

National Consultation
Services Trade and Domestic Regulation in India
New Delhi, Thursday, November 29, 2007

A. Introduction:

CUTS Centre for International Trade, Economics & Environment (CUTS CITEE), Jaipur organised one day National Consultation on ‘*Services Trade and Domestic Regulation in India*’. This consultation was organised under the project entitled “Services Trade and Domestic Regulation (ST & DR): A Multi-Country Study in Commonwealth Asia, Africa and the Caribbean” supported by Commonwealth Secretariat, London. Details regarding the consultation are given below:

- Day and date: Thursday, November 29, 2007
- Venue: WILLOW Hall, India Habitat Centre, New Delhi
- Timings: 9.30 a.m. – 5.00 p.m.

This seminar also played the dual role of serving as the national consultation for both, ST & DR and South Asia Forum for International Trade (SAFIT) projects. Please note that component two the latter focuses on ‘Domestic Preparedness’ of five South Asian countries namely, Bangladesh; Nepal; Sri Lanka; Pakistan; and India, t face the challenges of trade liberalisation and globalization in service sector.

B. Background:

The service sector constitutes a significant share of gross domestic product (GDP) in most of the countries in South Asia, Africa and the Caribbean. There are important stakes of the developing countries in the Doha Round of negotiation on services liberalisation. Among many issues, “domestic regulation” has become very important for the LDCs (least developed countries) and developing countries while undertaking liberalisation of their service sectors. Domestic regulation has its importance in protecting national policy objectives subject to that this is not to be applied as a means for undue trade restrictions. Regulation can enhance consumer welfare by ensuring quality and appropriateness of services in the midst of a wide range of providers under progressive liberalisation on services. Regulatory measures can be applied to limit anti-competitive practices that may arise from market dominance by a few firms (domestic as well as foreign). There is also a rising concern about sudden repatriation of profits by foreign service providers, leading to balance of payments crisis for them. Sound regulatory mechanisms can help LDC governments as effective measures against adverse balance of payments shocks while maintaining a friendly environment for domestic and foreign services providers.

This consultation was organised by engaging the policy-makers (including regulators), civil society representatives, inter-governmental and multilateral agencies, academics and media. Country background paper and two sectoral case studies were presented at this meeting. After receiving comments from various stakeholders, a synthesis paper will be prepared, outlining the policy implications and impact of services liberalisation and domestic regulation on these

countries' economies. This synthesis paper will be finalised after conducting the dissemination meeting so that deliberations at these meetings are taken on board. It will act as a policy advocacy document for future.

C. Objectives:

- To deliberate and invite comments from various stakeholders on country background paper and two sectoral case studies which will be presented at this consultation.
- To take on board the deliberations while preparing the synthesis paper which will act as a policy advocacy document for future.
- To facilitate interaction between policy-makers (including regulators), civil society representatives, inter-governmental and multilateral agencies, academics and media.

D. Participants:

The National Seminar was attended by about 15 participants comprising of policy makers; civil society representatives; inter-governmental agencies; academicians; research institutes; development practitioners and media who managed to spare sometime in their busy schedule for this consultation and thereby shared their thoughts / experience / learning concerning services.

E. Proceedings:

Inaugural

Addressing the participants, Bipul Chatterjee (BC) thanked Commonwealth Secretariat, London for their support in implementing the ST & DR. He gave a brief overview about the project focusing on GDP share of service sector in South Asia; Africa; and the Caribbean; domestic regulation for least developed countries and developing countries while undertaking liberalization of service sectors; and effective regulatory measures/mechanisms for maintaining a friendly environment for domestic and foreign service providers. He further shared with the audience about programme implementation vis-à-vis expected outcomes.

This was followed by Prof. Rupa Chanda's address that welcomed the participants and shared her views on services India which were more or less similar to what BC had to say. Considering she's the Programme Director whose primary role is to give comments on country background papers and sectoral case studies, there's one commonality she came across in all the paper submitted. The entire papers end up discussing rather than analyzing the process which led to domestic liberalisation and eventually what it will lead to. Moreover there should be a parallelism maintained between the background paper and the sectoral studies in terms of outline and content, except one would be macro and the other would be micro. This will also make all the papers much more consistent in coverage and approach.

Presentations

1. Prof. Dipankar Sengupta in his presentation gave a brief '***Overview of the Service Sector***' in India over the last 10 years especially given its competitive edge in professional services in comparison to that of China. At the same time the services

sector scenario in India is composite which is attributed by uneven development in different types of services across regions. He further gave a comparison of services/GDP shares (1996-2005). Furthermore he discussed about evolution of various sectors in comparison to that agriculture; industry; and services, followed by cross country comparisons and India's position globally.

Dr. Rashmi Banga, discussant for this session, found the comparisons made good enough. However she was of the opinion that the paper needs to highlight the following:

- A small tabulation highlighting defenses.
 - Need to include background information on services vis-à-vis its stand and why there's a boom irrespective of changes in the WTO commitments.
 - Diversified export basket needs to be explained with emphasis on increasing exports.
 - Process of liberalization especially concerns, debates, reasons for limitations need to be written about.
 - Proper structure and framework for this paper needs to be followed.
 - The discussion tends to be too descriptive (wordy narration) and not analytical enough.
 - On the whole, the author needs to highlight the main findings, and suggest the deficiencies and the positives of the domestic regulatory framework in services and issues remaining to be addressed in the domestic regulation area.
2. Archana Jatkar gave a presentation on '**India's Domestic Preparedness in Trade and Services**'. In her presentation she gave an introduction about the country's service sector growth and its importance which has acted as engine of growth; India and liberalization under GATS; service sector interest of India and its position under GATS which included a) Telecommunication Services, b) Education Services, c) Health Services, d) Legal Services, and e) Accountancy Services; and way forward wherein we need to look at domestic preparedness, export enhancement, gains from trade liberalization, and stakeholders suggestions.

Suparna Karmarkar, discussant for this session summed up by suggesting the following:

- The paper should not look at the coverage of negotiations from Uruguay round instead start from the revised offer (2005).
- While talking about regulation focus should be on output side rather than input.
- We should cover other aspects especially gains rather than focusing only on market access.
- Need to include mode 4 under GATS i.e. individuals traveling from their own country to supply services in another.
- Make suggestions to the overall changes required in the system.

3. Prof. Dipankar Sengupta gave a presentation on '**Wholesale Sector**' in the context of Indian economy. Apart from giving basic information about this sector in India he also spoke about its developmental impact, likely effects/implications, domestic regulations and reforms needed in the context of trade liberalization.

Nitya Nanda, discussant for this session summed by saying the following:

- Need to update the information provided especially that on PDS, OECD, FCI, et.al?
 - Unbundling of services needs to be expanded.
 - Provide an appendix on commodity derivatives.
 - Discuss about market operation with emphasis on middlemen who are creating bottlenecks and cost of preventing the spoilage.
4. Prof. Dipankar Sengupta gave a presentation on **Integrating India's Service Sector with the Global Economy -Case Study-Higher Education**. In his presentation he spoke about evolution of higher education in India and its impact on the economy. He further spoke regional dimensions in terms of general enrolment, state wise distribution and implications due to regional inequality. He also highlighted the challenges faced upon by the tertiary education and its importance in producing skilled professional who can play a crucial role in the private sector. In the last section he discussed about the need to open up the sector to foreign players and liberalise existing regulatory barriers.

Pawan Agarwal, discussant for this session summed up by suggesting the following:

- Try keeping the paper focussed. Too many things are being covered.
- The issue of regional imbalance can be avoided.
- Focus on mode 2 of GATS.
- Relevance of GATS in relation to opening of education sector will not have any visible impact.
- On the whole, paper needs to be updated in terms adding recently available information.
