

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

Posh Raj Pandey
Executive Chairman
South Asia Watch on Trade Economics and Environment (SAWTEE)
Kathmandu, 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

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

Calculation based on UNCTAD. Handbook of Trade Statistics 2012, WTO. Market Access for Products and Services of Export Interest to LDCs 2012.



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



Services Waiver (2)

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 Visa 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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posh.pandey@sawtee.org

