

WORLD SERVICES CONGRESS (WSC)  
Breakout Session: GATS Negotiating Agenda  
(9/20 10:45-12:15)

Presentation by Mr. Yoichi Otabe

(Foreword)

- It is remarkable that the Second World Services Congress 2001 is held here in Hong Kong which have witnessed such a tremendous development of services industry. I would like to express my cordial respect to Mr. Moderator and the Secretariat of the Congress for their efforts of organizing this conference in this successful manner.

I. Liberalisation of Trade in Services : Importance in Today's Context

(Words from an Advocate of Liberalisation)

- Today, services industry is a true locomotive of the world economy, with its contribution of more than 60% of world GNP, and with its growth rate well exceeding that of mining and manufacturing industries. It is imperative, therefore, for a sound growth of the world economy, to secure a healthy development of services industry through a progressive liberalisation of its trade.
- The steps we have taken for the liberalization of services trade based on GATS multilateral system, and reinforced by the advancement of globalisation, have made a substantial contribution to the expansion of trade in services, through (a) lowering entry costs and (b) raising legal transparency and predictability in domestic regulations.
- With a further advancement of globalisation of the world economy, we are expecting to see, in a long perspective, a fundamental change in industrial structure, though today IT industry is in a rocky adjustment phase. In this context, services industry is the frontier of economic development of this new century, and the importance of services trade liberalization could not be over-emphasised.

(Merits of Liberalisation for developing countries)

- Services and basic economic infrastructure which contribute to enhancing the efficiency in manufacturing and other industries. Foreign investment would promote a transfer of front-edge technology and management skills. These would surely contribute to a further economic development of developing countries. Access through various modes to most-advanced services would inspire people in their various economic activities, and this is

basically the way to see the benefit of globalisation spread all over the world.

- Particularly for those countries in transition from developing to developed country as in the cases of some ASEAN countries, the best way for strengthening their international competitiveness lies not in protection but in further liberalisation. This requires a long-sighted leadership by the government and incessant efforts by the industry.
- Some apprehension has been voiced that liberalisation and deregulation might end up with foreign firms dominating the domestic market or result in a decrease in domestic employment. Though these concerns are not beyond comprehension, one has to say that you will not learn swimming as long as you stay away from water. When you look at GATS, you will find that it is equipped with the principal spirit of progressive liberalisation as well as with various provisions of flexibility for developing countries. Japan welcomes developing countries identifying specific benefits in services trade liberalisation and coming up with concrete proposals in Geneva; Japan intends to further cooperate those countries in the current services negotiations. I believe that Japan's own experience of having enhanced its economic vitality through liberalisation and deregulation has a universal applicability.

## II. Where We Are in GATS Services Negotiations, and Issues to Be Addressed

(Adoption of Negotiating Guidelines and Recent Development in Services Negotiations)

- This March, the Council for Trade in Services (CTS) adopted 'Guidelines and Procedures for the Negotiations on Trade in Services'. The Guidelines, referring repeatedly to flexibility for developing countries, stipulates among others that the main method of negotiations shall be the request-offer approach, that CTS shall consider the extent to which GATS Article IV 'Increasing Participation of Developing Countries' is being implemented, and that CTS shall conduct an evaluation, before the completion of the negotiations, of the result of the implementation.
- Through the ongoing study in CTS in negotiating proposals presented by Member countries, points of interest and concern of Members are being presented and clarified. We shall see in the course of this process a more concrete image of the substance and modality of current negotiations.



(Deepening of Horizontal Commitments: MFN, Transparency, Mode4)

- The Most-Favoured-Nations Treatment is a basic principle of the multilateral trading regime envisaged by GATS. Though the MFN exemption is stipulated in GATS Annex, these exemptions should be step-by-step and promptly reviewed and terminated. Today, we see many MFN-exempted measures registered by a comparatively small number of developed countries; it is imperative that developed countries take initiative by terminating and reducing their own MFN-exempted measures. All registered MFN-exemption measures should have been terminated by the end of 2004 as is stipulated in the Paragraph 6 of the GATS Annex on Article II Exemptions, or by the date of conclusion of the current services negotiations when it is concluded earlier.
- Domestic regulation should be in such a modality as be least trade restrictive, while there is no denying the necessity itself of such regulation for achieving justifiable policy objectives. It is also noted that transparency is another prerequisite for a fostering a stable investment environment. We need to advance the study in desirable modality of domestic regulation along with negotiations on specific commitments.
- On movement of natural persons, we see current level of commitments of Members stay rather low comparative to those in other modes. Here, I would like to point out that it is imperative for Members to take, as GATS stipulates, measures necessary to protect the integrity of, and to ensure the orderly movement of natural persons across, its borders, but at the same time liberalisation of movement of natural persons is different from long-term immigration policy or from immigration control policy on criminals or patients of infectious diseases. Considering the demand for experts equipped with skills and expertise still growing these days, it is meaningful from the viewpoint of promoting services trade liberalisation to facilitate temporary stay of those experts. In this context, we should make efforts for improving our commitments on intra-corporate transferees, enhancing transparency in the movement of natural persons, and simplifying and clarifying procedures for it.

(Liberalisation in Individual Sectors)

- On sector-wise liberalization, it is important first to promote liberalisation of, along with other sectors, such core services as telecommunications, construction, financial services, distribution, maritime transport, etc. which provide a basis for other economic activities. In those sectors, improvement in commitments is highly expected particularly on restrictions on foreign capital participation, in-transparent regulation, etc..

**(Technological Innovation and New Services)**

- Technological innovation has been giving birth to new models of providing services. Among others, E-commerce which has expanded at an amazing speed since the conclusion of the Uruguay Round, has opened a new frontier for global services trade. Setting a course for trade liberalisation, taking well into consideration those services which are newly-emerging or highly potential, is also a major challenge for current services negotiations.

**III. Services Negotiations and Other Negotiation Items**

**(Importance of Launching A New Round)**

- Services negotiations have already started and is so far progressing in a satisfactory manner; by the end of the October CTS meeting, we expect to have gone through all the negotiating proposals so far tabled by WTO Members. In order to blow in new and further momentum to the negotiations, we think it is important to see a new Round launched. Without a successful launching of a new Round in which services negotiations should be adequately placed, it is feared that the services negotiations might lose steam.
- Once we see services negotiations well contextualised in a Round, we could expect WTO members to obtain greater flexibility in their positions in services negotiations itself and could expect greater steps forward toward liberalisation in services trade. In a new Round, with the advancement in market access and disciplines in trade in services, combined with progress in related areas including investment, we should aim at constructing more comprehensive and efficient multilateral trading regime.