

**COMMUNICATION FROM AUSTRALIA**

Negotiating Proposal on Business Services (Other than Professional Services)

The attached communication has been received from the delegation of Australia with the request that it be circulated to Members of the Council for Trade in Services.

1. Australia presents this proposal on Business Services (Other than Professional Services) for consideration of all members.
2. Australia reserves the right to modify this proposal at any time. This proposal does not prejudice Australia's position on other service sectors, or any future offer on this or other sectors.

**A. INTRODUCTION**

3. Business and professional services are a rapidly growing, knowledge-intensive sector of WTO member economies. The sector has a pervasive influence on the overall performance of economic activity and is closely linked with performance and productivity in many other sectors, such as manufacturing, agriculture, resources and services, as well as related areas of intellectual property. The transformation of knowledge into valuable advice is what defines the almost unique role of business and professional services. Essentially, firms in the sector solve problems for their clients. The sector is recognised as a key enabler of growth in both developed and developing economies.

4. In Australia, the business and professional services sector accounts for over 6 per cent of full-time employment, and comprises around 12 per cent of firms. It contributes 5.5 per cent of GDP. Growth rates in employment, the sector's share of firms, and contribution to national output exceeds those in the broader services sector and of the economy as a whole.

5. International trade in this sector is limited by a traditional focus on domestic growth. However, trade in professional and business services is expanding, driven by globalisation, by high growth opportunities in the services sectors of most economies, and by the impact of new technologies on existing supply chains. The most important of these new technologies is information and communications technologies, notably internet-delivered e-commerce. As efficiencies in these areas are achieved, business processes will be transformed and regulations governing them may need to be re-examined. International trade in this sector is also characterised by short-term fly-in, fly-out operations.

6. An important characteristic of the sector is its contribution to the development of small and medium-sized firms. In Australia, 97 per cent of firms in this sector employ fewer than 20 people and 83 per cent employ fewer than 5. These tend to have a dynamic, entrepreneurial nature and high levels of skills intensity. Of course, the sector also includes some very large global firms.

7. This negotiating proposal distinguishes business services from professional services.
8. Business services can be defined as those that provide intermediary inputs throughout value chains. They include activities such as computing consultancy services, research and development services, marketing and advertising (including market research), management consulting (including consulting services incidental to agriculture, manufacturing and the resource industries such as mining and energy), employment and personnel services (including employment placement services and a range of contract staff services). Professional services include such areas as accountancy, architectural, engineering and legal services. Australia has presented separate negotiating proposals on these (S/CSS/W/62, 63, 65 and 67).
9. While sharing many features in common with business services, professional services are subject to a number of specific access and regulatory arrangements that warrant their inclusion in separate negotiating proposals. Business services, on the other hand, are subject to less regulatory control; international trade is generally more liberalised; they frequently involve the use of networks extending across international borders; they are large users of information and communications technologies; and they are frequently more strategic in their nature. Business services intersect with a wide range of other sectors.
10. The Australian proposal seeks liberalisation in the business services sector in order to expand domestic and export markets and lift productivity, without compromising the quality of service and protection of consumers.
11. This is envisaged through the minimising of trade-distorting barriers within a framework of national interest policies.

**B. PROPOSAL**

12. In the GATS negotiations, Australia encourages Members to:
- improve the quality and quantity of specific commitments in their schedules for business services, with particular attention to restrictions on forms of establishment under Mode 3;
  - improve the level of transparency of domestic regulations for business services, especially where they currently lack sufficient depth to provide predictability or reduce risk;
  - consider easing or removing restrictions, such as price controls or limitations on national treatment imposed by oligopolies and monopolies, to enhance competition;
  - examine existing regulations where these may no longer be applicable to emerging business processes to ensure that trade in new forms of business service, niche marketing and innovative business service delivery is not unintentionally inhibited;
  - take stock of measures to fully implement GATS Article VII, paragraphs 3 and 5, and undertake best endeavours to participate in and extend the membership of agreements that enable mutual recognition of qualifications-based business services; and
  - address unjustifiable barriers to the temporary movement of personnel with specific skills in business services, such as consultants and contractors.
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