

Global Services Coalition Mission to Geneva - 11-13 July 2006
Notes of Meetings

11 July 2006

Meeting 1 10:30am
Hamid Mamdouh, Director, Trade in Services, WTO

Christopher Roberts, Chairman, ESF Policy Committee, welcomed participants.

Scene-setting by Hamid Mamdouh

- The negotiations are really running out of time.
- The post-Hong Kong outcome was quite good. The plurilateral negotiations process was very helpful.
- As at 28 February 2006, there were 20 requests resulting from the two rounds of requests/offers. The significance of plurilateral negotiations were:
 - clear identification of strategic sectors
 - what actually needed in these sectors
 - identifying critical mass of members (about 40 delegations really engaged)
- The plurilateral negotiations represent a process. The substance comes from the revised offers as of end of July. Real reforms have to be considered if the process works to its full extent.
- What is needed now is Ministerial attention. An encouraging movement was a breakfast meeting of ministers convened last week (1 July) by European Union's Trade Commissioner Peter Mandelson on services stock-taking on "green-light" items (i.e. what they are ready to offer).
- The risk is that the negotiations may now be out of time, not just for services but for agriculture. The latter needs 6 months of technical work to deliver after agreement on modalities. For services, the technical work (schedules) has already been done in the first round of offers. But there is a risk of out-of-time all the same because of the United States fast-track authority expiring next year, and draft schedule will have to be negotiated now; i.e. time is needed now for the substance, not the technical work.
- The WTO General Council will meet on 27 July and that week is critical. It is hoped the G8 next week will address the WTO negotiations.

Pascal Kerneis, Managing Director, European Services Forum (ESF)

We told the Commissioner not to sign without a decent package on services. The European Union needs to get some services in return for agriculture.

W K Chan, Secretary General, HKCSI

- What is the timeline from now to conclusion? Is slippage possible just because of lack of time? And is there the danger of a "Doha-lite" Round with a minimal package on services?
- There are two kinds of rhetorics, which would be more helpful now?
 - (i) balance of concession – services liberalisation is needed in return for agriculture/NAMA; and

(ii) services liberalisation is inherently beneficial to developing countries.

Hamid Mamdouh

- Some slippage of time is not a problem, what is crucial is the quality of offers.
- On timing, we do have some flexibility. A September submission of revised offers is still do-able, but a real deadline of end of October would be fine and even December is still possible.
- On “Doha-lite”, yes, that is a real danger.
- On negotiating messages, both are true.
 - There is no “hunger” for services. Therefore a “balance“ message is still needed.
 - Services bring benefits to developing countries, e.g. India, but this is not general for all developing countries.

Steve Stewart, Director, Public Affairs, IBM

Who are the other developing countries who support services negotiations?

Hamid Mamdouh

India, Chile, Mexico, Korea, Colombia; Pakistan is also coming along positively.

Rajiv Biswas, Director/Senior Economist, UBS AG

There seems to be not much on Financial Services.

Hamid Mamdouh

The substance is not promising but the plurilateral negotiation process is helpful in clarifying problems. Hope a clearer picture emerges by end-July.

Tobias Unkelbach, Association of German Banks

What is the future for the plurilateral negotiation process? Will there be benchmarks?

Hamid Mamdouh

The role of plurilateral negotiations is to identify and clarify issues. This is needed as long as there are negotiations on new areas. Group discussion is better than bilaterals.

Saulo Porto, Brazilian Digital Convergence Institute (iBCD)

What is the progress of the revised offer process?

Hamid Mamdouh

Another round of indications may be useful but this depends on the outcome of the revised offers.

John Cooke, Co-Chair, Financial Leaders Working Group

In the offer making process, do countries have the mechanism of making “good offers”?

Hamid Mamdouh

There is subjectivity in what is “good”, which is amplified by negotiating process. It comes back to political will – the process has to be politically driven.

Bob Vastine, President, USCSI

If the July 31 result is disappointing, what happens next?

Hamid Mamdouh

The current package is not good enough and July 31 can be a turning point. If it doesn't deliver, then we need to know why: if this is linked with agriculture/NAMA, then we do not have the answer. If it is not, then we can apply the linkage in the opposite direction, i.e. to show that progress in services can help agriculture/NAMA rather than the other way round.

Shirley-Ann George, Vice President, Canadian Chamber of Commerce

Negotiators know what is needed for the package but there is no political will. Are capitals getting serious on services or are they waiting for Agriculture/NAMA, since the holidays are coming up?

Hamid Mamdouh

In August, one third of the manpower is still around in Geneva.

Anton Van Der Lande, Vice President, UPS

Some trade association has observer status in WTO, what is it? Should we get that status?

Hamid Mamdouh

The Services Council grants that status. It gives access to formal meetings only.

Diana Keegan, Director, International Government Affairs, AIG

What is China doing in the services negotiations? And what is its relations with other developing countries?

Hamid Mamdouh

- China is active, but not as much as India. A lot of the effort is still in implementing accession commitments. They are not yet reflecting their true weight in the negotiations, but this is a question of time.
- China's relation with other developing countries is that of mutual support.

David Snyder, Assistant General Counsel, AIA

If the short-term (end-July to mid-August) progress is not good, how to turn it around? If there is still no progress in December, what to do in the long-term to get something positive in services?

Hamid Mamdouh

- For the short-term, it depends on why the offers are not good – whether it is agriculture/NAMA (in which if there is no progress, then there is nothing we can do); alternatively, if there is good progress in agriculture/NAMA and yet still services are unsatisfactory, then we can press the linkage in the other direction. So the key is to push for services at the political level. If nothing happens by the end of the year, this would probably be because of no progress in agriculture/NAMA, then the question would be how the system functions.

- Unlike Uruguay Round, Doha was launched for political reasons (911, Seattle failure, economic downturn, it took place in an Arab country, etc) and little trade reason – it was launched first and support mobilised later. Hence political solution needed.

Bob Vastine

How can we help?

Hamid Mamdouh

Involve capitals and ministers. The best process would be of no use without political will.

Pascal Kerneis/John Cooke

Any remarks on FTA's (free trade agreements) on GATS? Through FTA, there is de facto binding even without commitment. Regulations can be multilateralised but we are concerned with market access.

Hamid Mamdouh

GATS article V sets quite good benchmark. FTAs can supporting the work of Geneva, hence can be positively employed, if it can be multilateralised

Bob Vastine concluded by thanking Hamid Mamdouh and introduced the USCSI booklet on GATS.

Meeting 2 1:00 pm
Harsha Singh, Deputy Director General, WTO
 with Rudolf Adlung, Counsellor, Trade in Services Division

Christopher Roberts welcomed participants.

Harsha Singh

- Ambition in negotiations is important in bringing real substance in liberalization.
- The ministerial breakfast meeting on services convened by the EU was constructive and resulted in some positive interaction.
- The services negotiations are not the focus now, because in the timeline the main expectation is now on the modalities negotiations (agriculture and NAMA) to produce results and drive the other negotiations.
- In services, the success of the plurilateral negotiations (22 sectors) has been a boost. Plurilateral negotiations will lead to quasi-offer because the requesting party must be ready to give the same.
- Substantial package from the majors is now needed. Political will is coming on and moving in the positive direction now, e.g. G8 next week.

Christopher Roberts

We are concerned of the right restrictions by developing countries on the movement they can make in the negotiations, especially from those “medium developing countries” who should be able to contribute.

Harsha Singh

The developing countries have concerns in agriculture/NAMA. If the modalities come together, then there should be a reasonable package from services.

Pascal Kerneis

The Director-General spoke of the “modalities triangle”. In our view, services should have been inside the modalities – our vision of the triangle is that of agriculture, NAMA and services. But now services is outside. The result is that EU and US are giving on agriculture/NAMA but getting nothing in services: agreement in agriculture/NAMA does not mean that services will fall into place. Why can’t WTO initiate meetings to reinstate services into the main modalities negotiations?

Harsha Singh

Agree that there is a “triangle” of agriculture/NAMA/services. But the modalities triangle – domestic support, market access, special products – is different. The negotiations in services is different from that of agriculture/NAMA because of the requests/offers mechanism. The processes are different though this does not mean that the two do not connect.

W K Chan

Other than the good stocktaking meeting by the EU, what signals can we expect? Will there be a low-level result?

Harsha Singh

- The Director-General spoke of a landing zone, one with real change, i.e. real market access. A low-level result means that some will not real change. The signal is whether people agree with the need for real market access.
- The news of the WTO now is that of a crisis situation; however, the EU breakfast meeting is a good signal. The small modalities triangle feed into the larger triangle.
- Intermediaries role would be useful in the negotiations. There will be an indication of how much the world leaders are giving attention to trade by next week.

Shirley-Ann George

What are the indications?

Harsha Singh

The Director General had started the process last week. The negotiations are going on. There will be a stock-taking at the end of the week. The next week will be for assessing progress, when the Director General has to report to the TNC (Trade Negotiations Committee).

Saulo Porto

Services are important to Brazil. How to help governments understand this and thus to facilitate the negotiations?

Harsha Singh

The ministers of the key countries do understand, but the negotiating context is more mercantilist.

Christopher Roberts

It is all quiet on e-commerce – is it progressing? Should on-line distribution software get the same treatment as software from shelf?

Harsha Singh

There have been no meetings on e-commerce; the major focus now is on modalities. On-line distribution issues need to be tackled later.

Steve Stewart

Will this be tackled this round or extended to another round? Will the e-commerce moratorium be extended?

Harsha Singh

The views are divided, more study is needed especially as there is profit consideration for some countries.

Meredith Golemon, Director, International Trade Policy, Oracle Corporation

On customs duties, WTO should work closely with WCO (World Customs Organisation) because it is difficult for customs officials to keep track of the negotiations.

Rajiv Bishwas

On financial services, much was achieved in the Uruguay Round, but little this Round, why?

Rudolf Adlung

For financial services, agreement was reached in 1997 because there was the legacy of the Uruguay Round then. For this round, progress still depends on movement in other areas. There are countries which do not commit even though they have an open regime e.g. US.

David Snyder

Market opening will bring investment and local employment. Services liberalization is good for developing countries even without agriculture/NAMA.

Harsha Singh

- There are quasi-offers from the plurilateral negotiations. Telling developing countries that services is good for them means having to tell the same to yourself, for credibility sake. Good progress in services may trigger the modalities negotiations.

- If the private sector CSI's go out and act as demandeurs, the other parties will be in negotiating mode. The CSI's should just produce a simple message – liberalisation is good in itself – and disseminate this message. Do not talk to people in a negotiating context, talk in a language which they will accept as sincere.

Anton Van Der Lande

Postal/courier services is still being described as express services, which is not reflecting the reality.

Pascal Kerneis

We have told our negotiators that we welcome competition.

Christopher Roberts thanked the guests for attending.

Meeting 3 3:00 pm
Ambassador Peter Allgeier, Deputy United States Trade Representative
 with Alicia Greenidge, Assistant Deputy Chief of Mission

Bob Vastine welcomed participants and introduced round the table

Ambassador Peter Allgeier

- It is important to have this group, given so much attention on agriculture/NAMA, especially with developing countries represented here. The timing is good as July 31 is the deadline for services offers.
- The negotiations are centred around a “triangle” of market access in agriculture, agricultural reform (export subsidies and domestic subsidies) and market access in industrial goods. The April deadline on modalities was missed and ministers were meeting last week.
- The biggest problem from the US perspective is market access in agriculture. There are huge loopholes with the black box (sensitive products), e.g. 98.4% of trade for some developing countries will be excluded if the exclusion is applied.
- The Director General is now conducting bilateral consultation with members and trying to move people into the common zone.
- The work on services continues. Plurilateral negotiations have highlighted the importance of services and brought to ministers’ attention when they were here. The CSIs should follow up from here.
- There is a perception that business is losing interest in the DDA. So, it is so good to have this group here.

David Snyder

What is the most useful message we can deliver over the next few days?

Ambassador Peter Allgeier

People see services commitments as pain rather than gain. To maintain “policy space”, the CSIs can provide examples of the benefit of services liberalization, i.e. efficiency and competition.

John Cooke

There is some validity in the “policy space” argument for some developing countries in terms of sequencing of opening up, though others may use that as excuse.

Ambassador Peter Allgeier

There are genuine concerns about regulatory abilities. We may clarify that we are not taking away regulatory authorities. But the frustration is that trade officials are not experts in the respective sectors and need to engage the capitals on details.

Christopher Roberts

Many of our own NGOs are fuelling this argument of regulatory dominance. Some 27 US states still have not committed on foreign legal consultants. So we need to sort out the problem among ourselves.

Ambassador Peter Allgeier

Keep educating people, get out there and correct the record.

Pascal Kerneis

It is good to hear that people are still interested in services. How to follow up the stocktaking, and would US make a revised offer?

Ambassador Peter Allgeier

The US objective is to put the revised offer by end-July. The assumption is that modalities should be agreed. If that is still cloudy, then it would not be helpful to services. On binding current practice, most regulators do not commit; they want flexibility.

Steve Stewart

If there is a continual delay, will the services package be not so good as a result of the time crunch?

Ambassador Peter Allgeier

There is no schedule yet in agriculture/NAMA, yet even if things are agreed now, the negotiations are already behind schedule. Yes, there is genuine concern about a mediocre services package.

Diana Keegan

A slight slippage may not be terrible, according to Hamid Mamdouh, but if modalities are agreed eventually, will capitals still have the energy to work on services?

Ambassador Peter Allgeier

We do not want to be in that position. We need to keep up the momentum.

Shirley-Ann George

Given the US fast-track, can US lead with services as a way to break the agricultural logjam?

Ambassador Peter Allgeier

- The fast-track expires on July 1 2007, the date to sign. But the President needs to tell Congress on 1 April (90 days before) and send a letter to Congress 180 days before on specific laws that need to be changed i.e. by 1 January 2007, agreement should basically be achieved, hence the real deadline is end of 2006.
- Do not hold much hope of services leading agriculture. Developing countries say the DDA is an agriculture round. It's too late to change that.

WK Chan

The DDA is a development round but services have a development role too. How can we help emphasise that in the negotiations?

Ambassador Peter Allgeier

We need real life stories to share with people. We have an axe to grind, therefore we need the private sector to make the benefits tangible for developing countries.

Tilmann Kupfer, Head of EU Public Affairs, BT

The EU and US have different definitions of telecom. Are the negotiations being put on hold or is there any progress?

Alicia Greenidge, Assistant Deputy Chief of Mission

On telecoms, EC has a definition of value added (VA) which the US would not want because it may cause value added services to disappear from the negotiations. We hope to find practical solutions, and hope that the EC would change.

Tobias Unkelbach

Are plurilateral negotiations still useful now, having created some momentum? Will there be another ministerial?

Dr Wolf-Dieter Zumpfort, Director, TUI

What is the political criteria for success? Given the prevalence of FTAs, how to measure success?

Ambassador Peter Allgeier

- On quality of offer, plurilateral negotiation is a form of quality control, to quality-control the revised offers through collective requests.
- The Ministerial next week will have a broader agenda and we will try to use it to push services. Politically, developing countries are not walking out.
- FTA's can help to open up some countries and help build up community of countries to open up. FTA partners are also advocates of multilateralism.

Meeting 4 4:00 pm
Ambassador of India, Ujal Singh Bhatia
with Sumanta Chaudhuri, Counsellor

Christopher Roberts welcomed participants.

Ambassador Ujal Singh Bhatia

- Business has not lost hope, the question is whether governments have.
- There are intensive negotiations now but bold steps are needed. The fate of this round depends on agriculture.
- There is still huge differences, e.g. on tariff regimes. There is little energy for services, and this is unfortunate because services liberalisation benefits developing countries.
- There is progress in services over the last week but it the actual filing remains to be seen by end-July.
- There is asymmetry in services because positive response to Mode 4 and Mode 1 is lacking. The feedback on Mode 4 is disappointing as the negotiations are still entangled in immigration issues. India is committed and will liberalise autonomously but the enthusiasm in binding such liberalisation will depend on reaction of trading partners.
- On domestic regulations, a draft text is expected tomorrow.

Anton Van Der Lande

There is a draft legislation in India to extend monopoly of the Post.

Ambassador Ujal Singh Bhatia

The legislation takes long because of deadlock between government and stakeholders.

Steve Stewart

While understanding India's interest in Mode 4 and Mode 1, Mode 3 is also important, e.g. IBM has \$6 billion investment in India.

Pascal Kerneis

What is the impact of the EU ministerial meeting on services?

Ambassador Ujal Singh Bhatia

India is not linking revised offer to agriculture/NAMA though others may be. There is tactical holding back by some countries who may be ready to open.

Tobia Unkelbach

India is liberalising conditions of wholly-owned bank branches. Is there any indication to do something in July?

Ambassador Ujal Singh Bhatia

India will provide further liberalisation in the end-July revised offer.

Saulo Porto

Will Brazil and India co-operate on services?

Ambassador Ujal Singh Bhatia

Hope so, this will enhance the negotiations especially in IT.

Aarti Holla-Maini, Secretary General European Satellite Operators Association

India made no commitment in satellite.

Ambassador Ujal Singh Bhatia

India just launched a satellite yesterday. On liberalisation, however, it cannot give a commitment yet because of security issues.

David Snyder

What can India do to sort out the difference with the US on insurance offers so as to give the right example to other developing countries not to hold back?

Ambassador Ujal Singh Bhatia

India is not holding back but there is domestic political compulsion which cannot be ignored. There is a domestic draft law to liberalise insurance but domestic politics is making it difficult.

Rajiv Bishwas

India has a bilateral with Singapore to liberalise bank branches further. What implication does this hold for the DDA negotiations?

Ambassador Ujal Singh Bhatia

There is no serious constraint to foreign bank expansion.

Bob Vastine

- USCSI will help explain the difference between temporary entry and immigration under Mode 4.
- On domestic regulation on professional services, in the US each state regulates both by government and professional bodies. There is no federal role, therefore the government cannot dictate to the states. Bilaterals may be a better route.

Ambassador Ujal Singh Bhatia

India knows already that liberalisation is for our own good. But there is a problem with local constituents on symmetry: they need to get access as they have given access to others.

Sumanta Chaudhuri

There are flaws in the bilateral process because it does not encourage developing countries to take part. On domestic regulation, GATS should apply to both state and federal levels. The challenge of domestic regulation is to get the balance right: regulation autonomy not to become barrier to trade.

John Cooke

On trade facilitation, will it be removed from bargaining in the WTO? It should be a win-win and should not be a subject for bargaining.

Ambassador Ujal Singh Bhatia

It is right that not everything should be on the bargaining table, likewise aid for trade and RTA (regional trade agreements).

Bob Grohowski, Senior Counsel, Investment Company Institute
Will India be binding asset management in its revised offer?

Ambassador Ujal Singh Bhatia

This is possible but we want to see other people's hand. Need to convince domestic regulator to bind, by getting something in return for them.

12 July 2006

Meeting 5 9:00 am
WTO Director General Pascal Lamy
with Harsha Singh, and Keith Rockwell and Hamid Mamdouh

Christopher Roberts introduced participants to the Director General, explaining the wide representation of this GSC delegation.

Pascal Lamy

- The GSC is “above average” in terms of business lobbying on WTO. In services, the balance between offensive and defensive is better than in others. The notion of “opening is good” does not work for agriculture/goods but works better for services.
- Whether services is in good shape depends on the “triangle”. If the triangle doesn't work, services wouldn't work, and vice versa.
- De-linking services from the triangle has advantages, but if we are to be result-oriented, then obviously we have to look for results from the triangle.
- Players are ready with offers but the outcome depends on the triangle. Prospects in market access are good, but a bit less certain for domestic regulation.
- For tactical and political reasons, the triangle priorities are pretty locked. The magnitude of the problem is in fact small, eg US domestic subsidy only amounted to \$5 billion, likewise Europe on beef, India on the coefficients. These are small and microscopic numbers: it is crazy to put the system at risk over such small magnitude of interests. Therefore it is all politics.
- Adjustment of political behaviour is needed in order to reach the “landing zone”.

Anton Van Der Lande

The express sector has offensive interests but these get confused with postal services.

Steve Stewart

What is the prospect of the G8 summit?

WK Chan

Speaking of the landing zone, is there prospect of a “hard landing” as opposed to soft landing, i.e. getting tough in order to unravel the logjam?

Pascal Lamy

- G8 consists of G8 proper and G8-plus. Trade will be discussed and there maybe an occasion for pressure, but do not expect key results to happen.
- The hard Landing is on the political side; the numbers are soft because the difference is small.
- For developing Countries, there is no way to restructure the negotiations. The negotiations have a life now, which is that the 5% will decide the 95%. The big picture is missing, we are focused too narrowly now.

Rajiv Biswas

Is the world trading system being eroded? By FTA for example?

Pascal Kerneis

- The single undertaking will lead to give and take within the bigger triangle of agriculture/NAMA/services. But we are now “stolen” on the bigger triangle.
- What do you think of the EU ministerial stocktaking? Can WTO organise stocktaking among players to save the round? What if the small triangle doesn’t work?

Pascal Lamy

- FTA is a matter of proportion. If FTA means WTO-plus can take place, that is fine. If it tries to substitute WTO, then there would be immediate conflicts. For many WTO members, it’s either multilateral or bilateral because of resources limitations.
- Some FTA are fake first-movers because concessions are given to everybody soon. The other type is to use FTAs to stop extending concessions, therefore conflicting with the multilateral system.
- The notion that EU pays in the negotiations is fine but it should not be exaggerated because it is also part of EU’s internal reform. “Paying” in liberalisation must not be inflated because it is good for their own economies too.
- The 1 July EU breakfast meeting was good and we should now go for quality of offers.
- What if the triangle doesn’t work – we are in a risky zone already. If there is no agreement now, later agreements will be too late, the US TPA (Trade Promotion Authority) timeline may not be met.
- A political agreement in September/October will not work and will be too late; it will mean failure. This will cause political and economic turmoil.

Shirley-Ann George

If the end-July date is so critical, should we wait till August so as to avoid weak offers?

Clemence Valin, Adviser for International Affairs, MEDEF

How do we bring developing countries on board?

Dr Wolf-Dieter Zumpfort

Will we have GATS 2007 or will it fail?

Pascal Lamy

- On the timing of offers, we need to consult chair of negotiations. If the quality is threatened then maybe we will advise a delay of timing, but this is not definitive. However, doing this now may relieve pressure on the triangle hence leading to failure.
- Developing countries have been defensive in services, getting them on board is a question of time.
- GATS 2007 – will take time. If this round fails, the world will not stop. We have to find another way. Are the three constraints from the Uruguay Round – consensus, single undertaking, and bottom-up approach, proving too much?

Meeting 6 10:30 am
Ambassador Sun Zhenyu, China
with Xie Cheng, Attache

Bob Vastine welcomed and introduced the GSC delegation.

Ambassador Sun Zhenyu

- The WTO needs to meet the end-year deadline. It is hoped the G8 summit and G8+5 leaders meeting can give political guidance.
- The problem is agriculture/NAMA whereas services are doing well. The plurilateral negotiations are important and China has actively participated in the talks, being the target of many requests. We also made requests on (1) maritime, (2) MFN exemption, and (3) Mode 4.
- Services are not as important for China as other negotiating subjects, being only 40% of GDP, but it is increasingly becoming more important. The policy is to continue the market opening.
- China's services commitments (100 out of 160 sectors) is more extensive than many developing countries. We need impact analysis of these commitments.
- China will make new offers, but these will not be as ambitious as others.

Christopher Roberts

China has much interest in services in creating employment. Hope that means more liberalisation through Mode 3. Therefore it is disappointing to hear that the EU/China bilateral didn't end up much.

Ambassador Sun Zhenyu

China has to create 10 million jobs every year, therefore we need high GDP growth. Liberalisation will be ongoing but commitments are being implemented. We need a monitoring system in implementation because there are negative impacts on the economy.

Dr Wolf-Dieter Zumpfort

The travel agency businesses are restricted to Beijing and only for inbound travel. When will outbound services be liberalised?

Ambassador Sun Zhenyu

The present focus is on implementing commitments and we will explore possibilities for the future. The tourism sector is important for China, therefore we need proper administration in place before further opening. Do not know about timing yet.

Anton Van Der Lande

Services are important not just in itself but through its linkage to other industries. In China, for express services, the regulator is also a competitor. This situation needs change.

Ambassador Sun Zhenyu

The problem with post services is recognised but it is not unique to China. It has to be state-provided because of USO (universal service obligation), while express service is the profit-making side of the business. These need to be reconciled, and patience is needed.

Pascal Kerneis

We can help China create jobs if you allow more market access.

- What are China's requests on MFN exemption?
- China was present at services stocktaking convened by the EU. What is your assessment?

Ambassador Sun Zhenyu

- There is MFN exemption in many schedules, whereas China has asked for no MFN exemption in its commitment. Hence we want those removed from other countries' schedules, especially as many MFN exemptions are for developed countries not developing countries.
- On the stocktaking, did not take part personally, but colleague who did thought it good.

Tobias Unkelbach

Liberalisation of banking services can be a win-win. The capital requirement for branches should be reformed, likewise operational restrictions on RMB business.

Ambassador Sun Zhenyu

- Agree that foreign banks have a positive role, but we also need a healthy banking system, therefore the need to be careful in liberalisation.
- On the request on level of equity, the same level applies in many countries. The standards in some other countries e.g. US are much higher.

John Cooke

China's caution in liberalising financial services is understandable, but there has been some inconsistency. It has been 5 years since the accession, and China has advanced enormously. China has agreed in the 11th 5-year plan to expand and deepen financial services. Given such huge advances, why is so much caution needed?

Ambassador Sun Zhenyu

China's policy has been consistently for opening & reform. China has to be cautious in banking because it cannot be experimented. There is great achievement but there are also big problems, e.g. polarization, poor farmers.

Aarti Holla Maini

The satellite sector is excluded now from China's schedule. Is there flexibility and will it feature in the revised offer? Will China sign the telecom reference paper?

Kenichiro Namiki, General Insurance Association of Japan

It is hoped branch network can be expanded in China for insurance services. Compulsory insurance for vehicle is introduced in China now but not in the GATS offer. Hope this will be in the revised offer.

Ambassador Sun Zhenyu

Will take note on the satellite sector and pass the concern. On insurance, at this moment there is little space for new offers, but will take note.

Joe Dillon, Senior Vice President, Visa International

We are concerned about statements that China does not want to open the e-payment market.

Ambassador Sun Zhenyu

Will take note. E-payment is a sensitive risk issue but if a commitment has been made, it will be implemented.

Bob Vastine

China is especially important for us. We support China's commitments, which are high quality. So we are disappointed that there is little improvement in the offers. We want better-quality offers and more market access for mutual benefits. Foreign service providers e.g. banks can help China develop. It is in China's own interest to make better offers.

Ambassador Sun Zhenyu

China needs to take account of offers by other parties too. We are prepared to revise our offers but do not expect too much, because developing countries should have more flexibility according to GATS Article 19.

Germain Hennet, Swiss Bankers Association

We are frustrated with the negotiations and that services are neglected.

Shirley-Ann George

On regulatory reform, the international community can help China move faster and upgrade its regulatory standards.

Steve Stewart

IT is a special enabler for the economy, but China has only made partial commitments. Full commitments are encouraged.

Ambassador Sun Zhenyu

- The services negotiations are still quite high on the negotiating agenda.
- Foreign banks are already playing constructive role in capacity building.
- Will take note regarding the IT sector.

Meeting 7 12:00nn
Sudhir Sooklai, Director, Trade Negotiations, South Africa

Christopher Roberts welcomed.

Sudhir Sooklai

- Services is an important sector for South Africa, taking up two-thirds of GDP.
- They will continue to expand on the services offers, but there are bureaucratic and capacity problems in developing offers. There is a mindset that WTO is bad, hence stakeholder engagement and tripartite consultation is important.

Steve Stewart

South Africa's IT Commitment in the Uruguay Round was quite good. Would encourage more active involvement in the plurilateral negotiations.

Sudhir Sooklai

Hope the concerns will be sufficiently addressed.

Pascal Kerneis

Maritime transport should be a sector of interest to South Africa. Besides, what is your view on the stocktaking on services convened by the EU?

Sudhir Sooklai

On maritime services, we can make commitments and are taking this up with our transport minister. On stocktaking, did not attend hence cannot comment.

Rajiv Biswas

What is your assessment of the current state of affairs?

Sudhir Sooklai

We are concerned about the current impasse. We are also concerned that few African countries took part in the plurilateral negotiations, and that they have little influence over the services negotiations.

WK Chan

- The South African government's handling of the World Summit in 2002 has been very impressive. From that experience, what are the lessons for civil society engagement?

- Services liberalisation can help play a part to eradicate poverty. Can South Africa take the lead?

Sudhir Sooklai

- Most African people do not know about the WTO. South Africa itself has only a small team on WTO. Therefore there has been little education campaign on WTO liberalisation.
- The NGO claims to speak on behalf of civil society, but these NGOs hate the WTO. There is the mindset that WTO is against poverty alleviation. Civil society is represented but they do not attend meetings. Therefore there is little diffusion of understanding.
- On poverty, industrial development in Africa is not limited to South Africa but is regional. Services will play a part but substantive work needs to be done.

Clemence Valin

What is the role of South Africa's business sector?

Sudhir Sooklai

The relation with business is more constructive, but the business sector is too diversified and cannot come under the same umbrella. Hope the GSC can help form some sort of South African CSI.

Bob Vastine

Can we regenerate interest in the US negotiations with the South Africa-led 5 countries?

Sudhir Sooklai

There is limited negotiating capacity on their side on services.

Christopher Roberts

IFSL (International Financial Services London) is willing to share experience in promoting services export.

Pascal Kerneis

The International Trade Centre provides support for the formation of CSIs.

Meeting 8 1:10 pm
Ragui El-Etreby, First Secretary, Egypt
and Chair, WTO Committee on Trade in Financial Services

Ragui El-Etreby

- Financial Services generate 8% of GDP of the EU and US and agriculture only 2%. The differential attention is quite amazing.
- At this stage, the plurilateral negotiations are a strategic mistake. Annex 3 provided comfort and certainty, but did not initiate plurilateral negotiations, the latter was in fact in the original GATS. In other words, plurilateral negotiations should have

started in 2001 in Doha, to provide a collective level of ambition, and then to proceed to bilaterals. But what happens now is the opposite.

- We should agree on a date of updated offers. Many developing countries do not respect the July 31 date.
- The 1 July stocktaking in the EC mission was more positive than expected.
- The financial services negotiations are part of the plurilateral negotiations. There is discussion on life insurance, and on distinction between Modes 1 & 2.
- The definition issues in GATS' financial services annex, and economic needs tests, all need to be clarified.
- The GSC should be realistic. The Geneva visit should be supplemented by visits to capitals, to hold more informal discussion there.
- Egypt's position is to submit revised offer, which has not been finalised yet because of need for domestic consultation. The outcome will depend on (1) balance of offensive and defensive interests, and (2) existing commitments.

Rajiv Biswas

How much weight has been given to the substance of the offers? Is there movement in financial services committee?

Ragui El-Etreby

The Committee does not negotiate, but facilitates the negotiations through discussing the technical issues. There are countries which do not want to submit offers. Those that do will have substantive, but not necessarily "significant", offers.

Diana Keegan

Why do you appear negative on plurilateral negotiations?

Ragui El-Etreby

The plurilateral negotiations are not bad in themselves, it is the timing. It should have been done at the beginning of the negotiations.

Pascal Kerneis

Egypt has not made commitments in some major sectors e.g. professional services, maritime services, construction.

Ragui El-Etreby

The reality is that we need to look at the universe of sectors, not necessarily individual sectors.

Nic De Maesschalk, Director, WFII

What does the "revision of definition" of the Annex mean?

Ragui El-Etreby

Definitions are important to compliance of Annex. The services commitments can be an ingredient in one's own economic reform programme. But the reality is that services negotiations are an exchange of concessions.

Meeting 9 2:30pm
Ambassador Don Stephenson, Canada, and Chair of the NAMA negotiations
with John Drummond, Counsellor

Shirley-Ann George welcomed and introduced the GSC delegation.

John Drummond

- This is the market access week in the services negotiations. There is a reasonable number of people from capitals, a good sign.
- The technical problems and misunderstanding are now over, members are now in a position to make reasonable offers. What is lacking is political will.
- The 1 July stocktaking meeting convened by EU Commissioner Peter Mandelson was the real meeting of substance for ministers during that week.
- There will be a new draft text on domestic regulation.
- Developing countries are engaged in the modalities meeting and the discussion is focused on development issues, i.e. the mechanism to assess how offers contribute to development.
- July 31 is the deadline for services offers. The lack of progress in agriculture/NAMA is cutting into the services negotiations.
- A possible scenario is for the modalities to come late, and only a modest package on services is achieved.

Shirley-Ann George

What can we do as the GSC?

John Drummond

Continue to deliver the services message.

Pascal Kerneis

What is the developing countries' modalities exercise? What is the domestic regulation text?

John Drummond

There is a proposal for a dedicated session in Autumn to go through the offers to see which are in response to developing countries' demands. On domestic regulation, a draft is being prepared.

Ambassador Don Stephenson

- The current impasse is on the agricultural side especially domestic subsidy. US is the problem. The landing zone is real cuts and new trade flows. There is no meaningful negotiations on market access and NAMA until the agricultural (domestic subsidy) issue is sorted out.
- Some are wondering what should be the strategy for the next step, others wondering about timing of the next round of offers. Nobody is making final offers, and is it best to just delay?
- If agriculture is OK, NAMA won't take long. If we miss the summer window then the round is dead, because by September, it is only a short while away from the US congressional elections.

- The offers on the table (including NAMA) are already substantial and it will be a shame if the round fails to deliver even only just these.

Bob Vastine

Will Lamy be able to fashion a solution this month?

Ambassador Don Stephenson

We are not far from a deal, it is do-able. Let's hope after the confessionals, the Director General might find convergence.

Clemence Valin

The agriculture/NAMA linkage was unfortunate.

Ambassador Don Stephenson

The link was established long ago, before Hong Kong.

Christopher Roberts

The problem was political will to take hard decisions, standing up to French/US farmers or Brazilian manufacturers. Since it is a political question, should we concentrate on St Petersburg on Monday, to deliver message to political leaders at G8?

Ambassador Don Stephenson

Yes, the window is closing. It is time to do something.

Meeting 10 4:00 pm

Ambassador Fernando de Mateo, Mexico, Chair, Council for Trade in Services

Bob Vastine welcomed and introduced the GSC delegation.

Ambassador Fernando de Mateo

- The plurilateral negotiations are using the same language but with the benefit of economy of scale.
- There is a clear link between services and agriculture/NAMA. Services should be the most important, though services is time-consuming.
- The question now is that of political economy, with agriculture is key.
- Encouraged by the stocktaking meeting of ministers convened by the EU. There is basis for optimism, the question is when.
- The quality of offers is not as high as we wish both in developed and developing countries.
- The next questions are what are we going to have on domestic regulation, government procurement and subsidies?

Anton Van Der Lande

What are countries looking for?

Ambassador Fernando de Mateo

The negotiation is a single undertaking, therefore all must be taken into account. The real triangle is agriculture/NAMA/services.

WK Chan

- The Ambassador is thanked for the help and guidance on the Annex 3 negotiations during MC6.
- Does his optimism mean being less ambitious? What is the chance of a bad package?
- Is there any negotiating driver at this stage, like the plurilateral method, given that political will is out of our hands?

Ambassador Fernando de Mateo

- The ambition is to be defined with agriculture/NAMA, the more ambitions there, the more in services.
- The developed/developing countries demarcation between agriculture/NAMA and services is oversimplified. There are developed countries interested in NAMA and developing countries in services.
- The driver of quality depends on the country. There is nothing the chair can do to move people. The only driver is every country itself.

Steve Stewart

Is the time crunch leading to people to hold back on offers waiting to see the outcome of agriculture/NAMA?

Ambassador Fernando de Mateo

The deadline is end-December. If we have improved offers in September – end-July means September anyway – then we have 3 months of negotiation. October 31 is the deadline but the real deadline is end-December.

John Cooke

Are the offers ready? Some want offers now or else the round will fail, while others take the view that early is bad and later offer means better offers.

Ambassador Fernando de Mateo

Many countries have improved offers. About 70 are involved in plurilateral negotiations, with the core being 40-45 countries, where real negotiations are taking place.

Diana Keegan

What are the incentives for improved offers? Any back-up plan if we get poor offers?

Ambassador Fernando de Mateo

That depends on country. Mexico can move fast because it's ready.

Saulo Porto

Should we as a group put pressure on agriculture/NAMA?

Ambassador Fernando de Mateo

It will be good if the GSC can help.

Clemence Valin

Can we conclude the round if there are only the 40-50 countries involved in the negotiations?

Ambassador Fernando de Mateo

These countries represent 90% of services trade.

Meeting 11 5:00 pm
Ambassador Carlo Trojan, European Union

Christopher Roberts Welcome

Ambassador Carlo Trojan

- The 1 July stocktaking convened by Commissioner Mandelson was much better than many anticipated.
- We should keep to the timetable for revised offers, and hopefully top this up in Autumn when modalities are agreed, which is hopefully end-July or shortly after. We need a signal from G8 leaders next week and a signal of support from the US.
- It should not be a Doha-lite round but should be a market access result-oriented package.

Bob Vastine

The US needs to demonstrate to Congress the benefits of market access, the values/trade-offs to the US farmers.

Ambassador Carlo Trojan

The EU has made huge cuts already in domestic subsidies whereas the US farming support went up not down. Also the DDA is a round for development, with developing countries expected to make less commitments, so one cannot take a too mercantilist attitude.

Tobias Unkelbach

Hope the revised offers are tabled by end-July. What would be in Mode 4?

Ambassador Carlo Trojan

It is the intention to do so. There is limited improved offer on Mode 4.

Shirley-Ann George

Any pressure from the US on clarifying the “red box”?

Ambassador Carlo Trojan

Real market access depends on sensitive products.

Marlene Nicholson, Director, Barclays plc

The longer agriculture drags on the less time for services requests/offers. Is there scope for accomplishing things quickly?

Ambassador Carlo Trojan

Plurilateral negotiations have been helpful. Hope the momentum will pick up.

Anton Van Der Lande

- Do ministers support trade facilitation or is it a mere gesture?
- The offer on postal services is not ambitious enough. Hope the revised offer will be improved.

Ambassador Carlo Trojan

The EU is committed to trade facilitation. On postal services, the offer depends on member states.

Pascal Kerneis

What is your view on the single undertaking?

Ambassador Carlo Trojan

To sell agriculture/NAMA to the constituency, single undertaking is important, to explain that EU gets something out from services.

13 July 2006

Meeting 12 9:00am

Chutintorn Gongsakdi, Deputy Permanent Representative, Thailand

Chutintorn Gongsakdi

- Thailand has no offensive interest in services. Its position is quite flexible on agriculture/NAMA.
- To get change we need a leader with vision, or a private sector with vision.
- Would welcome CSI-like bodies to be established in Thailand.
- The position on services is not to jeopardise agriculture/NAMA, i.e. constructive engagement.
- Thailand never has capital-based people because of practical considerations, and this is hampering effective participation. Our offer will not be on time because of bureaucracy and political uncertainty.
- The GSC message is that liberalisation is development-friendly, but developing countries will think you need to preserve something for them. The message from private sector is that we are not competitive enough, we are not interested in going out, but would like to preserve what we have.
- You need to engage the Thai private sector and to engage at the political level.

WK Chan

Can Thailand do more than constructive engagement? The former DG Supachai oversaw the DDA, hence there must be an incentive for the Thai government, whatever

the political orientation, to ensure a good solution and therefore for Thailand to take some constructive leadership role, as New Zealand is doing after Mike Moore.

Chutintorn Gongsakdi

Supachai came from a different party. WTO starts from a weak position and the government term is shorter than a trade round. Therefore the WTO does not get high enough priority and within WTO the priority of services is even lower down.

Steve Stewart

Most Thai services offers are in Modes 2 & 3, with Mode 1 mostly unbound. This is not desirable for IT services most of which is done on cross-border basis.

Chutintorn Gongsakdi

There is some hope in changing the Mode 1 offers from unbound, but regulators have uncertainty over how Mode 1 works. There is also concern over consumer protection. Work on these three – local competition, standards, and technical feasibility – and there may be some chance. We need to give more information on benefits of services to development.

Meeting 13 10:00am
Ambassador Muhammad Noor Yacob, Malaysia

Ambassador Muhammad Noor Yacob

- We are in a crisis. The US Trade Promotion Authority has imposed a deadline, but we are not near the modalities for agriculture/NAMA. The Director General is conducting consultation now.
- On services, we are proceeding according to the schedule agreed in Hong Kong. Malaysia has few defensive interests, and hopes to table revised offers by end-July.
- Be cautious in pushing for revised offer by end-July. If the offers were not meaningful, then there would be a vicious circle: not-good-enough offers in services will lead to not-good offers in agriculture.

Shirley-Ann George

What needs to be done?

Ambassador Muhammad Noor Yacob

Show developing countries that trade is good for development.

Pascal Kerneis

Our companies look for certainty in services, e.g. maritime. Autonomous liberalisation is one way but certainty means committing them via GATS.

Ambassador Muhammad Noor Yacob

Services is both important and very new. There are lots of uncertainty and oen must be careful in making commitments

Tobias Unkelbach

Hope to see foreign bank branches liberalise further in the revised offers.

Ambassador Muhammad Noor Yacob

The EU is asking for too much for what it is offering in agriculture, therefore defeating the aim of the development round which gives developing countries (not developed countries) flexibility.

WK Chan

What is the ASEAN and ASEAN+1 situation? What is ASEAN's strategy?

Ambassador Muhammad Noor Yacob

The ASEAN strategy is to be open to the trend towards liberalisation, even in financial services. They have their own financial services master plan.

Bob Vastine

The US view is that the Malaysian market is not quite open, e.g. on establishment and ownership.

Note on Side-events

1. Meeting with Taiwan General Chamber of Commerce at the Pre-dinner Cocktail, 7:00pm, 12 July

Discussion with Jack Chia, Deputy Secretary General and Louisa Su, Secretary of the General Chamber of Commerce of Taiwan on establishment of CSI in Taiwan, sharing the experience of HKCSI.

2. Dinner at President Wilson Hotel, 8:00pm, 12 July

The Head Table was hosted by representatives of the core GSC members, including

- Christopher Roberts, ESF
- Bob Vastine, USCSI
- WK Chan, HKCSI
- Shirley-Ann George, Canada

Major guests of honour at the Head Table include, among others, Ambassador Eirik Glenne, Norwegian Ambassador & Chairman of General Council (Head table), Ambassador Jara Alejandro, WTO Deputy Director General and former Chair of Council in Services (Special Session), and Ambassador Don Stephenson of Canada.

Some of other WTO officials & delegates :

- Taiwan (Permanent Representative) Liu Yi-fu
- India Sumanta Chandhuri
- Thailand Chutitorn San Gongsakdi, Deputy Permanent Representative
- US Alicia Greenidge

- WTO Hamid Mamdouh, Keith Rockwell, Rufus Yerxa
- South Africa Sudhir Sorblai
- Egypt Ragui El-Etreby
- China Xie Cheng
- Brazil Ronaldo Costa

Christopher Roberts made brief remarks but no formal speech.

4. Press Conference, 11:00am, 13 July

Seven press reporters attended.

The meeting was chaired jointly by Bob Vastine and Christopher Roberts, with WK Chan, Shirley-Ann George, Jack T C Chia, Kenichiro Namiki and Saulo Porto on the panel.

Bob Vastine welcomed and Christopher Roberts introduced the joint GSC statement. Questions were mainly on further improvement in offers, and the GSC meeting with Lamy.

Meeting 1 9:30 am
Overview meeting for delegation

Introduction of the aim, positions, logistics, and meeting programme of this Mission, by joint chair

- Christopher Roberts, Chairman of ESF Policy Committee, and
- Bob Vastine, President, USCSI