

# UNICE

THE VOICE OF BUSINESS IN EUROPE

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## ESF Conference:

### **“THE GATS 2000 NEGOTIATIONS: NEW OPPORTUNITIES OF TRADE LIBERALISATION FOR ALL SERVICES SECTORS”**

27 November 2000-11-03 - Hotel “Sheraton Airport”  
13h00 – 14h30 Lunch

#### Keynote speaker:

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Member of UNICE’s Council of Presidents

### **“UNICE STRATEGY ON SERVICES NEGOTIATIONS”**

## ***Introduction***

Chairman, Ladies and Gentlemen:

?? Allow me first of all to thank the European Services Forum for having organised this seminar on GATS negotiations, which, as demonstrated by the number of participants here today, concerns all economic operators, and from all over the world.

?? UNICE, which I represent today, is the official voice of European business vis-à-vis the European institutions. Created in 1958, it comprises 35 national industrial and employers' federations from 27 European countries. Its mission is to promote the interests of European companies and to ensure that Community policies and legislation contribute to their competitiveness.

?? The services sector contributes more to world-wide economic growth and job creation than any other. It is central to the future of the world economy and an increasingly important competitive tool for EU businesses, even for the manufacturing sector.

- ?? As a Chairman of an international wholesale and retail distribution company, I have been able to follow and monitor closely the priorities of this major services sector and to evaluate the importance of removing trade barriers to allow fair competition for the benefit of consumers worldwide.
- ?? The EU is the world leader in the services sector – largely due to its openness to competition; the EU services' market is one of the freest in the world. The EU therefore leads in the drive to liberalise trade in services worldwide and remove barriers to a truly global market in services. The services sector is also a major source of innovation, especially in electronic commerce, and provides essential infrastructure and value-added investment for trade in goods. Services are also essential to improving the economies of both industrialised and developing countries.
- ?? World trade in commercial services, measured on a balance of payments basis, accounted for around one fifth of world exports of goods and services. The European Union, which is the world's largest exporter of commercial services, accounting for 26% of total global services transactions, has a key interest in playing a major part in the GATS negotiations and the new round of multilateral negotiations.
- ?? Moreover, in the coming decades, issues related to international trade in services will present challenges to the multilateral trading system that, in importance and difficulty, at least equal tariff and non-tariff barriers to the development of trade in goods. Developing countries have also an increasing interest in the liberalisation of services, because they are key to their economic development.
- ?? Therefore, UNICE strongly supports and encourages liberalisation of services markets. It believes that the launch of a new global round of multilateral negotiations will provide the best framework for further enhancing the liberalisation of services throughout the world. Without an agenda reflecting the interests of all WTO members and addressing the concerns expressed by civil society in Seattle, the chances to get significant results are poor.

### ***The importance of the services sector for manufacturing industries***

- ?? Interdependence between manufacturing industry and the services sector is increasing. More and more, industry is a provider of services. At the same time, services are being incorporated in industrial products on a large scale.

One expression of services and industry growing closer together is the fact that by now up to 90% of the added value in products comes from services. The software of a mobile phone contributes 80% to the added value.

- ?? Therefore, the traditional separation of industry and services has long been overtaken by reality. It is the reason why UNICE supports the extension of article 133 to international negotiations on services (as well as on intellectual property and investment)\*. This extension would give the Commission the necessary power to defend European business interests effectively in international fora and the WTO in particular.
- ?? Industry is a major user of services. In particular, it is the largest customer for business-related services such as legal advice and consultancy, advertising, trade, transport, information and communication, finance and insurance.
- ?? Liberalisation of the world market for services is improving the competitiveness of industry. Industry has a great interest in further liberalisation of the world market, not only as a supplier but also as a user. Liberalisation offers industrial enterprises good possibilities to improve their market position.
- ?? Liberalisation of services markets abroad is going to improve industry's chances of success for improving cross-border services exports and services activities of foreign subsidiary firms, and it will facilitate movement of personnel who provide services abroad.

### ***Industry is increasingly a services provider***

- ?? Industrial firms are increasingly service providers themselves, both at home and abroad. Today, industrial companies not only sell goods, but also solutions to problems. They now offer their customers a large number of services such as planning and consultancy, production of customer-specific software, tele-service, maintenance and repairs, assembly and commissioning, waste disposal, plant operation, to name a few.
- ?? Increasingly, world market successes can only be achieved through intelligent interweaving of industrial products and complementary services. Many traditional industrial enterprises have already turned services into a focal point in their scale of offers. Automobile producers offer financial services and software, cable producers have become telecommunications

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\* The issue of services negotiations has emerged in the context of EU institutional reform and the inter-governmental conference. Article 133 covers EU commercial policy. It underlines that negotiations on trade in goods are carried out by the Commission and decisions are adopted by the Council by qualified majority. The scope of the article does not cover international negotiations on services, intellectual property and investment.

providers, and raw material and technology firms have turned into tourism specialists.

?? International trade in services is also increasing in areas such as telecommunications, transport and construction as well as energy provision, partly because of the increase in BOT (build-operate-transfer) projects in developing countries. Looking at BOT projects, the borders between industry and services blur almost entirely. Such projects increasingly form a component of international trade in services with less developed and newly industrialising countries.

### ***What is “international trade in services”?***

?? There are no generally applicable definitions. What is relevant from the angle of external relations is the distinction made by WTO in its General Agreement on Trade in Services (GATS) which lays down the rules for international trade in services and where international trade in services is broken down into the four different types of deliveries:

- from the territory of one WTO Member into the territory of any other WTO Member (mode 1: cross-border supply);
- in the territory of one WTO Member to the service consumer of any other Member (mode 2: consumption abroad);
- by a service supplier of one WTO Member, through its commercial presence in the territory of any other Member (mode 3: commercial presence abroad);
- by a service supplier of one WTO Member, through the presence of natural persons in the territory of any other Member (mode 4: delivery of services by natural persons abroad).

### ***Obstacles to international trade in services***

?? International trade in services has hitherto been liberalised far less than international trade in goods. For that reason, suppliers of services in international trade often have to overcome obstacles, especially at the local level. Examples include:

- restrictions on investments (e.g. restrictions on acquisition of land, requirement to employ local managers, no free choice of legal form, etc.),

- disadvantages in the award of public procurement contracts (opaque award criteria, unfair award practice),
- problems with temporary movement of personnel (visa, work permit) abroad,
- monopoly positions of domestic firms effectively hampering market access,
- opaque national/local rules,
- licences or qualifications/educational degrees as instruments for excluding and controlling foreign competitors,
- subsidies available only to domestic firms.

## ***Barriers to trade for retail sector***

?? The prime function of retail is to offer the widest range of products to the largest possible population. Therefore, its main concern is about free movement of goods with no quantitative restrictions and subject to a minimum of taxation. Retail is now global and shows a marked interest in the WTO, and particularly the GATS 2000 negotiations, to ensure free access for selling and sourcing of goods and services worldwide.

?? Key issues for retailing sector are:

- possibility to establish a 100% subsidiary in a country;
- possibility to acquire land as a foreign-owned entity;
- easy and unbureaucratic land approval of building permissions;
- no currency controls / no restrictions on cash payments by customers;
- favourable and clear tax laws (unproblematic repatriation of profits, tax rates with international standards);
- sound and reliable legal system;
- no import and sales restrictions (e.g. no licence requirements, reasonable customs and excise duties);
- exemption from import duty and value added tax for all investment goods;
- long-term visa for expatriates and their families;
- un-bureaucratic administration and a clear position of the government against corruption and blackd economy.

?? As you can see many of these barriers are not specific to our sector. Most of them are related to investment, it is the reason why we strongly support WTO negotiations on international investment in the new round of negotiations.

## ***The importance of WTO services negotiations***

- ?? While the 1999 Seattle Ministerial failed to launch a new “Round”, the services negotiations for 2000 are proceeding as mandated by the 1995 Marrakech Agreement concluding the Uruguay Round. Although the GATS is a major achievement of the Uruguay Round, service’s liberalisation is still far from being complete. This services negotiation’s objectives are to achieve free, open and competitive markets for services.
- ?? The GATS negotiations on further liberalisation of services markets started in January of this year. Alongside sector-specific market access negotiations, horizontal themes also play an important role, e.g. liberalisation of e-commerce, free movement of personnel, liberalisation of investments, appropriate national rules for treatment of foreign companies as domestic firms, non-discrimination regarding public procurement and subsidies rules.
- ?? For UNICE, the goal of the GATS negotiations must be to open markets outside the European single market for as many services as possible in order to improve the export opportunities of European companies. At the same time, European manufacturing industry, as a user of services, has a strong interest in further market opening within the EU, since this will tend to improve the offer of services and reduce their cost. In addition, equal treatment of domestic and foreign providers must be the underlying principle in as many WTO countries as possible, and in all sectors.
- The General Agreement on Trade in Services (GATS), which established a set of rules and obligations regarding world trade in services is crucial in ensuring that businesses can operate on a ‘level playing-field’ in the services sector. This brings benefits to all parties. But there is still room for improvement in the new comprehensive WTO trade round, which the EU believes should create even greater market opening, enable developing countries to participate more and cover important new sectors.
  - UNICE is therefore convinced that the new round of trade negotiations will also be a chance to improve GATS as a whole and to strengthen the position of services in the WTO structure.
  - While bilateral and regional agreements and initiatives can play a useful supportive role, a firm and widely supported multilateral agreement remains the ultimate goal of services negotiations within the WTO. Therefore, services and other services-related issues (such as investment and electronic commerce) should be combined in a new comprehensive round which should be concluded by a single undertaking. A new round of multilateral negotiations will increase the chance to get results in services negotiations. It should be of a limited duration, lasting no more than three years.

?? As long as no progress is made in the agriculture negotiations, there is little chance of any progress in services, because many WTO members link the two negotiations. UNICE would like therefore to see progress in the negotiations on agriculture so that services negotiations can also move forward.

### ***UNICE objectives for GATS 2000 negotiations***

- For UNICE, the services 2000 negotiations should therefore create much improved opportunities for profitable international business. Particularly, these negotiations should:
  - obtain the widest possible standstill commitments;
  - go beyond these standstills in order progressively to remove barriers to trade and investment, on an agreed transition period, for the European services sector, in particular in the fields of market access and national treatment;
  - achieve broad and deep coverage of services sectors in WTO members and acceding countries;
  - ensure the developments of GATS rules and disciplines regarding government procurement of services, subsidies and emergency safeguard measures;
  - ensure commitment by governments and regulatory authorities to pro-competitive principles in domestic regulations for services sectors, which critically affect trade and foreign investments.
- In the GATS 2000 negotiations, specific attention also needs to be paid to improving commitments which facilitate the use of electronic commerce for all services sectors, including those on the leading edge of e-commerce.

### ***Conclusion***

- UNICE together with ESF, is determined to work closely with the European institutions and their negotiators and to meet services business representatives and officials from other trading partners with the view to building growing support for liberalisation of world trade in services.

- The competitiveness of European companies is at stake. We must meet this challenge together with determination and imagination.

Thank you for your attention.

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