

Spotlight's on the trade ministers

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As published in the Business Times, 5 June 2012

Trade Ministers from 21 Asia Pacific economies representing 54 percent of the global economy and 44 percent of world trade, are gathering in Kazan, Russia at a time when the world economy is facing the increased prospect, as Wen Jiabao has so neatly described it - of "rainy days". With the Doha Development Agenda in deep freeze, all eyes are on Trade Ministers everywhere, when and wherever they meet.

Governments in the region and the world are struggling to find ways to bolster growth. Businesses in the region are expecting solutions. APEC has adopted a growth agenda but it needs to see action. One area where there is real room to move that would generate a huge boost to growth is services.

The services industries account for the vast bulk of the region's GDP and employment. Innovation in services, including through the application of information technology, is increasingly leading productivity growth as well as enabling small and medium sized enterprises to find an entry into regional and global supply chains. Knowledge-intensive business services are now the fastest growing component of world trade. And they are contributing importantly to development goals including poverty reduction.

Trade Ministers need to pay more attention to these realities. What specifically should Trade Ministers do?

Trade Ministers should take a visible new services trade and investment initiative. APEC has given a great deal of attention over the last two decades to securing opening up of trade flows in the goods sectors. The results have been extraordinary and the growth dividends have been real. The time has come to pay equally serious attention to the services industries to achieve comparable gains in regional connectedness leading to enhanced regional prosperity. After all, services now account for 68 percent of regional GDP; a focus purely on the goods sectors no longer makes commercial sense. Opening up to services trade and investment and dealing with all kinds of regulatory choke-points affecting both goods and services supply chain operations is the 21<sup>st</sup> century agenda.

APEC is unique in having a formal APEC Business Advisory Council (ABAC) which provides officials, and politicians, with valuable insights into problems the business community faces. In a report on services issued in Honolulu last year, ABAC highlighted the long overdue need for an APEC initiative on services and called for establishment of a high-level eminent persons group, including government representatives, business stakeholders and think tankers, to consider how governments might be able to make more serious progress. A report from a task force established by another APEC stakeholder, the Pacific Economic Cooperation Council (PECC) along with the Asian Development Bank Institute also recommended regional institutions take a fresh approach to services.

These two reports, between them, provide an irrefutable evidence-base on the role of services in the APEC economy and the necessity, for future regional job growth, of more sustained official attention.

As per capita income increases, most countries witness a rising share of services in total output. The services sector's share of regional employment has grown vigorously and now outweighs agriculture and industry as the largest employer, creating more than 123 million jobs over the last 10 years. Services industries provide the essential infra-structural networks for the goods-producing sectors; indeed "embodied" services such as R&D, logistics and brand marketing are an essential component part of all finished products. The service sector consequently plays a key enabling role, driving growth and development across the whole APEC economy.

All APEC economies are exporting services. But for most APEC economies, services' share of exports is still well under the global average of 25 percent. This means there is much room for improvement.

At a time when there is such uncertainty, taking a step toward getting to grips with this sector, even if only a first step, would signal to the business community that the growth agenda is real and investments are welcome.

This week in Kazan, PECC and ABAC joined forces in a dialogue with officials to draw attention to the crucial importance of services and to make concrete proposals on the way forward.

The fact is there has been no progress, since completion in 1997 of the WTO negotiations on financial services and on movement of natural persons, in building the global governance for services. And not enough has been done on a regional or bilateral basis to compensate.

Are APEC Governments listening to their stakeholders? Are they prepared to focus on the issues that will impact most on creating jobs for future generations? Trade Ministers have an opportunity in Kazan to make it clear that they are listening and that they will act. All eyes are on Trade Ministers.

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