European Services Forum

Global Services FORUM SUMMIT

Visions on the global services economy and trade in services in the 21st century An enabling environment for services and services trade

14.30–17.30, 29 May 2013
CNCC, LEVEL 1, BALLROOM A

Dear Ministers,
Dear Excellences,
Ladies and Gentleman,

It's an honor to be here today is such a prestigious gathering and I would like to thank UNCTAD for inviting me at this Global Services Forum, and to thank the Chinese Government for hosting this event.

The rise of the services component in the economy has indeed played a very important part of the development of the world economy in the last fifty years, at even a stronger pace in the last decade with the development of the digital economy. Services sectors generate more than 70% of the GDP in the developed countries, but also more than 50% in a large majority of emerging and developing economies.

When we look at the share of services in the world trade, it however represents only 20-25%, with a total of nearly 4 trillion $ in 2011. But this figures show only trade in services through the balance of payment. Trade in services is much more than this. We also have to take into consideration the role played by services companies in foreign direct investment (FDI), since the favourite mode of supply of our companies towards international clients is indeed to set up an office close to the consumer, which requires a commercial presence abroad, hence a foreign investment, which is not translated into the world trade figures. More than 60% of all FDI are invested into services sectors.

Furthermore, if we look at the recent study of the OECD and WTO analyzing the world trade not anymore in terms of balance of payment but into valued added terms, they found out that services input to manufacturing production is more than 25% in OECD countries. They conclude by assessing that trade in services represent in fact more than 55% of the total trade of developed countries and more that 45% of the world trade when measured in value added terms.

Now, if we look at who are the major players in the world in trade in services today, the European Union comes by far the first with nearly 25% of the total (extra-EU) and even up to 42% of the global trade in services if we add the intra-EU. Should we translate this into valued added terms, it will probably show that the EU is today representing more than 50% of the world trade in services. US comes second with 18%, and China third with 6%. So, yes of course, for the European Services Forum, it is obvious that we want to participate to a debate on the "Visions on the global services economy and trade in services in the 21st century", which is the title of this session today.

It is not to say that services is more important than manufacturing or agriculture, but it is crucial for all governments to realise that in the global supply chain, goods and services are integrated into each other at all levels of the production and of the economy. And the development of the agriculture and of the manufacturing industry must take into account the development of the services around the products, and the development of the services sectors has to take into account the needs of their major customers in all sectors of the economy.

The 21st Century world economy is not sectoral anymore! We talk about the global supply chain; we talk about global value added chain. But what about the trade policies? What about the trade negotiations?

If we want to talk about trade in services, we need to talk about the possibilities of services providers to trade and do business beyond their domestic borders. Of course, autonomous reforms allowing foreign companies to access domestic markets are the easiest way to achieve this, and we in the private sector strongly support any government to open up their market by adopting relevant domestic regulations in the various services sectors.

But for foreign investors and traders to take benefit of such new opportunities, they need legal security. They need a guarantee that, should the government change, they will not be asked to move out. And this where Trade Policy comes out, as a tool. An International trade treaty is an insurance policy for international traders and investors.

The European Services Forum has been a fervent supporter of the single undertaking in the Doha Development Agenda. But let's face it. Services have never been taken seriously during these DDA talks that are now completely stalled. Ministers did not spend more than five hours on services during these last twelve years. And in fact, it was not the whole WTO membership which was participating actively to the GATS negotiations, but only a group of 30 countries, with rather low ambition offers. Services negotiations have been taken hostage by agriculture and NAMA. But when you look at the previous figures I mentioned on the importance of trade in services for the European Union, you will understand easily that any trade deal, be it multilateral, regional or bilateral, without significant commitments on services is not an option for the EU.

Let me wish every success to Ambassador Azevedo in his new endeavour as Director General of the World Trade Organisation, and let me also pass this message to him and to the WTO members, many of them are present today at ministerial level: Any WTO deal to be balanced will need to take into consideration the new dimension of trade in services in the global economy in the 21st Century.

To remain relevant, the WTO needs to realise that the world economy and the world trade has changed. Trade in agriculture (less than 8% of world trade) cannot take up the progress of the world trade body. And I think that it is appropriate to repeat this message at the Global Services Forum today.

In any case, services companies cannot wait. In 2006, EU Trade Commissioner Peter Mandelson ended the moratorium on any new FTAs that was established under the tenure of his predecessor Pascal Lamy. From 2006 until today, the EU signed up bilateral trade deals with countries like Korea, Colombia, Peru, Central America, Caribbean countries, and Singapore, and soon hopefully with Canada. In each of these agreements, the services chapter and schedule of commitments are very significant, and the ESF has strongly supported them… But it was essentially about catching up what the USA had done earlier. And so many other countries in the world that has created the "noodle bowl". But not that many do tackle trade is services barriers. But the US one did. And our companies did lose market shares.

The EU is now moving even higher and faster in terms of liberalisation of trade in services by opening bilateral trade talks with Japan and the United States. Again, we should not be surprised by these moves when you see the importance of trade in services for the European Union. The transatlantic services market represents more than 43% of the global services trade (and 56% if we include the intra-EU trade). Our economy is into services and if we want to go out of this economic crisis, we need to further improve our services market, and the removal of the existing barriers will help us in doing so.

But this is not satisfactory! As we said earlier we live in a global economy, with a global supply and value added chain. Hence we need to move the trade in services also at global level. But the DDA is not moving. So what are the alternatives? Well, one of the answers is coming from the WTO itself where at the last Ministerial in December 2011 Ministers agreed that "Members need to more fully explore different negotiating approaches". Under this basis, a group of countries called themselves "The Real Group Friends of Services" worked throughout 2012 to propose an alternative. They ended up with what is now called the "Trade in Services Agreement" negotiations (TISA), which officially started last month in Geneva.

The ESF has followed closely the development of the preparatory discussion towards the TISA. Of course we want this plurilateral initiative to go ahead. In fact we are quite enthusiastic about it, since for once trade in services will be centre stage, and will not be held back by lack of progress in agriculture or NAMA. Of course, we support an ambitious agreement in terms of market access and national treatment, and also in terms of adopting an up-to-date set of regulatory disciplines, so that this trade agreement would stick to the reality of the real services economy of the 21st Century.

We are pleased that already 22 participants (with the 27 EU Members states, it makes 48 countries) are participating to this initiative. They represent more than 70% of the global trade in services. These countries have understood that, in this global services economy, we need to open up the markets further and we need common rules for global companies. We will support them in providing input to the negotiators on the remaining trade barriers that our companies are encountering in exporting or investing in these countries, as well as on the development on regulatory disciplines.

For the European Services companies, these negotiations are an opportunity to focus on markets that the EU will not in a foreseeable future open bilateral negotiations. I am thinking in particular at countries like Australia and New Zealand, Hong-Kong, China and Chinese Taipei, or even Turkey which has a Custom Union with the EU, but no commitments on services.

But there is something missing in this picture! There are only 22 participants, most of them being developed countries. Most of them being OECD Members who have already open their markets and accepted general open market disciplines. Most of them have already signed bilateral agreements among themselves, with sometimes significant services chapters.

But what about the other countries? We, the European private services sectors, have insisted from the beginning of the discussions on this possible international services agreement that this new Trade in Services Agreement has to be drafted in a way that it remains open to other countries to join in. We want to have this TISA as a first step towards the “multilateralisation” of the agreement. This is the ultimate purpose. This is our “Vision on the global services economy and trade in services in the 21st century”.

We need to reconcile the trade policy objectives with the real economy. We need to bring everyone on board.

It is not fair for those countries that are not ready yet to block the progress towards a trade in services agreement,
But it is not fair either - and it would be counterproductive - to structure the agreement in a way that it would be difficult or impossible to join later.

So we have advocated, and I believe succeeded, in persuading the countries around the table today to base the new TISA on the GATS structure, so that those countries that are not yet ready but will may be one day find the time ripe to join, will be able to do so, and within an environment that they will be familiar with.

We hope that we were right to do so. So my call today, to all of you representing the countries that are not yet part of the plurilateral talks for a services agreement is, please do consider joining these negotiations.

There is no doubt that the future is into services. You can see that everywhere around you in all countries in the world. Services companies create a large part of the local jobs. 9 new jobs out of 10 in the EU are created in services sectors, and there are numerous studies showing that foreign services companies when they establish themselves in one country also create local jobs and contribute to the economic development. In developing countries, better services are needed to improve the efficiency of the competitive advantages that they have in their manufacturing basis and in their good agriculture products!

But to increase the pace of economic development and attract foreign direct investment in your services sectors, one of the obvious highways is to join the trade in services negotiations.

The TISA is one unique opportunity, may be the only one in decades, which is not to be missed!

Thank you for your attention.