

CHAPTER TWO

AUSTRALIA'S SERVICE TRADE AND THE GLOBAL FRAMEWORK

Service trade statistics

2.1 One of the fundamental and recurring problems raised during the inquiry was the deficiency in service trade statistics. As DFAT stated 'It simply is not possible in most cases at present to say with any accuracy how a particular service activity performs in the export market' and 'For a long time it was quite sufficient to report statistics in trade in services at [a] level of high aggregation'.¹ It is generally acknowledged that 'Statistics for trade in services are much less detailed than those for merchandise trade'² and the frequency of data for domestic service data is less than that for manufacturing and agriculture. The exception is tourism statistics.

2.2 The statistics used by the Committee are mainly those collected by ABS within the context of the balance of payments (BOP) accounts supplemented by data provided by a number of specialist agencies such as the Bureau of Tourism Research's survey data on international visitors and students' expenditure credits provided by the Department of Employment, Education, Training and Youth Affairs (DEETYA), AusAID, Austrade and the BIE. The Committee also drew on the annual DFAT publication *Trade in Services Australia*.

2.3 ABS succinctly described the basic problems with service statistics as follows:

Most of the statistical infrastructure of concept, classifications and definitions which have evolved over many years in the goods producing sector have not proved to be particularly useful in the services context. Moreover, the rapid change in the nature of many services, their heterogeneity, the significant proportion of services delivered in-house and through non-market means, together with the fact that marketed services tend to be delivered by a significant proportion of small and very small businesses, makes the collection of services statistics particularly difficult and costly. Nevertheless, there has been steady progress over the last few years on both developing an appropriate statistical infrastructure and improving the range and extent of information on services...[however] demand for service statistics will continue to outstrip supply for the foreseeable future.³

2.4 ABS noted that the measurement of some services will become even more difficult than they are already because of trends in globalisation making national borders less important and the introduction of new technologies for the delivery of services.⁴ The

1 DFAT, Submission, pp. S213-S214.

2 DFAT, Submission, p. S213.

3 ABS, Transcript, 13 June 1995, pp. 362-363.

4 *ibid.* p. 371.

increased presence of transnational companies also complicates the measurement of service trade.

2.5 Austrade pointed out that work towards the *Intelligent Exports* report revealed service export statistics:

...do not or cannot adequately capture or differentiate:

- trade in less important sectors;
- services embedded in our exports of goods;
- services supplied by Australian companies which are operating through investments offshore; or
- services provided by Australian companies based in third markets such as Singapore (particularly relevant in the case of the Indonesian market).⁵

2.6 The *Intelligent Exports* report listed as one of its policy options the collection of data on foreign subsidiaries of Australian service companies.⁶ This problem was of concern to DFAT '...BOP statistics mask the extent of sales by foreign affiliates...This may lead to a considerable underestimate of trade'.⁷ Many major Australian companies do not identify in their business data the services component.

2.7 In the early 1980s, in recognition that there was likely to be an increasing demand for statistics on services, the ABS steadily devoted an increasing proportion of its resources for economic statistics to the service sector to improve both a domestic and international trade information base.⁸ More recently ABS has prepared a services statistics strategy paper to guide priorities in this area.

2.8 Amongst ABS's achievements has been the initially biennial *International Trade in Services* survey which commenced using 1987-88 data. Users found this data extremely useful and sought an annual survey and to expand the scope of services included. This need was beyond ABS's balance of payments requirements and budget. A User Consortium on Traded Services was formed to provide part of the funding for the survey. This is a unique situation - there is no user funding for surveys in the manufacturing, mining and agricultural sectors. More recently ABS collapsed the results of that survey into its quarterly *Balance of payments and international investment position Australia* publication. ABS reported it is basically funding the publication from its own resources.

2.9 The previous Government's 1994 industry white paper *Working Nation* made a commitment to improve the collection of data on the service sector and to establish a user advisory group to advise the ABS on the most suitable approach to developing more comprehensive service statistics.⁹ A Services Statistics Group (SSG) was established by

5 Austrade, Submission, p. S301

6 *Intelligent Exports*, op.cit. pp. 93 & 117.

7 DFAT, Submission, p. S214.

8 ABS, Transcript, 13 June 1995, pp. 361-362. For further details on recent developments in service statistics see 'Developments in measuring Australia's international trade in services in Australian Bureau of Statistics'. 1994. *1992-93 International Trade in Services Australia*. Canberra, AGPS, pp. 8-9.

9 *Working Nation: Policies and programs*. May 1994. Presented by the Prime Minister, the Hon P J Keating MP. Canberra, AGPS, pp. 70 & 213.

DIST. The SSG sought submissions on the topic and ABS assisted it in defining services and user requirements. Following a period of consultation a draft discussion report was circulated in January 1996 and initial comments on the paper were made. However, the report was never formally concluded and the SSG has since been disbanded. ABS were provided with an interim report, and this paper formed one of the sources for the ABS updating its Service Statistics Strategy. The ABS has continued to examine and where able, improve its service statistics. From the September quarter 1996, the ABS's *Survey of International Trade in Services (SITS)*, the major data source of services data, has been conducted on a quarterly basis.

2.10 From the September quarter 1997 the ABS will be publishing more detailed export of services statistics in its quarterly balance of payments publication. The ABS is also preparing an information paper addressing the issue of foreign affiliates trade in services data.¹⁰

2.11 While the ABS is to be commended for its activities in this area, much remains to be done. The Committee was particularly critical of the decision by DIST not to follow through on the discussion paper prepared by the now defunct SSG. DIST's apparent lack of interest in continuing to have an ongoing user advisory role through the SSG or a comparable body is unacceptable.

2.12 Deficiencies in services statistics is as much a problem overseas as in Australia and although most countries use BOP statistics they are not collected on the same basis leading to problems of comparability.¹¹

2.13 Australia is recognised as one of the most advanced nations in the services statistics field.¹² Through ABS's international collaboration with overseas official statistical agencies and international bodies such as the United Nations, APEC etc, the ABS is seeking to accelerate development on the statistical infrastructure for services.¹³

Conclusion

2.14 Improved statistics are critical to the understanding of the performance of the service sector domestically and internationally and to the development of appropriate policies and strategies in this area. The rapid growth in demand for services data is expected to continue. Collection of that data will not become any easier. The ABS is performing extremely well in this area and it is important that it maintain and enhance Australia's reputation as one of the most advanced nations in this field. The ABS must continue to give substantial attention to the service sector. Unfortunately, the SSG's advisory work on service statistics has not been brought to a satisfactory conclusion by DIST.

2.15 The services sector covers a range of activities including health, education and legal services and statistic collection by relevant government departments is inadequate across a range of service activities.

10 Edwards, R W, 'Australia's International Trade in Services Statistics', presented to the National Trade Consultative Process Meeting, 8 November 1996, p. 8.

11 DFAT, Submission, p. S214.

12 *ibid.*

13 ABS, Transcript, 13 June 1995, pp. 362-363.

2.16 The Committee recommends that:

1. **as a matter of urgency the Department of Industry, Science and Tourism re-establish a unit to provide advice on users' needs to the Australian Bureau of Statistics on the best approach to develop more comprehensive service statistics.**
2. **the Australian Bureau of Statistics continue its efforts to ensure that service sector data is brought into line with that of the manufacturing, mining and agricultural sectors.**
3. **the Australian Bureau of Statistics budget be adjusted to enable this to occur.**
4. **all government departments consider the extent to which relevant service statistics can be collected and published.**

Global service trade and Australia's position

2.17 The service sector is the fastest growing sector of world trade. It is driven largely by the technological revolution in the telecommunications and information industries and the deregulation policies now being adopted by many regional countries.¹⁴ DFAT provided the following most current data.¹⁵

2.18 World service exports rose at a trend growth rate of 10.6 per cent pa since 1987 to US\$968 billion in 1993 compared with a growth of only 8 per cent per annum in world merchandise exports during the same period. In 1993 world services directly accounted for about one-fifth of world trade.

2.19 Table 2.1 shows that the major exporters of services in 1994 were the United States with 17.9 per cent; the European Union (EU) representing 45.2 per cent, particularly from France and Germany; and Japan 5.5 per cent.

14 DFAT, Submission, p. S209; and *Uruguay Round Outcomes: Services*, September 1994, Canberra, Services and Intellectual Property Branch, Trade Negotiations and Organisations Division, DFAT, p. 8.

15 DFAT, *Trade in Services Australia 1994-95*, pp. 13-14. DFAT have advised 1994 is the latest year for which comprehensive data are available for all major countries.

Table 2.1 International Trade in Services Australia and Major Partner Countries (US\$ million)

Table 2.1 Continued

Table 2.2 Australia's Exports and Imports of Services (A\$ million)

2.20 By world standards Australia is a small service exporter. Australia's share of world service exports was 1.3 per cent in 1994 (US\$14.4 billion) which is similar to Australia's share of world merchandise trade. The trend of Australia's growth in service exports though is slightly slower than the world average being 7.7 per cent per annum between 1988 and 1994, compared with the global trend growth rate of 9.2 per cent.

2.21 Australia's largest service exports sector is Travel which has grown at a rate of 10.3 per cent per annum since 1987. This is comparable with the world trend for growth in Travel services for the same period. From 1987 to 1993 Australia's Other Services sector grew at a slower rate than the world trend, at 10.0 per cent compared with 12.2 per cent respectively. Similar trends were experienced in Australia's Shipment services and Other Transportation services.

2.22 World imports of services in 1994 amounted to US\$1107 billion. The pattern of major service importers is similar to that of exporters (see Table 2.1). The United States is the largest importer of services, purchasing 12.4 per cent (US\$137 billion) of all imports in 1994, a reduction from its 14.4 per cent of imports in 1988. The EU group purchased some 42.7 per cent with Germany the largest importer within the EU, and Japan imported 9.9 per cent of total world service imports. Australia's share of world service imports has declined in recent years to reach a low of 1.3 per cent in 1994, down from 1.7 per cent in 1988.

2.23 Hoekman and Primo Braga have pointed out that 'Industrialised countries dominate trade in commercial services...This, however, does not imply that developing countries have little interest in services trade. To the contrary, many developing countries are relatively specialised in exporting services [especially tourism]...'.¹⁶

Australia's service trade

2.24 Australia's trade in services had a positive real balance in constant (1989-90) prices for the first time in 1993-94.¹⁷ The pattern of Australia's service trade from 1984-85 to 1994-95 is shown by Table 2.2.

2.25 The relative contributions of the four components of services trade in 1994-95 are shown by Figure 2.1.

2.26 While exports of Shipment services and Other Transportation services have grown since 1984-85, Figure 2.2 demonstrates that Travel and Other Services are responsible for the trend towards the trade surplus in services. DFAT pointed out that a number of service sectors are in surplus including financial services (\$220 million in 1993-94), education (\$2 billion) and tourism (\$2.36 billion), which includes about \$2 billion of education exports included in the Travel services category.¹⁸

2.27 A more detailed breakdown of Australia's principal service exports for 1994-95 is shown in Table 2.3.

16 Hoekman, B and Primo Braga, C A., July 1995. op.cit. p. 5.

17 DFAT, *Trade in Services Australia 1994-95*, p. 1.

18 DFAT, Submission, p. S624.

Figure 2.1 Australia's Exports and Imports of Services by Type 1994-95

Figure 2.2 **Australia's Trade in Services: Relative Contributions of Major Components 1984-85 to 1994-95**

2.28 Australia's major service export markets in 1993-94 were Japan, USA, UK, New Zealand and Singapore (see Table 2.4).¹⁹ Hong Kong is the sixth largest market with a five year trend growth rate of some 14.6 per cent per annum and Indonesia the eighth largest, growing at 18.2 per cent per annum in the five years to 1993-94. In 1993-94 Australia's export of services to the ASEAN region exceeded imports by \$382 million with Australia recording its first significant balance of trade surplus in the past decade.²⁰

2.29 Australia's balance of trade in services with Hong Kong in 1994-95 is shown by Table 2.5. The trend for the past ten years is shown by Figure 2.3. Hong Kong is a major source of tourists for Australia and Australia's largest source of full-fee paying students. Hong Kong is a net exporter of services with its most valuable exports in 1993 being travel, air transportation and shipping. However, Hong Kong is a net importer of passenger services and insurance services.²¹

2.30 Australia's balance of trade in services with Indonesia in 1994-95 is shown by Table 2.6. The trend for the past ten years is shown by Figure 2.3. Indonesia is a net service importing country and though its service sector is growing rapidly, its 1995-96 services deficit was US\$13.1 billion.²² Australian service exports to Indonesia grew 32 per cent in 1994-95 to A\$738 million. Travel expenditure (associated with education and tourism) was the largest item in this trade according to DFAT.²³

2.31 The level of foreign investment in Australian service industries grew by approximately 10 per cent in the year to 30 June 1995, slightly more than the trend since 1990 of 9 per cent per annum.²⁴ The service sector accounts for two-thirds of total foreign investment. Finance, property and business services contributed approximately 38.2 per cent in 1995 of all foreign investment in Australia. The largest foreign investor in Australia's service industries was the USA (over 17 per cent of total foreign investment) followed by the United Kingdom (almost 16 per cent) and Japan (15 per cent). Those traditional investors' shares however have been falling in recent years and the rapidly developing Asian countries are increasing their share. Although from a relatively low base, Hong Kong's investment in the Australian service sector has grown from 1 per cent at June 1988 to almost 5 per cent by 30 June 1994.²⁵

19 The European Union (EU) also represents a major market for Australia in aggregate. In 1993-94 Australian service exports to the EU were \$3.2 billion (17.5% of total Australian service exports); the EU provided 29.8% of total service imports, leading to a \$2.4 billion service trade deficit. DFAT, *Trade in Services Australia 1994-95*, p. 10.

20 DFAT, *Trade in Services Australia 1994-95*, p. 11.

21 DFAT, Submission, p. S212.

22 DFAT, *Country Economic Brief: Indonesia*, September 1996, p. 22.

23 DFAT, Submission, p. S790.

24 *ibid.* pp. S899-900.

25 DFAT, *Trade in Services Australia 1994-95*, p. 14.

Table 2.3 Australia's Exports of Services and Royalties by Type of Activity (A\$ million)

Table 2.3 continued

Table 2.4 Australia's Exports of Services, by Country (A\$ Million)

Table 2.5 Australia's Services Trade with Hong Kong 1994-95

Table 2.6 Australia's Services Trade with Indonesia 1994-95

**Figure 2.3 Australia's Trade in Services with Hong Kong and Indonesia
1985-86 and 1994-95**

Conclusion

2.32 The internationalisation of services provides not only increased opportunities for service exports but also a substantial increase in competition in most markets. With this increase in competition there may be a change in Australia's net position on trade in services. If Australia is to maintain, let alone enhance its position in world trade, both businesses and government have to work hard. While the size, proximity and rapid growth of the Asian markets is very attractive for service exporters, Australia also must continue to direct attention to its traditional markets.

Framework for global service trade

2.33 In 1986 in response to the growing globalisation of economic activities and the recognition that domestic policies were becoming increasingly relevant in determining international competitiveness, the issues of services, trade-related intellectual property rights and trade-related investment measures became the so-called 'new issues' negotiated in the Uruguay Round of multilateral trade negotiations.²⁶

2.34 One of the major achievements of the Uruguay Round was the creation of a GATS. The GATS established a single set of rules for all aspects of world trade in services. DFAT noted that 'GATS will assist in overcoming barriers often encountered in foreign markets by Australian services exporters by removing discrimination and adopting clear and enforceable rules and disciplines'.²⁷ The barriers affecting the production and sales of services are largely domestic regulatory measures not tariff barriers. Those domestic regulatory measures nevertheless are sometimes quite complex.

2.35 In commenting on the outcomes of the GATS to the *International Trade in Services Conference* in Australia last year, Hoekman and Primo Braga from the World Bank stated:

[The GATS]...is a landmark achievement in terms of creating multilateral disciplines in virgin territory...however, the amount of liberalization generated by the negotiations on services was limited. On a more positive note...the agreement paves the way for future multilateral liberalization, and creates a mechanism through which countries may lock-in their policies, thus reducing uncertainty for investors.²⁸

2.36 Similar sentiments were presented by the Australian Minister for Trade in 1994 who stressed 'The GATS is an important achievement, but it is only a beginning...'.²⁹ The ACSI, who took a lead role in promoting the interests of Australian service business in the GATS, has commented:

Unfortunately, we cannot yet be confident that GATS will create global markets for services where market forces rather than regulation will determine who does business. GATS creates a framework for

26 Hoekman, B and Primo Braga, C A, op.cit. p. 2.

27 *Uruguay Round Outcomes: Services*, op.cit. p. 8.

28 Hoekman, B and Primo Braga, C A, op.cit. pp. 1-2.

29 *Uruguay Round Outcomes: Services*, op.cit. p. 5.

this. But decisions are yet to be taken to apply the basic market principles of GATS to the core sectors of telecommunications and financial services. Until this happens, GATS risks remaining a depository to record piecemeal deregulation instead of a framework for the competitive operation of markets, like the GATT...³⁰

In July 1995 Don Mercer, President of ACSI pointed out that '...institutions of regulation, trade and diplomacy will have to move faster particularly where information technology is concerned or run the risk of being marginalised. Many of the outstanding issues on the negotiating table are still from yesterday's agenda'.³¹

2.37 The Council of Small Business Organisations in Australia (COSBOA) in response to a question on the GATS, commented more generally on the GATT that:

A lot of the Australian public, small business included, is a little confused about the benefits of GATT...They are a bit suspicious of it...Consistently, we have put forward a call for bilateral rather than multilateral trade arrangements, on the basis that we feel people should trade with us on the same deal we trade with them.³²

2.38 On the other hand, ACCI took the view that trade '...liberalisation makes you more competitive and more export oriented. Therefore, you become more aggressive in seeking foreign markets'.³³

2.39 DFAT noted that most of the commitments made in the individual country schedules, including Australia's, are '...standstill undertakings reflecting the current level of regulation'.³⁴ Hoekman and Primo Braga suggest that the '...degree of participation in the GATS negotiations was positively correlated with the level of development of the negotiating countries...'.³⁵

2.40 Australia is generally regarded as one of the world's most open and dynamic service economies. Of the two countries covered in this report:

Hong Kong maintains one of the most open economies in the world...While there are generally no regulatory barriers to either goods or services, there are standards which have to be met.³⁶

Indonesia has a high level of formal barriers to service imports, though a number of deregulation packages have been introduced in the past couple of years.³⁷

2.41 Neither Hong Kong's nor Indonesia's commitments under the GATS schedules were comprehensive but DFAT reported actual conditions for market access in both markets

30 ACSI, *Services: APEC's missing link*, November 1994, Unpublished, pp. 3-4.

31 Mercer, D. op.cit. p. 4.

32 COSBOA, Transcript, 6 April 1995, pp. 69-70.

33 ACCI, Transcript, 6 April 1995, p. 95.

34 DFAT, Submission, p. S225.

35 Hoekman, B and Primo Braga, C A, op.cit. p. 24.

36 DFAT, Submission, p. S250.

37 *ibid.* pp. S227 & S238.

may be freer than indicated in their schedules.³⁸ This view is confirmed by the experiences of a number of businesses who met with the Committee.

2.42 In looking to the future DFAT states that prior to the end of the Uruguay Round:

...Indonesia had been making market and trade-related reforms at its own pace. However, the implementation of the Uruguay Round agreement on...GATS is expected in the medium to long term to have a major impact on services market access in Indonesia.³⁹

2.43 In relation to Hong Kong, DFAT believes that '...Hong Kong will continue its independent membership of the WTO [World Trade Organisation] after 1997 and will play a leading role in encouraging its neighbours including China, to reduce trade barriers'.⁴⁰ Any changes to this situation will lead to problems in the international trade forums.

2.44 Given the time constraints of the GATS a satisfactory outcome could not be achieved in all service sectors. Accordingly, post-round sectoral negotiations are continuing on financial services, maritime transport, basic telecommunications and the movement of natural persons. DFAT advised that:

Post-round sectoral negotiations in services have proved difficult and have delivered only limited liberalisation...The disadvantage of the sectoral approach is that it does not provide for cross-sectoral trade-offs. The best prospect for global liberalisation of services trade therefore lies in the next round of comprehensive services negotiations, which is mandated to commence no later than the year 2000. Australia has proposed that preparatory work for these negotiations commence in 1997 in recognition of the likely complexity of the negotiations given the rapid evolution of services trade.⁴¹

2.45 Regional trade agreements provide another avenue for trade liberalisation. The major regional agreement in which Australia, Hong Kong and Indonesia are all involved is the Asia-Pacific Economic Co-operation (APEC) forum. DFAT stated:

APEC provides another arena for the liberalisation of trade in services, as well as for the facilitation of services trade and economic cooperation in specific service sectors. APEC also provides another forum to press Australia's specific market access concerns regarding trade in services with individual APEC members. Accordingly, APEC is expected to be able to contribute significantly to the effective implementation of the Uruguay Round and to accelerate and build on the outcomes of the Round.⁴²

38 *ibid.* pp. S218 & S221.

39 *ibid.* p. S238.

40 *ibid.* p. S250.

41 *ibid.* p. S785.

42 *ibid.* p. S787.

2.46 Trade liberalisation relates to the opening of markets via reduction in tariffs whereas trade facilitation deals with mutual agreements on issues such as standards, customs procedures, quarantine provisions and immigration which give nations and businesses an incentive to trade. Identifying market access barriers has become a complex task. To assist, DFAT is operating an Export Barriers Reporting Scheme which maintains an inventory of these types of non-tariff impediments to trade.⁴³

2.47 At the Osaka meeting in November 1995, APEC leaders endorsed a comprehensive blueprint - the Osaka Action Agenda - to achieve free trade in the region by 2010 for the developed countries and 2020 for poorer nations. An objective of the Osaka Action Agenda is to open, progressively, service markets by reducing restrictions to market access and providing for *inter alia* MFN (most favoured nation) and national treatment for traded services.⁴⁴ For the eighth APEC Ministerial Meeting, held in Manila, Philippines, in November 1996, APEC members prepared and updated Individual Action Plans setting out the liberalisation steps they would take towards their APEC commitments.

2.48 DFAT advised that:

The Hong Kong plan is probably the best from all the APEC countries. It outlines in a very comprehensive and user-friendly way their present restrictions on services and includes undertakings to review those restrictions and eventually a time frame for removing them as well.

The Indonesian plan is not so good in that sense. The commitments are more general in nature and the coverage is not as comprehensive as in the case of Hong Kong. But there are still a few months to go before they have to finalise the plan so we are hoping that they will improve the quality of it.⁴⁵

2.49 DFAT reported that '...Australia has been using all opportunities to encourage Indonesia to strengthen its commitments on services particularly in the areas of professional services, telecommunications and maritime transport'.⁴⁶ Despite Hong Kong's ambitious and comprehensive draft Individual Action Plan '...Australia has been encouraging Hong Kong to improve commitments in financial services, telecommunications and legal services'.⁴⁷ DFAT stated 'APEC's increasing focus on services is demonstrated by a number of projects under way or imminent' and working groups have been established on human resource development, tourism, telecommunications and transportation.⁴⁸

2.50 At the Manila APEC meeting eight member countries, including Australia, outlined specific measures to open up their service sector to foreign commercial presence.

43 Dwyer, M, 'McMullan backs moves to clear trade minefield', *The Australian Financial Review*, 5 October 1995.

44 Volume 1, Manila Action Plan for APEC, Eighth Ministerial Meeting, 22-23 November 1996.

45 *ibid.* p. 978.

46 DFAT, Submission, p. S788.

47 *ibid.* p. S789.

48 *ibid.* p. S787.

2.51 As part of its 1996 Individual Action Plan and commitment to reduce barriers to trade in services, Hong Kong will:

- consider establishing non-discriminatory criteria for foreign lawyers to practice as barristers by 2000; and
- seek to remove preferential arrangements for the recognition of qualifications applying to veterinary surgeons, medical laboratory technicians, occupational therapists and pharmacists by 1997.⁴⁹

2.52 Indonesia, in its 1996 Individual Action Plan, presented at the Manila APEC Ministers' Meeting, gave specific commitments in two service sectors, tourism and transport. In a number of other sectors such as telecommunications and financial services, Indonesia stated it would endeavour to relax market access restrictions and discriminatory treatment.⁵⁰

2.53 ASEAN countries, including Indonesia, are examining the possibility of an ASEAN service-wide agreement. No agreement has been reached as yet between the ASEAN nations.

2.54 According to DFAT, post-round sectoral negotiations in services under GATS have proved difficult and have delivered only limited liberalisation. To date:

...negotiations have led to an interim agreement in financial services, an extension of basic telecommunications negotiations, a suspension of maritime transport service negotiations and a modest agreement on the movement of natural persons. The disadvantage of the sectoral approach is that it does not provide for cross-sectoral trade-offs. The best prospect for global liberalisation of services trade therefore lies in the next round of comprehensive services negotiations, which is mandated to commence no later than the year 2000. Australia has proposed that preparatory work for these negotiations commence in 1997 in recognition of the likely complexity of the negotiations given the rapid evolution of services trade.⁵¹

49 DFAT, Press Kit, 'APEC Ministers and Leaders Meetings, Philippines, November 1996'.

50 *ibid.*

51 DFAT, Submission, p. S785.

Conclusion

2.55 Cutting trade barriers, whether through multilateral or regional agreements, is a tough long-term exercise. The framework for achieving this objective now exists but the task is yet to be achieved. Australia has taken a leading role in the GATS and APEC and this should continue. Telecommunications and financial services - the drivers of service trade - should continue to be priority sectors for liberalisation. The task of reducing barriers to service trade through bilateral, regional and multilateral vehicles, must be approached with ever greater alacrity, if Australia is to reap the benefits of a more open global trading environment for services.

