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“The role of Australasian/EU business advocacy in launching the Trade in Services Agreement (TISA) negotiations; a case study in collaborative commercial diplomacy”

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Australian
Services
Roundtable



European Services Forum

TheCityUK



Japan Services Network



Hong Kong Coalition
of Service Industries
香港服務業聯盟



COALITION OF
SERVICES
INDUSTRIES



CSI

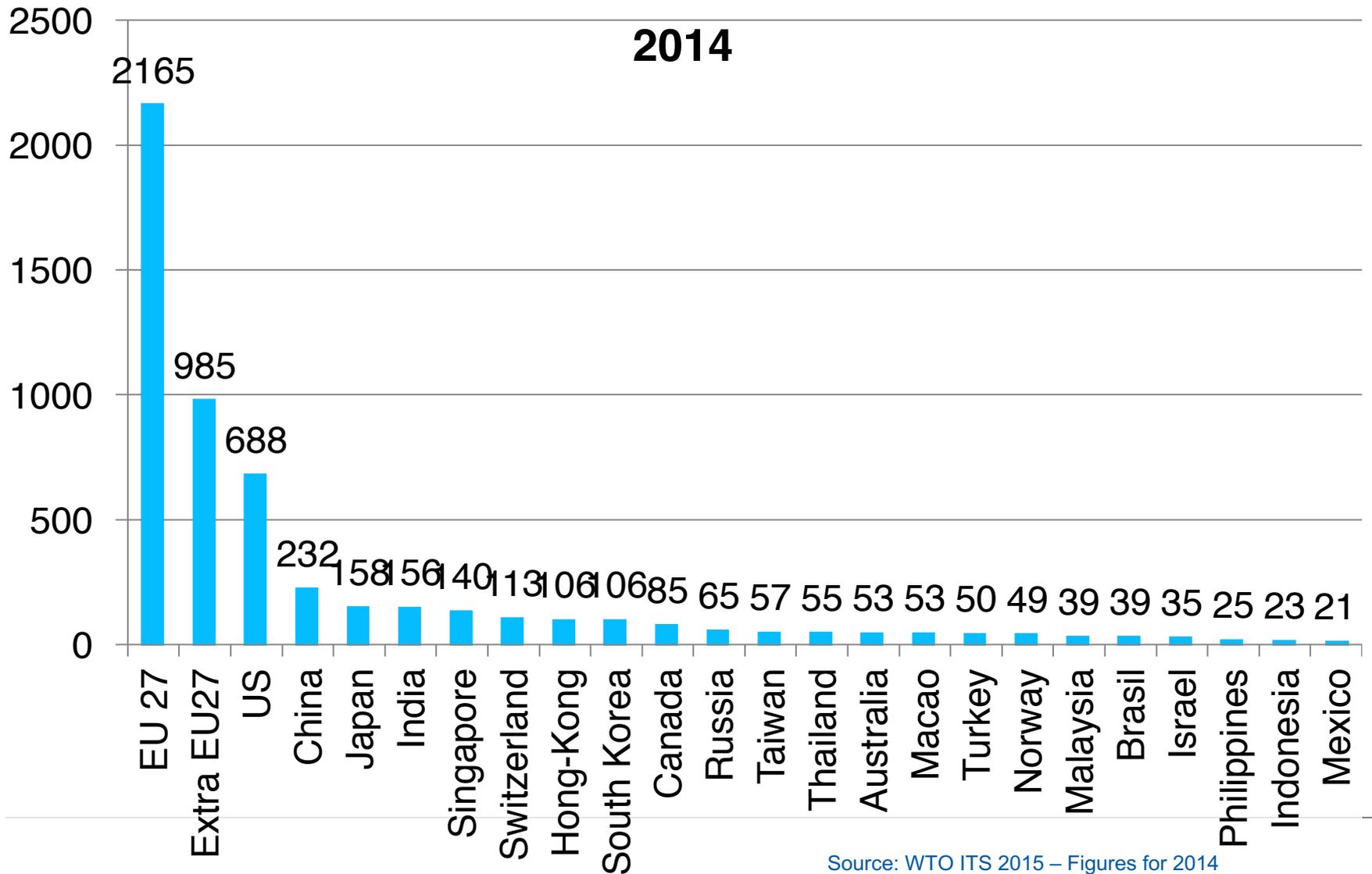
台灣服務業聯盟
Taiwan Coalition of Service Industries



Background fact: Trade liberalisation in services (unlike trade in goods) is a clearer business win-win: meaning cross-border coalitions can be built

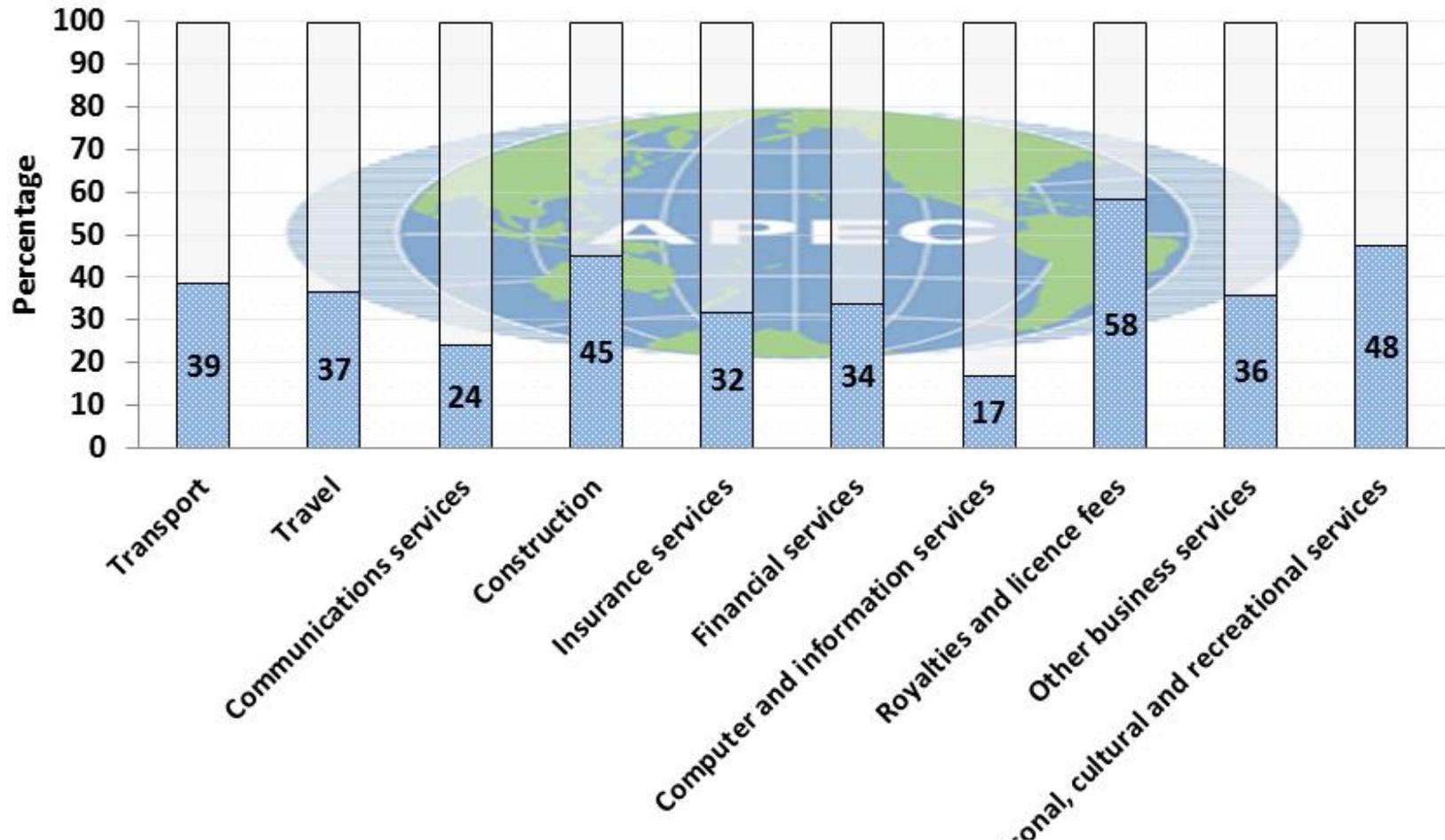
Without going into technical detail on the gains from trade and the different economic effects of removing tariffs and “non tariffs” this is essentially because the bulk of services barriers lie not at the border but deep inside domestic regulatory regimes that impact as negatively on the efficiency and competitiveness of domestic industry players as much as they do on foreign players, so the productivity gains of regulatory reform tend to see the domestic sector alongside/despite the accompanying foreign entry.

Background fact: The EU is, by far, the worlds largest services trade partner



Background fact: Asia Pacific economies alone do not *yet* provide WTO “critical mass” in services. Nor do the BRICs

Source: Andreas Maurer, WTO Secretariat, 2012



So if business organisations want to initiate something **BIG & SIGNIFICANT** and potentially **GLOBAL** in services trade and investment, they need their **EU counterparts** on board.

Against that background, this story starts in 2008.....

- Actually the seeds were sown even sooner,
 - at the Cancun WTO Ministerial meeting in 2003, where 3 of the 4 “Singapore issues” exited the DDA agenda (including Investment, Competition), of critical concern for services.
 - at the WTO Hong Kong Ministerial in 2005, where services were relegated to a secondary position after Agriculture & “NAMA”
 - in the 2007 Warwick Commission report on the Future of the WTO.
- By 2008, with services firmly hostage to progress especially on agriculture, a group of Australian services businesses, took an initiative. They advocated the revolutionary idea of breaking out of the Doha logjam by holding stand-alone negotiations on services, on a plurilateral basis, outside the “single undertaking” but with the aim of building critical mass, enabling the outcomes to be multilateralised.
 - This was originally received by the Australian government as heresy.

2009-2010: industry frustration builds

- State of play by WTO Ministerial in Geneva in November 2009: less than 1/3 of the WTO membership had submitted revised services offers and these offers, according to the World Bank, contained “not one iota of new liberalisation” and WTO Ministers had spent less than 1 hour on services in a decade of DDA Ministerials.
 - The Australian Services Roundtable takes the idea of services plurilaterals to the Hong Kong Coalition of Services Industries – and to the HK Chair of the WEF Group on Trade.
 - Industry works together to sharpen the business “narrative” (competitiveness, in the 21st century is determined by the flow of capital, talent and ideas/information) and develop the evidence base, including drawing on the China-HK CEPA. ESF contributes. World Bank research contributes.
 - HKCSI and ASR quietly take a paper to the Global Services Summit in Washington in October 2010. CSI (USA) is initially disinterested (they remain Friends of Ambition for the DDA) but business discussions with the ESF intensify.
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2011: the idea captures political imagination...as the window of opportunity for the DDA fades

- **June 2011:** ADBI and PECC sponsor a workshop at CUHK, along with HKCSI, and ABAC HK. Industry sits with the World Bank, OECD and WTO to think it all through. The ESF participates. Results are published. With ESF help, the GSC issues its first media release calling jointly for stand alone plurilaterals on services trade and investment - CSI (USA) reluctantly signs on.
 - CSI (US) commissions research work which sees wide distribution in the USA. PECC calls at San Francisco APEC SOM 3 in **September 2011** for APEC support for a big services initiative which has the potential to be multilateralised and implemented at WTO level. (SOM is chaired in 2011 by Mike Froman).
 - ABAC HK commissions a research paper and both the PECC/ADBI and ABAC papers are submitted to APEC Trade Ministers.
 - Global Services Summit in Washington in **October 2011**- Milestone speech by the Australian Minister for Trade calling for "a new pathway" in the WTO. APEC Leaders Statement in **November 2011** calls for "fresh approaches" in the WTO.
 - WTO Ministerial in Geneva in **December 2011**– the "fresh approach" language is picked up officially, thereby opening the door for plurilateral negotiations in services.
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2012: negotiations are launched

- Australia immediately calls and chairs meetings of the “Really Good Friends of Services” in Geneva.
 - The ESF joins APEC economy industry participants in APEC public/private dialogues on services in **May 2012**. The industry Coalition draws in WTO, World Bank and OECD expertise and publicises the STRI.
 - Days later the Really Good Friends of Services issue their first media release in Geneva.
 - At the Global Services summit in Washington in **September 2012**, the Global Services Coalition issues a joint media release urging the launch in the WTO of plurilateral negotiations on services with new negotiating modalities
 - In **October 2012**, the Really Good Friends of Services take their discussions to a new level (informally, pending a US Presidential election, the negotiations begin). In **December 2012**, the formal launch of negotiations is announced.
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Joint Business Interests

- Original ASR focus is rules-based as well as market access oriented; Standstill and Rollback. Strong focus on domestic regulatory efficiency and productivity gain for SMEs, on people movement and on alliance building with other Asian economies. HK CSI focus and Taiwan Coalition of Services focus on Investment – and on SMEs.
 - ESF focus on Domestic Regulation and Investment.
 - Japan Services Network focus on Investment
 - CSI (USA) focus on Investment and Data Flows
 - The world of business is changing fast.. Access to data flows become increasingly critical to all business competitiveness (cross-border trade – mode 1)
 - The joint GSC focus covers all modes and all sectors and on encouraging other countries to join the negotiations
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Multilateralisation?

- The first formal round of TISA talks took place in March 2013. On Monday 29 September 2013, China announced its interest in joining. This was a critically important moment. Because if China joins, then others will join; the critical mass will be reached and the deal can be brought back inside the WTO fold. And the multilateral system will retain its supremacy in the modern globalised services economy.
- China has commercial interests in being included in the deal. It was in 2014, the world's third largest importer of services and the 8th largest exporter, and growing.
- At industry level, ASR and ESF fight in concert to keep a GSC consensus in favour of multilateralisation. At Government level, the USA blocked China's participation.

This narrative draws to a close 3 years later at the 21st negotiating round in November 2016

- 6 remaining last minute deal breakers before a grand finale planned for December 2016 (all but 1 being due to lack of readiness on the part of the EU)
 - Digital Economy (how to reflect TPP outcomes)
 - free flow of data v data protection/privacy
 - data localisation
 - undertakings on “new services” (implications of AI in financial services?)
 - Domestic Regulation (“necessity test” for regulation)
 - “Ratchet” clause
 - MFN clause (implications for the EU of BREXIT)
 - The risky option of a TISA deal without the EU? With the EU being the first to join AFTER the deal and hence start the multilateralisation process?
 - US Presidential election and overnight the negotiations went into temporary hibernation (along with the EGA)
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How will these issues play out in EU/Japan FTA (nearing completion in mid 2017) and in EU/Australia FTA (to be launched before end 2017)?

The TISA negotiations mean that on services issues, both parties to these 2 sets of bilateral negotiations already know each other VERY WELL – friction can be minimised. Industry players are aligned. This is not the case on the goods front.

TISA is similarly helping to hopefully deliver something on services for WTO MC11 in Argentina (domestic regulation and e commerce)
