

CONCEPT NOTE

CAPACITY BUILDING IN TRADE IN SERVICES NEGOTIATIONS

INTRODUCTION

1. Despite the task of negotiating and rule-making activity, at regional, continental and multilateral level, experience with services negotiations and policy reforms is still young. Significant challenges exist in building the regulatory institutions that are needed to remedy market failures, appropriately sequence service sector reforms, and establish mechanism that promote the availability of essential services among poor people. Trade rules are complex and services negotiations are information and resource-intensive. Capacity building in services negotiations is key for African countries in order to effectively benefit from trade in services opportunities at bi-lateral, regional and multilateral levels but most importantly to prepare for CFTA Services negotiations.

2. The 9th Conference of African Ministers of Trade convened in December 2014, considering the contribution of the services sector to African countries and the potential for boosting intra African trade, concluded that CFTA negotiations have to include Trade in Services. It was however, noted that Trade in services negotiation are complex and there is limited experience in negotiating the same.

Trade In Services Key Opportunity To Transform African Economies

3. Research has shown that developing countries are shifting towards services, and at a lower level of per capita income, than has been the case in the traditional development trajectory. Services could provide an alternative engine of growth, enabling some latecomers to development to "leapfrog" what has been seen as the traditional manufacturing route to development. The fragmentation of production in global value-chains and ICT among other elements may multiply opportunities for SMEs to participate in the global economy by reducing the threshold and capital necessary to enter markets for intermediate goods and services.

4. The services sector has become a dominant driver of economic growth in African countries delivering both GDP growth and poverty reduction. In 2011, the services sector accounted for an average 49% of GDP in the low income countries and 47% in the LDCs¹ The World Investment Report 2013 points out that despite an 18% drop in global FDI in 2012, the services sector was the least affected and FDI inflows to LDCs hit a record high, an increase led by developing country investors. According to Ernst and Young²; in 2007 extractive industries represented 8% of FDI projects and 26% of capital invested in Africa; in 2012, it was a mere 2% of projects and 12% of capital. In comparison, services accounted for 70% of projects in 2012 (up from 45% in 2007).

5. The emergence of Global Value Chains reveals the close link between services and the creation of value in the exchange of intermediary products. The trade in value-added data recently developed by the Organization for Economic Cooperation and Development (OECD) and suggests that the value of trade in services, when taken from a value added perspective, may be approaching half of world trade exports (45%). It

¹ LDC Services Exports: Trends and Success Stories* International Trade Centre 2013

² EY's Attractiveness Survey – Africa 2013. Getting Down to Business

has been reported that **reducing supply chain barriers like Customs Administration, Transport, Communication infrastructure and services could increase world GDP over 6 times more than the removal of all tariffs** (WEF-WB) 2013.³

6. Services are specifically important for LDCs to integrate in the global economy. LDC commercial services exports more than doubled from US\$ 9 billion in 2005 to US\$ 22 billion in 2011, growing much faster over that period at 138% - than total world commercial services exports at 70%.⁴ Services present an opportunity for developing countries (especially LDCs) to share in global trade but more importantly an opportunity to boost intra-African Trade.

7. Despite the importance of the sector, many African economies have not prioritized services in their relevant development plans and export strategies, and the sector is in most cases still unregulated, yet proper regulations is the basis for service sector development and strategic liberalisation.

Trade in Services Negotiations at multilateral, regional and bi-lateral level

8. Services Negotiations are ongoing at the Multi-lateral level, regional and Bi-lateral level at different states in Africa but the CFTA negotiations create an urgent of capacity building to ensure fruitful and value added negotiations. AU Member States have liberalized services at the WTO and within their regional frameworks.


9. African Member States are currently undertaken services liberalization process at the regional level and different approaches are being adopted and each REC is at a different stage of liberalization. In COMESA the Framework for liberalizing trade in services was developed and adopted by Council in June 2009 as contained in the Regulations on Trade in services and the Annex on the temporary movement of persons. The Regulations are anchored on the GATS, the main provisions of: MFN Market access National Treatment, Progressive liberalization and Establishment of the Committee on Trade in Services The guidelines provide for seven (7) priority sectors, namely business, communication, construction, energy, financial, tourism and tourism for initiating negotiations. In addition to negotiating services under the regional framework,, COMESA Members States, negotiating services under ESA- EPA configurations.

10. The East African Community (EAC) Member States agreed to undertake progressive liberalization using the Positive-List Approach in 7 broad Sectors over a period 2010-2015 and have made commitments in: Business and Professional Services, Communication Services, Distribution Services, Educational Services, Financial Services, Tourism and Travel Related Services, and Transport Services.

11. While in SADC, Ministers of Trade decided in November 2011 to commence with negotiations on the liberalization of six priority sectors communication, construction, and energy-related, financial, tourism and transport services. The first Round of Negotiations on liberalisation commitments in the six priority sectors commenced in April 2012 by developing a roadmap of negotiations. It is expected that

³ Enabling Trade: Valuing Growth Opportunities" WEF-WB Report 2013

⁴ LDC Services Exports: Trends and Success Stories" International Trade Centre 2013



the round will be concluded in 3 years. Services are also a component of EPA negotiations as is the case in SADC, ECCAS and ESA. Article 3 of ECOWAS Treaty the removal, between Member States, of obstacles to the free movement of persons, goods, service.

GENERAL OBJECTIVE

12. The General Objective of the Workshop is to build the capacity of services negotiators in Africa to effectively benefit from trade in services opportunities at bi-lateral, regional and multilateral levels but most importantly to prepare for the CFTA negotiations on Services which were launched in June 2015 in Johannesburg South Africa during the 25th Ordinary Session of the Assembly of the African Union. The Workshop will also provide a forum to share experiences of successful services exports and brain storm on a strategy for CFTA Services Negotiations as well as establish a network of services experts on the continent

STRUCTURE OF THE WORKSHOP AND KEY ISSUES

13. The attached Work Programme Highlighted provides further particulars about the workshop content. In summary the workshop will cover the following issues:

- (a) Measuring Services Trade and Protection**
- (b) Domestic Regulations**
- (c) Understanding Scheduling of Commitments and Policy Considerations in Services liberalisation**
- (d) Approaches to Services Liberalization (with discussions on Possible options for the CFTA)**
- (e) Negotiating Investment Provisions and Post Negotiations issues**
- (f) Discussion on Possible Modalities of CFTA Services negotiations**

Target Audience

1. AUC Staff and AUC Member States

DATE AND VENUE

2. 7-11 December 2015, Dakar Senegal

For further information please consult the Department of Trade and Industry

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