

REALITIES AND PROSPECTS OF THE CURRENT SERVICES NEGOTIATIONS: INDONESIA PERSPECTIVES

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ABSTRACT

The new General Agreement on Trade in Services (GATS), that resulted from the Uruguay Round negotiations, for the first time extends internationally-agreed rules and commitments into the vast growing economic sector of trade in services. In spite of rapid growth, the services sector of many developing countries is still at an early development stage, lacking in competitive ability, with inadequate regulatory and institutional frameworks, and appropriate policy. These developing countries need flexible and differential treatment to cope with the liberalization of trade in services as clearly provided for in the GATS and reinforced subsequently in the Doha Development Agenda. Liberalization should therefore be conducted in appropriate manner, commensurate to the level of development of individual developing countries. This should be reflected in the quality, timing, sequencing and scope of liberalization, all of which should take place progressively with due respect for national policy objectives. The mandate for services negotiations covers not only market access liberalization but also rules on trade in services. The negotiations have been progressing with excessive focus on market access, leaving the rules negotiations, especially on emergency safeguard measures, far behind without any meaningful results. The need for such a mechanism is important for countries where

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the state of services development renders it more vulnerable to unanticipated factors or events. Such a mechanism would serve as an essential safety net for services liberalization. The on-going services negotiations experience is also an asymmetrical situation as many developing countries still encounter difficulties in participating in international trade in services due to lack of export capacity. Mode 4 services are regarded as one of the most potentially fruitful export interests to many developing countries, yet is the least liberalized of all four modes under the GATS due to its sensitive nature that prompts most countries to maintain a highly restrictive policy.

From the Indonesian perspective, Indonesia subscribes to the principle of progressive liberalization with a pace and timing that are commensurate to the level of development of the country and in line with its national policy objectives. Developed countries should take into consideration of the constraints encountered by Indonesia and other developing countries in obtaining market access in developed countries. To this end, developed countries need to apply a broader scope of market access to include specific sectors and mode of supply of export interest to them. Indonesia has an overriding interest in mode 4 services, its comparative advantage lies in the export of medium and lower-skilled, labor-intensive services.

Indonesia considers that the negotiation on market access and negotiation on rules as having an equal importance, the success of the current round negotiations will be judged according to the successful results of both negotiations. Indonesia emphasizes the importance of the completion of the negotiations on emergency safeguard measures before the end of the negotiations on specific commitments. The completion of the rules negotiations is of crucial importance as it ensures that the liberalization of trade in services would be effective. In the meantime, the development of a domestic services sector would require enhanced capacity, to be provided under a specific and committed technical assistance program.

KEYWORDS: *progressive liberalization; Doha Development Agenda (DDA); request-offer approach; modes of supply; Schedule of Specific Commitments; Mode 4; emergency safeguard measures; special and differential treatment; capacity building*