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Geneva, 16–18 November 2005

REPORT OF THE EXPERT MEETING ON DISTRIBUTION SERVICES

Held at the Palais des Nations, Geneva,
from 16 to 18 November 2005

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Chapter I

CHAIRPERSON'S SUMMARY

1. The Expert Meeting on Distribution Services was held in Geneva from 16 to 18 November 2005. Experts put forward their views on how Governments of developed and developing countries could play an active role, at the national level and in multilateral negotiations, to ensure that distribution services contribute to increasing the participation of developing countries in trade in goods and services and to their overall development. The following text sets out to reflect the richness of the views expressed and suggestions made.

I. Introduction

2. Distribution services represent a complex, specialized, sophisticated and coordinated supply chain in developed countries and increasingly in many developing countries. The distribution sector includes commission agents, wholesalers and retailers who act as enablers of trade. Franchises play a particularly active role. Service providers range from hypermarkets, department stores, supermarkets and convenience stores to "mom and pop shops", in other words from large-scale to small-scale operations, from high-value and low-value provision, from high to low turnovers, and from modern to traditional and informal suppliers. Distribution services depend on the availability of infrastructure and are closely linked with services such as transport, packaging, warehousing, financial services and commercial real estate development. Increasingly, they depend on the provision of other services, inter alia credit advance, quality control and standard setting, advertising, management of inventories, and after-sale servicing. In terms of international trade, commercial establishment abroad may be the main method of trade; however, e-commerce is gaining in commercial importance. The temporary movement of people retains its relevance in distribution services not only through intra-corporate transferees but also through consultants or for after-sale services.

3. Modernization of distribution services is becoming crucial in promoting domestic competitiveness and supply capacity, especially given the intermediation role of the sector. In most developing countries there is a prevalence of non-structured and informal distribution activities, which provide many employment opportunities and serve as a refuge for people in the lowest income groups. At the same time, developing countries face challenges in gaining access to international markets for the distribution of their goods and services, often because of a lack of competitive access to international markets and also because of bottlenecks in the distribution systems. The main market players related to distribution are consumers, retailers, wholesalers and other intermediaries, as well as suppliers of goods and other services. Policy reform in the area of distribution services impacts on each of those different groups, and flanking policies need to be considered by Governments. The process of reform in distribution services often raises socio-political concerns which need to be addressed. In most developing countries reform calls for an active government role, including the adoption of complementary measures, in particular to address market failures, to assist small and medium-sized enterprises (SMEs) and to address possible employment impacts. Major and immediate benefits accrue to consumers, who generally have a wider choice of quality products at lower prices. At the same time, maintaining fair conditions for competition in the market can maximize benefits to all actors in the distribution services market.

II. Market overview and trends

4. Today, consumers' global spending power continues to increase, with private consumption expenditures totalling $22.1 trillion in 2004. While the United States and the European Union (EU) 15 top the list, with their markets exceeding $6 trillion each, developing countries' markets are the main concern of global retailers. The global consumer today is perceived to earn $5,000 a year, and this is expected to increase tenfold in the next ten years, accounted for largely by the growth in the developing world and in economies in transition. In 2004, total consumer spending in Latin America and the Caribbean amounted to $0.94 trillion, with the figures being $0.55 trillion for China and $0.35 trillion for India. It is expected that over the next decade nearly a billion new consumers will enter the global marketplace. The total population living in households earning more than $5,000 per year will increase by 925.1 million, with most of the new consumers located in India (an additional 544 million), China (an additional 268 million), the Russian Federation (an additional 55 million) and Brazil (an additional 38 million).

5. While emerging markets are already significant and growing further,[1] there is still a large potential to be tapped in developed country markets. The evolution in the distribution sector is driven by social and demographic factors affecting the nature and characteristics of markets. Demographics are amongst the most significant trends: in the United States, for example, the growing and relatively younger Hispanic community is increasing, and its purchasing power is expected to reach 60 per cent of the Chinese consumer market in 2015. Other social changes that will affect consumption patterns are increases in single households (with countries such as the United Kingdom, Germany and France all having single households that account for more than 30 per cent), female employment (up to 72 per cent in Sweden and 65 per cent in the United Kingdom), differences in the savings rate and increases in the number of people with a college education. Other significant changes relate to income distribution, with average income rising and growing in the high-end and the low-end segments of the market. In addition, tastes and preferences are converging and expanding across cultures.

6. The world has been witnessing a steady increase in *global trade* at a compounded annual growth rate of 2.2 per cent since the 1990s, with foreign trade as a share of gross domestic product (GDP) steadily increasing in major trading countries and country groupings. Since this trade is channelled through distribution networks, growth in distribution services will continue to be a characteristic of the global economy.

7. The retailing sector has been witnessing increasing competition and *concentration*, mainly through the establishment and expansion of chain stores; emphasis on large stores; the increasing use of technology; and growing internationalization of the whole supply chain. The retail sector is characterized by economies of scale and scope as well as vertical integration and the existence of large retail chains. The growth in concentration in retailing has also given rise to a number of concerns about anti-competitive behaviour of major retailers vis-à-vis other competitors, and abuses of buyers' power with respect to suppliers of products and consumers. At times, this has also resulted in a reduced choice of local products and a reduction in the number of stores, especially micro enterprises and SMEs.

[1] In 2002, for example, China’s retail market was worth $4,000 billion, larger than all non-Japan Asian countries combined, and represented 5 per cent of worldwide retail sales.

8. *Consumer demand* has been the main factor responsible for *lower prices in retailing.* Technological innovations produce efficiency and productivity gains across the value chains, as shown by the introduction of multi-channel processes, more sophisticated customer management tools, consumer behaviour tracking, just-in-time supply (e.g. Zara cut the time for delivering products to the market from the usual 36 weeks to 4 weeks) and inventory management, and growth in online retail services. For Wal-Mart, for example, the projected savings arising from labour savings in warehousing, reduction of stock, reduction of theft, better tracking of pallets and reduced inventory could amount to up to 80 per cent of its 2003 net income. Growing use by retailers of own brands and discount retailing have also been driving prices down significantly. Wal-Mart alone accounted for a nearly 10 per cent drop in food prices in the United States.

9. *Disaggregating the supply chain*, sourcing from different locations and changing the way of doing business are all affecting the market. During the last decade, the distribution sector has become increasingly globalized, with companies disaggregating their value chain for sourcing or expanding – through investment – into other countries. Retailers are able to access and tap different cost structures in different countries and are becoming global. More sophistication is being introduced into the distribution chain to maximize value in each segment of the chain.

10. In the next few years *regulations* will top the issues that will critically affect the industry, leading towards more regulatory harmonization. Regulation and regulatory issues emerge as the next frontier or opportunity for ensuring sustained growth in the retailing sector. Decreasing regulation and productivity gains appear to be directly linked in the modern retail sector. However, the market structures remain quite diverse across countries – for example, modern retailing accounts for 85 per cent in the United States but is only nascent in India (where it accounts for 1 to 2 per cent) and accounts for 20 per cent of overall retailing in China. At the same time, a comparison of productivity between the top 25 European and American companies shows that regulations are driving differences in productivity. Such gaps can total up to 40 per cent and result from, inter alia, zoning regulations, opening hours, pricing restrictions or other regulations. Removing regulatory barriers across markets could thus be expected to result in considerable productivity gains.

11. *Foreign direct investment (FDI) and modernization in retailing* bring benefits to consumers, who can have access to a larger variety of quality products within the same store, and to Governments, which can control quality, and measure and tax what is being sold. Some countries have liberalized FDI, thus creating dynamism in the distribution as well as in the manufacturing sectors, while others have been more cautious about engaging in liberalization. Some experts noted that reform had significant social repercussions, as it would displace SMEs and micro players. Small shops play an important role as employers of those who migrate from rural to urban areas, including foreigners, performing a crucial social role that large chains would be unable to perform, since chains require that employees have a certain level of skill. Other experts stressed that modern retailers usually integrated backwards and could then help improve manufacturing processes and packaging. The informal retailing sector will have a role to play once markets are opened and formal retailing expands. FDI facilitates the switch from informal to formal retailing. Informal retailers could become the suppliers or the customers of formal retailers, or their franchises. Eventually, they themselves become formal retailers.

III. Development issues and challenges facing developing countries

12. A viable distribution sector can help to ensure price stability, allow consumers to have wider and better choices, create spillover effects in terms of increasing and improving employment, promote enterprise development and enhance social benefits, including the empowerment of women. Possibly most clearly visible are impacts on prices, with studies showing that the presence of hypermarkets results in drops in prices for dried food, household goods and personal care, thus increasing the population's disposable income. In developing countries, as regards fresh food, traditional markets tend to be cheaper and offer better value for money. The presence of large chains in the retail market is usually conducive to the improvement of local worker skills, especially in logistics. Moreover, large chains tend to integrate backwards, offering new business opportunities to local manufacturers.

13. Some experts suggested that developing countries stand to gain the most from an *efficient distribution services* environment, because inefficiencies would cause systemic losses, which some estimate as high as 40 per cent of the total value in the whole chain of supply, leakages for producers/consumers, and leakages in tax collection arising from the informal nature of the distribution sector predominant in many developing countries, or other practices. Some experts endeavoured to quantify the losses arising from inefficiencies, which in the example of textiles could amount to more than 12 per cent of total value.

14. Since stakeholders are concerned about the rapidly increasing presence of foreign retailers, there is a need to "bridge the fear factor". This can be done by inter alia enhancing the understanding of, and consequently mitigating, possible negative implications. While countries commit themselves to encouraging modern retailing to benefit consumers, farmers, manufacturers and other services providers, there is no one-size-fits-all solution for implementing reform in the distribution sector and for maximizing development benefits.

15. The main concerns that developing countries usually have regarding the liberalization of the retail sector and the establishment of *large foreign firms in their territory* are the *abuse of dominant position*, both acquiring market power and using buyer's power through predatory pricing, and the displacement of small and medium-sized suppliers of products and local retail stores. These preoccupations are exacerbated by lack of data, the absence of competition and other relevant laws and regulations to support modern trade, or where such laws and regulations exist, their inadequate enforcement. SMEs themselves lack basic knowledge and awareness of the rights and obligations under modern distribution systems, as well as support from Governments.

16. The full *effects of the reform* in distribution services and the expansion of trade and investment, however, are yet to be fully understood at a country level. A positive correlation was noted in such countries as China and Viet Nam, but different concerns have emerged in smaller developing and least developed countries. Impacts may differ in urban and rural areas, and according to the type of distribution services in question. Not all developing countries and LDCs that seek to attract foreign investment to develop their retail services sector are successful, since developing countries represent low-value markets on average, and for FDI to come, sufficient volume of sales should be available. Experts noted that when the retail market was simply opened up to FDI – without the necessary conditions for fair competition being ensured – old, domestic monopoly providers might be replaced with a foreign monopoly, without the requisite efficiency and welfare gains that would otherwise be expected.

17. As regards *small-scale farmers*, there are fears that they would risk being squeezed between other, larger players, since they lack leverage in the supply chain. Supplying products to mega firms can prove difficult for small producers and providers, including because of stringent requirements for value, quality, specifications and certification, all of which may be hard to meet, particularly in the light of SMEs' resource constraints. Delays due to inspections, particularly for perishable goods, can hamper productivity gains, ultimately leading to consumer welfare losses.

18. In the area of retail, the increasing popularity of modern-format large shops, for example retail outlets outside city centres, has given rise to concerns about *small shops* vanishing. Small retailers can, however, find niche markets, such as serving convenience needs and local tastes. They can even capture opportunities if they are able to innovate and show flexibility because of their lower fixed costs. The establishment of large supermarket chains has even spurred the development of numerous SMEs and micro retail establishments, which were locating in close proximity to these large stores and were benefiting from the more predictable and significant flow of consumers. Another tool to mitigate the disappearance of SMEs (including by diminishing the spread of large retail outlets) is zoning regulations. However, for small-scale distributors to survive by capturing the above opportunities there is a need to develop skills and entrepreneurship so as to improve their competitiveness. Most likely, medium-sized enterprises will be those facing most pressure, ultimately being driven out of the market.

19. Some experts expressed fears about *loss of jobs*, because of the important role which the informal economy plays in the distribution sector. Others suggested that any job losses would ultimately be outweighed by employment creation, inter alia because large-scale retailers attract a series of stalls, convenience stores and other facilities to their neighbourhood. An additional benefit, it is claimed, is the creation of better-quality jobs, such as those offering training, skills transfer and social security benefits. Particular benefits may arise for women, including because they tend to be predominate in the distribution sector workforce.

20. The role of *standards* was also noted, since these could act as barriers to developing countries' exports. Such standards may not directly set requirements for the quality of a product but simply give intrinsic preference to the distribution of domestically made products (e.g. labels indicating products' provenance). When such standards are adopted by a regional trading bloc, they may become a significant barrier to the distribution of developing country products, for example in the area of textiles.

21. It was suggested that complementary *government policies* and programmes could play an important role in supporting firms in developing countries, and particularly SMEs, as they face the many challenges in the distribution market. For example, lack of access to financing credit could be addressed through the establishment of financial institutions that are sympathetic to SMEs (as banks usually prefer lending to larger and established players); supply-capacity constraints could be mitigated through programmes providing access to inputs and equipment as well as offering training in modern production, distribution and marketing methods; support could be offered for complying with sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) requirements; and finally, public investment could extend or improve transport and communication networks. Furthermore, the Government could help organize, and be supportive of, SMEs when they negotiate with foreign suppliers of transport services (e.g. foreign tour operators). This could help, since

individually SMEs do not have much bargaining power but nonetheless rely on these services in order to access international markets. These different government programmes would contribute to bridging the gaps between SMEs and large firms, as well as between local and foreign firms. Such programmes would be warranted in view of SMEs' critical role in employment and in poverty alleviation.

22. It was recognized that the presence of *expatriate communities* and Mode-4-related trade act as positive driving factors in opening up new avenues for products, especially from developing countries, and promoting the growth of the latter's distribution services. The presence of large chains helps to overcome bottlenecks in distribution networks existing in developing countries, and through those chains' international procurement practices may bring products from those countries for distribution in international markets.

IV. Business perspective

23. In today's global markets, distribution and retailing service companies face a series of choices/decisions, including about which markets to tap (e.g. where to invest) and how to disaggregate their supply chain (e.g. where to source from). Both types of decisions are affected by a series of considerations.

24. Foreign enterprises are increasingly investing in emerging markets. The conditions that make local markets attractive for foreign distribution/retail chains include the following: emergence of a significant consumer class and growth in discretionary purchasing power; a well-developed and functioning infrastructure (transport, banking, telecommunications and energy); reasonable (i.e. not excessively burdensome) legal and administrative procedures; effective and reliable Governments (i.e. acting in accordance with the principle of good faith); ability to create a level playing field; political stability; transparency in real estate markets; viable taxation systems; and possibility of procuring low-cost quality local products (possibly for re-export).

25. When disaggregating their supply chain, procuring companies judge their sources according to their ability to deliver on short notice and on time; reliability and conciseness in terms of meeting company specifications; understanding of the functioning of the export markets; or ability to meet standards (e.g. core labour standards, quality or labelling requirements). In addition, sourcing from particular countries can become even more attractive if they benefit from special arrangements (e.g. a GSP scheme) or when they are subject to simple and favourable rules of origin. Conversely, the presence of quotas or countervailing duties affecting the potential host country is discouraging for investors.

26. When distributors/retailers sell foreign products, inefficiencies in transport, delays, port and road congestion, excessive formalities at borders, slow and non-automatized customs procedures, unnecessary inspections and excessive clearing fees contribute to making products expensive for the final consumers and delay their availability on the shelves. Some experts highlighted the need for trade facilitation measures.

27. Business can encounter significant barriers when striving to invest in foreign distribution (retail or wholesale) markets. The most common barriers include the following: foreign equity limitations; limitations on the purchase and renting of real estate; legal entity requirements, particularly establishment only through joint ventures; local content requirements (including buying from local suppliers); restrictions on number, size and

location of outlets; zoning limitations; and limitations on the sale of certain product categories. The requirement to work in partnership with a local partner may prove particularly hard to fulfil, finding a suitable local partner often being more difficult than perceived. A possible way to facilitate the match between local and foreign partners could be the setting up of databases which would list domestic companies that wish to establish partnerships with foreign partners. Governments could establish criteria that would need to be met by the companies wishing to be included in the databases, and monitor continuing compliance with those criteria.

V. Regulatory issues

28. Regulations are necessary in order to ensure a well-functioning distribution market, establish a level playing field and protect consumers. However, many of these regulations are lacking in developing countries. The streamlining of regulations, including mutual recognition of inspections and certifications, could lead to important productivity gains. Conversely, inappropriate regulations can create significant barriers to trade and investment, including by adding additional and unnecessary costs. Regulatory pitfalls may include over-regulating private practices/contracts, restricting new entries, or regulating tariffs, fees or prices. More research is needed on the type of regulations that could best promote the development of the distribution sector, while avoiding distortions and fostering competition.

29. The regulatory framework in the distribution sector and, more specifically, in the retailing segment includes regulations relating to the operation of stores, building codes, pricing practices, shop opening hours, promotional activities, planning and zoning, single-unit pricing, deceptive advertising, unfair contract law and consumer protection. These regulations can be found at the federal, state and local levels, and usually apply to domestic and foreign operators alike. Regulations at the local level tend to be stricter than those at the federal or state level. Additional regulations are usually put in place before the markets are opened to foreign competition, and may limit the entry of foreign companies or put limitations on their activities. Related objectives are to enhance the positive spillover of foreign presence onto the local economy and to avoid too harsh impacts on local operators, especially the small ones. OECD countries still use diverging approaches to regulate the retailing sector, with countries such as Belgium and Spain imposing a large number of regulatory restrictions, and countries such as France, Japan, the United Kingdom and Turkey having relaxed a number of them. Discipline on shop opening hours was established to preserve worker rights; however, this is progressively being relaxed. Zoning and planning restrictions are aimed at protecting small shops. Regulatory divergences among countries constitute barriers to entry into the retail industry. A number of lessons can be drawn from the OECD experience: in countries where regulations were less restrictive, structural changes in the retail sector have generally been easier to implement, employment has been higher and performance has improved. The easing of regulations has produced a number of benefits, including productivity gains, consumer benefits and smoother introduction of new technologies.

30. Franchising poses particular regulatory challenges. In developing countries it is very often underregulated. In Thailand, for instance, a franchisor is not obliged to have her/his own shop and prove profits before entering into contracts with franchisees. Franchisees often do not register their contracts with the franchisors and are unaware of their rights and obligations. As a consequence, many franchisees, who had regarded franchising as a way of starting their own business with limited initial investments, ended up bankrupt. Also,

consumers were often deceived by unregulated franchising. In India, there is no legislation in place for franchising, and the only rules that apply to the sector are those included in the private contracts between franchisors and franchisees. On the other hand, care needs to be taken to avoid establishing too burdensome regulations that could hamper the expansion of franchising.

VI. Competition-related issues

31. Market access restrictions – such as foreign ownership limitations or import restrictions; discriminatory operating and planning regulations, including zoning, aimed at limiting the market power of the incumbents; and price control practices to protect competitors – have often been used to ensure retail competition.

32. Some experts pointed out that such measures imply direct action by public authorities in the functioning of the distribution market and have not necessarily led to the expected results. Other policies have proved more successful, such as the setting up of vigorous and clear anti-trust legislation aimed at regulating cartels, predatory behaviours, abuses of market power and deceptive practices, and at promoting consumer welfare; policies aimed at supporting retail diversity and entrepreneurship; the extension of unfair contract law to business-to-business contracts; measures aimed at the proper enforcement of trademarks and copyright law; the adoption of franchise law, including mandatory disclosure of information; the development of soft law instruments, such as codes of good practice, which have proved very effective in regulating buyers' anti-competitive behaviours; and legislation promoting market access and liberalization, which may be conducive to developing countries' further integration into international supply networks, and FDI.

33. Views differ about the preconditions for dominant positions or abuse thereof. According to some views, market power can be exerted by a retailer only if it has at least a 35 per cent share of the market. Hypermarkets in Thailand, for instance, cannot be considered to have and to abuse market power, since each of them has a market share below 35 per cent. According to other views, a much smaller market share, as low as 8 per cent, could suffice for a retailer to have market power. It was argued that the issue is not so much related to market shares as to entry barriers: if new operators are prevented from entering a specific market, the incumbents enjoy market power independently of the market shares they have. Market power does not always have negative repercussions, but it can have negative implications when it hampers the capacity of suppliers to compete. Abuse of buyer's power could occur through extraction of rents from suppliers, adopting house brand or local labels competing with suppliers' products or extending unfair contracts, for example in the case of franchising.

34. Anti-trust legislation is a guarantee against possible abuses by foreign companies; adopting and implementing such legislation should allay local retailers' fears about foreign company presence. In a longer-term perspective, competition helps domestic companies to grow, modernize and diversify, and it speeds up the learning process.

VII. Country experiences

35. A number of lessons have been learned from sharing national experiences, including those described below.

36. The distribution market was liberalized after the financial crisis that **Thailand** faced in 1997. Lessons learned from that experience suggest that social consequences could arise, particularly in the case of rapid liberalization and where benefits do not occur immediately. The major challenge facing the country was how to take advantage of FDI while maintaining social and political balance, especially with the rapid spread of convenience stores. Managing the process is important for the successful opening up of the distribution sector to ensure competition and allow the benefits to flow to consumers. In the case of Thailand, modern trade was growing with few regulations and not enough relevant rules. Introducing rules after market entry has been granted to large chains, for example zoning regulations, will be ineffective or will protect incumbents. This also applies to building codes, opening hours, and so forth, since the major requirement in regulations is the need to be transparent and non-discriminatory at the outset. Franchises have been a particularly popular business format in Thailand; however, copyright and trademark laws were not effectively enforced in this area. As a result, it is estimated that up to 85 per cent of franchises have not registered their trademarks and could therefore be regarded as illegal. Thailand's experience has also shown that competition not only at the national but also the local level could be important. Retailers could exercise their power in setting prices at the local level. In view of the excessive power of retailers, the investments of product suppliers could be undermined, particularly if the latter do not have any alternative avenues for the distribution of their products.

37. Retailing is the largest private industry in **India** and the second largest employer after agriculture. It contributes around 10 per cent of GDP and 6–7 per cent of employment. With 15 million retail outlets, India has the highest retail outlet density in the world. Liberalization of the economy, the increase in per capita income, the change in family structure and growing consumerism, including on the part of the young population, have encouraged large businesses and manufacturers to move into retailing, with real estate companies and venture capitalists also investing in retail infrastructure. In spite of recent developments, retailing continues to be one of the least developed industries in India, and the growth of organized retailing has been much slower than in the rest of the world. One of the reasons for the slow development of the sector is the restrictions faced by FDI because of its potential negative impact on employment. Foreign companies can, however, enter the Indian retail market through manufacturing, franchising, sourcing locally, test marketing, and so forth. The existing restrictions on FDI in retailing can actually be circumvented by using alternative forms of entry, and consequently, the main impact of the restrictions has been to render the entry process of foreign firms less transparent and more complicated. Moreover, this has often resulted in foreign firms integrating vertically, giving rise to potential concerns in the area of competition. Since the Indian retail sector is still in its infancy, the opening to FDI needs to be gradual in order to give the domestic industry enough time to adjust. The entry norm should clearly state the approval requirements and any conditions. Insofar as there is growing overall demand and segmentation of demand, the existence of unorganized retailing would not be expected to be put at risk as a result of reform.

38. Distribution services in **Colombia** contribute 4.5 per cent of GDP, of which retailing accounts for 1.5 per cent. Distribution services are the single most important services sector

in terms of employment generation. In the large-scale retailing segment, domestic companies still dominate the market: the three largest retailers are national firms controlling almost 60 per cent of the market. Carrefour – the largest foreign firm – is number four, with a market share of 9.9 per cent. Foreign firms started to enter the Colombian market in 1997, generating a rapid response by domestic retailers initiating a process of modernization of operations and consolidation through mergers and acquisitions. The regulatory environment has been highly liberal and regulations have been by and large limited to codes related to the construction of retailing real estate. Additional rules have been established to protect consumers, ensure quality and enforce trademarks: they have been beneficial to business. In the Colombian market large-scale retailers coexist with SMEs, each one serving a different segment of the market. The increasing concentration has generated strong competition among retail establishments, which has translated into lower retailing margins and benefits to consumers. The modernization of distribution services in Colombia has had a negative impact mostly on medium-sized companies, which have been displaced from the market. The Government has implemented a special programme (PYMECO) to support small retailers through training in management and distribution processes. An interesting development is the agreement reached in 2003 between retailers and their suppliers, setting certain parameters on issues such as prices, sales and advertising campaigns.

39. **Ecuador** has maintained a liberal regime in the distribution sector with limited domestic regulation. The behaviour of distribution services reflects the evolution of GDP; however, different behaviour was observed in the case of wholesale and franchising. This difference is a result of the monopolistic structure of the wholesale segment of distribution that allows for speculative behaviour and in the case of franchising difference is due to changes in consumers' preferences and tastes. The size of the retail market in Ecuador might not make it attractive for new entrants, as no leading international retailers are active in the country. Foreign presence is reflected mainly through franchising, of which Ecuador is a net importer. An analysis was presented in which the competitiveness of the different players in the distribution sector in the face of potential foreign competition was assessed. Only in the wholesale segment would a high displacement risk be expected with the entry of foreign providers. The absence of regulation in the market can be perverse, and suggests that domestic monopolistic behaviour in the wholesale segment by domestic companies could be replaced by foreign monopolies controlling the market.

40. The process of opening the retail sector in **China** began in 1992 when foreign investment was allowed in retailing on a trial basis. By April 2004 all trade-related restrictions had been removed by and large, with the adoption of a new law that specified how foreign firms might conduct business in the retail, wholesale, franchise and commission agency sectors. This legislation is part of the new legal framework that China has developed in order to comply with its WTO obligations. The liberalization of the distribution sector in China has implied benefits: for example, the development of different distribution formats, including specialty stores, the enhancement of local marketing and managerial capacity, and the possibility for domestic manufacturers to enter the international supply chain of foreign retailers (95 per cent of the products distributed by foreign retailers in China are locally sourced and foreign retailers export Chinese products abroad). However, liberalization has also implied costs, including the closing down of some domestic firms, especially SMEs, also as a consequence of the fact that foreign firms often receive more favourable treatment than local firms since local authorities compete to attract FDI; the control of distribution channels by foreign firms; the pressure that dominant foreign firms exert on local manufacturers; and

the fact that foreign firms have established themselves in the most developed regions of the country, leaving less appealing and rewarding markets to local firms.

41. In 2004, the retail market in **Viet Nam** was worth about $20 billion. Supermarkets accounted only for 10 per cent of the market, although both their share and their value are expected to grow rapidly in the years to come. At present most Vietnamese retailers are small, family-run outlets, offering a limited choice of products to their customers. Most manufacturers distribute their own products, using their own facilities and in-house resources, instead of the proper distribution and retailing channels, with a resulting low level of efficiency and a low level of specialization. Most domestic distributors of branded products, such as cars, clothing and cosmetics, are commission agents of foreign distributors or manufacturers. Experience with franchising is still extremely limited. Compared with other countries in the region, the distribution services sector in Viet Nam is less developed and so are the regulations that govern it. Foreign entry is a still very recent experience, which is based on ad hoc government approval and on meeting conditions, such as those relating to ownership restrictions, rather than on well-developed regulations and strategies. Five large foreign retail chains are operating in the Vietnamese market at present, while many others are waiting for approval. However, competition between domestic firms is quite strong, and the introduction of supermarkets has forced a number of small shops to close down. The few foreign distributors that are present in the market have had a positive impact on the sector in terms of promoting the upgrading of the quality of goods provided by local suppliers, including suppliers of agricultural products. Modern distribution channels may represent an opportunity for boosting future exports of tropical products from Viet Nam.

42. The distribution sector is a critical input in **Trinidad and Tobago** to the efficiency and viability of the local economy. The contribution of distribution services (comprising wholesale, retail, hotels and restaurants) to GDP ranged from 12 to 16 per cent over the period 1995–2004. The share of inward FDI in the distribution sector is relatively small as most investment is directed towards the oil and gas industry. There is a proliferation of actors in the sector, and the industry is competitive on a regional basis. However, firms active in the distribution sector have expressed concerns about the impact of high infrastructural costs on competitiveness. With regard to food distribution more specifically, the industry is composed of many agents, including supermarkets, quick service restaurants and specialty retailers. Most of the equity in the sector is local, and strong growth in this area points to the possibility of exporting to the region. The subsector is marked by high levels of introduction of new technologies. Trinidad and Tobago does not have any commitments under the General Agreement on Trade in Services (GATS) on distribution services, and determination of the type of commitments that could be made would require that appropriate impact studies be carried out.

43. The **Russian Federation** has undergone a drastic reform process since its transition from a centrally planned to a market-oriented economy. Retail trade and wholesale began to operate in the regulatory environment: a number of essential laws did not exist, and those that did were not adequate for the new market conditions. The Perekriostok group, the Russian Federation's leading supermarket chain, has emerged in these conditions to become the fifth largest retailer in Europe and the ninth in the world in terms of retail sales. In its initial stages, the Perekriostok group received seven-year project funding from the European Bank for Reconstruction and Development, and has secured a syndicated loan from western banks. Political stability, structural reform, a growing economy, increasing average income and the adoption of new consumption patterns have characterized the Russian market and services in

attracting FDI. The domestic food retail market is expected to grow at an annual rate of 14 per cent over the period 2004–2010; this makes the Russian Federation a country with an attractive market for both domestic and foreign investors and one where the retail sector offers business opportunities next only to oil and gas in terms of potential. Retail sales in the Russian Federation totalled $194.6 billion in 2004, with the distribution sector's contribution to GDP amounting to 22 per cent. Other factors boosting confidence in the Russian markets include a good investment rating, improvement in corporate governance, low cost and a skilled labour force, commitment to the Russian Federation's WTO accession, and reforms in tax laws and structures. Re-regulation, for example in the area of town planning acts, customs code and store hours, have created a more favourable atmosphere for the operation of retail stores. Further development of the regulatory framework remains important for the growth and efficient functioning of retail trade in the area of e-commerce.

44. The distribution services sector in **Nepal**, which is an LDC, is dominated by traditional players (i.e. small shops run by families over several generations), with the focus mostly on consumables and less on capital goods. There are few modern retail stores, and these are concentrated in urban areas. The distribution sector as a whole is the primary employer for those with the lowest income, and is chosen by the poorest people as their means of survival. There is no foreign presence in the distribution sector at the present time. Some factors precluding foreign entry may be related to the size of the domestic market, given the low purchasing capacity of people in general, the weak competitive edge of domestic players and the lack of established physical infrastructure. The Government is concerned about the possible impact of opening up the distribution sector to foreign competition on domestic industries and on employment; however, it is considered that overall benefits would outweigh costs, mainly through efficiency and overall welfare gains. The Government of Nepal is seeking to better understand what actions need to be taken to ensure and promote modern private-sector presence in the rural areas; how to expedite modernization of the distribution sector; how to make the sector more competitive; how to ensure credibility in international transactions; how to make the services of credit rating agencies easily affordable for national players; and how to create a climate of confidence for buyers and sellers, particularly in international trade.

45. The particular challenges faced by **Kenyan** SMEs in the area of distribution of horticultural products are typical of the challenges and constraints that African developing countries face in exporting. Horticulture contributes 10 per cent of the 25 per cent contribution of agricultural value-added to GDP. The horticultural supply chain starts with small-scale farmers, who represent 60 per cent of all horticultural production and sell their produce through intermediaries. SMEs in the distribution sector have difficulty in securing credit because of their organizational weaknesses, and also because they are not deemed to be creditworthy. However, it is often the constraints that they face in other areas that cause them not to be deemed creditworthy (e.g. they are dependent on erratic international market prices and on weather conditions). The inadequate road infrastructure increases the costs of production owing to delays in accessing and shipping products and the high maintenance cost of transport fleets. SMEs are also at a disadvantage in their discussions with foreign airlines, which prefer to deal with larger players that ensure a larger volume of traffic. As for the constraints relating to communication networks, these are mainly due to the high cost of telephone communications, low Internet access and overall inefficiency of input services. African Governments need to try to address these supply constraints by establishing relevant financial institutions that are sympathetic to SMEs, thus promoting job creation initiatives for the latter, as well as to prioritize investment in infrastructure building and development of

communications networks. The development partners have an important role to play in implementing these policies.

46. In **Morocco** the contribution of the distribution sector to GDP is 13 per cent, and the sector employs 1 million people. There are a number of laws regulating the sector and no barriers to foreign establishment. In particular, there is the law on freedom of prices and competition, to which UNCTAD contributed significantly. Government policies in the distribution sector include promotion of the sector and training activities such as training for SMEs; infrastructure and quality standards development; and measures for improving competitiveness such as equal access to funding, support in accounting and modern management techniques. There are also government support measures for SMEs through guaranteed funding for locals, micro-franchising, modernization of facilities and government efforts to ensure access to foreign markets through initiatives such as the free-trade agreement with the United States.

VIII. Distribution of other services: Audiovisual and tourism

Audiovisual services

47. Developing countries seek to ensure the growth and development of content industries. For example, in South Africa over 180,000 people are employed in music, film and television, and probably a further 1.2 million earn a living in arts- and culture-related jobs. The majority of developing countries have a fragmented audiovisual industry which is production-led. Successful suppliers of audiovisual products, however, including the United States and India, rely on distribution-led and integrated approaches incorporating the production, distribution and exhibition of films. Typically, vertically integrated studios of so-called majors offer services relating to the financing and development of scripts, seek funding from other financial partners, and also act as international sales agents. The absence/lack of integration means that the immediate profits to be earned from film distribution are not available to local producers, and this leads to a lack of reinvestment in a viable film-making process in developing countries. As a result, a critical mass of films is not achieved, and developing country producers cannot consistently release films. Film-makers have to pre-sell the rights to their films in order to secure financing and distribution for them. Consequently, they do not benefit fully from films' success and cannot build up a library of rights.

48. Only a few developing countries, such as China and India, have been able to rely on domestic demand for the distribution of local cultural products. This has enabled them to develop a vibrant domestic audiovisual industry, without the need to adopt domestic policies for protecting and promoting local supply capacities. The majority of developing and least developed countries have concerns about the distribution of their own products, given the dominant position of foreign content providers, which in South Africa, for example, account for 98 per cent of the market. Overall, developing countries realize that traditional State support mechanisms (subsidies and quotas) have not been sufficient to withstand the power of the blockbuster phenomenon. The increase in the number of multiplex cinemas has increased the penetration of foreign audiovisual products into developing countries' markets. Special regulations for multiplex cinemas should be considered in order to ensure that local products are distributed for exhibition.

49. Traditionally, the majors have used a "window" distribution system, which enables the sequential release of films, videos and television programmes in a staged process

(windows) so that the product can be resold to different markets over time at little additional cost. It facilitates price discrimination and the exploitation of secondary markets. However, digital technology poses increasing challenges to this sequential distribution system. This has resulted in the development of niche markets for developing country film-makers. Through different forms of media, they are able to address different segments of the local audience. The Nigerian film industry does not engage all windows in the conventional film distribution chain (cinema, DVD rental/sell and public TV); instead, it operates exclusively in low-cost DVD production and in doing so has managed to create an industry based solely on this sub-set of distribution activity. It produces 50–60 dramas a month; its value chain produces faster service at low cost; and it understands its market. Digital and broadband technology has the ability to leapfrog Nigeria to new heights: by delivering a critical mass of products in a sustained and uninterrupted fashion, the Nigerian film industry is likely to experience huge growth and attract massive private-sector investment.

50. For the bulk of developing countries, however, the advent of new technologies for distribution of their products (satellite, digital TV etc.) is still irrelevant. Thus, for niche markets to be further developed and strengthened in townships and rural areas developing countries require infrastructure in the form of cinemas or alternative forms of "four-walling", for example community art centres. To ensure increased diversity in audiovisual offerings, and given the poor interface that still exists between trade and cultural aspects of the audio-visual sector, the legal and policy implications of a number of flanking strategies are being seriously discussed with a view to levelling the distribution playing field.

Tourism services

51. Travel and tourism constitute a significant industry, which represents 10.7 per cent of the global workforce and provides direct and indirect employment for more than 212 million people worldwide. Moreover, for three out of four developing countries tourism is one of the top five sources of export income. For almost all LDCs and many small island developing countries, it is the only source of foreign revenue and employment. Factors such as effective access to technology, information and distribution channels have become crucial for fostering a competitive tourism sector, including for increasing the participation of the poorest and most vulnerable countries in attracting tourist flows. The use of the shortest possible distribution channels is vital for increasing capacity and retaining more value added. Distribution systems are essential for matching supply and demand in tourism services. Management of supply capacities and tourism resources relies on information networks and distribution channels, where global distribution systems (GDS) are the backbone of tourism business structure, transactions and operations, and the platform for integrating operators and customers at every point in the value chain, offering access to all destinations in the world. The most important GDS are SABRE, GALILEO, AMADEUS and WORLDSPAN. However, new technology has allowed other non-traditional providers of tourism services such as Microsoft, Google and Yahoo to enter the distribution market for tourism services and become providers of e-tourism. The question of fair competition may emerge in the near future, given that the latter suppliers of services are dominant providers of the universal infrastructure platform, which they could abuse in order to gain advantage in the market where they act as suppliers of content tourism services.

52. In addition to providing improved interconnection, distribution networks allow for cost-effective online operations, and coordinated business operations in real time among services providers, by interlinking airlines, hotel chains, public administrations, wholesalers,

travel agencies, promoters and final customers through acting as information channels, distribution channels and databases for investment decisions, and for management of ongoing business operations as a whole. Previously, these services were available only for business-to-business operations, mainly tour operators and travel agencies. Now, with the advent of the Internet, consumers have direct access to all this information. After an initial decline, GDS have adapted to the Internet and begun to offer value-added services, having significantly reduced their costs and transferred part of value added to small providers and consumers. Providing information on the Internet about destinations would be meaningless if Internet traffic could not be secured. Here, GDS become important as they effectively provide and control the traffic and are the most important gateway for ensuring space allocation for tourism destinations as a whole. Cost-effective access to distribution channels, including GDS and the Internet, has become crucial for sustainable tourism in developing countries, including LDCs. The interface of GDS and the Internet has made it possible for small operators to circumvent intermediation and to trade directly with other operators at lower cost. At the present time, 90 per cent of tourism business worldwide consists of online transactions supported by the interface of the Internet and GDS. It had been expected that intermediaries, including tour operators and travel agencies, would disappear with the growth of the Internet and the new services offered. However, while travel agencies are still seeking to adapt and find their specialization in targeting certain segments of consumers, tour operators have invested in technologies and become owners of technology themselves, while also following the path of increased concentration through mergers and acquisitions. Many developing countries, particularly the poorest ones, need support from the international community to upgrade skills and increase their access to the Internet as a means of widening their access to information and distribution channels.

IX. Issues for GATS negotiations

53. The GATS covers distribution services, defining them primarily as distribution of goods. Some inaccuracies and overlaps seem to exist with regard to this classification, and agreement may need to be reached on how to address these under the GATS. So far, the distribution sector has attracted relatively few commitments (currently, only 52 schedules – for 63 Members – include commitments in this sector and only 39 developing countries, 20 of which as a result of accession, have commitments in the sector). In addition, multilateral discussions on distribution services are somewhat limited (for example, there is no "friends group" specifically for distribution services). In terms of offers, of the 69 offers received (including revised ones), 22 relate to distribution services. Out of these, 8 are from developed countries and 14 from developing countries. Seven of the offers contain new commitments (i.e. the Member in question had not had any commitments in the sector before).

54. At the same time, there are substantial barriers in place, impeding market access, including/particularly in Mode 3 (the main channel for trade in this sector). These include foreign equity limitations, economic needs tests on the establishment and expansion of stores (especially in retail), limitations on the type of legal entity (e.g. joint-venture requirements) and discriminatory limitations on the purchase of assets, including land or real estate. Other key market access areas are so-called product exclusions (the fact that the distribution of certain products is sometimes excluded from commitments), for example as regards alcohol, tobacco, or pharmaceutical or certain agricultural (raw) products.

55. Also, regulatory barriers play an important role in the distribution sector. In fact, regulations that do not take the form of quantitative restrictions or discriminatory measures

(under Articles XVI/XVII of the GATS) can be quite significant. Zoning regulations and town planning laws, as well as lack of transparency in their design, or issues related to licensing regulations, serve as an example. They also indicate, however, that regulatory measures can be designed to pursue legitimate policy objectives. It was suggested that, in order to reap the benefits of liberalization, domestic regulation would need to be put in place before liberalization of the service in question. WTO Members are currently discussing how to increase transparency in the area of domestic regulations (under the GATS Article VI.4 mandate). Future disciplines on domestic regulation would help ensure effective market access, including in Mode 4.

56. The importance of labour input cannot be underestimated in the distribution sector. There is only limited substitutability between technology and labour, and temporary movement of natural persons retains its importance for developing countries in trade related to distribution. Hence, Mode 4 commitments in such categories as consultancy and specialist personnel, in addition to intracorporate transferees, and recognition of qualifications would ensure a balanced outcome of the GATS negotiations.

57. It was noted that countries may face difficulties in understanding the nature and scope of commitments, a challenge that is becoming increasingly evident, including for developed countries (e.g. the *US-Gambling* case). The need to understand – and anticipate the effects of – commitments is even more important in the light of the need to schedule commitments in a manner consistent with a country's development needs. This is even more so, since one of the central features of the GATS is the fact that it allows for flexibility, particularly through the careful scheduling of commitments and limitations, which can also help to preserve the right to regulate.

58. It was asked how the GATS could create an enabling and complementing environment for the reform being undertaken by many countries in distribution services. GATS commitments, it was stated, "are not an all or nothing issue". Liberalization of distribution services would require that each country carefully assess the costs and benefits/balance sheet associated with employment displacement/creation, and efficiency/effects on the informal sector; local sourcing/import and effects on the balance of payments; skill transfer and transfer of technology; raising quality standards to facilitate market access/market entry barriers posed by standards; development of infrastructure/pressure on existing resources; and positive spillover effects/crowding out by FDI. Members wishing to consolidate reform undertaken domestically may try to use the flexibility provided by the GATS and thereby reflect the sensitivities that arise in the opening up of the market. To effectively assess the costs and benefits, there is a need to adopt a long-, medium- and short- term perspective.

59. Subsequently, such an assessment would need to be effectively translated into a country's negotiating strategy. Pakistan, where distribution (both wholesale and retail) is *the* single largest complement of the services sector, is an interesting example. It carefully formulated its initial offer, including by going through an extensive stakeholder consultation process and through parliamentary approval. As Pakistan's distribution sector is already relatively open, services trade (and investment) liberalization through the GATS was not an entirely new concept for the country. It being recognized that economic policies tend to affect members of a society in different ways, the objective is to ensure that Pakistan's initial offer will serve the country's more enduring interests.

60. However, it was also recognized that entering into GATS commitments is not sufficient for attracting investment and related benefits; rather, "marketing" commitments are equally important. At the same time, there are fears that liberalization would put pressure on "mom and pop shops". Some experts pointed out that there is a need to properly pace and sequence liberalization and regulatory reform and to cautiously make commitments in the WTO. Others indicated that there was concern that work in the WTO might be too cautious, too hesitant and too risk-averse, and that this could have negative effects.

61. A number of other areas of WTO work are relevant to the distribution sector, namely trade facilitation, SPS measures, TBT, non-tariff barriers, subsidies and tariffs, all of which give rise to complex questions and the need for further analysis.

X. Conclusions

Policy recommendations

62. Liberalization gives rise to competition and, with it, efficiency and quality service at lower cost. At the same time, issues arise relating to the possibility of small, traditional players being driven out of the market, as well as loss of jobs and possible impacts on farmers, combined with the possible loss of indigenous products because of overwhelming uniformization. Nevertheless, experts and participants still underlined the importance of FDI in the development of the local economy. In this respect, to address adjustment costs following market deregulation and trade liberalization, flanking policies would need to be put in place to achieve positive outcomes in terms of reconciling efficiency with social considerations, with appropriate pacing and sequencing of liberalization and regulation. The latter includes competition law, labour laws, consumer safety regulations and product standards, as well as measures to convert informal activities into taxpaying entities. Effective regulations and institutions, particularly relating to the effective enforcement of competition policy and levelling the playing field, are necessary in ensuring fair competition at the domestic level. Measures need to be taken at the bilateral, regional and international levels to ensure effective access for goods and services from developing countries to global distribution channels.

63. The importance of developing the competitiveness of SMEs in the distribution sector needs to be recognized, particularly in developing countries and by the international community. Domestic measures aimed at encouraging the performance of local firms should support and even precede the opening up of the markets to international competition in order to ensure that all market players can take full advantage of those benefits that arise with the entry of FDI into the local market. Boosting competitiveness may require intensive government support as well as the support of international organizations that aim at building capacity and infrastructure services as well as meeting quality standards. International organizations could also assist developing countries in infrastructure development and in the construction of laboratories necessary for ensuring that quality standards are met. Actions by Governments in developing countries which could serve to mitigate the adverse effects of liberalization of distribution services could include continuous training, support in technological upgrading and retraining of those displaced (and if possible, provision of unemployment benefits). Making credit and other forms of financing available at low cost to domestic players is an important measure in promoting entrepreneurship, especially since domestic players would be competing with foreign service providers who have readily available financing for their operations. Help in forming cooperative groups, technical

assistance on business methods and upgrading ICT-related knowledge, and instituting price controls on basic products in order to protect the poor may also need to be considered by policymakers in developing countries.

64. A related option for strengthening distribution services is that it be part of an overall plan for reform aimed at improving a country's competitiveness. Elements of this plan would include identifying clusters of economic actors (both foreign and domestic ones) and ways and means of strengthening these clusters (e.g. by encouraging foreign supermarkets to source locally and to boost local production capacities). Other key elements of a comprehensive reform of the distribution sector include trade facilitation and infrastructure development (including ports and roads) and simplifying customs procedures. Involving economic players and affected stakeholders in the design of the reform programme, and reaching out to international organizations and donors for support, are also crucial in this context.

65. Developed countries could play an important role in increasing the participation of developing countries in trade in distribution services, including by undertaking commercially meaningful commitments in favour of developing countries, including in respect of Mode 4; reducing agricultural production subsidies; acting against restrictive business practices; coordinating action with competition authorities in developing countries where large retail stores put undue pressure on suppliers; helping developing country Governments provide micro-finance to retail SMEs; ensuring that their free-trade agreements and environmental protection agencies encourage the competitive development of retailers in developing countries; encouraging their firms to achieve the aims of GATS Article IV, specifically on providing information on the commercial and technical aspects of the supply of services, and the availability of services technology, and improving developing country products' access to developed country markets; and promoting the harmonization of government-approved standards for technology, corporate social responsibility, employment and working conditions that are applied to producers in developing countries. Incentives that are being imposed by developed countries on their own companies, designed to stem the flow of production to cheap foreign locations, exacerbate the lack of trade opportunities for nascent services sectors in developing countries. Such policies should take into account the costs that they impose on international trade in services in general and on developing countries in particular.

66. International standards, including technical standards and sanitary and phytosanitary standards, can also pose an additional challenge to developing countries with regard to accessing international markets. This is an area where international organizations such as UNCTAD, ILO, OECD, the World Bank, WHO and others have an important role to play in providing technical assistance for capacity building and the promotion of good governance. International financial institutions should strengthen their provision of micro-credit and micro-leasing, support cooperatives for the building of developing country capacity, promote good governance, including the elimination of corruption and money laundering, and promote gender equity by offering different financial instruments at the local level. They should also complement government action, especially in areas where the private sector lacks capacity or sufficient incentives, for example development of physical infrastructure services.

67. To ensure fair competition in the area of *distribution of other services*, policies and rules at the international level may be helpful in guiding competition at the national and regional levels. However, it would be important to ensure that rules are applied in an

intelligent and sensitive manner. Given the limited size of the local market and the lack of possibilities for tapping regional or global markets, film production in many developing countries is not a profitable activity. Policies may need to be considered in developing countries to address challenges posed by multiplex cinemas and promote distribution of their audiovisual products in domestic, regional and possibly international markets. Aid and donor-based financing in the area of film-making need to recognize the importance of the distribution and marketing stages in addition to the production stage.

UNCTAD's work

68. UNCTAD should continue and strengthen its work on distribution services in a number of areas. With a view to achieving the Millennium Development Goals, it should for example:

(a) Support efforts of developing countries in their assessment of trade liberalization in the area of distribution services, including at the product level; analyse the distribution value chain of a selected product in order to identify more specifically the processes involved and related services, including linkages with Modes 1 and 4;

(b) Undertake work for a better understanding of the classification and coverage of distribution services currently provided under the UN Central Product Classification and the GATS services classification;

(c) Analyse to what extent lessons learned in OECD countries could be applied as best practices in developing countries in order to promote distribution of goods and services from developing countries, including encouraging development of the distribution services sector as a whole;

(d) Jointly with other relevant international organizations support efforts of developing countries to help their tour operators, in particular SMEs, in managing the value-added chain;

(e) Identify ways of overcoming challenges facing developing countries in their access to distribution channels and information networks, taking into consideration new developments in markets, technology and regulations. It would be important to assess the potential for clustering within the services-based economy;

(f) Identify ways to improve infrastructure, trade facilitation and conditions for traders in developing countries, including by facilitating pre-shipment inspections; promote standardization and harmonization; streamline customs authorities and lower clearance fees; and, more broadly, analyse to what extent trade agreements can help to achieve those objectives, thereby promoting South–South trade;

(g) Analyse regulatory and competition-related issues in distribution services.

Chapter II

ORGANIZATIONAL MATTERS

A. Convening of the Expert Meeting

69. The Expert Meeting on Distribution Services was opened at the Palais des Nations, Geneva, on 16 November 2005 by Mr. Victor Busuttil, Officer-in-Charge, UNCTAD.

B. Election of officers
(Agenda item 1)

70. At its opening meeting, the Expert Meeting elected the following officers to serve on its bureau:

Chairperson:	H.E. Mr. Y. F. Agah (Nigeria)
Vice-Chairperson-cum-Rapporteur:	Ms. L. Zhang (China)

C. Adoption of the agenda and organization of work
(Agenda item 2)

71. At the same meeting, the Expert Meeting adopted the provisional agenda circulated in document TD/B/COM.1/EM.29/1. The agenda for the Meeting was thus as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Distribution services
4. Adoption of the report of the Meeting

D. Documentation

72. For its consideration of the substantive agenda item, the Expert Meeting had before it a note by the UNCTAD secretariat entitled “Distribution services” (TD/B/COM.1/EM.29/2).

E. Adoption of the report of the Meeting
(Agenda item 4)

73. At its closing meeting, the Expert Meeting authorized the Rapporteur to prepare the final report of the Meeting under the authority of the Chairperson.

Annex

ATTENDANCE*

1. Experts from the following States members of UNCTAD attended the Meeting:

Algeria
Azerbaijan
Bangladesh
Belarus
Benin
Bhutan
Bolivia
China
El Salvador
Ethiopia
France
India
Indonesia
Iran (Islamic Republic of)
Italy
Kenya
Lao People's Democratic Republic
Madagascar
Malaysia
Mali
Morocco
Nepal
Nigeria
Pakistan
Paraguay
Philippines
Poland
Russian Federation
Saudi Arabia
Samoa
Spain
Syrian Arab Republic
Swaziland
Sweden
Switzerland
Thailand
Trinidad and Tobago
Tunisia
Uganda
Ukraine
United Republic of Tanzania
Uruguay
Yemen
Zimbabwe

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

African, Caribbean and Pacific Group of States
Andean Community
Caribbean Community
South Centre

3. The following specialized agency was represented at the Meeting:

United Nations Industrial Development Organization

4. The following panellists attended the Meeting:

Assessment of developments in the global markets of distribution services

Ms. Wendy Becker, Partner, McKinsey and Company
Mr. Heinz Werner, Heinz Werner GmbH

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* For the list of participants, see TD/B/COM.1/EM.29/INF.1.

Mr. Photy Tzelios, Director, Supply Chain Management, SHOPRITE, South Africa (via videoconference)
Mr. Dave D. Weatherspoon, Michigan State University, United States
Mr. Arvind Singhal, Chairman, KSA Technopak, India
Mr. Deunden Nikomborirak, Research Director for Economic Governance, Thailand Development Research Institute

Domestic regulatory frameworks in distribution services and challenges facing developing countries

Ms. Maria E. Maher, Senior Economist, Structural Policy Analysis Division, Economics Department, OECD, Paris
Sra. Maria Esperanza Dangond, Bogotá, Colombia
Mr. Wenping Luo, Shanghai Maritime University, China

Competition-related issues

Mr. Paul Dobson, Professor, Competition Economics, Marketing and Retailing Research Group, Loughborough University, United Kingdom
Mr. Deunden Nikomborirak, Research Director for Economic Governance, Thailand Development Research Institute

National assessment of experiences with trade and development of distribution services in developing countries

Mr. Arpita Mukherjee, Senior Fellow, Indian Council for Research on International Economic Relations
Sr. Carlos De La Torre Muñoz, Quito, Ecuador
Ms. Dang Nhu Van, Head of International Integration Department, Center of Analysis and Forecast, Vietnamese Academy of Social Sciences
Mr. Lev N. Safronov, Chief, Department of International Relations, JSC Trading House, Perekriostok, Russian Federation
Mr. Samuel Gicheru, Managing Director, Tropical Kenfield Exporters Limited, Kenya
Mr. Julian Arkell, International Trade and Services Policy

Distribution of services: Selected case studies

Audiovisual services

Mr. Mike Dearham, Director, South Africa Film Resources Unit

Tourism

Mr. Auliana Poon, CEO Tourism Intelligence International, Trinidad and Tobago
Mr. Felipe Gonzalez Abad, CEO, SAVIA AMADEUS, Spain

The way towards WTO Hong Kong Ministerial Meeting: Distribution services in the GATS and interests of developing countries

Mr. A. Hamid Mamdouh, Director, Trade in Services, WTO
Mr. Audo Faleiro, First Secretary, Permanent Mission of Brazil, Geneva
Mr. Shri R. Gopalan, Joint Secretary, Ministry of Commerce and Industry, India

Mr. David Cairns, United Kingdom
Sr. Roberto S. Bosch Estévez, Primer Secretario, Misión Permanente de la Argentina ante la OMC, Ginebra
Ms. Alicia D. Greenidge, United States
Ms. Kanitha Kungsawanich, Thailand

5. The following special invitees attended the Meeting:

Mr. Sumantha Chaudhuri, India
Ms. Myriam Vander Stichele, Centre for Research on Multinational Corporations
Mr. Dirk Willem Te Velde, Overseas Development Institute

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