



Business and Industry Advisory Committee to the **OECD**

Comité Consultatif Economique et Industriel Auprès de l' **OCDE**

## **REVISED BIAC STATEMENT ON OECD WORK ON TRADE IN SERVICES**

**June 1998**

In April 1997, BIAC adopted a statement that recommended a new OECD work program on trade in services in anticipation of WTO negotiations to begin no later than January 1, 2000. The statement cited the OECD's critical role in laying the foundation for negotiation of the GATS during the Uruguay Round and identified additional commitments on services trade liberalisation as the primary objective of the new negotiations.

Several thoughtful papers on the agenda for "Services 2000" have been published since April (e.g. Sauvé and Feketekuty). In addition, important lessons have been learned from continuing work on the WTO's "built-in" services agenda, especially in the sectoral negotiations on basic telecommunications, financial services, and professional services. Together, these developments have given rise to additional thoughts on how the OECD can play a significant role in setting the stage for success in the next multilateral negotiations on trade in services.

### **Building the Foundations for Success**

The recent success of negotiations on basic telecommunications and financial services was built, in part, on a foundation that linked the benefits of liberalisation in these sectors to broader national economic interests (e.g., lower costs and improved service in communications across the entire economy, efficiency of capital markets and financial stabilisation). Conversely, disappointing progress on professional services can be attributed, in part, to the fact that discussion of liberalisation in that sector has been confined largely to the providers and their regulators.

**Recommendation #1:** The OECD should undertake an analysis of the economic impact of liberalisation in key services sectors (e.g., distribution, professional services, transport) in terms of the contributions it can make to building modern economic infrastructures that have beneficial ripple effects throughout the economy. The purpose would be to highlight the stake that consumers of services have in upcoming negotiations and, thereby, to build a broader constituency for liberalisation.

**Recommendation #2:** The OECD Trade Committee should continue to support the Secretariat's work on improving services trade statistics. Present methods of reporting services trade are inadequate and, frequently, inaccurate. Improved data will be useful to negotiators, as well as to helping the public at large understand what is at stake in services.

### **Negotiating Liberalization Commitments**

As noted in BIAC's April 1997 statement, "the GATS's major shortcoming is the absence of scheduled commitments on market access and national treatment that go beyond the status quo of regulatory practice by most governments." Supporting the negotiation of additional specific commitments should be a major OECD priority.

**Recommendation #3:** The OECD Trade Committee should encourage the Secretariat to develop alternative ways of scheduling market and national treatment commitments under the GATS. As presently structured, the schedules are extremely difficult to understand and pose a major obstacle to real transparency. A standardised approach that makes clear the true extent of market openness would be beneficial to both negotiators and services providers.

**Recommendation #4:** The OECD Trade Committee should support research by the Secretariat to identify the remaining barriers to trade in services among OECD members (and applicants for membership). Some of these are listed in the existing GATS schedules of commitments, but only to the extent that member countries have scheduled various service sectors and then taken exceptions. Others can be found in sectoral surveys conducted by the OECD, such as those on regulatory practices in professional services, or by sector associations. But none of this information has been accumulated in a comprehensive, systematic way across all services sectors.

**Recommendation #5:** The OECD Trade Committee should direct the Secretariat to develop new proposals on negotiating formulae which would aim at sweeping away categories of barriers that affect multiple service sectors and that would establish basic liberalisation packages for specific sectors.

**Recommendation #6:** Article VI of the GATS on domestic regulation is a potentially powerful tool for extending liberalisation beyond the border. To date, Article VI discussions have been limited to the accountancy sector and have been disappointing in their substance. The OECD Trade Committee should ask the Secretariat to develop additional ideas on how Article VI “disciplines” on domestic regulation might be devised, especially with respect to a workable “necessity test” and a standards code for services. Incorporation of the regulatory reform provisions of the U.S.-Japan Insurance Framework Agreement into the GATS Financial Services Agreement is a precedent worth reviewing for broader application.

**Recommendation #7:** The Trade Committee should endorse the Secretariat’s proposals to develop yardsticks for measuring barriers to international transactions in services. Services trade barriers, because they are grounded mostly in regulatory practices, have proven to be more difficult to measure than tariff barriers for goods. More adequate measurements will permit negotiators to better evaluate requests and offers on services, and assess the overall balance of concessions.

### **Improving the Architecture of the GATS**

Several significant proposals have been put forward to change the basic structure of the GATS. Ideally, in the interests of liberalisation, these proposals should be given serious consideration. At the same time, it has to be recognised that they require a renegotiation of the GATS rules, which could prove to be politically difficult and could reopen very fundamental issues from the Uruguay Round.

**Recommendation #8:** The OECD Trade Committee should ask the Secretariat to investigate ways in which the GATS schedules of commitments could be converted to a “top down” structure, meaning that liberalisation would be the rule across the board, with the possibility of taking exceptions only for existing measures.

**Recommendation #9:** The OECD Trade Committee should have the Secretariat look into the feasibility of bringing under the WTO new agreements, for example, on the movement of key personnel, which would take these issues out of the GATS itself and convert them to obligations affecting all economic enterprises, not just services suppliers.

**Recommendation #10:** The OECD Trade Committee should provide the trade policy perspective to on-going OECD work on electronic commerce. Electronic commerce has great potential to benefit all trade partners and to enhance participation in the global marketplace for all companies, regardless of size. In our view it is imperative to avoid the creation of any national or regional barriers or impediments to electronic commerce and the free flow of information on the Internet. Governments should refrain from creating taxes or tariffs which target or disadvantage electronic commerce. One challenge is raised by the convergence of multimedia components voice, data, image and video on the internet. The codes used by the WTO to classify services for negotiations (the UN Central Product Classification Codes – CPC) are unclear regarding the classification of internet services. Such classification is critical because the liberalisation negotiated under the GATS varies widely between telecommunications services and audio-visual services. Continued work is required on the classification issue before a determination can be made as to whether it is an appropriate topic for the prospective GATS negotiations.