Trade in Services & Developing Countries

The Market Access Barriers

he services sector has emerged as the largest and most dynamic component of both developed and developing country economies.

In the developing countries, average share of services in gross domestic product is estimated to be around 40 percent in 1960 to 50 percent in 1999, and in the OECD (Organisation for Economic Cooperation and Development) countries, this share has increased to over 60 percent. However, world trade in services offers a contrasting picture. In the world total trade (goods and commercial services together), services have only grown from 37 percent in 1960 to 44 percent in 2001.

Although world trade in services has not kept pace with the growth of world trade in goods, it has been increasing at a much faster rate. The share of services in world trade was only 34 percent in 1991, but this share is expected to reach 39 percent by 2005.

Despite this growth, however, services remain a relatively small part of world trade, and the share of services in world trade has not increased as much as expected.

The slow growth of world trade in services is due to a number of factors, including the lack of a single, global trading regime for services.

The slow growth of world trade in services is also due to the difficulties that developing countries face in entering the world market for services.

For example, many developing countries lack the infrastructure and regulatory frameworks needed to participate in international trade in services.

Another factor that has limited the growth of world trade in services is the lack of coordination among countries. Developing countries often face difficulties in coordinating their policies and regulations, which can make it difficult for them to enter the world market for services.

In conclusion, the slow growth of world trade in services is due to a combination of factors, including the lack of a single, global trading regime for services, the difficulties that developing countries face in entering the world market for services, and the lack of coordination among countries.

The slow growth of world trade in services is a serious problem, as it limits the potential for economic growth and development in developing countries.

In the future, it will be important to address these challenges and find ways to increase the growth of world trade in services.

The increasing importance of the services sector in the world economy and the challenges that developing countries face in entering the world market for services make it clear that the need for a more effective and coordinated approach to the trade in services is greater than ever.

With the support of

CUTS-CITEE ABMA Policy Briefs

1. Farm Trade Liberalisation
2. The Challenges of Reducing Subsidies and Trade Barriers
3. Trade in Services & Developing Countries
4. The Market Access Barriers
5. Trade in Textiles & Clothing

Likely Problems in the New Regime

Endnotes

2. Ibid.
7. Financial Times (22 October 2002).
17. Ibid.
19. Ibid.
20. © CUTS 2005. This Policy Brief is produced by Cuts to inform, educate and provoke debate on issues of trade and development. Readers are invited to make use of the material in this policy brief for their own use, but as the copyright holder, Cuts requests due acknowledgment and a copy of the publication.

This policy brief has been researched and written by Pranav Kumar of CUTS Centre for International Trade, Economics & Environment.

© CUTS 2005. This Policy Brief is produced by CUTS to inform, educate and provoke debate on issues of trade and development. Readers are invited to make use of the material in this policy brief for their own use, but as the copyright holder, Cuts requests due acknowledgment and a copy of the publication.

This policy brief has been researched and written by Pranav Kumar of CUTS Centre for International Trade, Economics & Environment.

© CUTS 2005. This Policy Brief is produced by CUTS to inform, educate and provoke debate on issues of trade and development. Readers are invited to make use of the material in this policy brief for their own use, but as the copyright holder, Cuts requests due acknowledgment and a copy of the publication.

This policy brief has been researched and written by Pranav Kumar of CUTS Centre for International Trade, Economics & Environment.

© CUTS 2005. This Policy Brief is produced by CUTS to inform, educate and provoke debate on issues of trade and development. Readers are invited to make use of the material in this policy brief for their own use, but as the copyright holder, Cuts requests due acknowledgment and a copy of the publication.

This policy brief has been researched and written by Pranav Kumar of CUTS Centre for International Trade, Economics & Environment.

© CUTS 2005. This Policy Brief is produced by CUTS to inform, educate and provoke debate on issues of trade and development. Readers are invited to make use of the material in this policy brief for their own use, but as the copyright holder, Cuts requests due acknowledgment and a copy of the publication.

This policy brief has been researched and written by Pranav Kumar of CUTS Centre for International Trade, Economics & Environment.

© CUTS 2005. This Policy Brief is produced by CUTS to inform, educate and provoke debate on issues of trade and development. Readers are invited to make use of the material in this policy brief for their own use, but as the copyright holder, Cuts requests due acknowledgment and a copy of the publication.

This policy brief has been researched and written by Pranav Kumar of CUTS Centre for International Trade, Economics & Environment.

© CUTS 2005. This Policy Brief is produced by CUTS to inform, educate and provoke debate on issues of trade and development. Readers are invited to make use of the material in this policy brief for their own use, but as the copyright holder, Cuts requests due acknowledgment and a copy of the publication.

This policy brief has been researched and written by Pranav Kumar of CUTS Centre for International Trade, Economics & Environment.

© CUTS 2005. This Policy Brief is produced by CUTS to inform, educate and provoke debate on issues of trade and development. Readers are invited to make use of the material in this policy brief for their own use, but as the copyright holder, Cuts requests due acknowledgment and a copy of the publication.

This policy brief has been researched and written by Pranav Kumar of CUTS Centre for International Trade, Economics & Environment.

© CUTS 2005. This Policy Brief is produced by CUTS to inform, educate and provoke debate on issues of trade and development. Readers are invited to make use of the material in this policy brief for their own use, but as the copyright holder, Cuts requests due acknowledgment and a copy of the publication.

This policy brief has been researched and written by Pranav Kumar of CUTS Centre for International Trade, Economics & Environment.

© CUTS 2005. This Policy Brief is produced by CUTS to inform, educate and provoke debate on issues of trade and development. Readers are invited to make use of the material in this policy brief for their own use, but as the copyright holder, Cuts requests due acknowledgment and a copy of the publication.

This policy brief has been researched and written by Pranav Kumar of CUTS Centre for International Trade, Economics & Environment.

© CUTS 2005. This Policy Brief is produced by CUTS to inform, educate and provoke debate on issues of trade and development. Readers are invited to make use of the material in this policy brief for their own use, but as the copyright holder, Cuts requests due acknowledgment and a copy of the publication.

This policy brief has been researched and written by Pranav Kumar of CUTS Centre for International Trade, Economics & Environment.
Security considerations, brought into sharper focus since the attacks of September 11, 2001 have also changed the balance in the relationship between the host country members in order to ensure that they do not become conduits for entry by illegal or undesirable individuals.

Among the LDC Members of the WTO, 28 made commitments in the tourism sector. Moreover, tourism is the only sector in which nearly all the GATS commitments were made by LDCs. A recent study on tourism sector reveals that tourism to be one of the more important service industries in their economies.

UNCTAD (United Nations Conference on Trade and Development) estimates that a liberalisation package in Mode 4, coupled with a capacity support package in trade in services for LDCs, could generate US$10-20bn per year.

Services exporters from LDCs face both domestic and international challenges. Some of the major challenges are lack of qualification and skills, access to finance, and lack of information on international regulations. Limited resources to analyse their domestic economy, assess previous liberalisation, and make initial requests and offers.

Through the LDC modalities, LDCs have the opportunity to secure special provisions that allow for conditions on liberalisations commitments to fulfil developmental goals and objectives. The modalities for S&DT for LDCs were developed under the mandate of GATS Article XIX:3. Through the LDC modalities, LDCs can request for more reasonable periods of time to implement commitments, fully integrated into GATS and immediately binding.

A recent World Bank study on business regulation shows that there is a relationship between the level of development and regulatory burden. Rich countries have less burdensome entry regulation as compared to the developing countries. There is a need to ensure that measures relating to qualification requirements and procedures, technical standards, and licensing requirements do not constitute unnecessary barriers to trade.

Emerging developing countries as service providers in the internationalised world need to have the rights to charge remuneration for services rendered. Legislation is getting that will introduce the benefits to the government. In some countries, the advancement of a new regulatory approach has led to an increase in the size of the service sector.

A major barrier to “consumption abroad” of services is lack of portability of health insurance. For example, the US states have a state government that allows people under Medicare coverage to buy travel insurance.

Work started in 1995 to establish disciplines on domestic regulations, i.e., the requirements that foreign service providers must meet in order to operate in a given market. By December 1996, members had agreed on disciplines on domestic regulations that facilitate market access.

The GATS provides a framework for negotiations on a wide range of issues, including market access, national treatment, and forbearance. This means that a country can offer any service to another country, and vice versa, without discrimination.

There seems to be no consensus on this issue. Members continue to disagree on the mandate – both in terms of what it means, and if applicable to all or only a subset of services.

Many developing countries and LDCs may not have necessary regulations in place for ensuring the fulfilment of their commitments. The lack of regulations may make it difficult to attach Article XIX:2 conditions to their liberalisation commitments.

In the current GATS negotiations, among the offers submitted so far none are from LDCs. This is mainly due to the fact that they have limited resources, limited technical capacity and awareness of existing barriers, limited fiscal capacity, and limited political autonomy.

At present, there seems to be no consensus on this issue. Members continue to disagree on the mandate – both in terms of what it means, and if applicable to all or only a subset of services.

Given the size and rapid growth of business process outsourcing (BPO), economic implications for developing countries are massive. The existing GATS negotiations is a good opportunity to secure openness in cross-border service trade.

Multilateral and unilaterally negotiated disciplines on a variety of issues (such as telecommunications, freedom of movement, etc.) have privileged status in the Uruguay Round Agreement on Trade in Services.

The ability to attract and retain skilled workers is critical for the competitiveness of economies and individual firms. The offshoring of jobs will not remain confined to the IT-sector. Some of the major challenges are lack of qualification and skills, access to finance, and lack of information on international regulations.