



Trade in services: new growth opportunities

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GLOBAL SERVICES FORUM, SERVICES TRADE AND INCLUSIVE AND
SUSTAINABLE DEVELOPMENT, 19 APRIL 2012
AUDITORIUM 2, QATAR NATIONAL CONVENTION CENTRE, DOHA

Australian Services Roundtable- who we are

Member-based association

- Around 50 members – mix of:
 - Sector associations
 - Individual companies and other organisations
- Through our **association members** we represent many thousands of companies (tourism, IT, design, engineering, law, education, financial services, social sciences, entertainment, accounting)
- **Individual members** include major services exporters Cox Architects, Mallesons, Minter, IAG, IBM Australia, CSIRO, NICTA, major universities

Board of Directors elected by members

Covers *all* services industries, works on issues *common* to all services industries, represents Australia in Global Services Coalition.



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Australian
Services
Roundtable



CSC



Canadian
Services
Coalition



European Services Forum

FLG

Financial Leaders Group



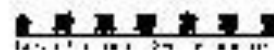
香港服務業聯盟
Hong Kong Coalition of Service Industries
The Service Policy Think Tank of HKSIIC

JSN

Japan Services Network



CSI



NASSCOM®

New Growth Opportunities for services

- Privatisation/deregulation/outsourcing - growth in financial and legal services
- Growth in international services value chains
- Expansion of knowledge and the business capacity to capture value from knowledge – including through managerial, professional and education services
- Information and communications technology
- Increased understanding and application of innovation in services systems
 - Increased realisation of economy of scale and customisation processes
 - Self service/ better understanding the client interface
 - co-creation through value chains/ open innovation and standards
 - Application of research, including social sciences, humanities and arts as well as science and technology
- Health services increasing in importance as a function of wealth and ageing
- Rise of cities and urban living

Issues for discussion

1. New and emerging economies and services sector
2. Services and global supply chain
3. What are the most important driving forces for trade in services?
4. The role of government and regulations in development of services and services trade
5. LDCs and small economies: service sector development and exports
6. What role does trade finance play in promoting services trade?

New and emerging economies and services sector

Since the mid-1990s, services exports of 20 developing countries including Brazil, India, Russia, China, Cambodia, Ghana, Morocco and Nigeria have grown by over 15 per cent annually.

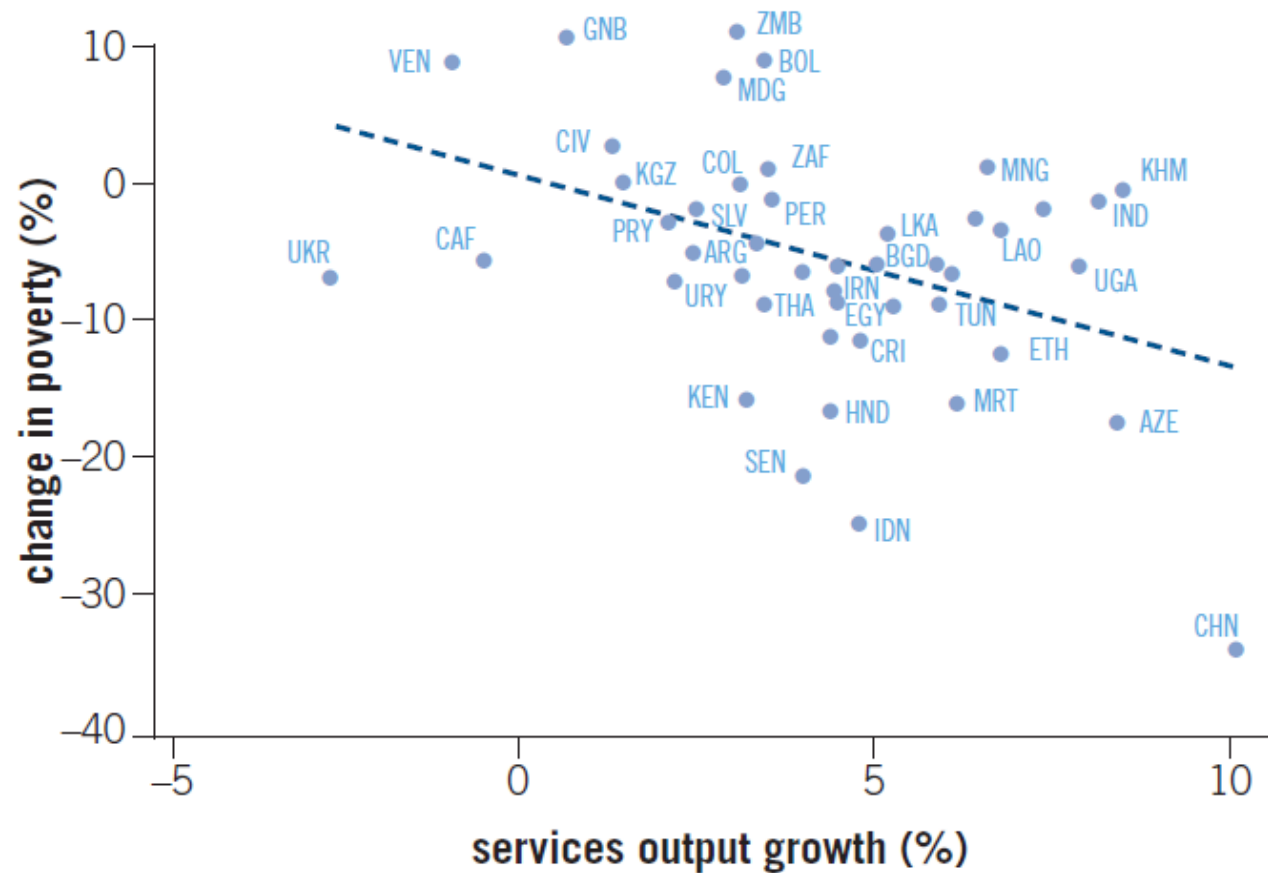
The share of developing countries in the exports of world services increased from 11 per cent in 1990 to 21 per cent in 2008.

Developing countries are exporting not just traditional services such as tourism, but also modern services, notably high-value, skill-intensive services such as computer and information services and other business services.

Exporting Services: a developing country perspective

A Goswani, A Mattoo and S Saez, World Bank 2012

Services growth and poverty alleviation 1990-2005



Source: World Bank, *World Development Indicators*.

Services and global supply chains



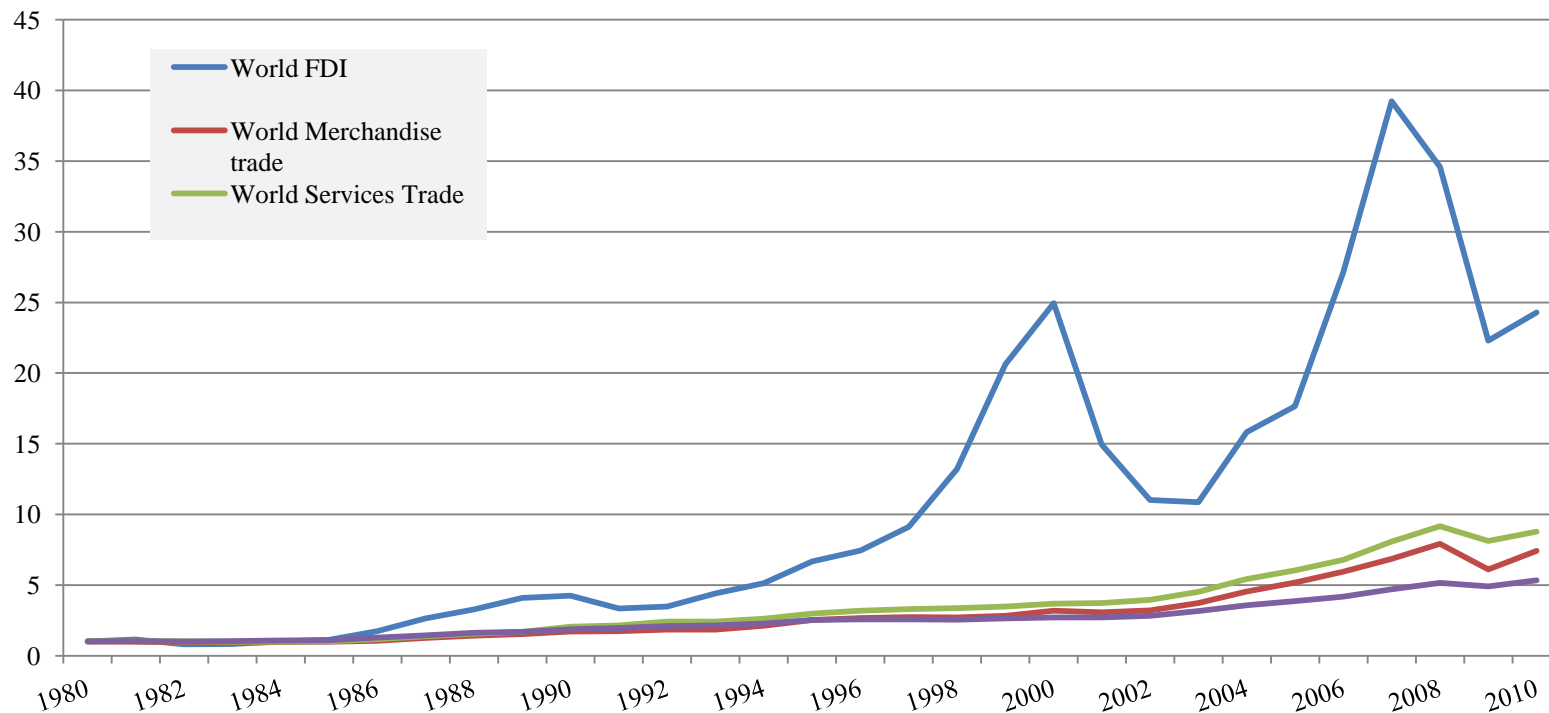
- Ability to trade services across borders has increased
 - technological change & changes in FDI rules
- There are new models in services for international business
 - supply chains matter like they do in goods
 - outsourcing
 - 'network' structures
 - all 'modes of supply' used at the same time
- Scope to 'leapfrog'?

http://commons.wikimedia.org/wiki/File:Construction_beijing_2008_water_cube_1.jpg

<http://www.pinoy-ofw.com/news/309-worlds-largest-call-center-opens-in-philippines.html>

FDI has grown faster than trade

Index 1980 = 1



Source: UNCTAD Database, and author's calculation.

What are the most important driving forces for trade in services?

- Endowments, especially Human Capital
- Investment in Intangible Assets
- Enabling Digital Infrastructure
- Quality of Institutions
- Efficiency of Domestic Regulation
- Connectedness with the International Market
- Services Business Stakeholder Consultation
- Policy Focus

Government intervention is much higher in services trade than in goods

**Nationality or
residency
requirements**

**Expatriate staff
restrictions**

**Local staff
restrictions**

**Licensing/
qualification
requirements**

**Restrictions on
incorporation**

**Restricted
eligibility for
contracts**

**Advertising
restrictions**

**Commercial
presence
requirements**

Visa restrictions

**FDI and
ownership
restrictions**

**Restrictions on
using firm name**

**Membership
of professional
bodies**

There are impediments and reform is often difficult to organise....

- Complex barriers to entry
 - Apply to all firms
 - Not just at the border...
...also behind the border
 - Influence establishment and operations
- Markets do not always work well
 - Competition eg infrastructure
 - Information eg professional services
- Many agencies involved

Logistics Blueprint and Connectivity

- 1. Ministry of Trade**
- 2. Ministry of Transport**
- 3. Ministry of Finance**
- 4. Ministry of Industry**
- 5. Ministry of Public Works**
- 6. Ministry of Communication and Information**
- 7. State Ministry of State-Owned Enterprises**
- 8. State Ministry of National Development Planning**
- 9. Representatives from Logistics Providers (LSP)**
- 10. Representatives from Professionals and Academics in Supply Chain and Logistics**
- 11. Related business associations, eg the Chamber of Commerce.**

About the IT-BPO and GIC in the Philippines

- Philippines exports IT-BPO and GIC operations (Information Technology, Business Process Outsourcing, and Global In-House Centers).
 - From less than US\$100 million in total revenues in 2001, the Philippines increased IT-BPO and GIC revenues to USD3.3 billion in 2006, effectively doubling revenue every year.
 - the Philippines is the acknowledge global leader in voice IT-BPO and GIC, and it is number two in complex, non-voice services in a wide range of sectors and functions.
- Intrinsic strengths: a large, well-educated, English-speaking labour pool, advanced telecommunications infrastructure, and welcoming business environment.
- The industry has also benefited from targeted developmental efforts by the government and industry players, including the early stewardship as far back as 2000 by the then Department of Trade and Industry (DTI) Secretary Manuel A. Roxas II and business leadership by the Business Processing Association - Philippines

Impediments to services reform

If services sector reform involves a win-win situation that brings positive impact for all economies, why has there been so little progress?

PECC's recent report* states contributing factors are:

- lack of information among governments on the services economy and their own commercial interests in services;
- absence of coordinated domestic strategies for services development, consequent policy uncertainty and defensiveness;
- a lack of domestic impetus for regulatory reform;
- inadequate private sector stakeholder consultation [lack of a coherent voice advocating services business interests];
- the absence of international support for domestic regulatory transparency institution building.

*** Pacific Economic Cooperation Council 2011 – Services Trade: approaches for the 21st Century**



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21st Century Services Business Issues

– need for an International Services Agreement

- Competitive Neutrality – SOEs should not have competitive advantages
- Freedom of Cross-Border Data Flows
- Forced Localisation
- Improvements in rules to free up the movement and regulation of services business people, including professional recognition
- Development of a set of principles providing best practice regulation for services
- Opening up of government procurement of services
- Disciplines in subsidies in services

Plurilateral International Services Agreement and the Multilateral Trading System

- ASR and Australia are strong supporters of the Multilateral Trading System
 - We want an ISA that enhances the MTS
- Most services trade liberalisation takes place unilaterally – DDA has been a distraction
- There is a need for better data and understanding of services – a services trade knowledge platform
- Capacity building to enhance opportunities for developing countries grow services trade is needed
- Critical to reform and growing developing country services exports is providing a voice for services business exporters.