Multi-year Expert Meeting on
TRADE, SERVICES AND DEVELOPMENT
Geneva, 15-17 April 2014

SESSION 3:
INFRASTRUCTURE SERVICES UNDER REGIONAL TRADE AGREEMENTS

Mr. Tomochika Uyama
Deputy Permanent Representative
Permanent Mission of Japan, Geneva
Liberalization of Services for improving an investment climate

Tomochika UYAMA
Deputy Permanent Representative
Permanent Mission of Japan in Geneva
13 EPA/FTAs mainly with ASEAN countries have entered into force, which covers about 19% of Japan’s overall trade. In its growth strategy, “Japan Revitalization Strategy” (released June 2013), Japan set a target of trading FTA ratio of 70% by 2018.

※GCC: Gulf Cooperation Council
(UAE, Bahrain, Saudi Arabia, Oman, Qatar, Kuwait)
Creating an Investment Climate
--a role for infrastructure services--

• In the modern era of regional and global value chains, most important is **how to participate in those chains**.
• **Investment** plays a critical role.
• How to improve an **investment climate** is essential.
• Various factors could contribute to the investment climate but **international commitments through WTO and RTAs** would be an important factor.
• What role services can play in that context? **Core services commitments could contribute to improving an investment climate**, functioning like infrastructure, to encouraging various business activities.
Values of Services (1)

- Traditional distinction between trade in goods and trade in services
  - Trade in Goods governed by GATT
  - Trade in Services governed by GATS
  - Therefore, “manufacturing” was not considered as services
- Values of services are recognized as core element of economic activities.
- For example, services industries occupy:
  74.5% of GDP in Japan; and
  70.2% of employment in Japan
Value of Services (2)

• **Trade in value added** further changed the nature of services in economic activities

• Services are considered as part of a "manufacturing" process.
  – Assembly
  – Parts and components
  – R&D and Design
  – Marketing and Sales

• **Basic services, like finance, telecoms and transport supports the process from the bottom.**
A Smile Curve
Regional and Global Value Chains

• Different parts of manufacturing processes now constitute regional and global value chains.

• *Services components also are part of such chains.*

• Trade liberalization is important in the global scale as well as in various regional context.

• Therefore, in many cases, *trade in services constitute an important part of RTAs.*
Role of RTAs

• RTAs: a built-in exception of MFN.
• Wider and deeper liberalization for trade in goods on an discriminatory basis.
• Border regulations on trade in services are non-discriminatory in nature, so the liberalization in trade in services is likely on an MFN basis.
• So, RTAs will provide wider commitments to rock in the existing level of liberalization.
• This is a part of a whole RTA which contributes improving an investment climate of the country concerned.
Negative List or Positive List?

- GATS: a positive list for MA and NT commitments
- **Wider and deeper liberalization would be likely if parties introduce a “negative list” approach** in RTAs.
- The “negative list” approach could include:
  - Transparency
  - Standstill
  - Ratchet
- But, the choice of approach only defines the way commitments are described and not necessarily the content of commitments.
Japan Philippines EPA

• An integrated framework agreed:
  – A positive list.
  – Elements like standstill and transparency list are introduced from the negative list approach.

• Very extensive commitments from Japan

• Substantial improvements of commitments of the Philippines (next page)
The Philippines commitments

• **65 sub-sectors under standstill**
  – e.g. certain services related to computer, lease, energy, telecoms, maintenance, advertisement, mining, commercial banks, tourism and transport

• **Around 100 subsectors of liberalization commitments.** cf. 30 at the GATS
Japan’s FDIs to the Philippines
on an approval basis

(Bilion Php)

Japanese FDIs

Japan-Philippines EPA


14.5 41.2 43.9
12.2 20.4 23.0
17.1 8.8 26.6
27.5 20.1 38.6
16.1 70.7 77.4
58.3 69.0 44.8
Japan’s EPAs

- **Negative list** with Mexico, Chile, Switzerland and Peru.
- **Positive list** with Singapore, Malaysia, Thailand, Indonesia, the Philippines, Vietnam, and India.
Merit of RTAs

• Negotiations are held at capitals, there are frequent opportunities to meet not just with negotiators but also with regulators of each sector.

• More opportunities to focus in each sector to learn about regulatory environment, including laws and regulations, for each party.

• Also there are opportunities to meet with commercial and industrial representations to hear about real bottlenecks in doing business
Infrastructure services as an investment climate

• For business people, trade pacts like WTO and RTAs are part of various factors that affect business environment.

• **Liberalization commitments of key services, like finance, transport and telecoms are important.**

• More important would be **such key services are in operation in the real world.**
For improving an investment climate
--Beyond RTAs

- Most effective is government’s own reform efforts, in particular a governance reform.
- Also important is for the government to have a constant dialogue with business communities to find bottlenecks and ways for solutions.
- On such a basis, support by governments of partners could play a role to bridge a gap, by providing ODAs (aid for trade), capacity building, trade insurance and Exim bank loans.
- Attention should be paid to recent trend of private initiatives, like PPPs for building and operating a big infrastructure