



P R E S S R E L E A S E

SEMINAR ON PNG'S INTEREST IN TRADE IN SERVICES NEGOTIATIONS

In a seminar to be organised by the Department of Commerce and Industry (DCI) at the Crowne Plaza Hotel, Port Moresby, on Wednesday 6 December, consultants from the UK firm Metra Economic Consulting will present the findings of a recent study on PNG's international trade in services. An invited group of stakeholders from the principal service industries will be invited to discuss the issues, with the aim of helping the Government to set an agenda for PNG's forthcoming trade in services negotiations.

Service industries are of vital importance to PNG and cover such fields as tourism, construction, transport, telecommunications, banking and insurance, and business services including security and retail as well as the movement of Papua New Guineans to work overseas. It is estimated that the services sectors in PNG provide employment for at least 80,000 people out of a total formal workforce of around 250,000.

PNG's PARTICIPATION IN TRADE IN SERVICES NEGOTIATIONS IN THE WORLD TRADE ORGANISATION

PNG is a member of the World Trade Organisation (WTO) which aims to reduce barriers to trade between its members and promote development through trade. Trade in services refers to, amongst other things, freedom of businesses from one country to operate and establish subsidiary companies in other countries, international recognition of professional and vocational qualifications, and the freedom of individuals to work in other countries.

Under the General Agreement on Trade in Services (GATS) every WTO member must declare all the restrictions which it imposes on trade in services. Members continue to negotiate with each other in order to obtain freer access to markets through a "request and offer" process.

This negotiation process is proceeding slowly because many countries regard liberalisation of trade in services as being of lower importance than trade in goods. Trade in services is not monitored in the way that imports and exports of physical goods are, so it is harder to quantify and negotiate on services trade.



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In 1995, PNG agreed to a schedule of binding “commitments” under the GATS, listing a number of restrictions on foreign companies’ and foreign nationals’ participation in the services sector. Most of these are “horizontal” restrictions (applying across all service sectors) such as the requirement of foreign companies to train local employees. For some specific sectors there are also “vertical” commitments. In the construction sector for example, foreign companies are not allowed to undertake projects under K500, 000.

The DCI is now encouraging all stakeholders to actively participate in an assessment of our GATS commitments and our interest in ongoing services negotiations at the WTO. Support is required from stakeholders to determine how the Government should respond to a series of requests made by other countries such as Australia, New Zealand, Singapore and the EU for liberalisation. These requests call for the removal of restrictions on foreign participation in sectors currently reserved for government-owned enterprises such as telecommunications; as well as on activities reserved for local companies such as coastal shipping; and for easier access for foreign nationals and businesses through the issuing of work permits.

DECEMBER 2007 TARGET FOR ECONOMIC PARTNERSHIP DEAL WITH EUROPE

Another big consideration for PNG relates to its economic relationship with the European Union (the EU). Currently the Pacific ACP countries are negotiating with the EU for a new agreement to be called an Economic *Partnership* Agreement (EPA). This agreement is anticipated to cover trade in goods and services, as well as investment. It should place due emphasis on cooperation for development of specific sectors such as agriculture, fisheries, mining, energy and small-to- medium size enterprises as well as other trade related areas such as trade facilitation, trade promotion and access benefit sharing.

Trade in services is likely to constitute an important element of this agreement because there are important development opportunities that all Pacific Island Countries (PICs) wish to pursue, for example in the *Tourism* sector the PICs would like to promote more investment and tourism trade from the EU. There is also a proposal that PICs will benefit from *skills development, training and work experience* through an agreement on “Mode 4 supply.” This would allow individuals to participate in a programme to enhance their skills including through work experience in EU countries.



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TRADE IN SERVICES AND DEVELOPMENT OF THE SERVICES SECTOR IN PNG

The DCI encourages support from all government agencies as well as the private sector in order to promote PNG's development through Trade in Services. PNG has a liberal trade in services regime relative to other developing countries. Where restrictions do apply, for example in telecommunications, it is the policy of the Government to liberalise these over a time- frame that is consistent with the development needs of the sector.

The seminar on 6 December is an opportunity to examine all main services sectors and their contribution to the PNG economy. For each sector, it is important to assess the status quo; to identify the key players, the regulatory influences, the prospects and challenges, and the development needs in such areas as training, capacity building, and the potential to attract new investment. Another focus of the seminar will be on the effective restrictions to international trade; to improve awareness, assess the impacts/ possibilities of reducing restrictions in PNG, and identify opportunities for PNG companies/ nationals if access to overseas markets were to be improved.

The seminar starts at 8.30 a.m. and will be opened and chaired by the Department of Commerce and Industry. Following presentations by Metra Consulting and the Department, all participants will be asked to participate actively in discussion through organised working groups reflecting the major sub- sectoral services groupings; Business and Professional Services, Construction; Financial Services, Telecommunications, Transport and Tourism.

Interested representatives of the services sectors will be invited to attend a follow up training session on Thursday 7 December to cover the drafting of PNG Schedules of Concession, demands and offers under the GATS framework.

A Press Release will be issued on 7 December alerting the public to outcomes of the seminar and training session.



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