



Services Facts

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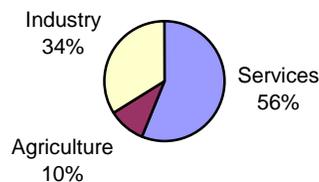
Trade in Services Policy Brief – March 2006

Services Liberalization Promotes Development **United States Joins Effort to Jumpstart Services Negotiations in Doha Round**

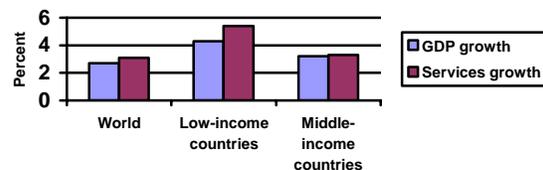
On February 28, 2006, the United States joined other countries in jumpstarting the services negotiation in the Doha Development Round. The Collective Services Requests are aimed at promoting global economic growth, particularly in developing economies, by improving productivity, creating jobs and improving the quality and availability of goods, agriculture and services.

Services are now the major source of employment in developing economies, accounting for over 50 percent of jobs in Latin America, the Caribbean, and East Asia. Services account for a much larger share of total economic output than either manufacturing or agriculture in developing countries. Services are the future of developing countries, as it is the fastest-growing component of their total GDP, particularly low-income developing countries.

Sectoral share of GDP in middle-income economies, 2004



GDP and services average annual growth rates, 1990-2002



Since services are often used as production inputs, the WTO Services negotiations seeks to lower barriers that currently increase manufacturing prices and prevent productivity gains. Removal of services barriers in sectors such as telecommunications, transportation, and financial services improves competitiveness in the goods sector, increases efficiency and productivity by enabling firms to track consumer demand, facilitate product distribution, and expand global reach.

Access to efficient accounting and legal services can lower transaction costs. An effectively regulated financial services industry enables investors to distribute their resources in a manner that maximizes returns and spreads risks. Access to health and education services may benefit and build a country's labor force and access to environmental services supports efforts to achieve sustainable economic development.

The following are highlights of some of the specific development benefits from commitments in major service sectors covered by the collective requests submitted on or about February 28, 2006. None of the requests supported by the United States relate to health, social services, public education or public utilities, including water for human use.

Financial Services:

- A recent World Bank report indicates that countries with open financial services sectors grow on average one percentage point faster than other countries. Improved commitments send a strong signal to foreign financial services companies that they should devote their resources and technologies to particular countries and that needed infrastructure will be in place to support their exporting objectives. Financial services suppliers provide essential finance, risk transfer and investment management tools to help economies grow and diversify and become competitive suppliers of goods and services. Foreign presence also contributes to the stability of financial markets by providing deeper pools of capital, risk management techniques and technologies not available on the domestic market.

Telecommunications:

- A competitive telecommunications market brings many benefits to businesses and consumers including lower costs, efficient and innovative services, and expanded opportunities and choices. Network expansion has been a key driver of economic growth for many countries, and private investment has been the main catalyst for such expansion; much of it in the developing world. According to the World Bank, the private sector invested \$230 billion in telecommunications infrastructure in the developing world between 1993 and 2003, with the greatest investment in those countries that were open to competition. Indeed as more markets become competitive, expansion into other markets will become essential. Thus, all countries seeking to benefit from the gains of a competitive global telecommunications market have a stake in seeing market opening commitments in this sector.

Express Delivery:

- Whether delivering commercial contracts, financial agreements, a replacement part for an electric power turbine, or even merchandise exports to support just-in-time manufacturing, express delivery services play a critical role in supporting the competitiveness of domestic industries. Express delivery services also serve as an important source of local employment and economic development, employing nearly 1 million people in over 200 countries. The vast majority of those personnel are hired locally to provide the vital link to the domestic market. GATS commitments on express delivery services signal a stable, commercially friendly regulatory regime in which potential investors will be able to maintain close contact with their suppliers and customers all around the world.

Computer and Related Services:

- Computer and related services are a key services sector, providing support for many other industries. Without a robust computer services sector, many industries fail to realize the efficiency and productivity gains that computer services provide. In addition, this sector is one in which many countries, including developing countries, have keen export interests. Thus, full market access opportunities create benefits for many Members' industries.

Environmental Services:

- Environmental services commitments help to support sustainable development goals by providing greater access for lower cost to key environmental services, including: sewage services; solid and hazardous waste management; protection of biodiversity and landscape; protection of ambient air and climate; and remediation of soil and water. Increased access to affordable and effective environmental technologies and services was called for by Leaders at the World Summit on Sustainable Development (WSSD) in 2002. Environmental services markets are forecast to grow quickly in the coming decade. For example, the World Bank estimates that annual investments in water supply and sanitation would likely need to double from the historical level of \$15 billion per year to \$30 billion per year to meet future demand. In addition, GATS commitments contribute to employment of local personnel and transfer of technology and know-how in this important services sector.

Distribution Services:

- Virtually every exported good or commodity makes its way to the market through distributors. Wholesalers, retailers, commissioned agents and franchisers provide the domestic infrastructure for moving goods to consumers. But inadequate competition in distribution markets raises prices and reduces the volume of goods sold. Excess profits enjoyed by uncompetitive middlemen come at the expense of both consumers and producers. GATS market access commitments bolster appropriate policies in support of competition.

Energy Services:

- Energy services commitments increase energy security by introducing new technology to enhance, for example, production of declining oil fields. New technology can also promote the development of renewable energy sources such as solar and wind power. Energy services commitments also encourage investment in infrastructure development and promote regional integration. In Africa, for example, a proposed gas pipeline project will transport flared gas in Nigeria to Ghana to supply an electric power plant. Energy services commitments also foster competition thereby creating jobs, enhancing skills and providing training opportunities.

Higher Education:

- Properly regulated, increased trade in private higher education services opens the door to great economic, social, cultural and political benefits. Trade in private education complements public university systems by offering greater choice at global standards of quality, thereby helping to level the playing field in the knowledge-driven economy.

Audiovisual Services:

- Opening the audiovisual services market benefits the domestic industry by introducing new technologies, skills and business methods, which in turn lead to the development of a multitude of new services, and foster local creativity and innovation. A growing number of countries have come to recognize that opening the audiovisual sector to foreign participation has broad, positive spill-over effects for the local economy, including for such sectors as tourism, education and local manufacturing.