trade agreements allowed countries to reverse their commitments, but only if they offered compensation in services sectors or negotiating areas. There was a need to recognize the past liberalization efforts of developing countries. South Africa's extensive commitments under GATS, for instance, were made at a time when the country had been asked to make commitments as a developed country rather than a developing one.

13. Several experts referred to the ongoing plurilateral negotiations among 23 WTO Members on the Trade in Services Agreement, which was said to have emerged because of lack of progress in the Doha Round services negotiations where negotiations followed the request-and-offer approach. While concerns were expressed on the impacts of these plurilateral negotiations on the multilateral process in GATS, some experts noted that nothing in the Doha Round required a linkage between the two negotiations. Yet others expressed the hope that the level of ambition in the Agreement would spill over into the GATS negotiations. However, the Agreement could not replace WTO negotiations because of the limited participation, the inability to set rules for application in that Organization and the lack of a dispute-settlement mechanism that allowed cross-sectoral retaliation.

14. Several representatives described their countries' experiences with the negotiation of services under RTAs. The Latin American region was actively engaged in several trade negotiations on services. A major challenge of these negotiations had been to adequately take into account the potentially adverse effect of liberalization on the local economy, universal access and fair competition. In the case of Brazil, MERCOSUR was the only services RTA to which the country was a party. The MERCOSUR agreement had provided the participants with useful insights and practices in negotiating services. The Brazilian example was also considered enlightening, as it contradicted the link that was sometimes made by proponents of liberalization between binding commitments and investment attraction. Although Brazil had not made GATS commitments in telecommunication services, all major operators were nonetheless present in that country.

15. Some experts expressed concern about liberalization and regulatory provisions under RTAs that would affect the ability of developing countries to implement adequate services regulations. The investor–State dispute settlement system was a case in point, as existing bilateral investment treaties, as well as recent RTAs, had given rise to disputes that had ended in investors' favour in a number of sectors, such as telecommunications, energy and transport. For example, South Africa had been subject to costly litigation under those treaties. It was important that trade and investment agreements pertaining to infrastructure services contribute to strengthening social and economic rights.

16. Turning to cooperation and the liberalization of services within the Southern African Development Community (SADC), the meeting noted that the SADC services negotiations had started in 2000 with SADC Member States engaged in the exchange of requests and offers. The Trade in Services Protocol was still relatively recent, while cooperation in infrastructure sectors had long been promoted through a series of sectoral protocols on energy, water, and communications. The work under these protocols was taking place in a track parallel to the liberalization of services. In some countries, there was a risk of regulatory capture. It was important to establish well-resourced regulators that could take independent decisions. Several experts also highlighted the importance of a well-functioning competition authority.

D. Infrastructure services under regional trade agreements

17. Some experts said that regional services liberalization could lead to deeper and more comprehensive liberalization than could be achieved under the multilateral process, including by cutting into the applied levels of services trade policy regimes and imposing stricter regulatory discipline. This had raised important challenges for Governments to effectively reconcile their trade policy considerations with national regulatory objectives, as various regulatory barriers affecting the services trade could serve legitimate public policy purposes. At the same time, opportunities had emerged to enforce regional policy and regulatory and institutional cooperation under RTAs that could reinvigorate national regulatory efforts.

18. Experts considered the implications of recent RTAs, including proposed mega RTAs such as the Trans-Pacific Partnership Agreement, the Transatlantic Trade and Investment Partnership and the Regional Comprehensive Economic Partnership Agreement, for participating and non-participating developing countries. Several expressed concern over the potentially adverse effect of some of the provisions affecting infrastructure services. Recent mega RTAs were expected to have an impact on infrastructure services through a variety of rules and disciplines. These included provisions regarding cross-border trade in services, investment, trade facilitation, e-commerce, telecommunications, intellectual property rights, data flows, regulatory convergence, competition and State-owned enterprises. Such provisions were expected to affect the manner in which developing countries would regulate these sectors and broader policy areas of development importance, such as capital account and exchange rates. One expert suggested that these negotiations gave a greater focus on the protection of foreign investor interests and could potentially have a negative impact on the operation of infrastructure services, such as the availability of open software and the Internet. The high regulatory standards that could be set under these agreements might lead to fragmentation of the international trading system.

19. These agreements were also expected to contribute to the creation of a positive investment climate in RTA partners, contributing to their integration into global value chains. In Japan, services liberalization under RTAs had been pursued using both positive- and negative-list approaches, as well as a hybrid approach combining the two approaches, as was the case with its agreement with the Philippines. These agreements had led to extensive commitments by both parties. While these agreements were considered to have generated a positive impact on bilateral FDI flows, one participant said that the direct causal link between the RTA services commitments and increased investment flows needed to be carefully ascertained, as broader factors must have been come into play. Complementary cooperative efforts, including official development assistance, trade insurance, Exim bank loans and public–private partnerships, were found to be useful complementary measures for improving the business and investment climate.

20. Examples of some regions suggested the important role that could be played by regional policy, regulatory and institutional cooperation in facilitating regional supply of services and investment, and providing a stable regulatory framework. Energy regulators in the European Union played a key role in promoting investment in the energy sector and developing a single energy market. Two regional regulatory agencies, the Agency for the Cooperation of Energy Regulators and the Council of European Energy Regulators, had been established to promote cooperation between national regulatory agencies. Cooperation among European energy regulators was found important with regard to the following factors:

(a) A network code by which all States could abide;

(b) Market surveillance and control;

(c) Consumer education;

(d) Exchanges of good practices with regulators around the world.

21. It was clear from the presentations of regional experiences that the liberalization of infrastructure had often been pursued in tandem with enhanced regional policy, economic and regulatory cooperation. For instance, the economies of the Association of Southeast Asian Nations (ASEAN) were working towards the establishment of the ASEAN Economic Community by 2015, where the free flow of services and skilled labour, and infrastructure development were high on the regional agenda. ASEAN liberalization of services was advancing gradually through a package approach. Particular attention had been given to the movement of natural persons, and mutual recognition agreements had been reached, including for engineering, architecture and accountancy. Such liberalization efforts had been conducted in parallel with the formulation of common sectoral policies and cooperative measures to enhance ASEAN connectivity, infrastructure and transport networks. Examples of such cooperative initiatives included the development of the ASEAN broadband corridor, the ASEAN power grid and the trans-ASEAN gas pipeline.

22. While most of the Chinese Government’s RTA commitments on services reflected its existing GATS commitments and Doha Round offers, the country had increasingly moved towards a deeper liberalization of the services sector. The Government had agreed to use the negative-list approach in its bilateral investment treaty being negotiated with the United States of America and the European Union and was exploring the use of this approach in its RTA negotiations, while GATS-plus commitments were made under several RTAs, such as the China-ASEAN free trade agreement. Ongoing negotiations on the Regional Comprehensive Economic Partnership Agreement were based on the principle of GATS-plus and ASEAN-plus-one-plus commitments, based on a positive-list approach. Particular emphasis had been placed on specific sectors according to RTA partners. The China–Singapore free trade agreement had incorporated a unique financial sector-specific arrangement. The China–New Zealand free trade agreement had specific Mode 4 quotas in favour of China in the form of 800 work permits for five professional categories and 1,000 work permits for another 20 professional categories, including electricians, computer engineers and auditors. China was further stepping up its domestic reform under the China (Shanghai) Pilot Free Trade Zone, which would grant pre-establishment national treatment to foreign services providers and introduce a negative-list approach with priority attention being given to six key sectors, including transportation and shipping, financial and professional services.

23. Several experts called for careful analysis of the extent to which services liberalization under RTAs had led to effective liberalization of the applied services trade regimes. Latin America, for instance, was ranked among the world’s most open market in the telecommunications, transport and financial services sectors, but the effect of RTAs on the quality and cost of infrastructure services had yet to be fully understood. RTAs with developed countries had often resulted in broader and deeper market openings. In Costa Rica, the liberalization of mobile telecommunications and insurance under the Central American–Dominican Republic Free Trade Agreement had enhanced its overall competitiveness. In the region’s South–South RTAs, significant progress had been made in liberalization but various regulatory obstacles had often deterred the cross-border regional supply of services. These included the lack of multi-modal transport system services, limited bandwidth, high roaming charges and diverse national qualification requirements affecting professional services. This pointed to the importance of deepening regulatory cooperation in these areas.

24. In the Caribbean region, where services represented 70 per cent of regional GDP, increased focus had been given by the Caribbean Single Market and Economy to the services sectors, particularly infrastructure services. The Revised Treaty of Chaguaramas

included provisions for the free movement of services within the CARICOM Single Market and Economy. The implementation of services liberalization initiatives had been limited however, compared with the implementation of the right of establishment or of the free movement of capital.

25. The region faced a number of challenges. The movement of certain types of worker, for instance, remained subject to persisting limitations such as the requirement of passports even for movement within the region and insufficient harmonization or transferability of social security benefits. One expert suggested that many of these obstacles could be overcome by further strengthening regulatory frameworks and promoting an enabling environment.

26. The small size of markets and population represented an inherent development challenge for countries in the region, as it implied that they face difficulties in withstanding foreign competition. Much-needed investment might not be forthcoming, even with effective regional integration and harmonization efforts. Since advancing integration was not sufficient, broader complementary measures were needed. This could possibly be an area for enhanced advocacy and export promotion that could be played by the private sector, for example by forming coalitions of services industries. Several participants requested UNCTAD to support the strengthening of services coalitions.

27. In Africa, the Action Plan for Boosting Intra-African Trade, adopted in 2012, provided an opportunity to advance integration in key infrastructure services there. However, its implementation had encountered difficulties owing to the coordination required for national sectoral action plans. The experience demonstrated the importance of infrastructure services for competitiveness, as the deficiency in electricity, water and road transportation services were estimated to reduce growth in the continent by 2 per cent each year. At the continental level, integration and cooperative schemes remained general, while more substantive liberalization and cooperation were undertaken at the subregional level in the services areas of transport, energy, finance and telecommunications. For example, in the road transport and energy sectors, common initiatives had been put in place to develop trans-African highways and transport corridors, as well as regional power pools in East, West and Southern Africa.

28. The Economic Community of West African States (ECOWAS) had tackled the liberalization of energy infrastructure while promoting the development and diversification of regional energy resources, the harmonization of national energy development plans, the interconnection of energy networks and the establishment of a common energy policy. The 2003 ECOWAS Energy Protocol promoted long-term cooperation in the energy field. The West African Gas Pipeline Authority and the ECOWAS Regional Electricity Regulatory Authority oversaw the energy sector at the regional level. The ECOWAS experience showed the positive impact of liberalization on the development of the energy sector where sound regulatory frameworks were in place. In some countries, however, prices had gone up following liberalization. In this context, the issue of affordability became central and had to be addressed through regulation ensuring affordable access to energy by vulnerable groups. With regard to regional energy pool schemes, several participants said that it was essential to ensure the reliability of supply when major suppliers were not in a position to supply regional partners.

29. Africa and Latin America faced similar challenges to those of developing countries in effectively implementing RTA provisions. Difficulties could be attributed to the lack of ownership, political will, institutional coordination and the involvement of various government ministries. There was also a mismatch between trans-boundary trade and regulators' jurisdictions, which remained national. Many countries still experienced difficulties in ceding national sovereignty in regional integration.

30. One expert suggested that the implementation of RTAs could be usefully measured by the use of quantitative indicators to better monitor implementation. Internal coordination was also important, as no single agency could independently negotiate services.

31. Many participants said that the comprehensive work of UNCTAD on services was valuable, notably its services policy reviews. One delegate presented some of the findings and recommendations relating to the information and communications technology (ICT) sector from the Rwanda services review. Several participants suggested that the review had contributed to developing best-fit services policies and regulations and had facilitated multi-stakeholder consultations and coordination among government entities. In addition, such reviews could be extended to other countries.

E. Financial services and regional integration

32. Ongoing financial regulatory reforms, including under the Group of Twenty (G-20), were aimed at shifting regulatory focus to macroprudential objectives to address systemic risks in order to reduce the risk of future financial crises. The central reform agenda was to strengthen bank capital and liquidity standards under Basel III, and major steps had been taken at the national level to address various regulatory aspects. Indeed, such regulatory reforms could have implications for the pattern of liberalization in the sector.

33. In the European Union, for instance, efforts had been made towards forming a banking union with the recent adoption of three important laws on regional schemes for bank resolution. Steps had also been taken to enhance infrastructure in the financial sector, such as establishing a regional clearing house for derivative contracts. As over-the-counter derivatives contributed largely to amplifying the effects of the crisis, G-20 had decided that all such derivatives go through a central clearing house and be traded on exchanges. Likewise, the European Union had sought to establish central clearing counterparties and a central data repository to clear and record transactions of those derivatives. Central clearing counterparties had not proved to be a panacea, as they were collateral intensive. Further, they could absorb liquidity out of the markets with a pro-cyclical effect, involve complex documentation and even be exposed to default. Greater focus given to macro-prudential regulations had called for maximum harmonization of national regulations, going beyond the traditional approaches based on the mutual recognition of minimum standards. This had given rise to some tension concerning the internal market principles of the European Union.

34. Many experts pondered the effect of deep liberalization commitments for national macro-prudential regulations and financial stability, particularly in developing countries. The deep liberalization commitments of RTAs and regulatory disciplines in financial services could potentially constrain a national regulator’s ability to implement macroprudential regulations. For instance, the liberalization of capital accounts implied by certain liberalization commitments could limit the ability of countries to counter the destabilizing effect of capital flows by introducing capital controls. Once full market access commitment was made under GATS/RTAs, Governments could no longer restrict legal forms of commercial presence or the size of commercial transactions, contrary to the direction of recent regulatory reform efforts. Prudential carve-outs to protect final stability might be limited under RTAs by necessity-test requirements. These RTAs disciplines often failed to fully integrate public and consumer interest, and restricted the flexibility of developing countries to pursue non-financial policy objectives such as universal access.

35. The experience of Argentina in financial-sector liberalization showed how important it was to examine carefully the implications of financial services liberalization for development efforts. The McKinnon-Shaw hypothesis postulated that financial development was one of the driving forces for economic growth, according to which low interest rates were considered to discourage savings, thus limiting investment, and in turn

discouraging the accumulation process. In line with these arguments, Argentina had in 1977 liberalized interest rates and the conditions for setting up financial institutions; it had also eliminated geographical preferences. However, this process had led to increased market concentration, higher interest rates and spreads, and reduced loans to the non-financial sector, particularly in production.

36. Developing countries had been cautious in making commitments relating to financial services. India, for instance, had limited commitments under GATS in terms of number of branches and foreign equity ownership. There was a greater interest in emerging economies on capital control, as spillover of global monetary policies frustrated these markets, and macroprudential policies were needed to address sudden capital inflows and outflows. In this regard, the use of capital controls could be made difficult by the liberalization of financial services under GATS/RTAs. The post-crisis reform brought changes in the national regulation of foreign banks. For example, national regulators increasingly required the presence of foreign banks in subsidiaries rather than branches to ring-fence domestic banks and ensure financial stability, as foreign banks might withdraw capital in time of crisis. Certain aspects of the Basel III capital requirement, such as countercyclical buffers and high risk weight initially assigned to trade-financing instruments, was a matter of concern to developing countries.

37. Some developing countries had found renewed impetus for a regional approach to financial services liberalization and cooperation. South Africa brought the perspective of a SADC Member State with a developed financial market, where financial services accounted for 20 per cent of the economy. Concerning the SADC Protocol on Trade in Services (2012) and ongoing negotiations, countries had exchanged six offers to date, including for banking and non-banking services. The financial crisis had illustrated the danger of overreliance on foreign markets but had created a renewed focus on regional integration, particularly in services. It was in this context that the Tripartite Free Trade Agreement had been launched in 2008. Much of the progress under SADC could be attributed to the Protocol on Finance and Investment, which set the legal basis for regional cooperation in finance, investment and macroeconomic policy. The launch in 2013 of the SADC Integrated Regional Electronic Settlement System, with the Central Bank of South Africa acting as a lead regulator and the South African rand being the currency of settlement, was considered a success story of regional cooperation in financial services.

38. The Caribbean experience also illustrated the pivotal role of regulatory cooperation in promoting financial sector development. Despite slow progress in financial services liberalization, regional financial cooperation had led to greater cross-border business, improved ability of operators to finance larger projects and greater availability of capital and foreign exchange. It had also led to greater diversification of the financial sector and greater sophistication of the non-banking financial sector. The Caribbean experience revealed that a phased approach to financial harmonization could minimize the risk of crisis but also pointed to challenges arising from slow progress. Another important lesson learned was that in addition to regional measures, steps should be taken to improve financial cooperation with countries outside the region.

F. Regional cooperation on infrastructure services as a key instrument for developmental integration

39. RTAs could act as platforms for the development of regional transport and infrastructure networks and connectivity essential for the provision of infrastructure services. Such cooperative initiatives, along with liberalization processes, had proved to be essential components of developmental regionalism.

40. The Greater Mekong subregion provided a good example of the importance of transport and trade facilitation measures in stimulating trade in transport services and the movement of goods and people. The Cross-Border Transport Facilitation Agreement, launched in the late 1990s under the Greater Mekong Subregion Economic Cooperation Programme, had aimed to foster greater economic connectivity through transport and trade facilitation initiatives at border crossings, focusing on improving software connectivity to complement physical connectivity investments. The initiative had facilitated the free movement of goods across regions, smooth transit without having to reload the trucks, shortened clearance time at the border through the single-window and single-stop inspection and risk management. Positive results of the agreement included a reduction of cross-border transactions time, improved efficiency in the flow of people and goods across borders, and expanded open routes through the East–West economic corridors of the Greater Mekong subregion. Key challenges lay in the higher level of coordination needed among the government ministries and agencies concerned, the need to provide capacity-building for border officials, and harmonization of regulation and associated infrastructure and ICT investment.

41. Such cooperative schemes were considered to be particularly important in supporting integration efforts, especially of smaller, vulnerable members. For instance, the Lao People’s Democratic Republic had implemented a trade strategy encompassing multilateral, regional and bilateral levels. The country had broadened and deepened its economic integration, particularly through its membership in ASEAN and had concluded RTAs with partners in six ASEAN Plus One agreements while the Regional Comprehensive Economic Partnership Agreement was being negotiated, which provided special and differential treatment for developing countries. Significant GATS Plus and ASEAN Plus liberalization had been achieved under a bilateral trade agreement with the United States in 2003. One expert suggested that developing countries, particularly LDCs, should have the freedom to choose positive- or negative-list approaches according to their development needs; significant benefits from special and differential treatment, including capacity-building support, should be made available to them.

42. In Africa, regional integration and cooperation on infrastructure development had been identified as a priority. Most African countries suffered from inadequate infrastructure and investment shortage. To eliminate such gaps, it would be necessary to provide efficient infrastructure services. The Programme for Infrastructure Development in Africa was thus developed to reduce energy cost, increase access and enhance regional and global connectively. Energy, transport, water and communication networks were fundamental to economic growth, and expected future growth in the region implied increased demand for these services. Particularly strong investment needs over 2012–2020 would arise from energy. The programme had delivered some success stories, including through the implementation of one-stop border posts and customs modernization that reduced border-crossing time and increased the volume of trade. Project preparation and the mobilization of innovative financing faced a challenge in addressing inadequate infrastructure and high costs of infrastructure services.

43. The Latin American region also aimed to increase cooperation in several areas related to infrastructure services, including road transport services, ICT and financial services. In the area of road transport services, the Mesoamerica project connecting Central America, Mexico and Colombia was implementing joint projects, financing infrastructure development and implementing national border control services.

44. The Development Bank of Latin America, owned by 18 countries in Latin America, provided multiple banking services to the public and private sectors. Among other activities, it financed urban transport, road and railways projects with other financial institutions and encouraged the formation of public–private partnerships for ports, airports

and roads. The Bank focused on enhancing productivity and promoting inclusion, competition and openness by supporting infrastructure and social development. This strategy was based on the projection that to overcome the deficit in infrastructure and keep up with growth, the region would need to invest annually between 4–8 per cent of GDP in infrastructure, particularly in energy. The Bank had also adopted a value chain analysis approach to identify strategies to build regional service industries. The analysis allowed to identify specific segments in the global and regional value chain where the most value was added. This would enable a diagnosis of what remedial actions could be taken to support what was known as smart international integration of regional services industries and to capture value and absorb knowledge and technology for greater sophistication.

G. The way forward

45. The meeting examined various country experiences, best practices and success stories relating to trade in the infrastructure services sectors, particularly liberalization and cooperation in the regional context. Experts suggested that UNCTAD could usefully address the following issues:

(a) Improving availability of services data;

(b) Conducting research on the role of infrastructure services in development, including their social dimension, bearing in mind the heterogeneity of developing countries;

(c) Supporting developing countries by assessing and identifying best-fit national regulatory and institutional frameworks;

(d) Reviewing new-generation RTAs, including deep integration provisions and the linkage between goods and services;

(e) Continuing and scaling up its work on services policy reviews;

(f) Examining the role of regional regulatory, economic and institutional cooperation;

(g) Exploring the relationship between RTAs and global value chains;

(h) Studying regional energy markets, regulations and institutions, including the implications of environmental concerns for energy regulations;

(i) Providing support to developing countries in designing, negotiating and implementing RTAs in services;

(j) Supporting the exchange of experiences among developing countries in regional liberalization and cooperation on services;

(k) Providing a forum for discussion among economic and infrastructure services regulators;

(l) Lending support to establish and strengthen coalitions of services industries and facilitating dialogue among them;

(m) Providing capacity-building support to developing countries in setting up legal and regulatory frameworks.

II. Organizational matters

A. Election of officers

(Agenda item 1)

46. At its opening plenary meeting, the multi-year expert meeting elected the following officers:

Chair: Ms. Marion Vernese Williams (Barbados)
Vice-Chair-cum Rapporteur: Ms. Zharkin Kakimzhanova (Kazakhstan)

B. Adoption of the agenda and organization of work

(Agenda item 2)

47. At its opening plenary meeting, on 15 April 2014, the multi-year expert meeting adopted the provisional agenda for the session (TD/B/C.I/MEM.4/4). The agenda was thus as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Trade, services and development: The regulatory and institutional dimension
4. Adoption of the report of the meeting

C. Outcome of the session

48. Also at its opening plenary meeting, the multi-year expert meeting agreed that the Chair should summarize the discussions.

D. Adoption of the report of the meeting

(Agenda item 4)

49. At its closing plenary meeting, on 17 April 2014, the multi-year expert meeting authorized the Vice-Chair-cum-Rapporteur, to finalize the report after the conclusion of the meeting.

Annex

Attendance*

1. Representatives of the following States members of UNCTAD attended the meeting:

Albania
Angola
Argentina
Barbados
Belarus
Benin
Bhutan
Bolivia (Plurinational State of)
Brazil
Burkina
Faso
Canada
China
Côte d'Ivoire
Dominican
Republic
Ecuador
Egypt
Ethiopia
Germany
Ghana
Iraq
Jamaica
Japan
Jordan
Kazakhstan
Lao People's Democratic Republic
Lithuania
Malaysia
Mali
Mexico
Morocco
Mozambique
Namibia
Nicaragua
Nigeria
Oman
Paraguay
Poland
Saudi Arabia
Senegal
Sierra Leone
Singapore
South Africa
Spain
Sudan
Switzerland
Togo
Trinidad and Tobago
Turkey
Venezuela (Bolivarian Republic of)
Yemen
Zimbabwe

2. The following intergovernmental organizations were represented at the session:

African Development Bank
African Union
Economic Community of West African States
Eurasian Economic Commission
European Union
International Organization of la Francophonie
Organization of Eastern Caribbean States
Organization of Islamic Cooperation

* This attendance list contains registered participants. For the list of participants, see TD/B/C.I/MEM.4/INF.2.

3. The following United Nations organs, bodies or programmes were represented at the session:

Economic Commission for Africa
Economic Commission for Latin America and the Caribbean
International Trade Centre

4. The following specialized agencies and related organizations were represented at the session:

International Telecommunication Union
Universal Postal Union
World Trade Organization

5. The following non-governmental organizations were represented at the session:

General category

Consumer Unity and Trust Society International
Ingénieurs du monde
International Network for Standardization of Higher Education Degrees
World Association of Former United Nations Interns and Fellows
Third World Network