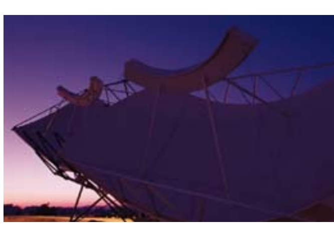
NATIONAL FOREIGN TRADE COUNCIL

The Doha Development Agenda and GATS

The Benefits of Open Services Markets

July 2006

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The National Foreign Trade Council advocates an open, rules-based world economy. Founded in 1914 by a group of American companies that supported an open world trading system, the NFTC now serves nearly 300 member companies through its offices in Washington and New York. The NFTC represents its member companies on trade and investment, export finance, economic sanctions and international tax policies that affect the competitiveness of U.S. companies overseas. It supports open markets, opposes unilateral sanction restrictions on trade, and assures U.S. business access to needed risk insurance and export and project finance.

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The Benefits of Open Services Markets

A Report for the National Foreign Trade Council

Pierre Sauvé and Mary Irace*

EXECUTIVE SUMMARY

An increasing body of empirical evidence has in recent years documented the huge potential benefits of services trade reform. Because services are critical inputs into all economic activity and of ever-increasing importance in their own right, the payoff from services liberalisation can easily dwarf that flowing from liberalized trade in agricultural or industrial goods.

In today's increasingly globalized economy, a vibrant and sound services sector is a core component of economic development. Effective and competitive services in areas such as telecommunications, finance, computer-related services, distribution, energy and logistics are an essential backbone of an economy and are integral to growing and competitive markets for agriculture and manufactured products.

Opening up global trade and investment in services must be a cornerstone of any successfully completed Doha Development Agenda (DDA). An ambitious outcome on services can provide a major impetus for – and form an essential complement to - equally ambitious negotiated outcomes in agriculture and industrial goods. The Doha Round offers a unique opportunity to lock-in the far-reaching liberalisation of services markets that has been achieved worldwide during the past decade and to open up new sectors to competition in a progressive manner.

KEY FINDINGS

- **In virtually every country, the performance of the service sector can make the difference between rapid and sluggish growth.** An inefficient service sector acts like a prohibitive tax on a national economy. For example, estimates show that countries that fully liberalized the financial services and telecommunications sectors grew, on average, about 1.5 percentage points faster than other countries. Recent research concludes that the increase in real income from a cut in services protection by half could be up to five times larger than that generated from comparable goods trade liberalization. For all economies, the gains from more open services trade are substantially greater than those from liberalising trade in goods.

- **Sound regulatory systems and the timely availability, price and quality of services are increasingly critical to a country's competitiveness in manufactured goods and agriculture.** Trade in a broad range of products, including labor-intensive products such as clothing and consumer electronics, are increasingly time-sensitive following the proliferation of modern supply chain management in manufacturing as well as retailing. Inadequate transport

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and distribution links, for example, can result in considerable post-harvest losses. Access to information on climate trends, the price of inputs and of crops via cost effective mobile telecommunications services has greatly enhanced the performance of farmers even in poor and remote areas.

- **The gap between developed and developing countries in the share of services in total trade has been rapidly closing**. Between 1991 and 2005, the world's developing economies as a group trebled their commercial services exports, from $189 billion to $586 billion, raising their share of global services exports from 23 percent to 28 percent over the period.

- **Developing countries have achieved major export gains in services markets over the past decade and have a significant stake in the overall success of the GATS negotiations. Over fifty developing and transition economies now export more than $1 billion in services each year and four developing countries – China, Hong Kong China, India and Singapore – rank among the world's top ten service exporters.** Developing countries at varying levels of development have specialized in a growing number of service sectors and achieved considerable success in foreign markets. This is particularly the case in trade among developing countries (e.g. South-South services trade). Signs of increased international competitiveness are particularly significant in audio-visual production, port and maritime services, construction and engineering services, tourism (including health-related tourism), as well as a host of computer and IT-related services in which an increasing range of developing countries have built up strong capabilities for cross-border supply. An ambitious outcome on services in the DDA can do much to sustain such a trend and help integrate a broader range of developing countries, including least developed countries, into world markets.

- **Services represent a significant source of export earnings even for some of the world's poorest countries.** In the 49 countries classified as least developed by the United Nations, the average contribution of services exports to GDP stood at 6.5% in 2002, with some small island LDCs such as Vanuatu or the Maldives reaching travel- and tourism-induced levels of over 50%.

- **The service sector accounts for almost half of the global *stock* of foreign direct investment (FDI) and more than 60% of annual FDI *flows* have been directed towards service industries in recent years**. Services are also where more than four of five barriers to international investment are found. Considerable scope exists for achieving greater liberalisation of Mode 3 trade in services, which in turn would encourage inflows of capital, know-how and technology – all severely constraining factors in the development of poorer countries. Available empirical evidence makes a strong case for open services markets as a catalyst for technological progress and diversification.

- **The GATS affords WTO Members considerable flexibility over the depth and pace of market opening and the preservation of domestic regulatory autonomy,** notably in sectors with public good characteristics such as education, health or environmental services. In contrast to much unfounded criticism, the GATS promotes the adoption of transparent and good governance-enhancing approaches to domestic regulation and the voluntary, progressive and orderly opening of markets to competition.

NFTC POSITIION

The National Foreign Trade Council supports a balanced and ambitious outcome on services in the DDA, which can be summarized as follows:

- **There is an urgent need to improve the level and quality of market opening offers under the GATS.** This should entail both locking-in *existing* levels of market access that WTO Members already afford foreign service suppliers in their home markets and securing *new* market opportunities by progressively rolling back and eliminating existing impediments to trade and investment in services. To be judged a success, the Doha Round must ratchet up the market opening that has occurred in services markets around the world since the end of the Uruguay Round.

- **Liberalization progress is needed across as broad a range of sectors.** This must include both traditional sectors and new sectors where major innovation and novel approaches to pro-competitive regulation have emerged in recent years. Particular attention should be paid to the core infrastructural sectors most likely to exert significant effects on economy-wide performance and development, such as telecommunications, financial services, computer-related services, logistics, energy, and distribution services.

- **Progress is also needed across all modes of supply,** including the temporary movement of service suppliers - Mode 4 of GATS. Advances in this area must respond to the needs of globally-active firms in today's knowledge-based economy while also securing a more balanced negotiated outcome in an area of central importance to developing countries.

- **The current process of bilateral request-offer negotiations needs to be complemented with collective efforts in areas of common interest among WTO Members, leading to multilateral commitments extended on an MFN basis.** Such an approach will help developing countries redress the asymmetries of information and negotiating capacity and the time-consuming nature of the bilateral request-offer process in services. Where relevant, the development of model schedules can underpin such a process and offer WTO Members a range of options to achieve a higher overall level of binding commitments.

- **Greater efforts need to be directed towards achieving deeper liberalization of government procurement for services**, opening up potentially vast new markets to global competition.

- **Improved GATS rules must include provisions for strengthening the transparency of domestic regulation affecting services trade.** Such good-governance disciplines, for which targeted technical assistance is both needed and necessary to buttress regulatory institutions and implementation capacities in developing countries, can reinforce and magnify liberalization across service sectors.

- **Managing the process of market opening in services is not an easy task, and requires concurrent efforts at strengthening regulatory regimes and institutions.** This challenge is greatest in developing countries. An approach that combines aid for trade with additional trade and investment liberalization commitments can help to promote progress in the negotiations.

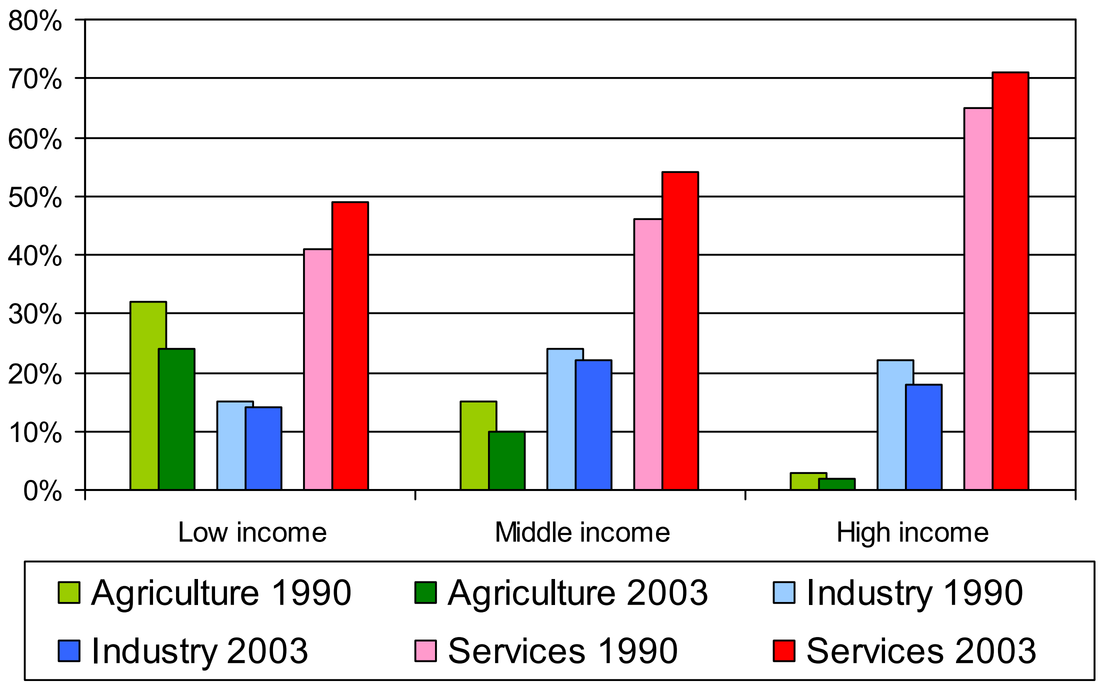
I. THE BENEFITS OF OPEN SERVICES MARKETS

A. Services: Engines of Growth and Development

Services, from health to transportation, telecommunications and banking, have become the single largest sector in most economies worldwide. They not only provide the bulk of output and employment in most countries, but also serve as a vital input in the production of other goods and services (see Figures 1 and 2).

Because services are used intensively in the production of all goods and services, the importance of policy in the service sector goes beyond the sector itself.

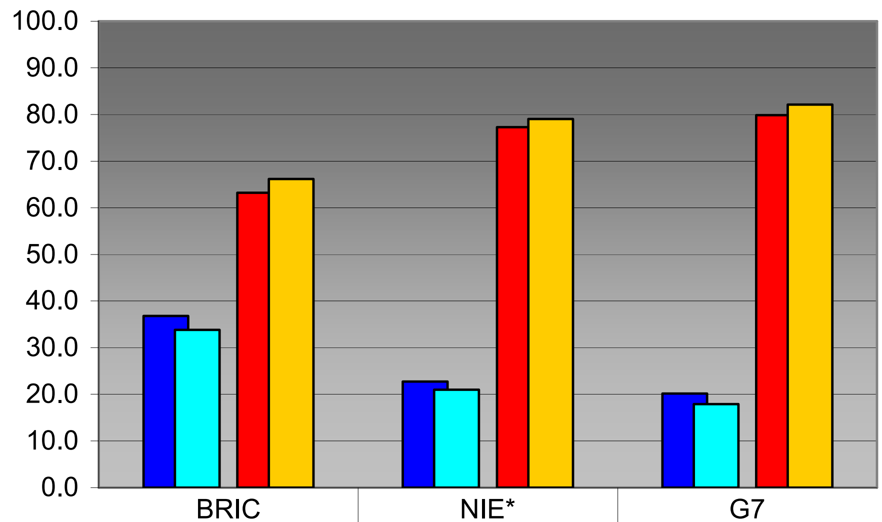
Figure 1. Sectoral Share of Output, 1990 and 2003



An inefficient service sector acts like a prohibitive tax on a national economy. For this reason, the economic cost of protecting inefficient service sectors is arguably of greater overall significance than that flowing from protectionism in the goods sector. A direct policy corollary is that the payoff from sound reforms and market opening commitments in services can be substantial.

In virtually every country, the performance of the service sector can make the difference between rapid and sluggish growth.[1]

Figure 2. Employment by Sector, selected country groupings, 1999-2004[2]



	BRIC	NIE*	G7
Manufacturing 1999	36.8	22.7	20.1
Manufacturing 2004	33.9	21.0	17.9
Services 1999	63.2	77.3	79.9
Services 2004	66.1	79.0	82.1

Manufacturing 1999 Manufacturing 2004 Services 1999 Services 2004

Source: World Bank (2005)

There is increasing evidence suggesting that services trade liberalisation may yield significant long-term effects on growth and development. A number of key service sectors – energy, transport, telecommunications, computer, finance – clearly possess growth-enhancing properties. For instance, one recent study shows that after controlling for other determinants of growth, countries that fully liberalized the financial services sector grew, on average, about 1 percentage point faster than other countries. An even greater impetus on growth was found to come from fully liberalizing both the telecommunications and the financial services sectors. Estimates suggest that countries that fully liberalized both sectors grew, on average, about 1.5 percentage points faster than other countries. (Mattoo, Rathindran and Subramanian, 2001).

[1] World Bank (2001)
[2] NIE : includes Hong Kong, Singapore and South Korea ; BRIC : includes Brazil, Russia, India and China

A recent World Bank study has also documented the strongly positive relationship between service sector reforms and the performance of domestic firms in downstream manufacturing sectors. When several aspects of services liberalization are considered, namely the presence of foreign providers, privatization and the level of competition, the study finds that allowing foreign entry into services industries may be the key channel through which services liberalization contributes to improved performance of downstream manufacturing sectors. As most barriers to foreign investment today are not in goods but in services sectors, such findings strengthen the argument for reform in services (Arnold, Javorcik and Mattoo, forthcoming).

Ongoing research at the OECD analyses the relationship between time for exports and imports, logistics services and international trade. **Time is found not only to reduce trade volumes, but more importantly lengthy procedures for exports and imports reduce the probability that firms will enter export markets for time-sensitive products at all**. The research shows how a broader range of products are today becoming time-sensitive following the proliferation of modern supply chain management in manufacturing as well as retailing. Labour-intensive products such as clothing and consumer electronics are increasingly time-sensitive and many developing countries urgently need to shorten lead times in order to stay competitive in these sectors. Such research recalls how trade facilitation, trade liberalisation in logistics services and domestic regulatory reforms to this effect can be implemented at relatively low cost also in low-income countries, and that gains from reforms can be substantial. (OECD, 2006)

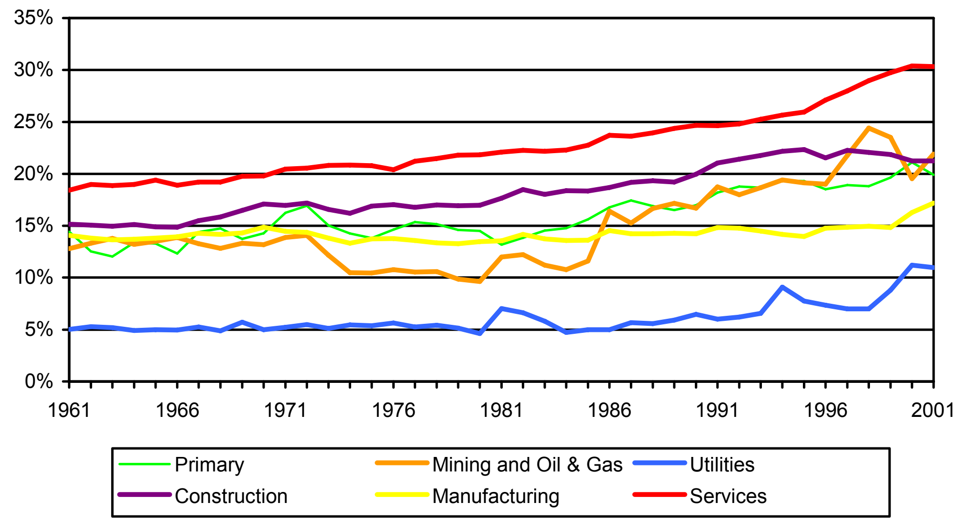
Recent research concludes that the increase in real income from a cut in services protection by half could be up to five times larger than that generated from comparable goods trade liberalization (Robinson et al., 1999). Greater foreign factor participation and increased competition together imply a larger scale of activity, and hence greater scope for generating the growth-enhancing effects. Even without scale effects, the import of foreign factors that characterizes services sector liberalization could still have positive effects because they are likely to bring technology and access to supply chains and distribution networks with them.

Services make up an estimated 10 to 20 percent of production costs in both industry and agriculture in developed countries and an even greater share of service sector output (see Figure 3). Similar trends apply to developing countries. For instance, it is estimated that services represent 25% of output in Bangladesh's ready-made garments industry, the country's leading export earner.

The availability, price and quality of services are critical in determining the cost and competitiveness of manufactured goods and primary commodities, including agricultural products.

Many services - telecommunications, finance, IT infrastructure, logistics, energy and distribution – play a critical role in enabling trade. Inadequate transport and distribution links can result in considerable post-harvest losses. Access to information on climate trends, the price of inputs and of crops via cost effective mobile telecommunications services has greatly enhanced the performance of farmers even in poor and remote areas. Inefficient internal transportation infrastructure can also exert far-reaching effects on development, as the concentration of China's development in coastal areas has shown (World Bank 2002). And more efficient financial intermediation, enhanced educational opportunities, and healthier populations – again through competitive and sounds services related to each of these important objectives -- are all critical to the growth potential of an economy as a whole and to the betterment of citizens' lives.

Figure 3. Share of service inputs to total inputs, OECD area, 1961-2001; current $

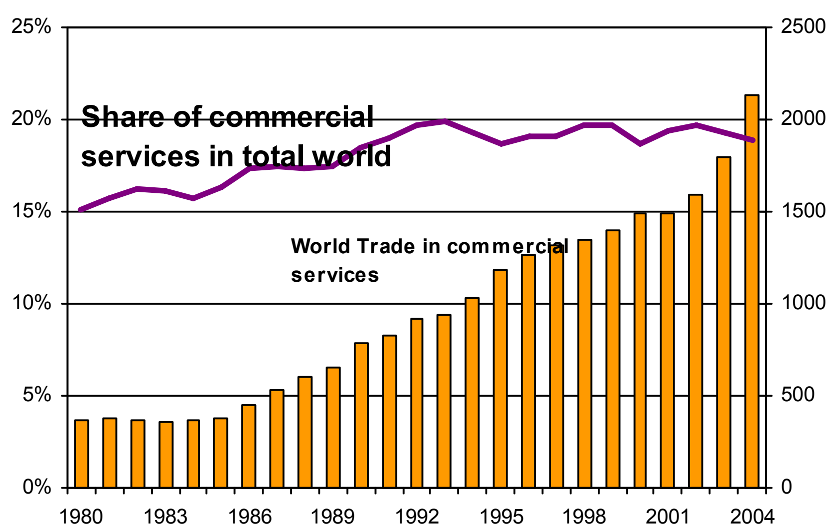


Source : OECD (2005)

B. Services: Evidence of Significant Gains from Trade

The period since the end of the Uruguay Round has shown that **opening up trade in services can benefit both developed and developing countries. Indeed, developing countries generally stand to make significant gains**, despite a perception in much of the developing world that they will lose out because their domestic service industries are inefficient and non-competitive.

Figure 4. On the rise: world trade in commercial services, 1980-2004



Source: WTO (2005)

For all economies, the gains from more open services trade are substantially greater than those from liberalising trade in goods. There are many reasons for this. For one, levels of protection in services trade are higher than for other areas. This is particularly so in developing countries. And services occupy an ever larger share of the economy both in production and employment terms.

Although developed countries continue to dominate global trade and investment in services, developing countries are often highly specialised in – and dependent on - services exports as a source of foreign exchange earnings. Since the mid-1990s, the business-services exports of 20 developing countries, including Brazil, Costa Rica, India, Israel and Mauritius have grown by more than 15 percent per year, fuelled by surging worldwide demand for – and concomitant improvements in the supply of travel, tourism and IT-related services. (WTO, 2005)

Twenty-one developing countries can today be found in the list of the world's top 40 service exporting nations. Four of them – China, Hong Kong China, India and Singapore – rank in the top 10.

Services represent a significant source of export earnings even for some of the world's poorest countries. In the 49 countries classified as least developed by the United Nations, the average contribution of services exports to GDP stood at 6.5% in 2002, with some small island LDCs such as Vanuatu or the Maldives reaching travel- and tourism-induced levels of over 50% (United Nations, 2005). Research on 20 LDCs found that only three of them had a larger share of gross domestic product (GDP) from agricultural activities than from service industries. For nearly half of the latter group countries, services were their main export (United Nations, 2005)

The gap between developed and developing countries in the share of services in total trade has been rapidly closing. **Between 1991 and 2005, the world's developing economies as a group trebled their commercial services exports**, from $189 billion to $586 billion, raising their share of global services exports from 23 percent to 28 percent over the period. (WTO, 2005).

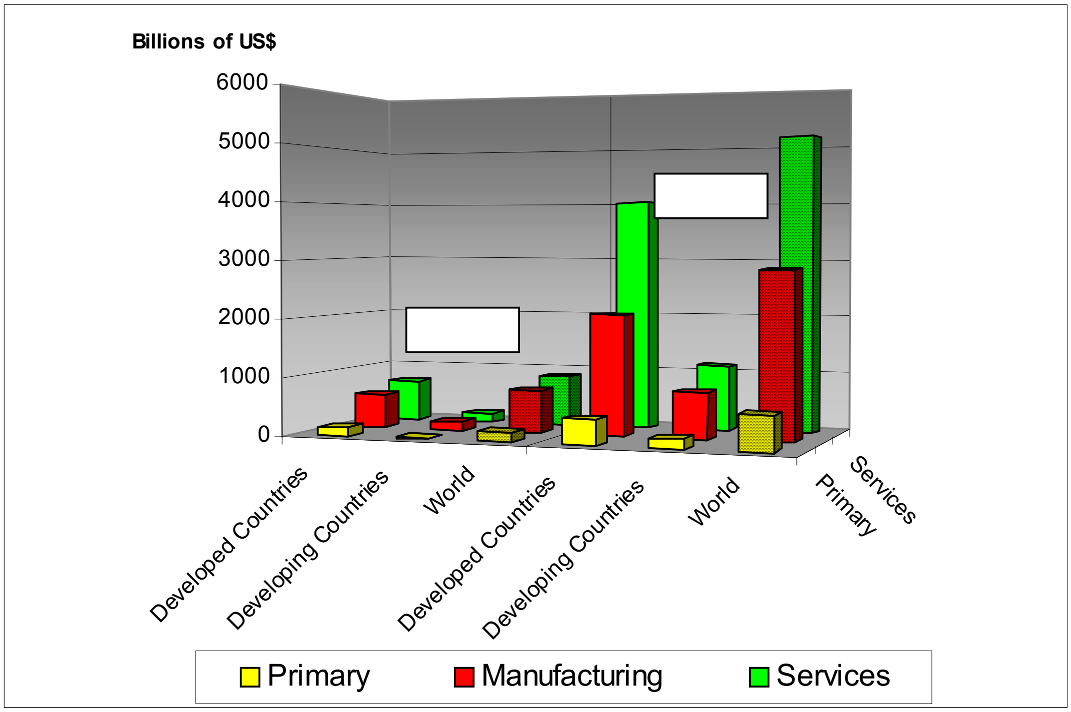
Over fifty developing and transition economies now export more than $1 billion in services each year, with their number distributed throughout the developing world of Asia (10), Africa and the Middle East (10), Europe (18), and the Western Hemisphere (13).[3]

Many countries, rich and poor, are today reaping large efficiency gains from an increasingly service-intensive international division of labour. The U.S. banking industry alone is estimated to have saved up to $8 billion over the last four years, and the cost savings for the world's top hundred financial institutions could be as high as $138 billion annually (Mattoo, 2006). The development potential of cross-border trade in services is being felt in an ever-widening group of developing countries that are equipping themselves with the appropriate skills, infrastructure, and institutions.

[3] See Cleveland (2003).

The service sector accounts for almost half of the global *stock* of foreign direct investment (FDI) and more than 60% of annual FDI *flows* have been directed towards

Figure 5. Sectoral Breakdown of FDI Inflows, 1990-2003



Source: UNCTAD (2005)

service industries in recent years. Services are also where more than four of five barriers to international investment are found (Sauvé, Molinuevo and Tuerk, 2006). This suggests the considerable scope that remains for achieving greater liberalisation of Mode 3 trade in services (see Figure 5 above and Box 1 below).

Box 1. The critical importance of investment in services

Services trade through FDI is particularly important given the need in many key sectors for proximity between suppliers and consumers of services and the advantage of tailoring service offerings to host market conditions (Sauvé and Wilkie, 2000). Investment – Mode 3 trade of GATS - is the area where by far the largest number of liberalisation commitments was undertaken by WTO members in the Uruguay Round and in regional trade agreements. This suggests the importance countries attach to reaping the positive benefits typically associated with a higher level foreign direct investment whilst also retaining the freedom to regulate such activity.

Because much services "trade" takes the form of FDI-induced commercial presence, services imports bring in flows of capital, know-how and technology – all severely constraining factors in the development of poorer countries and important ingredients for any attempt at promoting the production of more knowledge-intensive goods and services and the enhancement of human capital. The GATS helps achieve greater predictability through the permanency of commitments, an important element in attracting investment and enhancing the investment climate in developing countries.

The strong contribution that key enabling services can make to overall economic performance means that developing countries have much to gain from scheduling deeper commitments and promoting non-discrimination in Mode 3 trade, particularly in a number of key infrastructural services such as telecommunications, computer, finance, energy and transport. Barriers to investment in these sectors are often among the highest in many developing countries.

Greater Mode 3 “imports” can also form the basis for developing an export capacity in a number of professional, financial, transportation or even health and education services.

Some four-fifths of impediments to cross-border FDI are found in services. A recent UNCTAD study on the sectoral distribution of investment-restrictive measures reserved by various country groupings illustrated the predominance of services as the principal area where countries maintain investment restrictions. In the study, the share of non-conforming measures in services ranged from 76.9 percent in the case of Canada and the United States (under the NAFTA), 81.6 per cent in the study’s Latin American sample countries (Argentina, Brazil, Colombia, Chile, Mexico and Venezuela) and a high of 94.1 percent in the case of transition economies (e.g. Czech Republic, Hungary, Poland). (Sauvé, Molinuevo and Tuerk, 2006).

Such results recall the extent to which the GATS already provides WTO Members an important platform for investment liberalization. A strong case can be made to encourage WTO Members to eliminate barriers to foreign participation in sectors where there is adequate regulatory preparedness, albeit in a manner that is consistent with their development goals and in keeping with the voluntary nature of commitments under GATS. Whenever feasible, WTO Members should also consider pre-commitments to eliminating discriminatory ownership barriers where the necessary conditions for successful market opening can be fulfilled in over a reasonable and predictable time span (Mattoo, 2006)

The liberalization of government procurement of services remains an important unfinished agenda in multilateral negotiations since it would open up a vast potential market to international competition.

Services comprise close to half of what governments purchase by way of civilian procurement.

Absent the development of multilateral disciplines on services procurement**,** on which negotiations to date under the GATS have not progressed, **WTO Members should aim to open up such markets in the current negotiating round by scheduling additional commitments in this key area.** Government procurement can indeed form a key market opening complement in sectors such as construction and engineering services that may otherwise be subject to fewer explicit barriers to entry and competition.

Available empirical evidence makes a strong case for open services markets as a catalyst for technological progress and diversification. The import of foreign factors of production under Mode 3 of GATS is likely to encourage the transfer of technology, managerial know-how and product and process innovation. All of these can lead to additional growth-enhancing gains. As most new technologies emerge in developed countries, trade and investment can enable developing countries to benefit from international research and development efforts (OECD, 2006).

C. Raising the Bar on Services in the Doha Round

An ambitious Doha Round outcome on services is worth pursuing for at least two main reasons: **first, unilateral liberalisation, while genuine and widespread, is far from even across regions, countries, sectors and modes of supply**. Prohibitive barriers remain in developed and developing countries alike, including in areas of greatest interest to developing countries, such as the movement of service suppliers. And **second**, **the willingness of developing countries to lock in recent service sector reforms in the form of GATS commitments and to make new commitments can afford them negotiating leverage** to push more credibly for necessary technical and financial assistance to implement service sector commitments or for commitments from trading partners in other priority areas of the DDA (see Box 2).

Box 2. Why engage in services trade liberalization?

While achieving successful service sector outcomes remains, first and foremost, a *domestic* policy challenge, **engagement in multilateral services negotiations can nonetheless help support domestic policy reform efforts**. It can do so in five distinct manners:

1. **Reciprocity-based bargaining helps governments overcome domestic opposition to reform**. Pursuit of reforms and further liberalisation is easier to implement if governments can demonstrate that its exporters will gain from improved market access negotiated in other areas of a WTO round (or in other service sectors within GATS). The WTO offers scope for cross-sectoral trade-offs — which will likely be necessary to ensure an 'equitable' overall exchange of market access concessions.

2. **Domestic reforms cannot address barriers in foreign markets**. The only feasible means of doing so is by pursuing reciprocal liberalisation opportunities with one's key trading partners. The Doha Round services negotiations offer a vital opportunity in which to do this.

3. Binding m**ultilateral commitments under the WTO are more difficult and costly to reverse and can strengthen the credibility of domestic policies, contributing to an improved and more predictable investment climate**. Locking-in current policy under international law and progressively closing the gap between existing policies and international commitments will send powerful signals to investors that a government is committed to opening its services markets and to safeguarding such openness. The credibility-enhancing properties of multilateral commitments rank among the most important features of the GATS and of WTO rule-making more broadly.

4. **The GATS framework offers the possibility of committing to future liberalisation with a view to instilling a greater sense of urgency to needed domestic regulatory reforms while promoting orderly adjustment.** A scheduled commitment to future liberalisation may be more credible than a purely domestic reform announcement, particularly in countries saddled with weak investment climates and higher risk premia. Under such circumstances, all stakeholders in a given sector face a clear, irrevocable, deadline to prepare for a reformed policy environment.

5. **Additional WTO commitments on transparency and regulatory principles are important complements to the removal of explicit services trade barriers under the** GATS. Such good governance disciplines assure foreign traders and investors that liberal market access commitments will not be nullified or impaired by the imposition of regulatory barriers to services trade or the non-transparent and discretionary implementation of service sector regulations (such as the allocation of licenses). In addition, commitment to multilaterally agreed principles on transparency and domestic regulation can help promote the adoption of

"best practice" or "pro-competitive" regulation at home – as has happened in the telecommunications sector.[4] Applying principles of transparency in domestic regulation, including prior consultations on new regulatory requirements, can result in more effective and inclusive regulation. (NFTC, 2005)

D. Supporting the Shift towards Collective Requests and Negotiations

There is today a crucial need to reinvigorate the market access dimension of negotiations under the GATS. **The current bilateral request-offer approach does not deliver tangible results** in market opening terms while also suffering from a number of limitations.

The bilateral request-offer approach was adopted in the Uruguay Round as the dominant negotiating method in the services negotiations. **Experience to date under the GATS shows that such an approach is significantly more taxing for developing countries than it is for developed countries.** It requires considerable more resources, time, and expertise in Geneva missions and in capitals. Many developing countries have a limited ability to formulate their own requests due to significant asymmetries of negotiating-relevant information, notably on barriers in trading country markets, available to developing country negotiators; and the more limited extent of stakeholder consultations, private sector engagement and presence abroad of service suppliers from developing countries. Such factors have shown a tendency to produce lowest common denominator outcomes at the negotiating table.

There is thus a strong case for complementing the current bilateral request-offer approach with collective requests and negotiations linking groups of WTO Members with shared sectoral interests. The NFTC strongly supports the steps taken recently to adopt a new approach to GATS market opening talks, embodied in the agreement reached at the December 2005 Ministerial Meeting in Hong Kong to encourage WTO Members to submit collective requests by the end of February 2006 and to engage in negotiations on this basis. The NFTC welcomes the fact that WTO Members met the deadline for submitting collective requests (the key features of which are summarized in Annex 1) and encourages them to make a success of this new phase of negotiations with a view to submitting significantly improved offers in accordance with the timetable laid down in Hong Kong (see Annex 2).[5]

Avoiding sector-by-sector and country-by-country bartering of commitments can substantially reduce the transaction costs of negotiations. Indeed, plurilateral negotiations are likely to economize on the scarcest of commodities: time and human resources, particularly in what is possibly now the DDA's final months, while also providing developing countries significant economies of scale in negotiating efforts.

E. The Key Contribution of Aid for Trade in Services

Managing reforms of services markets requires that trade opening be accompanied with a careful combination of competition and regulation, including pro-competitive regulation. Such a process can present important challenges to resource-constrained governments in many developing countries. It also highlights the need for progressive

[4] See Mattoo and Sauvé (2003).
[5] Annex C of the Hong Kong Ministerial Declaration notes that a second round of revised offers shall be submitted by 31 July 2006. and that final draft schedules of commitments shall be submitted by 31 October 2006 (WTO, 2005).

liberalisation, a feature the GATS is uniquely framed to promote, and to the equally critical need, today fully acknowledged in the Doha Development Agenda, to invest in trade-related capacity building aimed at building sounder regulatory regimes and institutions in developing countries.

In the services area, an approach that combines aid for trade with additional trade and investment liberalization commitments could help promote progress in the negotiations while also addressing concerns voiced by many developing country governments and civil society organisations. A coherence-promoting aid for trade package in services requires closer cooperation and coordination among numerous multilateral institutions and bilateral donors.

An aid for trade package in services should aim at the threefold strengthening of: (i) the ability to negotiate from a more informed position; (ii) the ability to implement new commitments and thus better manage the process of market opening; and (iii) the ability to supply newly-opened foreign markets with the timely delivery of services that meet importing countries' standards of quality and performance.

II. ON THE RISE: DEVELOPING COUNTRY SERVICES EXPORTS[6]

As recently as during the Uruguay Round, the great majority of developing countries tended to regard the pursuit of services liberalisation as almost inherently inimical to their development prospects. The latter fought hard to keep services off the Uruguay Round agenda and to narrow down the scope of multilateral negotiations in services.

The landscape in the Doha Round is remarkably different. Indeed, **the level of developing country engagement in the services talks is greater than ever before**, with an increasing number of developing country members advancing proposals and issuing negotiating requests to their main trading partners under the DDA.

Such changed dynamics can be traced in part to the growing realization of the central contribution of service sector reforms to improvements in economy-wide performance. This is evidenced by the far-reaching changes enacted over the past two decades in opening up domestic services regimes.

Part of the answer also lies in the fact that the great majority of developing countries have realized that they possess comparative advantages in services trade. This is evidenced in the fact that most developing countries have registered a considerable expansion of total services trade over the past decade. In many instances, such export capacity has been built through trade and investment ties with other with other developing countries (see Box 3).

Box 3. The importance of South-South trade in services

For many developing countries, trade is primarily conducted with neighbouring countries. In some sectors, regional markets are important and can act as a stepping stone to more global operations. In telecommunications, for instance, many developing country companies engage significantly in intra-regional trade. *América Móvil*, the mobile unit of Mexico's former state monopoly and dominant telecommunications company *Teléfonos de México (Telmex)*, serves subscribers in Argentina, Colombia, Brazil, Ecuador, Guatemala and Mexico. South Africa's *MTN* has operations in Cameroon, Rwanda, Swaziland, Uganda and Nigeria.

[6] The following section is drawn from OECD (2003).

An Egyptian company, *Orascom Telecom* is the largest GSM network operator in the Middle East, Africa and Indian subcontinent. Orascom Telecom manages GSM networks in a range of countries in the Middle East and Africa.

Subsidiaries of *Telekom Malaysia* provide mobile telecommunications services in Bangladesh, Cambodia and Sri Lanka; telecommunications and related services in the Republic of Guinea and telecommunications services in Malawi. Associate companies provide telecommunications and related services in Ghana, telecommunication services in South Africa, telecommunication and broadcasting services in Thailand and trunk land mobile radio services in Cambodia.

Examples can also be found in business services. *Consultoria Colombiana SA* is a Bogota-based company offering business support and consulting services to infrastructure projects in the fields of energy, transport, environment and sanitation. A quarter of the firm's services are sold to residents of Guatemala, Honduras, El Salvador, Costa Rica, Panama, Ecuador, Peru and Bolivia, while the company has engaged in a number of international joint ventures with companies from Canada, France, the Netherlands, Germany, Austria and the US.

Performance Management Consulting from Dakar (Senegal) is another example. With offices in Dakar, Ouagadougou, and Paris, the company services clients in West Africa, Mauritius, Rwanda and France. *Teknosell* is a small Kenyan firm exporting a fifth of its services to Uganda and Tanzania and serving local branches of American and German multinationals.

Source: OECD (2003).

In many sectors, a strong domestic market plays a key role as the platform for developing export capacity. This pattern is evident in telecommunications, audiovisual, retail, port and related services and higher education services – and even, in some cases, in e-commerce related sectors. Companies tend to follow a pattern: serving the domestic market first, and then once a certain critical size has been reached, taking steps to export regionally to other developing countries or to countries with strong historical links, such as a former colonial power. Finally, they may develop into a global player. Exceptions to this generalisation are information and communication technology (ICT)-enabled and related services, where geography is less important, and tourism, where a company may more easily aim immediately at global markets.

Developing countries are particularly successful exporters in a number of sectors, such as audiovisual, computer-related, shipping, construction, health and tourism services. The following examples attest to this newfound assertiveness in export markets. An ambitious outcome on services in the DDA can do much to sustain such a trend and help integrate a broader range of developing countries, including least developed countries, into world markets.

A. Audiovisual Services

In audiovisual services, the international market provides the major source of earnings for a growing number of developing countries. One example is that of Bollywood, with Indian film exports growing from RS 2 billion in 1998 (198 titles) to RS 4.5 billion in 2000 (412 titles) and RS 7.5 billion in 2004. The US and Canada accounted for 30% each of total exports, followed by the UK at 25%. Thailand has also emerged as a significant player in the audiovisual industry, producing film, TV programmes, music and animation. *Kantana Film and Commercial Production* provides production and post-production services for the TV and film industry, serving international clients such as 20th Century Fox, Warner Brothers and Lucasfilms. Kantana also undertakes joint film production with international companies, produces international TV commercials, music videos and documentaries and provides production support for international projects filming in Thailand. Egypt's *Media Production City* supplies much of the Arabic-speaking world with Egyptian soap operas and radio programmes.

In the television industry in Latin America, large domestic operators have moved into a range of joint ventures and other partnerships throughout the region. With its television, radio, and publishing interests, *Grupo Televisa* is the leading firm in the Latin media world. The firm is Mexico's leading TV broadcaster, with four networks and more than 225 affiliated stations and has majority stakes in cable joint venture Cablevisión and in Innova, which operates the SKY direct-to-home satellite system

B. Financial Services

While developed country institutions tend to dominate world trade and investment in financial services, particularly in wholesale markets, several developing countries have seen domestic financial institutions engage in significant cross-border trade and investment activity over the past decade. A fair share of such commercial activity occurs along South-South lines. Prominent examples include Barbados, Chile, Hungary, Mexico, Malaysia, Singapore and South Africa. Two main trends which characterize those developing countries that have experienced the greatest gains in financial services exports: vigorous competition in the home market, including from leading foreign firms, as well as high standards of prudential regulation.

Some countries that have chosen to open up their financial markets unilaterally have become hosts to considerable financial activity. For example, over 100 non-domestic commercial and investment banks are today established in Singapore. With its vibrant stock exchange, Singapore has become a financial hub for activity throughout South-East Asia. Among the transition economies, Hungary has been in the forefront of integrating its financial sector with global capital markets, fuelling the of Hungarian banks and securities firms elsewhere in Central Europe (Global Securities Industry, 2005).

C. Construction Services

In construction services, 51 of the world's top 150 companies in 2002, measured in terms of the amount of revenue generated outside their home market, were from developing countries. Of these, 24 were from China, six from Turkey and five from South Korea, while Brazil, Chinese Tapei and Lebanon each had two firms represented. Bulgaria, Egypt, the former Yugoslav Republic of Macedonia, India, Israel, South Africa, United Arab Emirates and Hong Kong, China each had one firm.

D. Health-Related Services

Health services, including health-related tourism, are becoming a major export and source of foreign exchange for a number of developing countries. South Africa and Brazil have become major destinations for patients seeking plastic surgery. Several countries, such as India, Mauritius, Thailand, Indonesia, China, and Sri Lanka, are making health-related tourism and the branding of traditional medicines a central plank of their development strategies. They are hardly alone. Clinics in Costa Rica report growing numbers of clients from the UK and Norway, as well as Canada and the US. Chile meanwhile receives upper-income and upper-middle income patients from Bolivia, Peru and Ecuador.

E. Computer-Related Services

In computer-related services, the Internet revolution has also made it possible to deliver a wide range of services electronically. This has created a world market for international sourcing of services ranging from remote call centres to sophisticated software development, a growing share of which has been captured by developing countries from Asia to the Caribbean. In addition to creating export opportunities for both developed and developing countries, computer services also play an important role as inputs to the manufacturing process and to the production of other services, increasing productivity and enhancing competitiveness across the entire economy.

F. Port Services

A number of developing countries feature in the world's top 20 container terminals, which between them account for close to 60% of total container shipping. And four of the top five are in developing countries (Singapore, Chinese Taipei, Korea and Hong Kong, China). Other developing countries in the top 20 include China (Shanghai), UAE (Dubai), Malaysia (Port Klang), Indonesia (Tanjung Priok) and the Philippines (Manila). *International Container Terminal Services Inc.* of the Philippines is involved in managing, operating and developing container ports and terminals worldwide. In addition to several ports in the Philippines, the company operates six terminals overseas, including in Brazil and Poland, and is looking to expand in Asia, the Middle East and the Americas. *PSA Corporation of Singapore* currently operates the world's largest container trans-shipment hub in Singapore and participates in numerous port projects in countries around the world, from Belgium to Yemen.

III. ADDRESSING THE GATS CRITICS

The pursuit of services liberalisation has generated a fair share of public controversy in recent years, especially in developed countries. Criticisms of the GATS are often based on the belief that the agreement must inevitably bring any and all service sectors within its liberalising scope, and these will be wholly and irretrievably "lost" to the regulatory protections of national governments (WTO, 2001; OECD, 2002).

In fact, **the GATS allows member countries to undertake the progressive opening of service sectors and integration into the multilateral trading system at their own pace and in accordance with their national priorities and objectives**. The limited liberalisation commitments made to date and described in Table 1 belie descriptions of the GATS as a liberalization straightjacket for WTO Members in general and developing countries in particular. The figures in Table 1 suggest that WTO Members enjoy considerable policy flexibility under the GATS.

Critical assessments of the GATS typically find their origin in the broader context of backlash against globalisation and the commercialisation that it brings to some activities previously insulated from the market. **Claims of threats to the provision of public services, such as education or health services, or to services with strong public goods connotations, such as water or electricity distribution, are among the most commonly voiced concerns associated with the GATS** and with the very idea of services trade and investment liberalisation (including that pursued at the regional level).

Table 1: Distribution of GATS commitments across groups of Members, March 2005

Members	Average number of sub-sectors committed per Member*	Range (Lowest/highest number of sub-sectors per schedule)
Least-developed economies	24	1 – 111
Developing & transition economies	53	1 – 149
Transition economies only	105	58 – 149
Developing economies only	42	1 – 123
Developed economies	106	87 – 117
Accessions since 1995	103	37 – 149
ALL MEMBERS	52	1 – 149

*Total number of sub-sectors: approximately 160. Acceding countries are not counted solely as a separate group but are also included as members of other relevant groups (e.g. developing countries, least-developed countries and, mostly, transition economies).

Source: Adlung and Roy (2005).

A measured assessment of the GATS shows that the Agreement is nowhere nearly as powerful as its critics suggest and that WTO Members retain considerable scope for regulating their service sectors in the public interest.

Some of the Agreement's most vocal critics allege that the GATS is nothing less than a tool of privatization, globalization, "commoditization" and other assorted ills. Such statements are based on significant misunderstandings about the GATS and its *modus operandi*. Whether by deliberate commission or innocent omission, GATS detractors often present false, inflammatory and misleading characterisations of the purpose, rules and policy consequences of the GATS (see Box 4).

Box 4. The GATS, public services and the right to regulate

A variety of claims are made describing the GATS as a threat to the provision of public services: that it forces governments to privatise and allow competition in public services, that it obliges them to open them up to foreign trade and investment, and that it puts in danger the assurance of basic public services such as education, water distribution or health services. However, **GATS rules do not dictate any specific role for the public and private sectors; countries are free to decide for themselves what sectors will be reserved for the state or state-owned enterprises**. And they remain entirely free to decide whether or not to open such sectors to outside competition and to make (or not) binding commitments in such sectors in their GATS schedules. **It is incorrect to suggest that the GATS forces governments to privatise or open up public services to competition, as the Agreement features no such obligations.**

An important element in the debate over GATS and public services is the fact that **services supplied in the exercise of governmental authority are specifically excluded from the scope of the GATS.** GATS Article I.3(b) defines "services" to include "any service in any sector except services supplied in the exercise of governmental authority." This exception is further refined in Article I.3(c), which specifies that "a service supplied in the exercise of governmental authority" means "any service, which is supplied neither on a commercial basis, nor in competition with one or more service suppliers."

Threats to a country's sovereign right to regulate, or the alleged transfer of regulatory authority from national governments to a supranational body such as the WTO, is a central plank of the anti-GATS critique. **The progressive liberalisation - not deregulation - of services trade is the goal of the GATS**, and of periodic negotiating rounds. A common misconception in debate over GATS is to use the terms "liberalisation" and "deregulation" interchangeably, as if they were literal synonyms. They are not, and it is wrong to assimilate regulations to trade restrictions. Services liberalisation, indeed, often necessitates regulation or re-regulation. But that is not to say that regulation, whether for economic or social purposes, cannot be designed, implemented or enforced in more transparent and efficient ways, with positive overall effects in terms of democratic governance.

The principal concern linked to loss of sovereignty is the consequent loss of a nation's freedom to regulate its service sectors in the manner it deems appropriate. Many service sectors are highly regulated in order to protect consumers, the environment and, in the financial services sector, to protect a country's financial stability. Governments are understandably cautious when agreeing to subject themselves to common rules. Such **regulatory precaution is reflected in the provisions of the GATS, which uphold the fundamental right of a government to regulate in order to pursue national policy objectives**. The Agreement's preamble recognises, *inter alia*, *"the right of Members to regulate, and to introduce new regulations, on the supply of services within their territories in order to meet national policy objectives".*

IV. CONCLUSIONS

The potential economic and developmental gains from services liberalization easily exceed those on offer in agriculture and industrial goods. This is so both because barriers to trade and investment in services remain particularly high in many sectors with significant growth-enhancing properties and because only a limited harvest of liberalisation commitments was reaped in the first round of multilateral negotiations. Trade in services is an area where the payoff from collective action and greater multilateral engagement is likely to be significant. The Doha Development Agenda offers a unique opportunity to secure a negotiated outcome that harnesses such benefits in a manner that advances the development prospects of WTO Members.

There is considerable scope for the WTO to play its traditional role of facilitating reciprocal liberalization, not only by exploiting trade-offs across goods and services but also within services. But for the process to work, and with little time left to secure such an outcome in the Doha Development Agenda, the process of market access negotiations in services requires a second look, a constructive, workable, and balanced market opening agenda needs to be determined; and developing countries must be given credible assurances that their capacity to negotiate, implement their commitments and supply service markets will be strengthened. **An approach that combines aid for trade with additional trade and investment liberalization commitments can help promote greater and speedier progress in the negotiations.**

It is particularly important that a success be made of the decision taken by Ministers in Hong Kong to supplement the market access negotiations under the GATS with **collective requests involving groups of Members with shared sectoral interests**, leading through to multilateral commitments extended to all other Members on a most-favored-nation treatment basis. Negotiations along such lines offer scope for significant economies of time and effort. They can also be made to yield tangible development benefits by focusing on a balanced set of sectors and issues of interest to developing countries.

Services negotiations in the DDA should aim to lock-in the high level of *de facto* liberalisation that has been achieved in recent years and encourage countries to go further by exchanging mutually beneficial commitments to roll back impediments to trade and investment in services markets across a broad and balanced range of sectors, old and new, and across all modes of supplying services.

Priority attention should be given to key “backbone” or “enabling” sectors such as transportation, telecommunications, financial services, IT infrastructure, distribution and energy, as well as to clusters of related activities that are vital to economic development and to greater participation in the world economy, such as cross-border trade in IT-related services as well as the chain of services that support trade facilitation. Increasing the efficiency of such service sectors will have major payoffs for WTO members in terms of lower prices, higher quality, timeliness of delivery and greater product differentiation. To achieve a balanced outcome while also addressing an issue of critical importance to globally-active firms, greater **progress will also be needed in opening up new opportunities for business travel facilitation via the temporary movement of service suppliers (Mode 4 of GATS).**

Progress in strengthening the regulatory disciplines of GATS, including through capacity building assistance, **is also important in promoting better overall governance in sectors subject to significant governmental involvement. The further development of multilateral principles for the domestic regulation of services, particularly as regards transparency-related issues, should be an important element of the DDA negotiations under the GATS**. This should build on the considerable work already undertaken by the WTO in this area such as the 1998 Disciplines on domestic regulation in the accountancy sector, and, for appropriate sectors, the pro-competitive principles enshrined in the Reference Paper accompanying the 1997 WTO Agreement on Basic Telecommunications Services.

Developing countries at all income levels have registered significant increases in service exports in recent years. Such a performance, for which greater technical assistance aimed at enhancing supply capacities is also desirable, has broadened the range of WTO Members with an active stake in the GATS and the pursuit of progressive liberalization in services. It is vital that such an improved negotiating environment be taken advantage of and yield a richer harvest of commitments of benefit to all WTO Members.

The GATS allows WTO Members considerable flexibility as regards the pace, sequence, and nature of trade and investment liberalization efforts they seek to bind under it. Such flexibility, the emphasis placed in GATS on the progressive character of market opening efforts, and the scope the Agreement affords Member to regulate their economies in the public interest, belie assertions of a straightjacket threatening the regulatory sovereignty of WTO Members and inherently inimical to their development prospects.

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ANNEX 1

Collective requests on market opening under the GATS[7]

The collective approach to the WTO services negotiations between groups of requesting and target countries is now underway following the submission of **22 collective requests for market access** starting from 28 February 2006, the target deadline set out in the Hong Kong Ministerial Declaration.

Of these, **16 requests pertain to specific sectors or sub-sectors**, namely: legal; architectural/engineering/integrated engineering; computer and related services; postal/courier including express delivery; telecommunications; audiovisual; construction and related engineering; distribution; education; environmental; financial; maritime transport; air transport; logistics; energy; and services related to agriculture.

Three of the collective requests relate to the modes of supply covered by the GATS: the cross-border supply and consumption abroad of services (modes 1 and 2), establishment of commercial presence (mode 3) and temporary access for individual workers (mode 4).

A further three refer to the elimination or reduction of existing exemptions from most-favoured nation (MFN) treatment, which Members were, in principle, allowed to maintain for a period of ten years from the 1995 entry into force of the General Agreement on Trade in Services (GATS). **Japan** participated in the highest number of collective requests: 13 sectors, the collective request on mode 3, and all three requests on MFN exemptions. The **United States** and the **European Union** each participated as requesting Members in 12 of the sectoral requests in addition to joining the collective request on mode 3. **Australia** also participated in 12 sectoral requests, while **Canada**, **Norway** and **New Zealand** each joined nine sectoral requests.

Among the developing countries perceived as having strong offensive interests in services trade, **Hong Kong**, **China** participated in 11 collective requests involving six sectors, **Mexico** joined in 10 requests involving six sectors, **Singapore** had nine requests in seven sectors and **Chile** had eight requests in six sectors. **India** participated in collective requests on computer and related services, as well as those on mode 4 and on services supplied on a cross-border basis through modes 1 and 2. **Malaysia** also signed on to two sectoral requests -- for education and for computer-related services.

Argentina, **Brazil**, **Paraguay** and **Uruguay** co-sponsored a collective request on services related to agriculture. This is the only such request to date where the requesting Members are all developing countries and the requested Members are all developed countries, including the US, the EU, Japan, Canada, Australia, New Zealand and Switzerland.

The collective request on mode 4 (temporary movement of service suppliers) attracted the greatest number of developing country participants. The mode 4 collective request focuses particularly on the categories of contractual service suppliers and independent professionals. The request enumerates an indicative list of 24 sectors and sub-sectors where improved market access is sought for these categories of service suppliers. **The request on computer and related services commands significant support among developed and**

[7] This annex draws on information featured in the 8 March 2006 edition of Bridges Weekly.

developing countries, suggesting a commonality of opportunities in this sector for countries at different levels of economic development.

The 16 sectoral requests generally share the same format, identifying the requesting Members and stating the number of Members receiving the request (without identifying them). They also explicitly say that **each of the requesting Members is deemed to be a recipient of the request. This implies that collective *demandeurs* aim to undertake the same level of liberalisation commitments they are requesting of other Members.** The requests typically seek the removal or substantial reduction of limitations and conditions to market access in the various sectors or issue areas concerned. In some cases, notably for maritime transport and computer and related services, model commitment schedules are attached.

None of the least-developed countries (LDCs) have received collective requests, consistent with the Hong Kong Declaration's stipulation that they would not be expected to undertake new commitments. However it is expected that LDCs are planning to submit a collective request on mode 4, building on the request they had previously tabled in June 2005.

ANNEX 2

DOHA WORK PROGRAMME Ministerial Declaration,

Adopted on 18 December 2005 **WT/MIN(05)/DEC,** 22 December 2005

Services Negotiations

25. The negotiations on trade in services shall proceed to their conclusion with a view to promoting the economic growth of all trading partners and the development of developing and least-developed countries, and with due respect for the right of Members to regulate. In this regard, we recall and reaffirm the objectives and principles stipulated in the GATS, the Doha Ministerial Declaration, the Guidelines and Procedures for the Negotiations on Trade in Services adopted by the Special Session of the Council for Trade in Services on 28 March 2001 and the Modalities for the Special Treatment for Least-Developed Country Members in the Negotiations on Trade in Services adopted on 3 September 2003, as well as Annex C of the Decision adopted by the General Council on 1 August 2004.

26. We urge all Members to participate actively in these negotiations towards achieving a progressively higher level of liberalization of trade in services, with appropriate flexibility for individual developing countries as provided for in Article XIX of the GATS. Negotiations shall have regard to the size of economies of individual Members, both overall and in individual sectors. We recognize the particular economic situation of LDCs, including the difficulties they face, and acknowledge that they are not expected to undertake new commitments.

27. We are determined to intensify the negotiations in accordance with the above principles and the Objectives, Approaches and Timelines set out in Annex C to this document with a view to expanding the sectoral and modal coverage of commitments and improving their quality. In this regard, particular attention will be given to sectors and modes of supply of export interest to developing countries.

Annex C: Services

Objectives

1. In order to achieve a progressively higher level of liberalization of trade in services, with appropriate flexibility for individual developing country Members, we agree that Members should be guided, to the maximum extent possible, by the following objectives in making their new and improved commitments:

(a) Mode 1

(i) commitments at existing levels of market access on a non-discriminatory basis across sectors of interest to Members
(ii) removal of existing requirements of commercial presence

(b) Mode 2

(i) commitments at existing levels of market access on a non-discriminatory basis across sectors of interest to Members
(ii) commitments on mode 2 where commitments on mode 1 exist

(c) Mode 3

(i) commitments on enhanced levels of foreign equity participation
(ii) removal or substantial reduction of economic needs tests
(iii) commitments allowing greater flexibility on the types of legal entity permitted

(d) Mode 4

(i)new or improved commitments on the categories of Contractual Services Suppliers, Independent Professionals and Others, de-linked from commercial presence, to reflect *inter alia*:
- removal or substantial reduction of economic needs tests
- indication of prescribed duration of stay and possibility of renewal, if any

(ii) new or improved commitments on the categories of Intra-corporate Transferees and Business Visitors, to reflect *inter alia*:
- removal or substantial reduction of economic needs tests
- indication of prescribed duration of stay and possibility of renewal, if any

(e) MFN Exemptions

(i) removal or substantial reduction of exemptions from most-favoured-nation (MFN) treatment
(ii) clarification of remaining MFN exemptions in terms of scope of application and duration

(f) Scheduling of Commitments

(i) ensuring clarity, certainty, comparability and coherence in the scheduling and classification of commitments through adherence to, *inter alia* , the Scheduling Guidelines pursuant to the Decision of the Council for Trade in Services adopted on 23 March 2001
(ii) ensuring that scheduling of any remaining economic needs tests adheres to the Scheduling Guidelines pursuant to the Decision of the Council for Trade in Services adopted on 23 March 2001.

2. As a reference for the request-offer negotiations, the sectoral and modal objectives as identified by Members may be considered[1].

3. Members shall pursue full and effective implementation of the Modalities for the Special Treatment for Least-Developed Country Members in the Negotiations on Trade in Services (LDC Modalities) adopted by the Special Session of the Council for Trade in Services on 3 September 2003, with a view to the beneficial and meaningful integration of LDCs into the multilateral trading system.

4. Members must intensify their efforts to conclude the negotiations on rule-making under GATS Articles X, XIII, and XV in accordance with their respective mandates and timelines:

(a) Members should engage in more focused discussions in connection with the technical and procedural questions relating to the operation and application of any possible emergency safeguard measures in services.
(b) On government procurement, Members should engage in more focused discussions and in this context put greater emphasis on proposals by Members, in accordance with Article XIII of the GATS.
(c) On subsidies, Members should intensify their efforts to expedite and fulfil the

information exchange required for the purpose of such negotiations, and should engage in more focused discussions on proposals by Members, including the development of a possible working definition of subsidies in services.

5. Members shall develop disciplines on domestic regulation pursuant to the mandate under Article VI:4 of the GATS before the end of the current round of negotiations. We call upon Members to develop text for adoption. In so doing, Members shall consider proposals and the illustrative list of possible elements for Article VI:4 disciplines[2].

Approaches

6. Pursuant to the principles and objectives above, we agree to intensify and expedite the request-offer negotiations, which shall remain the main method of negotiation, with a view to securing substantial commitments.

7. In addition to bilateral negotiations, we agree that the request-offer negotiations should also be pursued on a plurilateral basis in accordance with the principles of the GATS and the Guidelines and Procedures for the Negotiations on Trade in Services. The results of such negotiations shall be extended on an MFN basis. These negotiations would be organized in the following manner:

(a) Any Member or group of Members may present requests or collective requests to other Members in any specific sector or mode of supply, identifying their objectives for the negotiations in that sector or mode of supply.
(b) Members to whom such requests have been made shall consider such requests in accordance with paragraphs 2 and 4 of Article XIX of the GATS and paragraph 11 of the Guidelines and Procedures for the Negotiations on Trade in Services.
(c) Plurilateral negotiations should be organised with a view to facilitating the participation of all Members, taking into account the limited capacity of developing countries and smaller delegations to participate in such negotiations.

8. Due consideration shall be given to proposals on trade-related concerns of small economies.

9. Members, in the course of negotiations, shall develop methods for the full and effective implementation of the LDC Modalities, including expeditiously:

(a) Developing appropriate mechanisms for according special priority including to sectors and modes of supply of interest to LDCs in accordance with Article IV:3 of the GATS and paragraph 7 of the LDC Modal ities.
(b) Undertaking commitments, to the extent possible, in such sectors and modes of supply identified, or to be identified, by LDCs that represent priority in their development policies in accordance with paragraphs 6 and 9 of the LDC Modalities.
(c) Assisting LDCs to enable them to identify sectors and modes of supply that represent development priorities.
(d) Providing targeted and effective technical assistance and capacity building for LDCs in accordance with the LDC Modalities, particularly paragraphs 8 and 12
(e) Developing a reporting mechanism to facilitate the review requirement in paragraph 13 of the LDC Modalities.

10. Targeted technical assistance should be provided through, *inter alia*, the WTO Secretariat, with a view to enabling developing and least-developed countries to participate effectively in the negotiations. In particular and in accordance with paragraph 51 on Technical Cooperation of this Declaration, targeted technical assistance should be given to all developing countries allowing them to fully engage in the negotiation. In addition, such assistance should be provided on, *inter alia*, compiling and analyzing statistical data on trade in services, assessing interests in and gains from services trade, building regulatory capacity, particularly on those services sectors where liberalization is being undertaken by developing countries.

Timelines

11. Recognizing that an effective timeline is necessary in order to achieve a successful conclusion of the negotiations by [...], we agree that the negotiations shall adhere to the following dates:

(a) Any outstanding initial offers shall be submitted as soon as possible.
(b) Groups of Members presenting plurilateral requests to other Members should submit such requests by 28 February 2006 or as soon as possible thereafter.
(c) A second round of revised offers shall be submitted by 31 July 2006.
(d) Final draft schedules of commitments shall be submitted by 31 October 2006.
(e) Members shall strive to complete the requirements in 9(a) before the date in 11(c).

Review of Progress

12. The Special Session of the Council for Trade in Services shall review progress in the negotiations and monitor the implementation of the Objectives, Approaches and Timelines set out in this Annex.

Notes:
1. As attached to the Report by the Chairman to the Trade Negotiations Committee on 28 November 2005, contained in document TN/S/23. This attachment has no legal standing.
2. As attached to the Report of the Chairman of the Working Party on Domestic Regulation to the Special Session of the Council for Trade in Services on 15 November 2005, contained in document JOB(05)/280.

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