Service Waiver: An assessment of Sectors and Modes of Supply of Interest to LDCs (case of Nepal)

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Presentation outline

- Background: state of service trade
- Waiver decision
- Methodology and limitations
- Sectors and modes of interest to Nepal
- Relevant concessions/ preferences
- Conclusions
Background: state of service sector trade

Exports and Imports of Services of LDCs, 2011

<table>
<thead>
<tr>
<th></th>
<th>Exports (million US $)</th>
<th>Growth rate (%)</th>
<th>Imports (million US $)</th>
<th>Growth rate (%)</th>
<th>Export/Import Ratio</th>
<th>Share in Total Exports (%)</th>
<th>Share in Total Imports (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LDCs</td>
<td>22000</td>
<td>15.7</td>
<td>62000</td>
<td>16.9</td>
<td>0.3</td>
<td>9.4</td>
<td>23.5</td>
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<td>Bangladesh</td>
<td>2645</td>
<td>9.3</td>
<td>5281</td>
<td>20.1</td>
<td>0.5</td>
<td>9.7</td>
<td>12.7</td>
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<td>Bhutan</td>
<td>82</td>
<td>18.8</td>
<td>117</td>
<td>30.0</td>
<td>0.7</td>
<td>11.6</td>
<td>10.9</td>
</tr>
<tr>
<td>Maldives</td>
<td>852</td>
<td>10.7</td>
<td>337</td>
<td>10.1</td>
<td>2.5</td>
<td>71.1</td>
<td>18.7</td>
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<tr>
<td>Nepal</td>
<td>863</td>
<td>28.4</td>
<td>782</td>
<td>-10.2</td>
<td>1.1</td>
<td>48.4</td>
<td>13.1</td>
</tr>
</tbody>
</table>


Services Waiver (1)

The Eighth WTO Ministerial Meeting of December 2011, through a waiver decision, decided to allow Members to provide preferential treatment to service and service suppliers of least developed countries (LDCs) (WTO 2011)

**Scope**

- Preferential treatment to services with respect to the following measures
  - number of services suppliers allowed;
  - value of transaction or assets;
  - total quantity of service output;
  - number of natural persons that may be employed;
  - types of legal entity through which a services supplier is permitted to supply a service;
  - participation of foreign capital in terms of limits on foreign equity or the absolute value of foreign investment.

- ‘Any measures’ subject to ‘prior approval’ by the Council for Trade in Services
Other provisions
- Submission of notification by preference giving country
- Requirement of consultation
- Not to raise barriers or create undue difficulties
- Right to have recourse to dispute settlement mechanism
- Annual review
- Termination after 15 years

Methodology and Limitations

Data/ Information
- Secondary information—published information by the government, multilateral and other relevant organizations,
- Primary information: key informants and Focus Group Discussion (FGD)

Criteria for selection of sector/sub-sectors and supply mode
- Role in the economy/output
- Employment
- Supply capacity
- Cost competitiveness
- Demand potentials
- Other socio-economic impacts

Limitation:
- Lack of reliable data at sectoral level as there is no system of recording/accounting of service trade
- No data exists at sub-sectoral level and for different modes of supply
- Primarily based on schedules of commitments, TPR reports and other research publications
- Rapid assessment
Findings 1: Sectors/Subsectors/ Segments and of Markets of Interest of Nepal

**Education**
- Mode 2 in primary, secondary and higher education
- Mode 1 in higher education
Country: India, Pakistan, China, Japan, Korea, Bhutan, Sri Lanka

**Health**
- Mode 2 in hospital services, and medical and dental services (medical tourism)
Country: USA, EU, Canada, India, Pakistan

**Computer and related services**
- All Modes in information technology outsourcing; application development and maintenance
Country: US, EU, Australia, New Zealand, India, Malaysia

Key findings 1: Sectors/Subsectors/ Segments and of Markets of Interest of Nepal (2)

**Movement in Natural Person (Mode 4)**
- Construction and professional services
Country: US, Saudi Arabia, Canada, EU, India, Qatar, Malaysia, UAE

**Tourism**
- Mode 2 in all services
Country: EU, Canada, China, India
Key Findings 2: Recommendations for Waiver Request

- Commitment in higher education in Mode 1 without any limitation
- Allow transportability of government supported insurance
- Abolish discriminatory tax practices (education, computer and related services)
- Delink Mode 4 from Mode 3 and provide full commitment for skilled and semi-skilled categories in computer, tourism and health services
- Delink Mode 4 from Mode 3 and also make full commitment for unskilled and semiskilled workers in construction and tourism services (Qatar, Saudi Arabia and UAE)
- Introduce GATS Visa and make Visa processing less cumbersome
- Abolish fee/charges on social security for temporary service providers (USA)
- Abolish residency requirement for service providers
- Allow Chinese citizen to travel to Nepal without a Via since Nepal provides visa on arrival

Conclusions

The economic value of waiver decision is not much as the cost of complex administrative and procedural system that may generate uncertainty of outcome is high.

Developing ‘domestic readiness’ and supply capacity is the key for promoting exports, service waiver may compliment to domestic efforts.
Thank you

comments/suggestions

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