

**THE EUROPEAN SERVICES NETWORK****Keynote speech to the Preparatory Conference  
for the World Services Congress****The University Club, Washington DC****Wednesday 2nd June 1999**

Thank you, Chairman. As I look back over the programme that we have discussed over the past two days, I do not think there is very much more I can say about the processes and issues for GATS 2000. However, as I am speaking in Washington, and as the European Service Network is now just about four months old, I thought this was a good opportunity to tell you what we are trying to achieve in the European Service Network and how I think it can interact with service industries in this country and thus, I hope, assist the GATS 2000 process.

Looking back to the agreement on financial services which was reached in December 1997, there is no doubt that we all learnt that a partnership between industry and Government achieves results because it increases the knowledge of Government on the industrial issues and of industry on some of the political difficulties in the liberalisation process.

Prior to the formation of the Financial Leaders Group, European financial leaders were simply not aware of the ways in which the World Trade Organisation liberalisation process could benefit their businesses, and at the same time, not all Governments and negotiators were well informed on the industry issues. Significantly, the European Commission also saw the benefits of strong business participation in the process, and in 1998 Sir Leon Brittan, Vice-President of the Commission, asked me to create and chair a select group of European business leaders in the service industries, to act as a link between the Commission and a wide range of service industries as the World Trade Organisation Talks widen their horizons into other service industries.

I must admit that when I agreed to form this group I had little idea of the range of service industries that would be represented under the banner of the European Services Network (ESN). We now have 80 participants from 15 different service sectors and the group has developed rapidly into a network of industry representatives from across the European service sector. It has as its aim, the improvement of market access for the European services sector and the removal of other trade barriers and has been set up for a period covering the preparation and subsequent conduct of the GATS 2000 negotiations. The most significant fact about the European Services Network is the large overlap of interests within different service industries. Issues like E-Commerce, Procurement, the Movement of Personnel, Pro-competitive Regulation and others affect a wide variety of service industries and those industries can learn from each other and adopt common policies, so that their combined voice is more powerful than one that is fragmented.

Following the Financial Leaders Group model, I decided to apply a similar framework to the ESN, with a Leaders Group - composed of 46 Chief Executives or Chairmen of the services firms and a Policy Committee - composed of interested European organisations and the personal representatives of the Chief Executives on the European Service Leaders Group.

The European Services Network has members from not quite every letter of the alphabet, but one of the results of having such a wide membership is that we now have service industries where the United States is not a traditional ally, rather a traditional barrier so the natural alliance that we were able to forge in the Financial Leaders Group cannot so easily be undertaken. Similarly, I am sure that there will be areas within the European Services Network where Europe is perceived to put up barriers - and I am not just talking about bananas!

I think the issues of barriers to trade is a serious one for both the United States and for Europe, and one to which we - as a group - should be turning our attention, just as much as we are paying attention to the barriers being put up by other countries to the liberalisation process. I say that not just because we are all committed to the liberalisation process, but because our own negotiators are disadvantaged if there are obvious barriers to trade in their own backyard. Those barriers, of course, may not be national barriers in the United States, they may be barriers within States, just as in Europe the barriers may not be Europe-wide but may be in individual countries. Nevertheless, we must pay attention to them and the removal of those barriers must be on our agenda.

Those of you who have worked with me in the Financial Leaders Group will know that I am convinced that a unification of interests between the European Commission and the United States is a powerful alliance and we should make every effort throughout the service industries to try to ensure that that comes about. That means that we will have to try to solve some traditional rivalries. We must make the attempt.

The other main message that I am giving to the Network is to ensure that each sector group puts forward its aims in a structured way. There is no point in saying in a general way that you are in favour of liberalisation. What are the main barriers to trade, where are those barriers and what are your industries

priorities? Our negotiators need to know all that information. As was said yesterday, the amount of information available on trade and services has magnified hugely over the past few years as a result of greater interest in the liberalisation process and particularly a greater interest by the private sector as they realise that the WTO process can bring real benefits. They also need to have good news stories, examples of where liberalisation has shown clear benefits. Liberalisation in some parts of the world is categorised as a threat to stability and that has to be countered by showing the benefits to both countries and consumers. We should not be carried away by thinking that liberalisation is a win-win situation for everyone. There will be losers, at least in the short term, as markets open up and more competition comes in and, in some countries, it is those threatened institutions which will lobby hardest against the liberalisation process.

In financial services, liberalisation brings welcome benefits for consumers and corporates throughout the world through increased choice, lower costs and stronger banking systems as a result of inward investment. However, the liberalisation process also needs to be accompanied by moves to improve the quality of regulation and supervision. Much of the crisis in the financial sector in Asia in 1997 was due to poor supervision of financial institutions, coupled with a lack of inward investment through restrictions on the liberalisation process. We all know that the standard of regulation throughout the world is, in general, not good enough. Many countries allow political interference with their regulator and many do not have the sophisticated resources that are now

necessary for the regulatory function. The focus on regulation must not be allowed to dim. I am concerned by some signs in Asia that a strengthening of the finances in some countries is being

accompanied by a relaxation of the original good intentions to improve supervision and regulation. I hope that GATS 2000 will recognise that liberalisation on its own is not sufficient, particularly in financial services.

Regulation brings me onto the subject of E-commerce, which is fast becoming a major issue as Internet providers and Internet shopping increases by leaps and bounds. I believe that the use of technology as a delivery channel for goods and services is an irreversible process and that more and more people throughout the world will use it. Whether or not you believe the projections for Internet shopping is immaterial. E-commerce is affecting a wide range of service industries; Retail, Audio Visual, Banking, Insurance, etc., and, therefore, the only real issues for Governments are firstly, how is it to be regulated and secondly, how is the consumer to be protected? Any attempt to set up barriers to stop it will be engulfed by the waves. The WTO is not the organisation to set up the regulation but its attitude to E-commerce should be governed by the fact that this process is irreversible. The British Prime Minister, Mr Blair, said at the 50<sup>th</sup> Anniversary of the Multi-National Trading System last year that we must maximise the benefits of the electronic age and the borderless economy. The Telecommunications and the IT agreements of the WTO had already made a contribution, but there is a long way to go and countries which resist that process are fighting a losing battle.

In the financial services negotiations, we argued that action coupled with intention was acceptable. We recognised that many developing countries needed to build in some protections within the process of liberalisation, and we were satisfied provided a country laid out a timetable over which it would take action, coupled with some action on day one. This remains my view whichever service industry we are talking about, and it also remains my view in relation to new countries seeking to join the WTO process. For instance, neither China nor Saudi Arabia can be expected to pull down all barriers immediately and we must take account of that, provided they recognise that some progress has to be made. There are still countries, such as India, where hardly any progress was made in the 1997 agreement and where more pressure is needed in GATS 2000 because we cannot allow existing members of the WTO to opt out completely. In every negotiation, we need to draw lines in the sand and move forward. But expansion of world trade through the liberalisation process does need to take into account the social position of developing countries and issues like the dominance of an industry by foreign interests, or unemployment as a

result of new competition. The liberalisation process is a perfectly satisfactory process if it happens in a planned way over a number of years, rather than all happening on day one.

The ESN is seeking to contribute actively and positively to the preparations for the negotiations. Already, the ESN has produced four position Papers which have been sent to the Commission on Scheduling Methods, Pro-Competitive Regulations, Safeguards and Public Procurement. Two further Papers have been drafted, one on E-commerce and one on Subsidies, which will be considered at the ESN meeting next month. This input has been welcomed by the Commission and is also focusing the attention of the sector groups in the private sector.

It is important that the private sector realises its responsibilities and pushes for the WTO process to be a success and to move the liberalisation process forward. Given what Bill Frenzel told us yesterday in his opening address about the lack of support in Congress and, therefore, the possible lack of leadership in the United States, that becomes all the more important. It is my belief that the United States actually has a lot riding on this process, since it is hosting the Ministerial Conference in Seattle at the end of this year. It would be incongruous if a process that was highlighted by the United States and which has a definite three-year timetable on it, did not reach a conclusion due to domestic weakness in the largest participant in world trade. I am, of course, also concerned that the WTO itself does not at present have a leader. I'm sure that will be solved in the relatively near future but, nevertheless, the lack of a successor is worrying as we go into a very key period at the start of the current process.

I believe that firm WTO commitments have a key role to play in attracting capital and encouraging stability. In the ESN, we have an important foundation for securing a successful outcome to these negotiations. The support of the ESN throughout Europe has shown that Europe, after a slow start, is waking up to the benefits that the WTO process can bring. The Coalition of Service Industries here in the U.S. has shown us the way. I am pleased to see that Japan is looking at creating an organisation similar to the ESN and the CSI, because one of the great benefits of the Financial Leaders Group has been the support that we have had from the Fuji Research Institute, whose chairman, Toru Kusakawa, is here today. It's important we all realise that what we are talking about today is a global process which involves us all.

It is absolutely right that the private sector should contribute to the thinking of our Governments as the talks get closer. The fact that the ESN exists at all is evidence that all parties to the negotiations recognise the contribution we have to make. By achieving Government-industry co-operation in the forthcoming talks, just as we did so successfully four years ago, we are laying the foundation for another successful outcome.

---