

Opening remarks by the Secretary General at the Workshop on Strategy for Development of Services Sectors in ACP States, 2-3 May, Brussels

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Excellency Ambassadors, Distinguished Participants, I welcome you all to ACP House for this workshop entitled "*strategy for development of services sector in ACP States*". As stated in your programme, the objective of the workshop is to provide all the participants with a forum to discuss, share experience, provide guidance and devise a strategy for the strengthening of the ACP services sector.

The Secretariat recognizes the importance of services in the economic growth and development of ACP States. The services economy has over the years gained in importance, contributing a growing share to gross domestic product and employment in all countries.

The role of services as inputs into other sectors of a national economy is crucial, including their contribution to manufacturing output growth and productivity. Indeed a positive relationship has been established between the level of income per capita and the intensity of use of services in manufacturing industries.

Services have become a fundamental economic activity and play a key role in infrastructure building, competitiveness and trade facilitation.

However, the ACP States have not fully exploited their potential in the area of services. This can be attributed to their inherent weaknesses arising from low levels of development; high economic vulnerability due to smallness of population and/or income levels and sea- and land-lockedness that isolates them from main markets. These factors lead to high transport and communication costs.

In addition, many ACP States endure high vulnerability owing to external economic and natural shocks, as well as weak institutional, regulatory and productive structures. Given such inherent constraints, promoting economic growth and development, particularly in service delivery remains a formidable challenge.

Therefore, while global services exports increased from US\$389 billion in 1980 to about US\$3.7 trillion in 2010, (with a minor decline in 2009), ACP States' exports of services increased in value terms from US\$11.7 billion to US\$71.2 billion during the same period.

However, in proportional terms, ACP States accounted for only 3 per cent share of global services exports in 1975 gradually declining to 1.9 per cent in 2010. This compares with developing countries which in general increased their share of global services exports from about 18 per cent in 1980 to almost 30 per cent in 2010. Therefore, other services exporters have grown more rapidly than ACP States, which is a matter of great concern.

A joint study carried out by the Secretariat in collaboration with UNCTAD clearly shows that most ACP States are small players in the services trade. The exception is South Africa, which alone accounted for almost 20 per cent of the group's total services exports in 2010, followed by Cuba and then Dominican Republic accounting for additional 18 per cent of total ACP States services exports.

Services exports of thirteen (13) other ACP States (*Kenya, Jamaica, Bahamas, Mauritius, Nigeria, Ghana, Ethiopia, United*

Republic of Tanzania, Barbados, Cameroon, Senegal, Côte d'Ivoire and Uganda) ranged between US\$1-3 billion. The 16 exporters together provide almost 77 per cent of total ACP States services exports. The rest of the ACP States' services export ranges below US\$1 billion.

This dismal performance in services trade calls for urgent measures to enable ACP States to increase their participation in world trade in services. Concerted efforts should be taken to address the supply-side constraints, particularly in those services where ACP States have a comparative advantage.

Distinguished participants, The ACP-EU cooperation in the area of services under the Cotonou Agreement reaffirms the adherence to General Agreement of Trade in Services (GATS) provisions of the WTO. Understanding the rights and obligations therein is necessary to take full benefit of this agreement.

Furthermore, the European Union has also committed to support the ACP States' efforts to strengthen their capacity in the supply of services. Service sectors identified are those related to labour, business, distribution, finance, tourism, culture and construction and related engineering services. The aim was to enhance their competitiveness and thereby leading to an increase in the value and the volume of trade in goods in general.

In addition, the compendium on cooperation strategies contains provisions on the development of services, in the fields of maritime transport, ICT, air transport and tourism development as well as on transport development. I do hope and expect that ACP States are making and will continue to make full use of these provisions.

Distinguished participants I am aware that many ACP States and regions are involved in negotiations of services at the regional, EPA and WTO levels. At the regional level, it is necessary to conclude regional services agreements that will enhance the development and diversification of services as well as facilitate increased trade in services within the regions and with the parties outside the regional grouping.

In the EPA process, for the agreements to make a difference for ACP States compared to the previous Lomé Conventions and Cotonou Agreement, they should have a strong development dimension addressing the area of services. The EPAs should contribute to the expansion of the services sector of the ACP States and should contain concrete measures that should be taken in this regard.

At the multilateral WTO level, it will be recalled that Article XIX (19) of the GATS, which lays down the basis for successive rounds of negotiations, provides for 'appropriate flexibility for individual developing country Members for opening fewer sectors, liberalizing fewer types of transactions, progressively extending market access in line with their development situation.' Therefore ACP States should be guided by this WTO provision when negotiating at the EPA and WTO levels.

On negotiations in general, the ACP Secretariat has through its Trade.com PMU previously supported Member States and regions with their assessment of trade in services, reviewing of services related legislation, drafting of schedules of commitment for the EPA negotiations and the negotiations of mutual recognition agreements. However, the demand for additional support on how to develop, diversify and regulate services sector is still evident.

It is with the above background in mind that the Secretariat decided to bring together international services experts, representatives of ACP regional integration groupings involved in services negotiations and representatives of professional associations as well as Capital, Geneva and Brussels based diplomats and negotiators, in order for them to discuss and agree on what measures should be put in place to foster services trade for ACP States.

The ultimate aim is to develop an appropriate intra-ACP Services capacity building programme that will assist ACP States and regions to expand this sector.

Therefore, let me take this opportunity to recognize all resources persons who will be making useful contributions to the workshop. I see that they are drawn from the secretariats of ACP regional integration and other various institutions, including from the EC, our main interlocutor in ACP-EU relations. I thank you for taking time from your busy schedules to come and contribute to this workshop.

Last but certainly not the least I thank Ambassador Lingston Cumberbatch and the Trade.com Team for organizing this workshop. I am informed that this is perhaps the last major activity of the PMU before it closes shop on 30 June 2012. I wish to recognize the good work that the PMU has carried out for all these years. Congratulations, well done and thank you.

With these remarks, I declare this workshop open and wish you all fruitful deliberations.

Thank you for your kind attention.

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