



Australian Government

AEI-International Education Network

Strategies For Negotiating
Trade in Education Services
Options for Australia

October 2002

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EXECUTIVE SUMMARY

Introduction

The Australian Government Department of Education, Science and Training commissioned RMIT's Globalism Institute to conduct a literature review on the strategies used in negotiating education services in international trade agreements and the outcomes that were achieved.

This literature review has considered a range of trade negotiation strategies and historical examples in order to inform negotiations on education services in the context of the General Agreement on Trade in Services (GATS) and other trade agreements. Because there is very little literature dealing directly with the negotiation of education services in trade agreements, the review has sought to draw together related literature from a wide variety of sources that may provide useful insights.

Report Structure

The first part of this report discusses a range of strategies used in negotiating trade agreements, explaining how these strategies are used in negotiations generally, and their relevance to negotiations dealing specifically with trade in education services. The literature review unearthed little literature directly dealing with negotiation strategies used in relation to education, so this section of the report has drawn out relevant themes from the trade negotiation literature and related these to the specific concerns of the education sector.

The second part provides an overview of the ways in which education has been dealt with in major trade agreements, including GATS, bilateral free trade agreements (Australia – New Zealand, New Zealand – Singapore and Australia – Thailand negotiations) and regional agreements (the North American Free Trade Agreement (NAFTA), the European Union (EU) and the Common Market of the Southern Cone). As there is little literature dealing with the negotiation of education services in each of these agreements, we have concentrated on aspects of the negotiation of these agreements that are most likely to be relevant to education negotiations. We have also briefly described the outcomes of these agreements for education services.

The third part of the report consists of an annotated bibliography of selected key sources, a list of references, and appendices listing major service lobby groups promoting trade liberalisation.

Summary of Findings

Due to the openness and small size of its economy, Australia has little direct negotiating power in trade agreements. Australia has little to offer other players in direct negotiations and little economic or political power to exert. As a result, Australia has historically put most of its trade negotiation energies into establishing global trade rules that are binding on all players and which benefit Australia by establishing a freer international trade environment for Australian exports. Australia's early influence in the World Trade Organization (WTO) stemmed from its conscious decision to act as a facilitator of broad agreements, its expertise on technical issues and its positioning as a middle power between the major powers and developing countries. In this way, Australia was able to be a major player in establishing the GATS during the Uruguay Round in the early 1990s.

To summarise, Australia has successfully played a facilitating role in earlier GATS negotiations. This strategy has been seen as most appropriate because Australia:

- Has little bargaining power of its own, both due to its small size as an economy and its relatively open trade regulations;
- Has considerable technical and intellectual expertise in trade issues and has the capacity to assist in the formation of rules and brokering deals;

- Occupies a ‘middle power’ position between the large powers (USA, EU and Japan) and developing countries. Australia sides with the developed countries on some issues (such as services) and with the developing countries on others (such as agriculture). Because they occupy this middle ground position, Australian negotiators are more readily able to broker broad agreements than countries whose interests are more clearly aligned.

Judging by Australia’s past experience in the WTO, education negotiators should not expect to be able to achieve major results through bilateral negotiations with our trading partners in the request-offer stage. Members will be conscious that their offers apply to all WTO Members and Australian negotiators should treat these request–offer negotiations as a plurilateral process, explicitly involving the offering Member, the requesting Member and implicitly involving a range of other Members with an interest in the offer. The success of Australian education negotiators in eliciting offers will largely depend on their ability to muster a range of incentives from other interested parties who have more bargaining power than does Australia.

Historically, Australia’s success in the WTO has resulted from its brokering of deals between a range of Members with similar interests. Similarly in the case of education, Australia’s ability to facilitate broad ranging discussions on trade in education issues in a range of international forums including the WTO is its most valuable advantage. In direct negotiations, such a facilitation role may include coordinating the efforts of a range of WTO Members that have an interest in particular offers. For example, any request Australia was to make to an importing country for greater access to education markets would be closely followed by other education exporting countries. The country receiving the request would likely try to extract counter-offers from a range of interested exporting countries, not just the one country that made the request. Australian negotiators would be wise to be in contact with other Members with an interest in the request. Because the offers operate multilaterally, not bilaterally, a counter offer need not emanate from the requesting country. Instead, when considering a request and deciding whether to make an offer, a Member will be considering their bargaining power in relation to a range of others, and they may be more interested in counter offers and other inducements from third countries than from the requesting country. This is especially the case for Australia, which is already relatively open and does not have much to offer. While cross-sectoral trading is an option, plurilateral trading is a much more powerful option, as our trading partners will be much more interested in counter offers made by the USA, EU and other major players, than they are in counter offers from Australia. Such an approach would involve Australia taking a role as a ‘middle-power’ facilitator brokering deals between others rather than relying on using its own limited bargaining power in negotiations.

Bilateral negotiations will form a starting point, and cross-sectoral trading may be used in these early stages. However, Australian counter-offers in sectors other than education may not in themselves be influential enough to induce other Members to undertake liberalisation in education services. In addition, historically Australia has been careful in trade negotiations to avoid the perception that it is prepared to sacrifice the interests of one industry for another. In negotiations on Australia’s requests dealing with education, Australia may engage in cross-sectoral trading or plurilateral trading with other countries with an interest in the offer being sought. However, Australia’s capacity to engage in cross sectoral negotiations would seem to be limited by the relatively low number of remaining trade barriers and the economic and political sensitivity of those that remain after decades of unilateral liberalisation. Historically, Australia has made undertakings unilaterally rather than as trade-offs since our commitments are not generally sufficiently important to other countries to elicit counter-offers bilaterally.

On the basis of past experience, it can be concluded that the most effective use of Australia’s resources to influence WTO Members to make GATS commitments in education are in a range of facilitation roles intended to create a climate in which there are multiple and diffuse inducements and rewards for Members making commitments in this sector. Such facilitation could range from initiating plurilateral discussions and negotiations between education trading partners, providing technical information, clarifying conceptual issues and working to set agendas.

A coalition-building strategy may be of use in relation to education, but looser and less formal alliances may be more effective than formal coalitions. Because of their expense and the seriousness of the undertaking, formal coalitions are more commonly established between the major powers on the major issues (financial services and telecommunications). Australia is likely to achieve a better return on its investment through mobilizing its intellectual and technical expertise in this area to further discussions through more varied and less formal means.

1. PART 1 - ISSUES AND STRATEGIES IN NEGOTIATING TRADE AGREEMENTS

This section of the report describes some of the major negotiating strategies and issues relevant to the negotiation of education services. Before describing the particular strategies, it is important to consider Australia's position in bilateral negotiations, and how this might impact upon the approach to be adopted in negotiating education in the WTO framework.

1.1. Australia's bargaining power in bilateral negotiations

Bilateral trade negotiation takes place in two forums — bilateral free trade agreements (FTAs) and the early request-offer stage of the current GATS round. FTAs offer the opportunity of more profound trade liberalisation with a particular partner, and Australia is committed to pursuing bilateral deals alongside multilateral agreements. Within the GATS framework, bilateral negotiations allow trading partners to address specific issues of concern.

Australia's current trade strategy is 'to pursue every opportunity at the multilateral, regional and bilateral level' (Vaile 2002). While the GATS offers the most substantial mechanism for transforming trade in services on a global level, bilateral agreements offer more substantial agreement to be reached more quickly. Australia is currently negotiating bilateral agreements with Singapore and Thailand, and has agreed to negotiate bilateral agreements with China and Japan, and to explore better economic ties with South Korea. On a regional level, Australia has been active in working towards free trade in the Asia-Pacific through Asia-Pacific Economic Cooperation (APEC) and in South East Asia through closer links between the Australia-New Zealand Closer Economic Relations Trade Agreement (CER) and the Association of Southeast Asian Nations (ASEAN) free trade agreement. It remains to be seen whether these regional proposals progress more rapidly than the GATS framework. While there is some agreement on a regional level that closer economic ties would be desirable, bilateral and regional trade agreements are only acceptable within the WTO framework as long as they have substantial sectoral coverage and substantially extend National Treatment to the parties involved.

A serious limitation on Australia's bargaining power in bilateral negotiations is that it has less to offer than more restrictive economies. Over recent decades Australia moved to create a more open trade environment in the belief that doing so would accrue benefits to the Australian economy. Because Australia's existing WTO commitments form the starting point for bilateral negotiations, making further concessions is more difficult for Australia than it is for other countries that have made less significant undertakings within the WTO framework. During the Uruguay Round negotiations, Australia made considerable commitments relating to private education services in Secondary Education Services, Higher Education Services and Other Education Services but made no commitments related to Primary Education Services or Adult Education Services (DFAT 2003). There are no special provisions related to the movement of natural persons (Mode 4) in education, so lecturers, teachers and educational managers are subject to the same visa conditions as workers in any other sector wishing to work in Australia. Australia made Market Access undertakings for the three other modes of supply—cross-border delivery, consumption abroad and commercial presence—meaning that Australian governments will not limit the number of providers, the number of students they may enrol, the legal form of new entrants (cooperative organisation, for-profit company, statutory organisation, etc.) or limit foreign ownership of providers.

Australia also committed to National Treatment for cross-border delivery and consumption abroad, which means that governments cannot discriminate between domestic and foreign providers when Australian students study by distance education in Australia or travel overseas to study. One important exception was that Australia did not commit to National Treatment for commercial presence, retaining the option to discriminate between domestic and foreign providers operating in Australia when allocating government subsidies. In the research and development services sub-sector, Australia made commitments to Market Access and National Treatment for social sciences and humanities research only. This does not apply to government subsidies for research and development, which remain unbound under horizontal commitments.

Most of the requests received by Australia asked for full commitments on Secondary Education Services, Higher Education Services, and Other Education Services, while a few also requested full commitments on Primary Education Services and Adult Education Services (DFAT 2003). Some requests sought clarification as to what types of education services in the Australian system are covered under the different classifications, and others sought more detail about National Treatment exclusions, perhaps to prompt Australia to commit to National Treatment for commercial presence and specify exclusions rather than leaving this mode uncommitted as it is now. In relation to research and development services, Australia received requests to expand its existing commitments to also include natural sciences and interdisciplinary research and development. Some of these requests may have come from countries that Australia has also directed education services requests to, allowing for direct bilateral talks on education services to take place. However, most of Australia's requests would have been directed to countries that are not education exporters and who have little interest in Australia's commitments covering education.

One means of extracting commitments from other countries in these circumstances is to enter into cross-sectoral deals. Australia could make offers in other sectors to ensure positive outcomes for education. However, this is complicated by the fact that many of the trade restrictions that Australia has retained are in culturally and economically sensitive areas and there would likely be domestic reaction against a change in many of these areas (Capling 2001).

Australia's second limitation in bilateral negotiations is that the small size of its economy limits its bargaining power. This is especially the case in relation to major trading partners, notably the United States, Japan and the EU. For this reason, bilateral FTAs are more easily negotiated with smaller economies in our region with whom Australia is on more equal negotiating terms. These smaller FTAs are less significant for many of Australia's dominant export sectors, such as agriculture and mining; however, most of Australia's major educational markets are in these smaller economies with which FTAs are most likely. Education services stand to benefit more from bilateral FTAs with countries in our region than other sectors that depend more on trade with larger economies. Due to the significance of Australia's growing education exports in bilateral trade with many countries in the region, it is conceivable that some may seek to exclude education in order to protect local private providers.

1.2. Bilateral and plurilateral negotiations in GATS

The limitations on Australia's bargaining power in bilateral negotiations discussed above — an already open economy and small size — seriously limit Australia's ability to negotiate bilaterally in the GATS framework. In addition, the negotiating process to be employed in the current GATS round is complicated by the nesting of a bilateral request-offer process within broader plurilateral and multilateral negotiations. While requests reflect the interests of one WTO Member, offers apply to all WTO Members equally. Based on past experience, we feel that offers will not be made by Members in response to particular requests (especially requests from smaller countries like Australia) but will be tabled as part of a complex network of deals between several countries.

The literature review did not identify any literature specifically dealing with the interplay between bilateral and multilateral negotiations within such a negotiation framework. However, it is clear from the literature on earlier rounds of GATS negotiations that reciprocal requests and offers based on negotiations between two small or medium sized Members are unlikely in such a negotiation framework. Bilateral negotiations between the USA or the EU and other Members may produce outcomes, but Australia is unlikely to be able to unilaterally influence another Member to make commitments to open its education markets to all other Members.

If a Member was considering making an offer in response to a specific request, it need not simply negotiate with the Member who made that request, but would sensibly enter into negotiations with all other Members who may have an interest in that offer in order to try to extract counter offers from as many of these as possible. There is always a range of Members with an interest in any request and we would expect negotiations on possible offers to involve the country making the offer and several other countries. As a result, the bilateral request-offer process will often develop into plurilateral negotiations.

The major powers may be in a position to be able to elicit offers from their trading partners without mobilising other actors into the negotiations. For other Members, however, the success of requests will depend upon being able to work closely with other Members who have an interest in a particular offer, even though they have not made the request themselves.

For example, any Australian request to an education importing country would be of great interest to other education exporting countries, including the EU, the USA, Canada, New Zealand, and may also be of interest to newer exporters such as Singapore and Malaysia. Australia would be wise to be in contact with these other Members with an interest in the requests that it has made. Because the offers operate multilaterally, not bilaterally, a counter offer need not emanate from the requesting country. Instead, when considering a request and deciding whether to make an offer, a Member will be considering their bargaining power in relation to a range of others, and they may be much more interested in counter offers from third countries than from the requesting country.

This is especially the case for Australia, which is already relatively open and does not have much to offer. While cross-sectoral trading is an option, plurilateral trading is a much more powerful option, as our trading partners will be much more interested in counter offers made by the USA, EU and other major players, than they are in counter offers from Australia. Such an approach would involve Australia taking a role as a 'middle-power' facilitator brokering deals between others rather than relying on negotiating using its limited own bargaining chips.

1.3. Facilitation

Facilitation strategies involve moving temporarily away from the primary role of the partisan national negotiator in order to play a role as a mediator between other parties. Such facilitation is aimed at providing leadership in solving technical or procedural issues, or in convening discussions or a working group on a particular issue. The purpose is to progress and influence the issue, to ensure that one is closely involved in the development of approaches, and to be aware of other parties' thinking on the matter.

Capling (2001) has described how Australia took on the classic role of middle power diplomacy during the Uruguay Round of GATS negotiations. Australia served as a 'ginger group' in early services negotiations by facilitating discussions and negotiation, providing technical information, clarifying conceptual issues and working to set the agenda. This was largely done through Australia setting up and chairing the Rolle Group, a regular but informal meeting of service negotiators. Australia was committed to the inclusion of both services and agriculture in the Uruguay Round and found itself on relatively good terms with negotiators from developing countries whose main priority was agriculture and negotiators from the major powers who were more interested in services. Australia's credibility was further enhanced by its history of strong unilateral liberalisation of trade in services during the 1980s. Australia achieved a high level of influence in early service negotiations that was disproportionate to Australia's economic size, and was able to be 'influential in the shaping of declaratory language and the negotiation of operational proposals and outcomes', according to Capling (2001, p. 212).

Australia has already played a facilitating role in relation to education in the current round of negotiations, primarily through its activities in APEC. Australia and New Zealand jointly directed the APEC study on Measures affecting trade and investment in education services in the Asia-Pacific region (APEC 2001). More recently, Australia organised a thematic forum on trade in education services within the APEC Education Network meeting in Hanoi 2002. The Organisation for Economic Cooperation and Development (OECD) and the United States have played a similar role, although on a larger scale, by organising the Forum on Trade in Education Services held in May 2002 in Washington, DC. Working papers produced by the OECD for this forum, which provide valuable technical information to assist in negotiations, are described in the annotated bibliography in the final section of this report.

During the negotiations, Australia could act as a facilitator of educational negotiations in a variety of ways. One of the more formalised options would be to sponsor a 'friends group', consisting of WTO Members with a stake in trade in education services, which would meet regularly and act in a coordinated manner. However, coordinating such formally-constituted groups can be very costly and time-consuming. Less formal strategies are likely to achieve a better return on investment for Australia, as the success of the Rolle Group illustrates. Establishing and coordinating informal networks of negotiators and other actors with an interest in education services may allow Australia to be influential in brokering plurilateral deals on education services.

Another form of facilitation that may assist in upcoming negotiations is for Australia to use its technical understanding of educational trade regulation to assist developing countries and others with less developed technical capacity. Australia may be able to offer advice on the wording of undertakings that meet the needs of a range of interested parties. The success of this advice depends on Australia being able to be seen to rise above its own immediate interests and instead act as a mediator between those pushing for aggressive liberalisation and those Members who have a defensive approach to services negotiations. As Capling (2001) observes, Australia's success as a facilitator during the Uruguay Round stemmed from the fact that its negotiators were dedicated to the establishment of global trading rules that would benefit all players, and most of their efforts were expended on establishing mutually agreeable principles and mechanisms rather than focusing on Australia's immediate interests. For this approach to be achieved in relation to education, Australia needs to project an interest in the benefits of international education on a global scale that can be achieved through an efficient global trading system that strives to assure quality and access rather than restrict trade.

1.4. Coalition building

Coalitions basically operate on the basis of 'strength in numbers', drawing together a coalition of countries with a shared goal or outlook, in order to provide more clout than they would carry individually. Coalition building is a tactic that is used both in preparation for trade negotiations and while the negotiations are underway. Coalitions of Member countries may organise a formal grouping prior to negotiations to present a unified position, or may form a series of temporary alliances between like-minded Members to coordinate pressure on other parties.

Australia's most successful use of this tactic has been the Cairns Group, which was formed by Australia to push for liberalisation of trade in agriculture. While the Cairns Group's 14 members have little negotiating muscle individually, together they account for 25 per cent of world agriculture trade, which is greater than the USA and nearly as large as the European Union (Capling 2001).

Coalitions are built through processes of negotiation, on the basis of obligations and networks of relationships built up over time, as well as various positive and negative incentives (Jonsson 2000). The sequence in which Members join a coalition is also important, since potential coalition Members' assessment of the benefits of joining are influenced by knowledge of who has already joined or decided not to join.

Formal coalitions simplify the negotiation process by reducing the number of actors involved. However, the formal adoption of negotiation positions within coalitions can result in intransigent negotiation positions, once consensus is reached within the coalition, which can bog down negotiations by restricting the flexibility of the coalition's position.

When Mexico, the USA and Canada were negotiating the NAFTA, issue-based coalitions between two countries were critically important. The tactic of co-opting an ally in order to pressure the third party was evident from the beginning of the negotiations. The most high profile example of this involved Mexico's desire to exclude oil from the agreement and Canada's desire to exclude cultural industries. At the beginning of the negotiations when Canada first insisted the exemption of cultural industries was not negotiable, Mexico stated that it was not concerned about cultural industries; having a different language from the USA insulates Mexico to some extent. In reply, Canada stated that it did not see why oil should not be included in the agreement. As the negotiations progressed, the two countries realised that support for each other's position was the only way to overcome the power of the USA on these issues (Cameron & Tomlin 2000).

During the GATS telecommunications negotiations the Quadrilateral Trade Ministers (Quad) group of countries, consisting of the USA, EU, Japan and Canada, formed an important coalition. The USA and the EU had similar negotiating positions and exerted pressure on the other two members both in order to extract a better offer from them, and to subsequently present a very powerful united front in the Quad group's subsequent negotiations with other members (Warwick 1996). There is no similar example of a major coalition exercising influence in negotiations on education services, but such a grouping could develop during the coming round as education services begin to move higher onto the agenda of major service exporting countries. It should be borne in mind that a coalition may develop that does not involve Australia, such as the Quad group, or a new services grouping formed by developing countries.

New Zealand is Australia's most obvious coalition partner in relation to education. The two countries have previously cooperated in a facilitation role in sponsoring the APEC Group on Services report on Measures affecting trade and investment in education services in the Asia-Pacific region (APEC 2001). Through the CER, Australia and New Zealand have acted as a coalition on a range of trade issues, such as opening dialogue with the Mercosur group to develop better trade relationships between the regions (DFAT 1995). A more powerful coalition, however, would require the membership of the larger services exporting economies which have considerably more negotiating leverage. Such a coalition would involve a number of countries who have similar goals for education services trade and who are willing to coordinate their position to lobby Members who are yet to make significant commitments in education.

Another possibility is for Australia to engage in less structured forms of coalition building in order to mobilise a range of Members with an interest in a specific request relating to education services. Any request relating to education services made by an education exporting Member is likely to be also of interest to all other education exporters. Even without a formal coalition or friends group, it is in the interests of negotiators from all education exporting Members to share information about requests in relation to education so that they can cooperate to elicit offers.

1.5. Cross-sectoral trading

Cross-sectoral trading was first adopted in the General Agreement on Tariffs and Trade (GATT) Kennedy Round, when the previous item-by-item approach to tariff negotiations was replaced by linear, across-the-board negotiations (Lee 1998). This allowed for a Member to trade something from one sector with another Member that offered something from another sector in return. Cross-sectoral trading is also sometimes referred to as non-reciprocal coordination or horse-trading.

Negotiation rounds often begin with narrow discussions around specific issues, and gradually broaden out into vast agreements in which specific deals become subsumed under the weight of a larger positive outcome. This is eloquently summarised by Braithwaite and Drahos (2000), who describe the orchestrated horse-trading during the final stages of a WTO Round:

‘They won’t give you what you want in that industry sector. Can’t you give in if they liberalize this other sector for your exports?’ In other words, when negotiations bog down, the Director-General breaks the deadlock not by narrowing the agenda, but by broadening it... Progressive broadening of the agenda makes it more possible for non-reciprocal coordination to put states in a win-win position on issues which are all win-lose when contested in isolation. The agenda-broadening also makes it too big to fail; the final stumbling-blocks to agreement are made to look small in comparison to the vast omnibus Agreement that has expanded horizontally and vertically through non-reciprocal coordination (Braithwaite & Drahos 2000, p. 217).

Cross-sectoral trading is particularly relevant to the negotiation of education services, as the WTO Members that are likely to make requests in this area may not be willing to make further commitments in relation to education. In any case, the Members who receive requests to liberalise trade in education services would in most cases have little interest in the education undertakings of major exporting countries.

Like Australia, Canada has flagged its intention to achieve access to overseas education markets while refusing to make further education commitments itself. Canadian Trade Minister Pierre Pettigrew stated last year that Canada would work hard through GATS to expand export opportunities for Canadian education, while maintaining that ‘we will not negotiate our health, public education or social services’ (Canadian Association of University Teachers 2001). The Canadian Association of University Teachers doubts this strategy, believing that it is ‘a little naïve to believe we can win access to foreign education markets without having to open up our system in turn... Other countries are going to be putting a lot of pressure on our negotiators to do just that’ (Canadian Association of University Teachers 2001). There are two points to be made here. First, the Minister stated that Canada was not prepared to negotiate ‘public’ education, which is the position of most governments, but he did not rule out negotiation of private education, which is the main issue in GATS. Second, few WTO Members would have an interest in the Canadian education market, and the USA already has relatively unrestricted access through NAFTA.

Bilateral cross-sectoral trading will likely form the starting point for forthcoming GATS negotiations; however Australia’s capacity to make appealing counter offers is questionable. Capling (2001) points out that in the past Australia has been reluctant to trade across sectors, observing that ‘Canberra has always taken great care in trade negotiations to avoid being seen to sacrifice the interests of one industry for another’. She concludes that due to the political sensitivity attached to remaining trade restrictions, ‘it is hard to imagine any Australian government departing from that tradition’ (Capling 2001, p. 189). This is especially true for education, where other countries’ trade barriers are not of sufficient political concern domestically that they would warrant a policy shift in another industry. Australia is likely to discuss a range of ‘stand-still’ counter offers, that is offers that do not require any change in government policy or regulations but which bind the policy in the WTO framework.

The recent New Zealand-Singapore Closer Economic Partnership provides an example of this in practice. On entering negotiations, New Zealand had a very open education services sector, and therefore had little to negotiate in this sector. Singapore, on the other hand, had made no GATS commitment in education. In the resulting agreement Singapore did commit to market access and national treatment in education but excluded recognition of qualifications from the agreement. Bilateral cross-sectoral negotiation obviously worked to some extent in this FTA, since Singapore made some undertakings in education while New Zealand was not required to. However, Singapore's commitment is significantly watered down by the exemption of qualifications recognition, which allows it to continue to pick and choose which New Zealand providers and programs it recognises.

Plurilateral negotiations on education requests would most likely operate across sectors and involve a web of Members. For example, a Member that Australia has made an education request to may be approached by several other Members who link the request to a range of counter offers in other sectors. Australia could facilitate these deals by seeking to have educational undertakings included in the web of cross-sectoral trading taking place between numerous Members.

Developing countries have increasingly been seeking to link services negotiations to progress on agricultural trade liberalisation. During the Uruguay Round, Australia played a major role in ensuring that both services and agriculture would be considered, and positioned itself as a major facilitator in the process. Likewise, in 1996 during the lead-up to the Singapore Ministerial Conference, Thailand linked reforms on telecommunications with concessions by developed countries on agriculture (Bronckers & Larouche 1997). Success in this round of GATS may similarly be dependent on progress in agricultural negotiations, and Australia's leadership role in the Cairns Group could prove important.

While the term cross-sectoral trading refers to the commonplace linking of diverse trade issues in negotiations, this needs to be distinguished from the linking of trade issues with other unrelated issues of international relations that are outside the scope of the agreement being negotiated. Pitching trade issues against political issues outside the agreement being discussed, sometimes referred to as 'linkage politics', is a high-risk strategy that is rarely used. It is a tempting strategy in asymmetrical negotiations, in which the weaker party may try to gain additional leverage linking with outside issues where they feel they have more capacity to bargain. For example, the Fraser government, frustrated by agricultural trade policies that were harming Australian exports, threatened to review military cooperation arrangements with the USA, uranium exports to the European Commission and access to Australian ports for Japanese fishing boats (Capling 2001). This strategy, according to Capling is very risky and not often successful because the threat of linking an important international relations issue with the trade issue is usually difficult to carry through in practice and these threats are rarely acted upon.

1.6. Balancing firmness and flexibility

Ambit claims are commonly made in negotiations, knowing that the negotiator can later step back from this position and appear to be making a concession. Having reviewed the available literature on trade negotiation, it appears that a more accepted and successful approach is to present a clear, reasoned and determined position and to be resolute in this positioning. Unrealistic and half-hearted claims can easily undermine the credibility of other claims and expose a lack of sincerity in one's approach to negotiations.

Canada's stance on the exclusion of cultural industries from NAFTA is a good illustration of the strength of a clear and determined approach that was ultimately successful, despite being subject to intense pressure. Canada entered negotiations with the USA and Mexico with the clear objective of having cultural industries exempted from the agreement, as they had been in the earlier Canada-USA FTA. Canada was adamant from the beginning that cultural industries would remain exempt, and approached the negotiations with an aggressive, unshakable position and refused to be swayed, stating clearly that this was 'not negotiable'. Their tactic was simply to insist that cultural industries were not on the negotiation table, which succeeded in putting off debate of this issue until the USA finally dropped its demand in the final stages when pressure to resolve the agreement exceeded pressure to have cultural industries included (Robert 2000).

While this resolute stance worked for Canada on this point, if every party went into negotiations with such fixed positions, little would be achieved. Jonsson (2000) points out that an overly firm approach often results in resentment and stalemate, while an overly flexible approach may be exploited by a more aggressive opponent. He argues that an optimal mix is to engage in 'early firmness followed by later flexibility' (Jonsson 2000, p. 79).

Power relationships between trading partners in negotiations are also important considerations determining how to balance firmness and flexibility. It is common for the more powerful party in trade negotiations to adopt an aggressive stance and seek to achieve a greater market share of another economy. In response the less powerful party usually begins negotiations from a position of vulnerability and defensiveness, with less to gain from the negotiations and a more conservative approach. In previous case of the United States and Canada, Canada could afford to be extreme in their firmness as it was the USA who was seen to be in the position of power. As Capling (2001) notes, the USA is often seen as an economic superpower by trading countries in Asia, and they prefer to deal with 'less belligerent countries' (Capling 2001, p. 100). The perception that Australia shares some of the economic characteristics of the USA but is a 'less belligerent' country, as Capling puts it, is one of the reasons why some Asian countries have chosen to enter into FTAs with Australia at this time.

Despite this need to be sensitive to the cautiousness of many of our trading partners in the region in order not to be seen as bullying, the messages produced for local consumption in Australia are generally firmer than those produced for overseas audiences. For example, Trade Minister Mark Vaile recently sought to reassure domestic audiences that those negotiating the Australia–Singapore FTA were being firm, assuring 'our industries and State and Territory representatives that the Australian negotiators will take a very hard-nosed approach to ensure that the FTA delivers in the national interest' (Vaile 2001).

1.7. Two-level bargaining

International negotiators are simultaneously involved in two sets of negotiations. On one hand, they are engaged in an international arena, negotiating with their foreign counterparts. On the other hand, they are also players in the world of domestic politics, interacting with other domestic political actors. The tactic of two-level bargaining involves playing these two sets of negotiations off against each other to reach a favourable solution. This is often referred to as the Schelling Conjecture, which states that 'international negotiators might be able to use domestic constraints to their advantage at the international negotiating table' (Clark, Duchesne & Meunier 2000, p. 74). Two-level bargaining involves an attempt by negotiators in one country to convince negotiators from another that they are not able to concede on a point because of the strength of feeling back home on the issue.

The most powerful domestic actors in this scenario are referred to as 'veto players', since their power stems from their ability to veto the agreement reached by negotiators. The veto player could be a powerful industry lobby group, Cabinet, or a legislature such as the US Congress. The more veto players in a country, and the more powerful they are, so much the better for the negotiator in the use of this tactic, as long as the domestic constraints appear credible to the opposing negotiator.

In international negotiations, the negotiator can play the role of 'good cop' while casting the domestic veto player as the 'bad cop'. For example, the negotiator may say 'we would happily give you that concession, but there is no way we could get that through back home', or 'I think that is an entirely reasonable outcome, but it would be political suicide for the government and they will never agree to it'. This tactic can help negotiator to ingratiate themselves with their opponents, and appear to endeavour to work cooperatively to reach an outcome acceptable to each of the domestic constituencies in both countries. Such a cooperative working relationship is likely to be more productive than antagonism between negotiators, but may be based on deception about the real extent of domestic opposition on a particular point. Negotiators who feel that their opponents are engaged in two-level bargaining may remind their opponents that they are merely representatives, saying something like, 'I am asking you to take the offer to them, not to tell me what you think they will say'.

Japanese negotiators, whose parliament has a low veto power, are at a disadvantage when confronted by negotiators from a country whose legislature has a strong veto power, as does the US Congress. EU negotiators have used this tactic successfully with the USA during the Uruguay Round of GATS, explaining that they must contend with the veto power of numerous EU Members (Clark, Duchesne & Meunier 2000). In fact, the EU is able to play a three-level game in trade negotiations, since its negotiators must juggle the demands of the external country, the demands of the constituent states of the EU, and the constituent states' own domestic veto players. The negotiator therefore has several sets of 'bad cops' they can blame for their constraints in bargaining.

In relation to education services, negotiators will likely point to the existence of domestic lobby groups that are exercising political pressure preventing them from making further undertakings. In Australia, the National Tertiary Education Union (NTEU) and the National Union of Students (NUSA) have raised a range of concerns, which are similar to those expressed by their counterparts in Europe, the USA and Canada. In the current round of GATS negotiations there is strong potential for pressure from interest groups opposed to further liberalisation of trade in services.

1.8. Model schedules

Model schedules sketch out an 'ideal' outcome that one party thinks should be aimed for during the negotiating process. The USA has advocated the creation of model sets of GATS commitments for key sectors that 'would provide meaningful liberalisation through removal in given sectors of as many restrictions as possible' (WTO 2000a).

A related concept is the 'framework agreement', which is an outline of what an agreement might look like designed to assist in preparation and in the negotiations themselves. Normally, a framework agreement is in the form of a draft of the final agreement, but including blank spaces to be filled in as the relevant item is settled by negotiation. This can be an effective method for formulating a negotiation agenda, particularly if there is already substantial agreement on the desired outcomes (Fisher & Ury 1983).

This method has been used in GATS negotiations on telecommunications. One feature which is seen by some commentators to be the most remarkable of the agreement is that almost all participating countries, except Ecuador and Tunisia, agreed to enter into additional commitments concerning the application of regulatory principles. These principles, contained in the Reference Paper, are designed to ensure that any advantages that a former monopoly operator might accrue — from its dominant position as a result of its previously established network and customer base and in many cases its political clout — are not used to the detriment of new entrants on the telecommunications markets.

Similarly, Australia could conceivably devise a model schedule for education services applicable to all countries, perhaps incorporating a number of optional elements such as foreign equity limits phased out over time. However such a strategy runs a real risk of being viewed as presumptuous and patronising. If there are widely recognised principles governing trade in education, for example involving the recognition of qualifications or quality assurance processes, then these could be expressed in a reference paper as was the case in telecommunications. Each country's schedule would indicate whether they undertake to act in accordance with the reference paper.

1.9. Clustering

The notion is that any 'core' service involves a 'cluster' of related services that are necessary inputs or supporting services. For example, electronic commerce involves 'telecommunications services, payment and authentication services, and distribution services' (OECD 2001, p. 62). These fall into separate GATS sectoral classifications, and may also come under separate domestic regulatory regimes. It would therefore make sense to request (or offer) liberalisation of 'clusters' as a package of 'services that are so closely interrelated commercially that restrictions on the supply of one (e.g. limitations on market access and national treatment, domestic regulations) can prevent or curtail the supply of the others' (OECD 2001, p. 61).

The cluster approach is still under development in the context of GATS. The most developed work has been done in relation to tourism services, with links to construction (hotels, recreation facilities), transport services and booking services. The literature discusses how the cluster approach could be used to link and extend existing commitments, and help to streamline future commitments, rather than offering any examples of how it has been used in practice (OECD 2001).

Australia, Chile and the European Community have tabled papers proposing that 'cluster approaches' be considered as a possible negotiating modality in relation to GATS. Other countries (including several Latin American nations) have also expressed interest in this concept. The EC has argued that the scope and number of clusters should be limited and prioritised, to avoid redundancy and confusion:

The question would then be, given that ultimately all services are interrelated, to define clusters that are as focused as possible, covering only closely linked sectors and subsectors. Having too many, or too big, clusters would make such an exercise void of any sense; we would simply end up covering all services sectors but regrouped according to clusters, which in addition would inevitably overlap. Hence the need to establish priorities among clusters, and only work on a limited number where progress could be useful for the preparation of negotiations (WTO 2000b, p. 2).

It has been suggested therefore, that clusters could be used as a checklist to help streamline the negotiation process. Further, it has been suggested that 'By making the links between services sectors transparent, clusters can also help to build alliances of "user communities" for particular services' (OECD 2001, p. 62). This observation has implications for two other negotiating tactics, coalition building and two-level bargaining, which have previously been discussed.

It would be relatively simple to construct a cluster incorporating services related to education. For example, if an Australian provider wanted to establish a campus overseas, this would involve commercial presence and movement of natural persons in education services, as well as postal and telecommunication services, research services, and possibly construction and financial services. In reality, because of education services' limited economic clout, it is more likely that aspects of education services could be drawn into clusters around other services that have more economic impact, such as telecommunications. Education services negotiations do not currently appear to have sufficient weight to draw other services into their own ambit.

1.10. Formulas

The quantitative formula approach is for all parties to agree to reduce a particular barrier or increase trade by a specified amount over a period of time. This may be expressed as a target to be reached in stages over time. Formulas make sense for trade in goods, and have been used to gradually reduce tariffs on manufactured goods and subsidies in agriculture.

However, formulas are not so readily applicable to trade in services, where the barriers to trade are not often expressed in quantitative terms. The use of formula approaches was explored under GATS in relation to telecommunications, maritime transport and financial services, but did not prove to be a successful approach, due to the difficulty of applying quantitative approaches to services liberalisation (OECD 2001). Qualitative formulas may be more relevant to trade in services. A proposed qualitative formula, for example, might state that over a certain period of time, all Members would aim for the removal or phasing-out of a specific type of limitation, or its replacement with a less trade-restrictive measure (OECD 2001).

The OECD argues that, because 'a formula constitutes a set of common benchmarks for undertaking a collective effort' it can 'facilitate the negotiating process among the very large WTO membership' (OECD 2001, p. 52). The intention is to complement and streamline the request-offer approach and thereby facilitate a more efficient use of time and resources.

The use of formula approaches does not nullify the traditional request-offer approach so much as incorporate it into a more focused and efficient process in which bilateral negotiations and trade-offs continue to be important. Formula and request-offer processes can be viewed as mutually supportive. Indeed, the purpose of formula approaches is to shape the parameters and content of participants' offers and to improve those offers as necessary through further requests, bilateral negotiations and multilateral stock-takes (OECD 2001, pp. 53-4).

As with other services, education is not readily amenable to quantitative formula approaches, with the exception perhaps of foreign equity limits for commercial presence. A formula could propose, for example, that all Members agree to reduce foreign equity restrictions on private education providers to 50 per cent by a certain date, then remove them completely by a later date. The majority of trade barriers identified in relation to education are qualitative rather than quantitative. Qualitative formulas could propose that certain measures would be removed from all countries' schedules within a specific timeframe. Developing such formulas, however, would rely on reaching consensus among WTO Members to eliminate or reduce a particular measure, and given the low level of commitment so far in relation to education services, it is difficult to imagine such a consensus emerging.

1.11. Industry lobby groups

As the global trade system becomes more important, domestic groups with an interest in negotiations are growing more active. In relation to trade in education services, lobby groups have emerged in many countries campaigning either for or against further liberalisation. In this section we describe the role of industry lobby groups in aspects of NAFTA and GATS negotiations that share some features with education services.

For Canadian negotiators, the perceived threat to cultural industries was a critically sensitive issue. Many English-speaking Canadians felt that they would be dominated by American media if they were unable to limit foreign media content and provide subsidies to Canadian artists, and would lose their national identity. The maintenance of these measures was also a major concern for Canadian cultural producers (Mayer 1998). There are many provisions in NAFTA that address culture-related issues, however, for Canada the most important cultural industries were print publishing, film production, music recording and publishing, and broadcasting. In Canada, state intervention in and protection of the cultural industries is seen as justified because of the country's proximity to the USA, the relatively small size of its market, and the dominance of the USA in English-language cultural production (Robert 2000).

The Canadian intention to exclude cultural industries from NAFTA was not popular with the American entertainment industry, particularly the Motion Picture Association of America (MPAA) and the Recording Industry Association of America (RIAA) (Robert 2000). American producers wanted unrestricted access to Canadian markets, and were also concerned about the precedent that would be set for future trade agreements, including the GATS, in which the EU was pursuing similar exclusions (Mayer 1998). The entertainment industry followed negotiations closely and used their political connections to ensure that American negotiators did not accept Canada's position. Even though Canada had been insistent and had not wavered from its 'non-negotiation' position, the USA continued to report that the two countries were still debating the issue and American negotiators were being pressured by Congress to reverse Canada's position.

Canadian lobby groups were also pressuring their negotiators to remain firm on ensuring that exemptions were not negotiated. One of the active groups was the Canadian Culture/Communications Industries Committee, which had also been active during the earlier FTA negotiations (Robert 2000). In addition to the private sector lobby groups, one of the 15 sectoral advisory groups on international trade established by the Canadian government dealt with the cultural industries.

As negotiations were drawing to a close, Canada offered to make some minor concessions at the margins but the USA decided at the last minute to allow cultural industries to be excluded instead of compromising. The USA figured that an unsatisfactory compromise in NAFTA would create a more negative precedent for future trade negotiations than an outright exclusion. American negotiators were very careful, however, to ensure that Mexico did not receive any such exemption (Mayer 1998). Pressure from the American lobby did not stop after the agreement was reached. Shortly after the deal was struck, the MPAA pressed Congress to reopen NAFTA to eliminate the cultural exemption and the RIAA also reiterated their concern to Congress on what this would mean for the Uruguay round of GATT negotiations (Robert 2000). At the same time as the cultural industry lobby groups were campaigning for Congress not to approve the deal, an even more powerful lobby, the USA-NAFTA Coalition, which comprised 2,300 corporations and corporate lobby groups, campaigned successfully for Congressional approval for NAFTA (von Bertrab 1997).

In Mexico, the major NAFTA lobby group, the Coordinating Council of Foreign Trade Business Organisations (COECE), was in effect more of a reference group, since it was created at the invitation of the head of the Office for the Negotiation of the Free Trade Agreement in the Ministry of Trade and Industrial Development (SECOFI). COECE was designed to bring the different sectors of the business community together in a single, unified position so the negotiators would have one position to consider and one point of reference (Thacker 1999). SECOFI solicited a series of monographs from COECE to assist in formulating and revising its negotiating position (Thacker 1999). During negotiations, COECE participated actively and directly in the formulation and revision of Mexico's position, accompanying them to the negotiating venues and typically reserving hotel rooms as close to the negotiating venue as possible to facilitate regular contact with the team, meeting at the beginning and end of each day to receive updates and make suggestions (Thacker 1999).

A decade later the USA and EU drew industry lobby groups into the negotiating process in a similar way, this time to assist in negotiating financial services in GATS. Negotiations on a Financial Services Annex to the GATS had broken down after the Uruguay Round when the USA withdrew dissatisfied with other countries' market access commitments. In order to break the deadlock, in 1996 the USA, EU and WTO Secretariat enrolled the aid of financial industry leaders, inviting the President of Ford Financial Services and the Chairman of Barclays Bank to form a high-level transatlantic pressure group. They then formed the Financial Leaders Group, an informal group made up of CEOs and chairmen that usually met by telephone conference calls. This group provided EU and USA negotiators a forum for constructive dialogue with industry and led to unprecedented transatlantic cooperation. The Financial Leaders Group decided on the principles it would seek to achieve in negotiations, the countries from which concessions would be sought, and the barriers it wanted removed, and managed to do this with a degree of unanimity that sent a clear message to these governments and their negotiators. By the end of 1997 negotiations had been concluded (Wesselius 2002).

The EU was aware that in the Uruguay Round its negotiators had lacked the support of a strong corporate pressure group such as the USA Coalition of Service Industries and was impressed by the effectiveness of the role of the Financial Leaders Group. In response it established the European Services Forum in 1998 in preparation for GATS 2000 negotiations, consisting of more than 40 CEOs from the European services with a secretariat and a policy committee. At the launch of the Forum, the EU Trade Commissioner outlined the role he envisaged for the newly formed organisation:

I am in your hands to listen to what are your objectives, your priorities for liberalisation... I count on your support and input, at the company, CEO and Chairman as well as at the European or National Federations levels, so that we can refine our strategy and set out clear, priority negotiating objectives which will make a difference in the international expansion of service business (Wesselius 2002, pp. 8-9).

Industry lobbyists in favour of further liberalisation of trade in education services are most visible in the USA. The notable examples are organisations including the Global Alliance for Transnational Education (GATE), the Centre for Quality Assurance in International Education (CQAIE), and the National Committee for International Trade in Education (NCITE). The US Commerce Department's International Trade Administration refers to NCITE as the USA government's 'advocate on matters of international trade policy' (Foster 2002).

The difficulty in forming industry lobby groups in relation to education services is that in most countries most of the education industry consists of public or not-for-profit providers. While a growing number of these providers are active internationally on a commercial basis, they are reluctant to be seen to be involved in a partisan way in international relations between governments. Another complicating factor is that educational institutions and their national representative bodies often have a high degree of autonomy and are heavily involved in self-regulation. As a result, some national industry associations, especially in the USA and Canada, see trade agreements as potentially undermining the industry's ability to self-regulate.

1.12. End-game

End-game pressures often result from looming domestic events (usually elections) or agreed negotiation timelines that prevent negotiating deadlines from being extended. Such deadlines often require a change of strategy and sometimes cause desperate positions to be taken. It is important when entering any negotiations to be aware of possible imposing deadlines that may result in the negotiations taking a dramatic shift.

During the NAFTA negotiations, for example, the end-game was particularly significant. American negotiators were being pressured by the Bush (senior) administration to complete the negotiations before the presidential elections. The teams took over three floors at the Watergate Hotel in Washington and for eleven straight days the negotiators were constantly in session. These were intense and stressful due to the magnitude and complexity of the undertaking (Cameron & Tomlin 2000). Canada deliberately employed tactics in relation to cultural services that were bound to produce an end-game crisis. This refusal to negotiate cultural industries was particularly infuriating for American negotiators who were under pressure from the domestically imposed deadline. On other issues, Canada waited until significant agreement had already been reached and time pressures were working in its favour before pressing an issue forcefully. As a Mexican negotiator has observed:

Canada very skilfully played a role that was at times low key to the point of evanescence and at times highly visible and dramatic. ...Initially Canada played a passive role because the main arguments were between the United States and Mexico. Occasionally during this stage the Canadian negotiators intervened as honest brokers and played the role of a buffer when discussions became tough. But at several crucial points and certainly at the end, Canada skilfully played the protagonist by waiting for an agreement to be at hand on a certain sector and then in effect taking it hostage until its own concerns were addressed (von Bertrab 1997, pp. 70-1).

The impact of the electoral deadline was particularly evident in relation to the automobile sector. The stakes were high in this sector for all the three parties and each team had strong differences in their domestic arenas, and for these reasons it was one of the final agreements to be made. With the deadline closing the American negotiators conceded their strongly argued position and agreed to 'split the difference' on the final point of contention (Mayer 1998, pp. 140-2). The lesson here is that in order to conclude the negotiations in time to meet its own domestic deadlines, US negotiators were forced to concede on a number of points that they would not have, if negotiations could have continued. Because Canada and Mexico were not so concerned with the American deadline, they could use this pressure against the US negotiators, who were desperate to conclude whatever deal they could achieve in the timeframe.

While the timeframe for GATS negotiations is agreed upon by all parties and such asymmetrical pressures are unlikely to develop, what is common is that the type of negotiation at the end of the process is usually very different from the form of negotiation at the beginning. The process and timeline of the current GATS Round remains unclear, since there is a significant delay period between the written request-offer deadline of 15 March 2003 and the conclusion of negotiations two years later, but just how these processes will interact is not clear at this stage, and may be decided at the Cancun Ministerial Meeting to be held late in 2003.

What is clear is that if a particularly rigid negotiating strategy has been decided upon, it may not be possible for this to be followed through when a very different end-game situation arises. It is also important to appreciate the complexity of the GATS negotiations given the number of Members and the numerous sectors to be negotiated during this round. It is very likely that the magnitude of the process, which is required to bring about such broad outcomes, will eventuate into an end-game situation where broad agreements will be made quickly and under great time pressure.

2. PART 2 – EDUCATION SERVICES IN FREE TRADE AGREEMENTS

The second part of this report provides an overview of a number of free trade agreements that have included education services and other related services. It begins with GATS, then describes three bilateral agreements and three regional agreements, providing a brief outline of the agreement, the nature of the negotiation process and the outcome for education services. These accounts are by no means comprehensive, since the literature on negotiation strategies and educational outcomes related to these agreements is very sparse. The descriptions focus on the most relevant areas that are discussed in the literature, and therefore the coverage and level of detail varies according to the extent of the information available.

2.1. General Agreement on Trade in Services (GATS)

Because negotiation issues in GATS have been discussed at length earlier in this report, this section will focus on outcomes for education, and provide a detailed case study of the negotiation of telecommunications services.

Education services, along with audio-visual services and energy services, are among the least committed sectors under GATS. The fact that audio-visual services and energy are also relatively uncommitted is instructive. Audio-visual services, like education, are subject to concerns about the preservation of local national identities and national cultural development. Energy services, like education, is relatively uncommitted because these services are often highly regulated and provided by public-sector monopolies, and are subject to concerns that private foreign providers will not adequately address equity and access issues. Similar concerns about the impact of private provision are often expressed with regard to education services.

Forty-two WTO Members have made commitments for at least one education sub-sector. Twenty-five out of thirty OECD countries have made commitments in education services, but few developing countries have made commitments within education. Among the main 'importers' of education services, China, Chinese Taipei and Thailand are the only countries that have made commitments. Some low-income countries such as the Kyrgyz Republic, Lesotho, Moldova and Sierra Leone have made a high level of commitment in order to attract foreign educational investments (OECD 2002).

Fifteen countries have made full commitments for modes 1, 2 and 3 in market access: Australia, New Zealand, Switzerland, Albania, Congo RP, Croatia, Estonia, Georgia, Jamaica, Jordan, The Kyrgyz Republic, Latvia, Lesotho, Lithuania, Moldova, Oman, and Slovenia. Twenty-two countries have made full commitment for modes 1, 2 and 3 in national treatment: Hungary, Mexico, New Zealand, Norway, Poland, Switzerland, Turkey, Albania, Chinese Taipei, Congo RP, Croatia, Estonia, Georgia, Jamaica, Jordan, Latvia, Lesotho, Liechtenstein, Lithuania, Moldova, Oman, and Panama. Most countries are 'unbound' for mode four (OECD 2002).

So far, undertakings to the GATS in education have been 'standstill' commitments, in which Members agree to be bound by the WTO's formal mechanisms for policies that are already in place. For education providers and students there has been little impact, but there has been some impact on governments, both in the binding nature of these commitments and in the requirement (more normative than enforced) for transparent regulation and judicial review of decisions.

Negotiation strategies

Negotiation strategies employed in relation to GATS have been discussed in the previous part of this report, but it may be useful at this point to note the tactics that Australia considered and did not use in the Uruguay Round of GATS negotiations (based on past experience), and the reasons why not. Coalition building (such as the Cairns Group which proved useful for agriculture negotiations) did not seem viable, as services were a recent development, and it was not clear who a coalition could be formed with. Further, the less developed countries with which Australia might wish to form alliances on other issues were wary about the impact of liberalisation of trade in services. Linkage politics (such as linking Australia's demands in one sector to unrelated matters, such as allowing the continued presence of American defence bases in Australia) was seen as too potentially dangerous and counterproductive of good relations.

Case Study: Telecommunications negotiations in GATS

Telecommunications services constitute a huge and growing market with 1997 revenue expected to exceed \$725 billion (Sherman 1998). The global economy has created unprecedented demand and technological advances have enabled easier and broader provision of these services. Telecommunications in most countries have traditionally been provided within a legal monopoly regime.

During the Uruguay Round, a distinction between 'basic' and 'value-added' telecommunications was introduced. These are essentially American regulatory categories with a technical distinction whereby basic services is defined as 'the... offering of transmission capacity for the movement of information' while value-added or enhanced services are 'any offering over the telecommunications network which is more than a basic transmission service' (Bronckers & Larouche 1997, p. 17). Within the GATS, basic telecommunications is where the service provider offers nothing more than a clear communication path to the customer.

Negotiating process

Uruguay Round negotiations on telecommunications became stalled after very few Members, were willing to make market access. In negotiations, some GATS principles proved difficult to apply to communications, which many nations regard as part of their national infrastructure and invested with national sovereignty (Coates, La Porte & Young 1993). As a result, the negotiating group began discussing the possibility of extending negotiations in the telecommunications sector beyond the December 1993 deadline. At the conclusion of the Uruguay Round a Decision on Negotiations on Basic Telecommunications was agreed upon which instituted a Negotiating Group on Basic Telecommunications consisting of 17 Members with a mandate to conclude an agreement by 30 April 1996. During this time they agreed to a suspension of the application of Most Favoured Nation (MFN) treatment in this sector (Sherman 1998). Negotiators were seemingly relaxed about this extension of the deadline because they felt that the rapid technological developments were helping to undermine national restrictions (Bronckers & Larouche 1997).

However the negotiations did not continue smoothly. There was a breakdown in 1996 when the USA refused to conclude an agreement claiming that the market-access commitments were insufficient, particularly from developing countries. 'According to US calculations, over 40 per cent of world telecom revenues and over 34 per cent of global international traffic were not covered by acceptable offers. The United States was particularly disappointed about the offers from the Association of South-East Asian Nations (ASEAN) countries and India, about continuing foreign ownership restrictions in some EU countries and Canada, and the lack of improvement in the Latin-American offers' (Bronckers & Larouche 1997, p. 9fn). There were also issues to be resolved in relation to the lack of clarity on the scope of offers for satellite services and the claim that market distortions would result from carriers in international services (Sherman 1998).

Another extension was agreed by the members of the Negotiating Group on Basic Telecommunications, this time until 15 February 1997. The end-game period between April 1996 and the new deadline saw dramatic results for the improvement of existing offers and in obtaining new offers. This resulted from the pressure of the USA and the EU, particularly requesting improvements from the Asia-Pacific region and from the recognition of benefits from individual Members (Bronckers & Larouche 1997). As a result, 32 of the 34 offers were revised and 21 new offers were submitted.

During the negotiating period, the position of the audiovisual sector became a point of contention. The cultural implications of the opening of the audiovisual sector to foreign competition were of particular concern to the EU. They resolved this issue by making an explicit reservation in their schedule of commitments stating that states telecommunications does not extend to broadcasting and that telecommunications commitments do not cover 'content provision' (Bronckers & Larouche 1997).

Negotiation positions

Prior to the negotiations in the WTO the traditional forum for international telecommunications negotiations was the International Telecommunications Union (ITU). In 1986 a number of developed countries felt that this forum was not appropriate for the discussion of liberalisation initiatives as it had been a forum primarily for the discussion of technical issues. They also felt that the developing countries had too much influence in the ITU (Bronckers & Larouche 1997). Developed countries felt that the negotiating technique of the GATT was appropriate for the objectives they pursued, particularly that the global framework would give them the opportunity to use cross-sectoral deals to achieve results, that there was a tested framework and the dispute settlement procedures had proven to help further trade liberalisation (Bronckers & Larouche 1997).

Lobby groups

Telecommunications was one of the most fiercely lobbied sectors during the Uruguay round. In telecommunications, the public and private sectors both generally supported trade liberalisation, believing that freer trade would result in greater competition bringing cheaper long distance calls, while creating export opportunities for American corporations. During the concluding days of the Uruguay round of GATS negotiations representatives of the American private sector who were present in Geneva would greet the USA negotiating team at its morning industry briefing with signs saying 'wildly enthusiastic' (Sherman 1998, p. 62fn). While American lobbyists did significantly impact on their government's stance, this lobbying did not always result in more open markets. It has been claimed that the USA 'watered-down' its offer after last minute lobbying from American carriers AT&T MCI and Motorola (Szaniawski 1997a). Notwithstanding selective protectionist industry lobbying, the most powerful force for liberalising trade in services, according to many commentators, is 'the growing political clout of transnational enterprises, which are increasingly impatient with regulatory resistance and "bureaucratic barriers"' (Coates, La Porte & Young 1993, p. 23). Some corporatised national telecoms were also active in promoting GATS. For example, the European Association of Public Telephone Network Operators expressed regret that the initial GATS offers from America, Canada and Japan were unsatisfactory and that India and Thailand had not tabled offers at all (European Report 1996).

Cross-sectoral trading

While the developing countries managed to put services on a separate track to prevent cross-linkages between traditional GATT issues and services, there were not many trade-offs amongst different service sectors either, which undoubtedly led to more protracted negotiations (Bronckers & Larouche 1997).

Coalition-building

The USA in particular led the negotiations through the submission of a market-opening offer in 1995, which was improved upon in February 1996 and still further improvements were submitted in November 1996. These last improvements coincided with improvements in the offer from the European Union. The United States also included the Reference Paper (discussed below) as additional commitments. Such measures were most likely taken to demonstrate to others that it is acceptable to negotiate an accommodation between different parties in the interest of furthering trade liberalisation. The USA was particularly interested in the success of these negotiations as another failure in negotiations would have a damaging effect on WTO talks on financial services, which the USA was anxious to see succeed, and undermine its leadership role in the WTO (Cane 1997).

Mexico and Canada placed commitments that continued to maintain limits on foreign shareholding in their companies and Canada's restrictions posed a problem for several delegations (European Report 1997). The USA in particular put pressure on Canada, being its biggest trading partner, to improve its offer to enable a major Canadian company already operating in the American market to eliminate their foreign ownership restrictions (Shetty 1997). The USA was believed to have placed strong pressure on the Japanese government to agree to the lifting of a 20 per cent limit on foreign investment in the main international and the main national carrier. They had resisted this, offering instead to lift the 33 per cent limit on all other Japanese carriers (Szaniawski 1997b). The final schedule of commitment for Japan shows that they retained the 20 per cent limit on the two major carriers and that Canada retained a limit of 46.7 per cent foreign ownership except on fixed satellite services, international services and submarine cables (Sherman 1998). It is interesting to note that Canada and Japan, along with the USA and the EU, form the Quadrilateral Trade Ministers' (QUAD) group of countries (Warwick 1996). This coalition met together in Japan in April 1996 prior to the 1996 deadline for the negotiations at which time it was expected that the USA and the EU would set aside any of their own differences to exert coordinated pressure on the other two countries (European Report 1996).

End-game strategies

With only two days to go to the February 15 deadline the USA was still threatening to undermine any agreement by excluding from MFN status those countries that would not allow majority foreign ownership of telecommunication carriers (Szaniawski 1997b). A WTO official was reported as saying that it was not known whether such a threat was a bluff or not, but that it was necessary to work on the assumption that it was a real threat not simply a negotiating position from which they would come down (Szaniawski 1997b).

The end-game and the pressure that it places on negotiators become evident as the intensity builds. A Financial Times report captured the scene that developed in Geneva during the final days of these negotiations:

Every available conference room in the World Trade Organisation's headquarters on the shores of Lake Geneva has been booked for weeks. Negotiators from about 60 countries are overflowing into Geneva's hotel and trade missions as they strive to meet tomorrow's deadline for the completion of talks designed to open up the world's telecommunications market ... if a pact cannot be successfully concluded by tomorrow night, it is unlikely the WTO will revisit the topic before 2000 (Cane 1997).

WTO officials were expecting negotiations to drag on into the night in a bid to have an agreement in place for approval on the final day (Szaniawski 1997b). Bilateral negotiations had been taking place over the preceding weeks and months, as countries that had made generous offers attempted to persuade others to improve their bids, both with threats to withdraw their existing offer or promises to improve it (Cane 1997). The USA had engaged in bilateral talks over the preceding two years with Mexico and Argentina over satellite services which they hoped to expand into broader accords and to implement within multinational pacts including the WTO by using them as precedents (Mowry 1997).

Outcome of negotiations

The negotiations resulted in a high number of serious commitments. Sixty-nine of the then 125 WTO Members made commitments to open their markets representing 90 per cent of global telecommunications revenue. Fifty-two guaranteed access to their markets for international services and facilities with another five opening their markets for selected services. Fifty-six countries agreed to open markets for all or selected services provided by satellites. In addition, forty-four countries agreed that competitors could be 100 per cent foreign-owned with another twelve agreeing to allow foreign ownership or control of certain basic telecom services and another thirteen to allow some degree of foreign ownership in their market (Sherman 1998). The agreement dramatically expanded the proportion of the world's telecommunications market open to international competition (Sherman 1998; Shetty 1997).

Further to this, a feature which is seen by some commentators to be the most remarkable of the agreement is that almost all participating countries, except Ecuador and Tunisia, agreed to enter into additional commitments concerning the application of regulatory principles. These principles, contained in the Reference Paper, are designed to ensure that any advantages that a former monopoly operator might accrue – from its dominant position as a result of its previously established network and customer base and in many cases its political clout – are not used to the detriment of new entrants on the telecommunications markets.

2.2. Australia New Zealand Closer Economic Relations Trade Agreement (CER)

The 1988 protocol which added services to the Australia New Zealand Closer Economic Relations (CER) Trade Agreement formed the most comprehensive services agreement operating anywhere in the world when it was initially signed in 1988, surpassing in scope the existing agreements between Canada and the USA and those operating in Europe (Thomson 1989). The CER services agreement borrowed heavily from the Canada-USA FTA, which had been negotiated shortly before, but strengthened this agreement considerably. Each Member must grant the other country's persons and service providers' access and treatment no less favourable than it grants its own.

Following the success of earlier trade agreements between Australia and New Zealand, including the 1983 CER agreement on goods, governments on both sides of the Tasman were committed to liberalising trade in services and business supported the creation of a unified single market for services (Green 1997; James 1987; Lloyd et al. 1991). Because there was little opposition and few contentious issues, a 'negative list' approach was used, in which each country listed those items that were to be excluded from the agreement. This has the benefit of requiring less specific definition of services to be included, as only the exceptions need to be specified, and simplifies identification of remaining trade impediments. The list of specific exclusions was subsequently reduced by New Zealand in 1992 and Australia in 1995.

Education has never been exempted from the CER and appears not to have been a contentious aspect of the agreement, unlike broadcasting where national treatment has been a high profile issue. Under this bilateral agreement, Australia and New Zealand generally treat each other's students as domestics for fee purposes, except for restrictions around access to some loans and allowances. For example, in Australia, New Zealand students are eligible for Higher Education Contribution Scheme (HECS) funding but not for Postgraduate Education Loans Scheme (PELS). New Zealand and Australia have also entered into a Mutual Recognition Agreement and the Ministerial Declaration of Confidence in the equivalent standing of vocational education and training qualifications, which are important in ensuring that qualifications are portable across the Tasman (TEAC 2001).

2.3. Agreement between New Zealand and Singapore on a Closer Economic Partnership (ANZSCEP)

In negotiating ANZSCEP, New Zealand made no specific commitment to education services since it already had one of the world's most open education sectors. Through the GATS, New Zealand has committed to unrestricted market access and national treatment for private institutions in primary, secondary and higher (tertiary) education in all modes of supply apart the movement of natural persons.

Singapore, in contrast, has not made commitments in education within the GATS framework and so New Zealand, which is seeking to expand its educational exports, would have been seeking major commitments in this area. Through ANZSCEP, Singapore did commit to unrestricted market access and national treatment in secondary education, post-secondary technical and vocational education services, higher education, adult education and short-term training in all modes of supply apart from the movement of natural persons.

Singapore's commitment in ANZSCEP appears to be quite symmetrical with New Zealand's existing GATS commitments, although with the difference that Singapore remains unbound in primary education while New Zealand remains unbound in adult education and short-term training.

However, Singapore's commitment is seriously qualified by the statement that, 'specific commitments on market access and national treatment through any mode of supply shall not be construed to apply to the recognition of university degrees for the purposes of admission, registration and qualification for professional practice in Singapore' (Annex 2.2). This is consistent with Singapore's established approach of using recognition of university qualifications as a primary means of limiting demand for international education among Singapore students and regulating the supply of internationally educated graduates in the labour market.

Partly due to the importance of this issue for New Zealand universities, the ANZSCEP includes a commitment to work towards ensuring that measures relating to professional qualification and registration requirements and procedures do not constitute unnecessary barriers to trade in services between the two countries (Article 22). This work to eliminate existing qualification and registration barriers will begin by focusing on sectors where specific commitments have been undertaken (such as education services), however, the agreement states that this work is to be 'subject to the terms, limitations, conditions, or qualifications' set out within each sector. This phrase could become very important in future discussions because Singapore states quite specifically in their schedule of commitments that its undertakings 'shall not be construed to apply to the recognition of university degrees for the purposes of admission, registration and qualification for professional practice in Singapore'. It will be interesting to see whether future efforts to eliminate existing qualification and registration barriers on New Zealand's part will be thwarted by this condition.

2.4. Australia-Thailand negotiations

Negotiations on an Australia-Thailand Free Trade Agreement were launched in August 2002. Australia's main requests are to eliminate Thai tariffs and to liberalise services trade, by making regulatory processes less burdensome, exempting Australia from foreign equity limits and removing impediments to the temporary entry of personnel. Education would likely feature heavily in these services negotiations. On the other hand, Thailand is pursuing the elimination of Australia's remaining tariffs (especially on automotive goods and textiles, clothing and foot-ware), relaxing quarantine requirements (especially on chicken meat and horticultural goods), and exemption from anti-dumping measures. Two negotiation strategies are so far evident, reflecting Australia's desire for a more ambitious agreement and Thailand's cautiousness.

Australia is aiming to have all tariffs included in the agreement and to negotiate only in relation to the rate at which they are reduced to zero. Following this approach, Australia will likely pursue a negative list in services, so that only exceptions are specified in the agreement. This approach is consistent with Australia's desire for open markets and the strong support for such FTAs in the Australian business community.

In Thailand however, there appears to be little interest in trade liberalisation in either the bureaucracy or the business community, except for the (largely multinational) automotive industry and large agricultural producers. Instead, the FTA is a top-down initiative of Thai Prime Minister Thaksin with limited domestic support. Another factor making these negotiations difficult is the fact that Thailand has not previously negotiated an FTA with a developed country, which may heighten the cautiousness of Thai negotiators. Thailand has signalled intent to separate issues according to difficulty, and to seek agreement on easy issues before moving on to deal with more difficult issues. Consequently, the two Prime Ministers announced that they would be seeking an 'early harvest' from negotiations in the form of some rapid agreement on the less difficult issues.

One problem with this is that FTAs are only acceptable within the WTO framework as long as they have substantial sectoral coverage and substantially extend national treatment to the parties involved (GATS Article V). Any formal early agreement would have to be comprehensive enough to meet these requirements. Secondly, once such an 'early harvest' is reaped, there is the danger that the more cautious country will have less reason to tackle the difficult issues as the safe issues have already been resolved and the political desire for an agreement has already been met. Australia's response to the 'early harvest' proposal has been to flag that it wishes to preserve the market access component of the agreement as a package and to advise Thailand that it is 'aiming for a high-quality (i.e. ambitious, trade-liberalising) agreement rather than a quick result' (DFAT 2002). For education to be part of this FTA, inclusion in the early harvest would seem to be important if early common ground can be identified. Those areas that are left out of the early harvest are less likely to be resolved both because of the apparent fragility of support for the process in Thailand and because these issues will be tied to other complex or sensitive issues that will take considerable time and energy to resolve.

2.5. North American Free Trade Agreement (NAFTA)

NAFTA came into force on 1 January 1994, building on the existing 1989 Canada–USA FTA. In 1990 President Carlos Salinas of Mexico proposed to President Bush the negotiation of an FTA between the United States and Mexico and later that year Canada agreed to join the negotiations (Estevadeordal 2000).

Negotiations began in 1991 and NAFTA was finally signed in January 1994. NAFTA has been recognised as the first comprehensive agreement negotiated between countries at such different levels of economic development, engaging 'three different political systems, three different societies, and indeed, three different cultures' (Mayer 1998, p. 109). Like GATS, the agreement is based on the principles of national treatment, MFN treatment and transparency.

Negotiation framework

The framework used for the regional agreement was for each of the three countries to be represented in negotiations at three different levels; the group level, the chief negotiator level and the ministerial level. The group level consisted of 19 different groups which by the end of the negotiations had met on a total of 218,241 occasions. After one or two rounds of meetings for each of the groups, depending on progress, a chief negotiator meeting was held. After an average of two of these meetings having occurred a ministerial meeting was scheduled to consolidate what had happened and provide future direction (von Bertrab 1997).

Negotiations moved through various stages from establishing an understanding, the provision of requests and restrictions, a period to consolidate, and finally attaining specific agreements. Each team of negotiators had a distinctive style. Mexico was more centralised while the USA was departmentalised (von Bertrab 1997). These organisational arrangements affected the way in which decisions were made and the process that was followed. Mexico based their team around a hierarchical structure where the persons responsible for each group were part of the Mexican Office for the Free Trade Agreement, headed by a single chief negotiator. On the American side, the Office of the USA Trade Representative (USATR) played an overall coordination role but final responsibility lay with departmental agencies. Both the USA and Canada included departmental agency Members on their negotiating teams for both the benefit of their expertise and to ensure that they would support the final agreement (Robert 2000). Von Bertrab (1997) notes that American negotiators tended to start by seeking agreement on general principles while in contrast, Mexico tended to take a case-by-case approach and to seek trade-offs. The USA was looking for a broad-based agreement and believed that market opening was good for Mexico (Mayer 1998).

Various aspects of the NAFTA negotiations have been described in earlier sections, including the importance of strategic alliances between two of the three players, the success of Canada's strategy to exclude cultural services, and the end-game pressures associated with the American electoral deadline.

Outcome for Education services

NAFTA contains two principles that impact upon the trade of education services—national treatment and the right of establishment. The right of establishment operates similarly to the GATS' market access principle, ensuring that there are no policies in the host country that would disadvantage a foreign provider from setting up in the host country to carry out the provision of a service. NAFTA requires that a host country cannot require that a foreign provider must have a local presence in the provision of their service, thereby allowing for unrestricted cross-border supply. Canada took steps to exempt education from NAFTA's government procurement measures so that public funding would not have to be extended to private providers (Lipsey et al. 1994).

However, the outcome for Mexico in relation to education services was very different, as it was able to obtain an exemption for private education:

Mexico insisted – and got – a lengthy and very specific exemption to the services chapter, allowing it virtually total control over all aspects of private education in Mexico. The Mexican Annex V to NAFTA includes specific provisions dealing with private educational services at all levels. These services are clearly set out by industry sub-sector so that the extent of state regulation can be defined and grandparented. That is to say, existing practices would be protected (Calvert, Kuehn & Our Schools/Our Selves Education Foundation. 1993, p. 19).

Canadian education sector lobby groups criticised NAFTA, like the Canada–USA FTA before it, for treating many of Canada's social institutions, including education, as service commodities to be opened up to the competitive pressures of the market (Aaronson 2001; Calvert, Kuehn & Our Schools/Our Selves Education Foundation. 1993). However, while the threat of American educational domination looms large in Canadian critiques of NAFTA, we have not been able to find any information in the literature suggesting that a larger American presence in Canadian education has indeed eventuated.

Canada's preoccupation with the perceived threats posed by trade in the cultural industries could arguably have applied equally to education services. The Canadian negotiators, however, did not use the same arguments for the education sector. This may have been due to the fact that there was less pressure exerted by lobby groups and also that there was a history to be followed from the previous negotiations within the sector.

2.6. European Union

The European Union (EU) was established by the Treaty on European Union (also known as the Maastricht Treaty), signed in February 1992, and taking effect on 1 November 1993, following a slow and uncertain ratification procedure by the Member states. It comprises three aspects (known as 'pillars'). The first pillar draws together in a unified legal framework the three European Communities established by previous trade agreements: the European Coal and Steel Community (1951), the European Atomic Energy Commission (1957) and the customs union known as the European Economic Community (1957). Under this first pillar, EU authority was extended formally to areas including education, public health and developmental cooperation. The second pillar relates to foreign and security policy, and the third to justice and home affairs (De Wit & Verhoeven 2001).

Negotiation framework

A key tension within the EU agreement is between EU supranational bodies (the European Commission and the European Parliament), who seek to extend the scope of their jurisdiction over the Member states (and consequently bring about closer integration of the Members), and Member governments (and the European Council and the Council of Ministers representing the states), who seek to maintain their sovereignty and prerogatives as far as possible.

Supporters of strong state sovereignty successfully argued for the inclusion of two modifying principles in the EU agreement, diversity and subsidiarity. The principle of diversity insists that national cultures and traditions must be respected. The principle of subsidiarity states that decisions should be taken at the appropriate level most proximate to those affected. Thus a defender of national sovereignty would argue that if a matter can be handled at the national level, it should not be subject to action at the supranational level. Conversely, a champion of Europeanisation would argue that the supranational approach should hold sway if that would produce a more effective result (De Wit & Verhoeven 2001). One tactic is therefore to argue one's position by appeal to one or both of these principles. Other common negotiation tactics used within the EU include the threat of using a veto power or walking out of negotiations, and the use of two-level bargaining (insisting that one's hands are tied by the domestic interest lobby or domestic ratification system).

In his analysis of Britain's negotiation toward the Maastricht Treaty, Alasdair Blair (1999) notes that Britain formed a series of temporary alliances that were single issue-based. Once an objective had been achieved, negotiators moved on to a new alliance related to the next objective. Blair argues that in adopting this approach the British government operate reactively, rather than taking command and playing a leading role in setting the agenda. It can also cause longer-term resentment on the part of those whose alliance had been abandoned, if they had a different sense of timing and a different judgement about when the shared objective had been achieved.

Outcomes for education services

Education was initially an incidental component in the Union, which had its origins in customs unions and other economically-focused trade agreements dating back to the late 1950s. A customs union is a trade agreement by which a group of countries charges a common set of tariffs to the rest of the world, while allowing free trade among themselves.

The focus on education has grown over time, however, especially since its explicit inclusion in the Maastricht Treaty. Negotiation (and disputation) over the role of the EU is still in process. Despite this contestation, the role of the EU in education as described on its website is quite clear:

Under the principle of subsidiarity every Member State of the European Union retains full responsibility for the content of teaching and the organisation of its own education system. In accordance with Articles 149 and 150 of the Treaty, the Community's role is to contribute to the development of quality education by encouraging cooperation between Member States and, if necessary, by supporting and supplementing their action. The main purpose of this is to develop the European dimension in education, encourage mobility and promote cooperation between schools and universities. In keeping with these Articles, the European Union therefore does not intend to devise or implement a common policy on education. (EC 2002b).

Even so, as with the formation of the Australia-New Zealand CER, the European Union has had considerable impact on education, in terms of the convergence of education systems, recognition of qualifications, and national treatment of both students and providers. In the other trade agreements considered in this literature review, there have not been such obvious outcomes for education.

The national treatment of students has been a major outcome within both the CER and the EU. Generally, within these free trade areas, students from other countries pay the same fees as local students, while international students from non-member countries pay considerably higher fees (British Council 2002). This has dramatically increased the flows of students between Member countries. While education has been included in other trade agreements, the practical impacts of these are less visible. For example, in NAFTA, Mexico excluded private education from its commitments and while Canada has committed to rights of establishment and national treatment for American and Mexican providers, there has been little transnational activity in practice in Canada. National treatment is not extended to students in NAFTA, so student mobility is governed primarily by commercial and visa factors.

European higher education space

In mid 1999, 29 European countries became signatories to the Joint Declaration of the European Ministers of Education, commonly referred to as the Bologna Declaration. The purpose was to establish the European Area of Higher Education, as part of the broader ongoing processes of the economic, political and social integration of Europe. The aims enunciated in the declaration include: 'increasing the international competitiveness of the European system of higher education'; and enhancing the employability and mobility of European degree holders. One key to facilitating international competitiveness and graduate mobility is therefore to make more comprehensible the meaning of qualifications, and promoting mutual recognition of qualifications within Europe, for the purposes of credit transfer, and eligibility for employment. The strategy is to establish, by 2010, the three-level system of awards familiar in Anglophone countries: bachelor, master and doctoral degrees, with standard workloads measurable in terms of the European Credit Transfer System. The implications of, and possible methods of implementing, this process are the subject of numerous conferences, papers and reports. One outcome has been the pursuit of policies intended to strengthen the competitiveness of Europe as an education provider in competition with other education exporters such as the USA and Australia.

2.7. The Common Market of the Southern Cone (Mercosur)

Mercosur was signed as the Treaty of Asuncion on 26 March 1991 between Argentina, Brazil, Paraguay and Uruguay. The agreement did not come into force until 1 January 1995 within which time the parties adopted a program of gradual trade liberalisation. Since then, in 1996 and 1997 respectively, both Chile and Bolivia have also signed cooperative free-trade agreements to join Mercosur as Associate Members. Mercosur was formed with the purpose of 'creating a common market in which goods, services and people can be freely moved among Member countries and macroeconomic policies can be coordinated and harmonised in order to endure free competition' (Jurn & Park 2002, p. 24).

The program set out a process of integration through the achievement of coordinated, progressive automatic reductions of custom tariffs, the elimination of non-tariff barriers and other restrictions to trade, a common external tariff and macroeconomic policy coordination. This agreement was preceded by a number of attempts at trade liberalisation in the region including the bilateral treaty between Argentina and Brazil, the Argentina-Brazil Agreement on Integration which was signed at Buenos Aires on 29 July 1986 and entered into force on 1 January 1987.

Mercosur is a regional agreement which aims to strengthening the region's international competitiveness while helping to progress the domestic economies by moving toward continental integration (Hinchberger 1993). While Mercosur covers a considerable geographical area with an extremely large population base, it is the most important attempt to form a trading bloc not involving one of the world's leading economies (Hinchberger 1993).

After undertaking their liberalisation program in relation to goods as a priority in the first half of the 1990s, in August 1995 an Ad Hoc group was established to proceed their regional integration through the liberalisation of trade in services (Stephenson 1999). A Protocol on Trade in Services was completed and signed in December 1997. The basic approach adopted by Mercosur Members was similar to GATS in that it is based on the negotiation of specific commitments for each sector under a positive list approach. They have made it an objective to achieve full liberalisation of traded services within a 10 year period which is considered to be an ambitious one (Stephenson 1999).

Negotiation framework

Mercosur Members have established basic principles and objectives guiding negotiations, and a series of subgroups responsible for issuing recommendations and shaping agreements in areas such as trade, customs, transport and energy (Perez Del Castillo 1993). The available information about the Mercosur agreement and its negotiating process is relatively limited and in many instances contradictory, with each Member state sometimes having a slightly different interpretation of the process (USDOD 1998). Brazil and Argentina are the two dominant Members of Mercosur, yet they are not aligned on major policy issues. Both of these countries faced significant economic challenges when they entered negotiations, and have had different attitudes regarding Mercosur's future relationships with outside trading blocs. Brazil has had long-standing trade disputes with the United States and was the last Latin American country to sign a framework agreement on hemispheric trade liberalisation. Brazil consequently has been less than enthusiastic about Argentina's vision of Mercosur as a step towards a larger North American trading bloc (Falcoff 2001). This tension between Brazil and Argentina has had a disruptive impact on the agreement. As recent as June 2002, Michael Reid observed in *The World Today* that the Argentinean crisis had led to new difficulties for Mercosur, which had been 'dogged by rows between the two main partners' since January 1999 when Brazil floated its currency (Reid 2002).

The smaller countries of Mercosur have made their preference for supranational governance in Mercosur but this has been opposed by the larger Members who have stalled or rejected any initiatives in this direction (EC 2002a). This is unlike the European Union, which has a supranational and centralised framework consisting of institutions such as the European Commission and the European Parliament. Mercosur relies on the Council of the Common Market, which is comprised of the presidents of the four countries and therefore directly reflects the asymmetrical positioning of the Member states.

The negotiations for Mercosur were complicated by the political situations of the countries involved, since the agreement was partly motivated by a desire to strengthen the political transitions from military dictatorships in Member states.

Through integration agreements, political leaders sought to establish mechanisms which would prevent the return of military regimes by linking their countries economic future to the endurance of democratic rule. To this end, Mercosur negotiations looked to address the problems that had generated support for military solutions in the past and sought to facilitate a reduction of military power on both sides (Schvarzer 1998, p. 26).

This integration appears to be lagging, however, as domestic political and economic issues in Member states have further exacerbated the tenuous nature of the coalition. Mercosur may be heading toward internal disintegration as internal negotiations stagnate and negotiations with other trading blocs splinter (Richards 1997).

The USA has managed to reach an agreement with the four Member countries to ensure that the countries making up the 'Southern Cone' region do nothing to isolate their economies from USA trade and multinational corporate interests (Richards 1997). This has been furthered through the proposal for a Free Trade Area of the Americas (FTAA) for which there has been a commitment for implementation in 2005. The EU has meanwhile been initiating an EU-Latin America strategy on expanding trade and investments while building closer relations with the Mercosur economic bloc with the intention of the conclusion of talks in 2005 in parallel with the FTAA (Krause 2001; Reid 2002). In July 2001, during the fifth round of negotiations between the European Union and the Members of Mercosur and Chile, it was made clear by the EU negotiators that no further round of negotiations would be held until Mercosur had tabled its own offer (European Report 2001). Mercosur presented a tariff offer as well as negotiation texts on services and procurement at the sixth round, reflecting the EU's interest in exporting industrial products and services to Mercosur, while the South American states are more interested in access for their agricultural products. The seventh round was to take place in April 2002 (European Report 2001).

However, even in these external negotiations a unified strategic approach has not developed within Mercosur. Chile, an associate Member of Mercosur, recently announced that it has begun talks with the USA on a bilateral FTA. Since then, Argentina's economy minister and Uruguay have both called for a similar deal (Reid 2002).

Outcome for education services

There is little information in the literature on services in general and education services in particular. Some information on education is provided on the website of the Uruguayan Embassy in the USA. This states that the Education Ministries of the four Member states approved a triennial plan in 1992 from which a coordinating committee, divided into several subcommittees and a Ministers' Meeting were established. The Triennial Plan has subsequently been extended. A Protocol in Educational Integration which validates studies completed in another Mercosur country in relation to primary level was signed in 1994, another in relation to the revalidation of diplomas, certificates, titles and acknowledgements on a technical level was approved in 1995, and in 1996 a protocol for pursuing postgraduate studies in the universities of the Member states was approved (Embassy of Uruguay 1996).

The Protocol on Trade in Services was completed and signed on 15 December 1997. This protocol, which is a framework agreement, is to be supplemented by sector-specific chapters and annexes in the form of national schedules of commitments which are to be negotiated at annual negotiation rounds. The protocol includes articles similar to the GATS on MFN, market access and national treatment. It also sets out an objective of achieving full liberalisation within a ten-year period, resulting in an open regional market for services by 2007, which appears to be an ambitious objective (Stephenson 1999). It appears that the scheduling of commitments in the education sector has not yet taken place.

The issue for education services can also be extrapolated from the negotiating dialogues between the EU and Mercosur, and in relation to the FTAA. The EU sees services as a potential growth area that could bring benefits to both sides even though it currently only covers a small percentage of current trade. The EU also wants to open up procurement opportunities to both sides (European Report 2001). In relation to the FTAA it is the US corporations that operate in service industries which see the areas of insurance, education and health care in Latin America as 'particularly profitable, because, given the dire state of Latin American's public services, the upper middle classes tend to use private services.' (Katz 2002, p. 30)

3. PART 3 – BIBLIOGRAPHIC DETAILS AND APPENDIX

3.1. Annotated Bibliography

Braithwaite, J & Drahos, P (2000) Global Business Regulation, Cambridge University Press, Cambridge and Melbourne

This large volume (around 700 pages) provides a historical and theoretical approach to the development of international business regulation (or the globalisation of regulatory approaches) across 13 aspects of commerce, including telecommunications, finance, energy and transport. The authors argue that global regulation is shaped by the interaction of actors (such as governments, business organisations and trade unions), principles (such as national sovereignty, deregulation, and world's best practice) and mechanisms (such as economic coercion, systems of reward and capacity-building). For the present purpose, the most useful section is Chapter 10, on 'Trade and Competition' (pp. 175-221), which includes a discussion of GATT and GATS, and the approach of the USA and the OECD and other actors in relation to the liberalisation of trade regulations.

Calvert, J, Kuehn, L, et al. (1993) Pandora's Box: Corporate Power, Free Trade and Canadian Education, Our Schools/Our Selves Education Foundation, Toronto

This text is the only available monograph written specifically about the education sector and the implications of trade liberalisation. Pandora's Box is written by Members of the education sector in Canada immediately after the North American Free Trade Agreement negotiations were completed in 1993. It is an account written from the perspective of the education sector emphasising the potential threat of 'American imperialism' from the impending charge of United States educational institutions going to take advantage of NAFTA and provide education in Canada. Having been written prior to the implementation of NAFTA in January 1994 the text does not provide any information on the practical outcomes of the agreement. From other literature and information received it appears that the fears of the impending threat may be overstated. The book also criticises the Canadian government for the move to commercialise and privatise the education sector.

Cameron, MA & Tomlin, BW (2000) The Making of NAFTA: How the Deal Was Done, Cornell University Press, Ithaca, NY

The Making of NAFTA is a detailed account specifically of the negotiation process during the North America Free Trade Agreement. Such a study provides a fascinating and readable book that highlights the strategies used, the theory behind them, and the ultimate success or failure of the approaches. Cameron and Tomlin draw on this historical record for understanding negotiation processes and how institutional mechanisms and ratification procedures shape bargaining outcomes. Their work provides detailed material which constructs an argument against the assumption that asymmetrical power relations necessarily brings asymmetrical results. The book focuses on uncovering the controversies and disputes, such as the difficulties in wrapping up the negotiations during the end-game, the differing team structures between the negotiating players and the approaches which frustrated the other players throughout the process.

Capling, MA (2001) Australia and the Global Trade System: from Havana to Seattle, Cambridge University Press, Cambridge and Oakleigh

Ann Capling's book presents an easy-to-read overview of Australia's involvement in developing global trade agreements including the GATS. She argues that Australia was a key player in the Uruguay round negotiations that led to the formation of the GATS, and devotes a chapter to exploring this virtually unknown episode in the history of Australia's trade diplomacy. In this period, Australia pursued a policy of 'aggressive multilateralism', providing technical and intellectual expertise in highly conflictual and complex negotiations. She argues that this approach served Australia's needs greatly, as well as those of many other small countries with limited economic and political clout who would benefit from a rule-based system of trade in services.

Jonsson, C (2000) Bargaining, Negotiation and Diplomacy: A Research Overview, Centre for the Study of Diplomacy, Leicester

This 50 page discussion paper provides a literature survey summarizing the main theoretical approaches to analyzing how bargaining and negotiation operates at the international level. It outlines game theory (the dominant theoretical approach for many years) and its component parts, as well as outlining alternative critical approaches. It notes that multilateral negotiations are not well theorized, and lists a number of strategies negotiators use to reduce the complexity of such negotiations (such as issue linkage and issue disaggregation), and outlines models of negotiation dynamics (including appropriate timing, and approaches to communication).

Huisman, J, Maassen, PAM & Neave, GR (2001) Higher Education and the Nation State: the International Dimension of Higher Education, Pergamon, Amsterdam and New York

This edited volume brings together six papers presented at European education conferences on the theme 'Towards a European Knowledge Union'. For the present project, the most useful is Chapter 6 (pp. 175-231) By K. De Wit and J. Verhoeven, 'The Higher Education Policy of the European Union: With or Against the Member States?' The chapter provides a history of the EU and its antecedents, with a focus on the activities, debates and implications for higher education. It argues that, in relation to education, the integration of Europe is very much a work in progress, with different states and stakeholders having varied views on the extent to which education should be harmonised across countries within the EU. It outlines the key concepts of diversity and subsidiarity which underpin much of the internal EU debate.

OECD (2001) Trade in Services: Negotiating Issues and Approaches, Organization for Economic Cooperation and Development, Paris

This edited volume outlines restrictive measures affecting trade in services (compared with measures affecting trade in goods), and discusses whether methodologies from goods negotiations can be adapted for use in liberalising services in trade. The methodologies include formula approaches, cluster approaches and model schedules. The tone is pro-liberalisation, with a focus on devising instruments to facilitate across-the board multilateral reductions in trade barriers (ie rather than being useful for countries to maximize their own bargaining power in bilateral request-offer negotiations).

OECD (2002) Forum on Trade in Educational Services, Organization for Economic Cooperation and Development, Paris, <http://www.oecd.org>

This website brings together some 30 papers (including discussion papers, participant presentations, rapporteur's summaries, and larger technical and information papers) from the forum held in Washington DC in May 2002. Presenters include government, NGO and academic representatives. For the most part, papers reflect a cautious optimism toward the benefits of trade in education services, although there are several critiques, and it is clear that many participants (particularly those from Europe) are strongly concerned about the potential negative effects on the public goods produced by education, the difficulties of providing effective quality assurance, and concerns about the ability of sovereign governments to appropriately regulate education in a liberalised trade regime.

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3.3. Appendix - Major Services Lobby Groups Promoting Trade Liberalisation

This list is reproduced from Wesselius (2002).

US Coalition of Service Industries (USCSI) — <http://www.uscsi.org>

The central and most influential services industry lobby group. Founded in 1982.

European Services Forum (ESF) — <http://www.esf.be>

Working closely with the European Commission, the ESF has a disproportionate influence on EU GATS negotiation proposals. Hosted by the European employers' confederation UNICE. Founded in 1999.

Japan Services Network (JSN) — <http://www.keidanren.or.jp>

Hosted by the Japanese employers' organisation Keidanren. Founded in 1999.

Services Business Network of the Americas (REDSERV) — <http://www.redserv.org.br>

Network of the services industry from North and Latin America, focusing on the services chapter of the FTAA. Founded in 1998.

Hong Kong Coalition of Service Industries (HKCSI) — <http://www.hkcsi.org.hk>

The major private sector voice for Hong Kong's service industries. Hosted by the Hong Kong General Chamber of Commerce. Founded in 1990.

LOTIS Committee (Liberalisation of Trade in Services) — <http://www.ifsl.org.uk/tradepolicy>

Influential British corporate/state alliance pushing for financial services liberalisation. Founded in the early 1980s. Refer to: GATSwatch background paper on LOTIS
<http://www.gatswatch.org/LOTIS/LOTIS.html>

Global Services Network (GSN) — <http://www.globalservicesnetwork.com/>

In 1998, an additional loose network was founded: the Global Services Network (GSN). This network is co-ordinated by the USCSI. It links key figures from services lobby groups and privately funded think tanks with academics and governmental GATS experts. Many ideas and concepts that have been taken up in the GATS negotiations were developed within this self-styled 'global services movement'.

3.4. Sectoral Lobby Groups

Energy Services Coalition (ESC) — <http://www.pecc.org/energy/esc.html>

Coalition of USA-based energy firms, advocating the inclusion of energy services within the GATS 2000 talks. Founded in 1999.

Global Business Dialogue on Electronic Commerce (GBDe) — <http://www.gbde.org>

High-level global corporate-state alliance advocating e-commerce policy issues. Founded in 1999.

Global Alliance for Transnational Education (GATE) — <http://www.jones.com/gate.html>

Network of multinational corporations, national associations, the professions, accrediting and licensing authorities, and institutions of higher education world-wide, incorporated as a subsidiary of telecommunications firm, Jones International, Ltd. Founded in 1995.

World Travel & Tourism Council (WTTC) — <http://www.wttc.org>

A global coalition of over 80 Chief Executives from all sectors of the global travel & tourism industry 'active in ensuring maximum liberalisation of services related to travel and tourism.' Founded in 1990.