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## Global Services Forum

### UNCTAD XIII pre-Conference event

Held at the Qatar National Convention Centre, Doha, on 19 April 2012

Summary prepared by the UNCTAD secretariat

### Introduction

1. The Global Services Forum, a major pre-Conference event of UNCTAD XIII (Doha, Qatar), was held on 19 April, 2012. The Forum was organized by UNCTAD together with Talal Abu-Ghazaleh Organization (TAG-Org) and the Commonwealth Secretariat, and in partnership with China Association of Trade in Services, Australian Services Roundtable, European Services Forum and Arab NGO Network for Development and the Caribbean Network of Services Coalitions. The Forum was opened and chaired by H.E. Dr. Hamad bin Abdulaziz Al-Kawari, Minister of Culture, Arts and Heritage of Qatar. The Secretary-General of UNCTAD delivered opening remarks. The Forum brought together a large number of Ministers, high-level policymakers and business leaders, as well as representatives of coalitions and associations of services industries and civil society, across the world. Representatives of relevant international organizations and civil society also took part in the Forum. These included the World Bank, WTO, OECD, ITC, the World Tourism Organization (UN-WTO), ITU, ECA, African Union, the ACP Group of States and the African Export-Import Bank, as well as the International Lawyers and Economists Against Poverty (ILEAP), Centre for Research on Multilateral Corporations (SOMO) and the Third World Network.

## I. The importance of services for development

2. The services sector plays a key role in income generation, growth, employment creation and foreign exchange earnings for all countries, particularly in developing countries. Participants in the Forum concurred that the sector had globally become the leading sector of the economy and the locomotive of growth, with the benefits spreading over micro and macro levels through extensive positive multiplier effects in the economy, affecting growth prospects in all economic sectors and activities. Services were a backbone of the economy and essential inputs to all economic activities. They were also incubators of innovation, knowledge creation and diffusion, and a key determining factor of vibrant merchandise trade, investment and global value chains. In services, intermediate trade represented 73 per cent of total services trade as compared to 56 per cent in merchandise trade. Essential and infrastructure services, such as energy, education and health, were key enablers of the achievement of the Millennium Development Goals, and inclusive development. Such essential attributes of services had made efficient and competitive services a “must” for any country wishing to attain inclusive and sustainable development. Services represented the “future” for the population, particularly for the youth and women.

3. Accounting for over 70 per cent of GDP and labour force, the services sector had matured in developed countries. However, the sector represented the new frontier for developing countries with the corresponding shares remaining at 50 per cent and 35 per cent respectively. They faced the challenges of building and expanding productive and trade capacities in the services sector. The sector presented an opportunity for diversification away from commodity dependency. Trade in services, which had been resilient to the crisis as compared to merchandise trade, created opportunities for services-driven development strategies, while those developing countries dependent on income-sensitive services such as tourism were affected.

4. Several developing countries were successful in reaping sizable developmental benefits from services trade and economy. Developing countries, including least developed countries (LDCs), were exploiting traditional areas of their comparative advantages based on abundant and competitive labour force and natural endowment, such as movement of natural persons (Mode 4), tourism, construction and health care services. Tourism was particularly important for small and vulnerable and island economies. There was still a substantial potential for further expansion of tourism services in coming decades, provided they shaped the adequate conditions and policies with regard to business environment, infrastructure, facilitation, marketing and human resources. Along with opportunities, challenges also arise in maximizing social and economic benefits and minimizing negative impacts. Trade through Mode 4 and remittances were particularly important for developing countries, including LDCs, both in the South-South and North-South contexts. Channelling remittances flows into productive investment would be important requiring access to an inclusive and deepened financial sector. Dynamic merchandise exporters had developed capacities in transport and logistics services while increasingly counting on domestic services to secure balanced growth and inclusiveness.

5. Modern knowledge-based and technology-intensive services such as managerial, professional and business services, as well as ICT-enabled business services outsourcing, had enabled various countries to bridge distance and traditional barriers to trade. They were indispensable to the growth of global value chains. The wave of technological advances in telecommunication and ICT had also created new business models and innovative services, such as in the areas of health, education and financial services, which significantly contributed to inclusive development, financial inclusion and poverty alleviation. Growing at an impressive annual pace of 20 per cent and exhibiting resilience to the financial crisis, the Islamic banking had demonstrated its potential for supporting financial inclusion and

the real productive activities. The need to improve data and statistics on services was stressed.

## **II. The role of governments and the private sector**

6. Notwithstanding enormous opportunities represented by services, such benefits were yet to be fully harvested by many developing countries. Participants considered ideas on strategies to strengthen the development impact of services sectors. In this regard, the central role to be played by the governments in establishing adequate policy, regulatory and institutional frameworks, including through multi-stakeholder consultative processes, were stressed. Multi-stakeholder consultations and internal coordination were seen to be particularly important as services sectors often fell under multiple ministerial competences. Participants recognized that the governments needed to provide an enabling environment for services, especially conducive to building productive capacity and infrastructure for services, as well as facilitating the private sector participation, including small and medium-sized enterprises (SMEs), and services trade. It was noted that often developing countries suffered from various capacity bottlenecks such as high cost and unavailability of capital and deficiency in services related infrastructures, and weak quality standards.

7. Participants also acknowledged the importance of improving market access in services trade. Various border and regulatory measures relating to qualification and technical standards, establishment and movement of persons could act as complex barriers to trade and business transactions. The need was recognized to unleash the full potential of the private sector. Consideration of public-private partnership (PPP) was also important. Developing countries often suffered from human, policy and institutional constraints in effectively negotiating and taking advantage from greater market access conditions abroad for services providers. For instance, developing countries had been largely unable to benefit from opportunities arising from the government procurement market. Some countries mentioned the need to carefully approach liberalization, as government procurement played an important role in development, productive capacity and job creation. Others drew attention to the new WTO Government Procurement Agreement, and WTO acceding countries that had joined the Agreement. In this regard, the importance of special and differential treatment for developing countries was highlighted. It was essential that building regulatory frameworks and trade liberalization were advanced in a coherent fashion, ensuring adequate contents, pace and sequence of these processes, as well as development imperatives.

## **III. Approaches to services liberalization**

8. Liberalization of trade in services had been pursued at multilateral, regional and bilateral levels, as well as through unilateral process. While it was often claimed that the inability of countries to strike a “mega-balance” had been at the root of the Doha Round impasse, it was stressed that developing countries had made significant contributions to General Agreement on Trade in Services (GATS) services negotiations. The point was made that, given the built-in nature of the mandate on services negotiations under GATS Article XIX, negotiations on services could continue irrespective of the Doha Round. Reference was made to plurilateral approaches to services negotiations that had been proposed by several countries to unblock the stalemate. Several speakers noted that plurilateral approaches could work in contradiction to the multilateral approach and single undertaking as the results were not multilateralized, irrespective of whether they took the form of plurilateral agreement similar to World Trade Organization (WTO) Agreement on Government Procurement or stand-alone regional trade agreements (RTAs). Concern was

expressed that such Agreement could restrict policy space available to developing countries as they could entail deeper and broader commitments. Other participants stressed that the private sector was increasingly interested in plurilateral liberalization among a critical mass of countries in generating commercial opportunities. Several participants highlighted the fact that, irrespective of the approach taken to liberalize trade in services, liberalization should not be an end in itself and it should not be equated to deregulation, since the real objectives of reform should be to achieve efficiency and competitiveness to foster jobs and development overall.

9. Participants generally concurred that the multilateral approach to services trade liberalization was first-best approach. As the multilateral process could be slow and lead only to limited level of liberalization and regulatory cooperation, there was case for regional integration in services, which usually led to WTO-plus deeper liberalization commitments. Some expressed concern over their effect on limiting policy space. It was noted that the effect of preferences in services under RTAs might be limited as nationality-based discriminatory measures were often avoided for practical regulatory reasons and their effect mitigated by liberal rules of origin. Some developed countries had placed importance on a wide coverage and deeper services commitments because services were intrinsically connected to merchandise trade, investment and competition. Many developing countries in all regions had embarked on regional integration of both developed and developing countries, such as the Trans-Pacific Partnership Agreement, Tripartite Initiative in Africa and EPAs between African, Caribbean and Pacific (ACP) States and the European Union. Cooperative frameworks regarding regulatory harmonization, payment system and investment had proved to be particularly beneficial. Coalitions of services and associations had played an important role in providing private sector inputs into trade policy and liberalization agenda. The Forum was informed that Mexico was in the process of consolidations of its coalition of services.

#### **IV. The twenty-first century services issues**

10. The Forum's deliberations had brought about greater clarity on twenty-first century issues in the services sector and new trade agenda. For instance, financial regulatory reform and the need to enhance macro prudential regulatory framework, as well as the need to reform global financial architecture, were recognized. Several speakers emphasized that financial regulatory reform should aim at restoring the core function of the financial sector, namely supporting productive activities in the real economy. Identifying and addressing moral hazard created by mega-conglomeration ("too big to fail"), and redressing pro-cyclical bias in regulations, were identified as key issues. Attention was drawn to the negative effect of new financial products such as derivatives. Given the continued process of financial regulatory reforms, the point was made that liberalization needed to be approached with caution. Many participants expressed the view that multilateral and regional trade and investment agreements had placed excessive emphasis on deregulation and constraints posed on national regulatory autonomy as regards financial services.

11. ICT and offshoring of services had contributed to the rapid expansion of global supply chains, job creation and poverty alleviation. Trade had also increased with some of the essential/ public services that were traditionally provided by government which created opportunities. Education was key for building human capital including for the services sector. Trade in higher education services, for instance, had evolved through various modes of supply. While services trade led to more jobs in expanding services sector, increased competition would put pressure on more informal jobs, often in services, and could adversely affect the quality of jobs. Trade integration and investment and labour market

integration should be approached in tandem to enhance positive labour market outcome through more open services trade.

## V. The way forward

12. It was recognized that the importance of services should not be taken for granted, and that the private sector and public advocacy and awareness-raising were key to enhancing the sector's contribution to growth and development. Participants made a strong call to enhance networks among national and regional services coalitions and associations, and promote all forms of partnership and cooperative frameworks on services involving the private sector, services industries, government, researchers and civil society. There was consensus to institutionalize the Global Services Forum, which was considered a major outcome of UNCTAD XIII, and participants agreed to meet regularly. Participants acknowledged the unique and pioneering nature of the Forum as the first of its sort in the history of international cooperation relating to the services sector. No comparable intergovernmental forum on services existed on a global scale that brought together a range of stakeholders.

13. The Forum witnessed the launching of the Arab Coalition of Services Industries (ACSI), which was conceived and proposed at the initiative of Talal Abu-Ghazaleh Organization (TAG-Org) and UNCTAD. The Statement of Purpose and the Draft Articles of Association were presented at the Forum to be finalized subsequently. It was proposed that the ACSI would be domiciled in Qatar. ACSI would ensure the continued development and prosperity of world-class Arab services businesses and the vibrant domestic services sector that supported inclusive and sustainable development in the Arab region. The ACSI would bring together representatives from various services sectors from Arab countries, and promote partnership and cooperation to support development of Arab services businesses and economy. It would advocate raising the profile and awareness of services sectors to allow the region to better harness the tremendous potential of services trade. One area of focus would be knowledge economy.

## VI. UNCTAD contribution

14. Participants commended UNCTAD's comprehensive and pioneering work on services, such as the regulatory and institutional dimension of infrastructure services and national Services Policy Reviews. They called upon UNCTAD to substantially strengthen its analytical, consensus-building, intergovernmental and advocacy work on services, and address capacity constraints faced by developing countries in building sound regulatory and institutional frameworks on services and effectively formulating policies aimed at building competitive productive capacity and facilitating effective participation in trade negotiations on services to promote inclusive and sustainable development. UNCTAD was also called upon to promote partnerships and cooperative frameworks, including among coalitions and associations of services industries. The Forum also served as a launching pad for two new innovative UNCTAD publications on *Services, Trade and Development*, financed by the International Development Research Centre (Canada), and *Regulatory and Institutional Dimension of Infrastructure Services*.