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Services Trade Liberalisation in South Asia

Introduction

Services in general, and "clicks and mouse" in particular, have become buzzwords nowadays. A move toward services sector is viewed as a way of achieving economic development within a short time, and sometimes as a way of catching up, or making up for decades of mismanagement of economies in developing countries. Economic policy during the 1950s and the 1960s vehemently promoted industries over agriculture as a way of achieving economic progress, and the number of smoke stacks was taken to be the hallmark of economic progress. The world is witnessing a similar hysteria over the services sector, and in particular information technology, which professes to bring in prosperity and economic development to poorer nations within the shortest possible time.

The new 'mantra' is "get your acts together to transform from industry to services, more importantly to IT sector, for faster growth and 'eradication' of poverty. South Asian governments have started responding positively to these requests by extending preferences to the services sector, and in particularly to the IT sector, over industries and agriculture, and by setting up new ministries. This has given rise to a sense that agricultural and industrial sectors are not as important as the IT sector, and prosperity hinges on the extent to which the information technology is harnessed.

Will this new 'mantra' end up as another flop after a decade or two? Or else, could this lead to a general improvement of human welfare in South Asia? What would be the appropriate policy framework that South Asia must adopt in order to harness the potential of its services sector? If the objective is to improve human welfare and congenial conditions in South Asia, what would be the appropriate policy the region should pursue? A few of these issues are discussed in the paper without of course professing that we have answers to all the questions raised.

Importance and Nature of Services

South Asia is only a marginal player in global services trade. In 1999, India contributed to global service exports by 1%, while its share in imports of services stand at 1.3% of global imports of services (WTO, 2000, p-22). Overall contribution of South Asia is 1.5% of the total world exports of services. Industrialised countries together contribute 72% of global trade in services. The contribution of services value added in GDP in South Asia is 40 % on average, which varies among SAARC countries from the lowest ratio of 38% in Nepal and the highest ratio of 52% for Sri Lanka (Wickramasinghe, 2000). With economic progress, this ratio is expected to rise to about 70%, as in the case with developed countries.

The development experience of the world suggests that countries go through several stages as they reach maturity. At mature stage, services play a crucial role in generating employment opportunities and make structural adjustment much easier as services exports absorb the inflationary pressure. Liberalisation of services can play a positive role by contributing to improve efficiency and productivity of the whole economy. Chada (1999) has identified that liberalisation of services can contribute positively for economic growth when services are liberalised simultaneously with trade in agriculture and manufacturing products. As Ohara (1999) has identified, service supports manufacturing in more than one way as economic activities add value through two major channels, physical and virtual value chains. The physical chain works through the use of machines, while the latter contributes to economic efficiency through information processing and networking. On the other hand, liberalisation of services at this stage of development can constrain future potential due to expanded foreign providers. This dilemma pulls South Asia in two diametrically opposite directions – further liberalisation and protection.

Many who favour liberalisation of services seem to be quick to jump to conclusion that it is the only avenue for developing a credible and efficient services sector. They endorse the notion that economic conditions in South Asia do not allow the private sector to be efficient service providers and that a more viable option is to invite foreign participation. This proposition rests on the premise that our own private sector is weak and incapable of providing services. But they do not acknowledge that state monopolies never allowed private entrepreneurs the opportunity to learn the art of competition and become efficient until recently. In the guise of deregulation and liberalisation, what is happening mostly is to convert state monopoles into another kind of monopoly, which would be just tantamount to a transfer of rent from government to another ownership.

The General Agreement on Trade in Services (GATS)

Services were not even considered to be 'tradable' a few years ago. They were just branded as 'non-tradable' in trade theoretic models, a convenient way of modelling economic structures. Everyone simply took it for granted that only industrial goods and agricultural produce were tradable, and trade negotiations were mainly centred on them. Why then, there was a sudden interest in services? Several things are responsible for this change. First and foremost, it was due to a realisation in the Western countries that further improvement in economic conditions in the West without putting pressure on domestic prices could be achieved only through export of more services. It is interesting to note that even the very word 'trade in services' was coined by those groups who were interested in including services in the GATT agenda in early 1980s, just prior to the beginning of Uruguay Round (UR) negotiations. Ironically, the same groups, given the new political reality after Seattle failure, now seek to differentiate investment from services. Second, it was the technological advances, of course, a much more neutral force, that made it possible to trade services internationally. The development of the Internet and the telecommunication technology is greatly responsible for the new emphasis in services sector as an exportable commodity to reckon with.

It was no secret that developing countries caught off guard when the Uruguay Round (UR) was launched in Punta del Este; they did not possess much knowledge about the services sectors of their respective countries, neither did they have knowledge as to how to approach the negotiations. On the positive side, the framework of negotiations in services was flexible. Particularly, the positive approach used for negotiations minimised the mistakes that could have been made by developing countries by omitting certain strategic sectors had they followed the negative list approach. This increased the flexibility for negotiations, the possibility for trade-offs, and allowed for negotiations based on reciprocal benefits. The UR was also launched without much attention from the rest of the world, which led in some respects to successful conclusion of negotiations as political pressures for negotiators were much small. Of course, much has changed in the area of services from the UR to till date.

With the UR, the General Agreement on Trade in Services (GATS) became part of the multilateral trading system. Now, there seems to be unanimity on the tradability of services. This recognition allows services to be treated as any other commodity; as such, they are open to all manoeuvring that commodities are subject to. This acceptance of services at par with commodities was obviously a huge gain for those who advocated liberalisation of services, mostly led by multinationals from developed countries. It seems that the hysteria on services as a sector with potential to transform developing countries within a shorter span of time into developed countries is also a part of the orchestrated effort of multinational to win hearts and minds of intellectuals, policymakers and politicians of developing countries so that services markets can be subjected to fast-track liberalisation. In the short-run, strong services sectors are likely to receive larger gains. Developing countries have comparative advantages in a few narrow sectors like tourism, but then again the majority of hotel chains are owned by one way another by multinationals from developed countries, leading to transfer of profit even from these sectors.

Box 1

The GATS

The GATS sets out general principles, obligations, commitments and exemptions governing international trade in services. Part I through Part IV contain the main provisions of the GATS, while annexes provide exemptions, sectoral specificities, modes of supply (see Box 2) and modalities for negotiations. The general framework was to create a transparent set of rules governing international trade in services. The GATS consists of four sections: (i) the general framework containing general principles and obligations; (ii) annexes dealing with rules for specific sectors; (iii) specific commitments of each member defining the conditions of access to, and operational treatment in, markets; and (iv) temporary exemptions to "Most-Favoured-Nation" (MFN) principle.

The general framework consists of six parts: (a) Part I -Scope and definition; (b) Part II - General obligations (Article II –Article XV); (c) Part III - Specific Commitments (Article XVI – Article XVIII); (d) Part IV - Progressive Liberalisation (Article XIX - Article XXI); (e) Part V - Institutional Provisions; and (f) Part VI - Final Provisions.

Source: GATT 1994.

Liberalisation Commitments

At the end of the UR, WTO members had agreed to make liberalisation commitments in several sectors and under four Modes of Supply. Tourism has proved by far the most attractive sector for inclusion, where 125 countries had made commitments, while other sectors received mixed attention. For example, 100 countries had commitments in business services, 99 in financial services, 94 in communications, 81 in transport, 71 in construction, 60 in recreation, 51 in environment, 49 in distribution, 45 in health and 43 in education. WTO member countries from South Asia[1] have made commitments in selected areas. India and Pakistan both made commitments in six identical sectors, namely business services, communication, construction & related engineering, financial and health related & social service. While Bangladesh has made commitments in two sectors -communication and tourism & travel related services- Sri Lanka has made commitments in three sectors – communication, financial, tourism & travel Related services. Maldives has made commitment in one sector, namely business services.

Among the individual modes of supply, consumption abroad (mode 2) has attracted, the highest share of full commitments. This was followed by cross-border supply (mode 1) and commercial presence (mode 3). Full bindings under presence of natural of persons (mode 4) were rare, which reflected the mode of the developed countries in services trade negotiations quite well.

Box 2

The Four Modes of Supply

Mode 1: Cross-border supply in which neither the producer nor the consumer moves physically, interacting through telecommunication or some other network.

Mode 2: Consumption abroad, where a consumer moves temporarily to a new supplier's country of residence.

Mode 3: Commercial presence, where a commercial organisation moves to the consumer's country of residence; or

Mode 4: Presence of natural persons where an individual service supplier moves temporarily to the consumer's country of residence.

Source: GATT 1994.

Liberalisation commitments of member countries provide interesting insight into the political economy of liberalisation. As anyone would expect, countries have scheduled commitments in areas where they already have, or expected to have, comparative advantages. As such, developed countries committed in many areas as they possessed comparative advantages in many sectors and the potential for gains from liberalisation was higher for them due to technological advantages and competitiveness. They also possessed infrastructure and other requirements for successful export expansion of services, giving them a natural advantage over services sectors over developing countries. Developing countries on the other hand knew that there was only a limited scope for liberalisation in the services sector as they were at a much lower stage of development. Some countries scheduled commitments out of necessity to participate in the agreement.

Box 3

Major Services Sectors

1. Business Services; 2. Communication; 3. Construction & Related Engineering; 4. Distribution; 5. Educational; 6. Environmental; 7. Financial; 8. Health Related & Social Service; 9. Tourism & Travel Related Services; 10. Recreating, Cultural & Sporting Services; 11. Transport Services; and 12. Other Services not Included Elsewhere.

Source: GATT 1994.

Commitments that are applicable across all sectors, known as horizontal commitments, have effectively excluded several modes of trade in services. For example, almost all countries have exempted immigration laws and policies from GATS disciplines, where the coverage is restricted to the movement of highly skilled or professional workers. The way commitments have been made indicates some asymmetry in which member countries treat labour and capital.

Built-in-Agenda

Post UR multilateral negotiations on services were mainly centred on the built-in-agenda, which included, *inter alia*, financial services, telecommunication services, air transport services, GATS rules, domestic regulation and specific commitments in selected sectors. Services sector would have seen a major upward thrust in liberalisation had Seattle Ministerial meeting been successful. Despite this apparent failure, works within various committee continued. For example, during 1999, air transport services have been taken up for discussion; discussion on MFN exemptions as mandated by paragraph 3 Annex on Article II exemptions has started; working party on GATS Rules has undertaken negotiating mandates on safeguard under GATS Article X; emergency safeguard measures are under consideration; discussions on domestic regulations with a heavy bend on horizontal commitments have started.

As such, it is fair to say that services trade liberalisation under WTO has somewhat dampened, yet work within existing committee framework continue unabated. It is noteworthy to mention that 'Seattle failure' provides only a breathing space for developing countries. It is high time that we took a hard look at our stake in the area of services, with a view of developing a comprehensive and cohesive programme to safeguard our interests in future negotiations and liberalisation.

The GATS, Article XIX of Part IV, provides that WTO Members shall enter into "successive rounds of negotiations with a view to achieving a progressively higher level of liberalisation" of trade in services starting no later than January 2000. These negotiations cover GATS rules as well as sectoral issues.

The GATS architecture allows further negotiations to define disciplines in the areas of emergency safeguard measures (Article X), government procurement (Article XIII) and subsidies (Article XV). The Working Party on GATS Rules has already conducted information exchange on these issues. In addition, the built-in agenda includes trade in services and the environment, air transport sector, further liberalisation of services, future negotiation and MFN exemptions for special review.

Negotiations on financial services, maritime services, basic telecommunication services and movement of natural persons were extended after the completion of the UR Negotiations. The agreement on financial services, based on MFN treatment, was concluded in December 1997. Negotiations on maritime services have been suspended and are to resume with the commencement of comprehensive negotiations on services under Article XIX. Negotiations on the movement of natural persons and basic telecommunications were concluded on July 5, 1995 and February 1997 respectively. For professional services, it was decided to work on multilateral disciplines to ensure objectivity and transparency of domestic regulatory requirements.

The work programme mandated by the Ministers requires, *inter alia*, an effective review of implementation of measures of all MFN exemptions granted for a period of more than five years, an assessment of trade in services in overall terms and on a sectoral basis with reference to increasing participation of developing countries (Article IV. 1). In addition, the Geneva Ministerial declaration calls for an early resolution on global electronic commerce and presenting a report to the Third Ministerial Conference (Geneva Ministerial Declaration, 1998).

Constraints in Deriving Benefits

Shares of exports as a percentage of world exports in the SAARC have gone down from abysmally low 1.1 percent in 1970 to 1.0 in 1998 (WDI, 2000). This share had been around 0.7 percent in the 1980s, which partially improved in the 90s but has not regained the share that had been in the 1970s despite having introduced trade liberalisation and reforms – embraced as the 'magic wand' of prosperity. The Geneva Ministerial Declaration (WTO, 1998) acknowledges this marginalisation. While it is important to recognise that poor export performance of developing countries is a result of multitude of factors, multilateral framework is also a contributory factor to the extent that it limits market access for developing country exports. Implementation experience is closely related to sectoral commitments, which are reviewed briefly.

In Financial services, the combined commitments of the 71 WTO Members cover more than an estimated 95% of world financial services. Among the numerous and complex liberalisation commitments, relaxation or elimination of limitations on foreign ownership, juridical form of commercial presence such as branches, subsidiaries, agencies, representative offices, etc. and the withdrawal of broad MFN exemptions based on reciprocity are the two major measures that would determine the future trends in the world financial market.

Most of the commitments in the telecom sector made during the UR negotiations reflect the preference for opening markets for value-added services rather than for basic telecommunication. Seventy members have made commitments in the telecom sector, including the 59 countries that made commitments during the UR. These commitments largely represent the interests of developed countries to liberalise "value-added" products, including electronic mail services, on-line data retrieval services, multimedia and other advanced telecommunication services. As for basic telecommunications, 83 Members have made commitments (WTO, 1999), which include 52 developing countries and economies in transition.

A noteworthy feature is the stark differences of commitments between basic and value-added services, where developed countries have imposed fewer limitations on value-added services across three modes of supply, namely cross-border, consumption abroad and commercial presence. Developing countries on the other hand have recorded a higher incidence of commitments on commercial presence mode. Further market access limitations include: the number of suppliers permitted, number of operations and types of legal entity and the participation of foreign capital. Market access is still limited as several factors limit the operations of foreign-service providers. Among these measures, tax measures, nationality requirements, residency requirements, licensing, standards, qualifications, registration, authorisation and the limit on ownership of property and land are quite significant. Value-added services are much freer than basic telecommunications.

Telecom liberalisation can pose some difficulties for policy makers in South Asia. First, this is an entirely new area for most SAARC Member countries. Market structure, regulatory framework and technology are all evolving simultaneously making it difficult to foresee the changes necessary. Lack of concrete information on value-added services, nature of competition and lack of knowledge on the importance of a strong sector hinder any progress towards building a political consensus on negotiations. It is difficult to convince the voters on the benefits of liberalisation of telecom sector as infrastructure and resources required to start exporting value-added services are very much in short supply in South Asia. More tangible benefits can arise only through efficiency gains and productivity improvements in manufacturing and other services industries such as tourism, IT sector, accounting services, etc.

Air transport is a sector with very low liberalisation commitments. The commitments cover only three areas: maintenance and repair, supporting services including sales and marketing and computer reservation systems (UNCTAD, 1998). The fourth mode of supply, i.e., the movement of natural persons, has the minimum number of commitments. Airports, air traffic control systems, cargo terminals and other infrastructure are in bad state, management is poor and there is no coordination among various agencies and sectors to provide efficient services. All these factors have contributed to limit South Asia's ability to provide air transport services even within the region – let alone penetrating other regions.

Lessons for Future Negotiations

Previous multilateral negotiation under GATT, and the limited experience in services negotiations, provide extremely useful lessons for future negotiation strategy for South Asia. South Asia needs to have a coherent initiative. It is pertinent to realise that developed countries pursue their policies and initiatives in a coherent and coordinated manner, including extensive research programmes within intergovernmental bodies, specialised research organisations and the private sector. The findings are widely disseminated with a view to creating awareness among various stakeholders. In case of services negotiations, Marhayekhi (1999) has documented how American Express Company (AMEX) was instrumental in establishing the Coalition of Services Industries, helping to conduct research in the United States and abroad with a worldwide participation, which was also supported by the US Trade Representative. The objective has been to strengthen worldwide free trade lobbies, to build coalitions and carry forward the agenda that suits their interests. From this experience, it is clear that South Asia has to follow a similar effort in identified areas in the future. Collecting information on the access barriers met by the private sector, monitoring and understanding the forces that shape policies both globally and locally, identifying the 'primary movers' behind initiatives in developed countries and their underlying motives should form the foundation of such a move.

Issue-based alliances regardless of geographical factors could play a positive and more vital role in pursuing our trade agenda in multilateral fora. For example, some developing countries from Africa and Asia were instrumental, although with limited success, in designing the current structure of GATS, inclusion of the movement of persons and limiting the scope of trade-related investment measures (TRIMS). This effort did not continue with the same vigour thereafter due to some reasons. Re-establishing such informal core-groups for preparing initiatives and counter proposals is very much needed at this juncture. Geographic alliances can still be used as a strategy where necessary. The complexity of trade negotiation would require a close coordination among the state, academia, consumer groups, producers and other NGOs.

Developing countries must have a clearly defined negotiation strategy, based on a clear conceptual framework and understanding. Any strategy must also have a fallback position, if it becomes necessary to concede to the demands of developed countries. The concepts such as 'trade and investment in services', 'delivery mechanisms', the movement of persons across borders need careful deliberations. Symmetry between capital and labour must be scrutinised. The 1988 Montreal Ministerial Mid Term Review of the UR accepted that work would proceed on a flexible definition of 'trade in services' to include the movement of factors of production across borders, which is very much in the interest of developing countries.

South Asian countries need to conduct a thorough study to identify the key areas within the service sector in which they have comparative advantage. Prasad and Katti (1998) identified the services outlined in Box 4 in which India has a comparative advantage. A region-wide study should be conducted to see if they are applicable across the entire region.

Box 4

Possible Areas of Comparative Advantage

- Super speciality hospital services
- Satellite mapping services
- Standardisation and quality assurance services
- Printing services
- Maintenance services
- Technology intensive educational services

Source: Prasad and Katti (1998) cited in Katti, 2000: pp 35-39.

A major barrier for export of labour-intensive services from developing countries is the 'economic needs tests' imposed by developed countries. There is lack of general criteria in developed countries, although they press developing countries for such criteria. In addition, developing countries must have a clear understanding as to whether they should pursue sectoral negotiations. Developed countries seek competition policy on sectoral basis, while a different framework is used for services sector negotiations. We should understand why? It may just be that competition policy in selected sectors may prove to be advantageous for the interests of developed countries.

Several other areas need careful scrutiny. One such issue is whether it is in our interest to allow multinationals to seek their home country governments to intervene in advancing their interests in host countries, protecting their vital interests when and if they feel threatened, maintaining de facto better treatment than national treatment they receive in many cases.

Similar reciprocal process does not exist to advance our interests in developed countries. This is a clear departure from the 'Calvo doctrine', adopted by Latin American countries in 1868, which established that an alien company set up in a state has the same right as a local company, but they were barred from using home country government or foreign countries for protection of their interests (Mashayeki, 1999). GATS is a clear departure from this doctrine for two reasons. First, sales of foreign firms in the host country market are defined as 'exports' of services. Second, any action(s) affecting these exports are the legitimate subjects of the home country governments to take up with the dispute settlement body (DSB).

A Positive Agenda

As a part of our agenda, South Asia needs to identify potentials, weaknesses and constraints of service sector in a more open and liberalised environment. Linkages among various service sectors should be identified. This must provide guidance on the critical service sectors, where foreign participation may have larger potential to contribute, in terms of technology, institutional arrangements and human skills. A viable and feasible option for South Asia would be to think of liberalising sectors that would have the highest potential for intra-SAARC trade. ASEAN, for example, recently established an ASEAN Investment Area and launched a round of negotiations with the objective of liberalising services with a view to promoting regional trade and investment in services.

A few sectors can contribute immensely to improve the economic potential of South Asia. Labour is one such service sector with tremendous potential. Effective liberalisation of labour services in the developed countries can be of immense significance. We should also be mindful of our own restrictions that hinder inward movement of labour where potential exists for productivity improvements. For example, foreign direct investment in a country's service industries may be constrained by restrictive policies on the entry of foreign personnel. Our ability to negotiate and enter into agreements across several sectors is essential to benefit from our comparative advantage in labour. There must be some room for cross negotiation between telecommunication, financial and even commodity trade. If a large number of countries expect to benefit in one area or another, as The Least Developed Countries Report 1998 maintains, there must be possibility for receiving benefits in another area.

Market accesses limitations, such as the number of regional branches that should be effectively maintained and number of local personnel that should be trained at higher managerial positions, all provided under the GATS, should be utilised until domestic financial institutions become more efficient and effective globally. If needed, further market access limitations and transitional periods must be negotiated as a part of the agreement.

The UR negotiations on financial services have been dominated by the definition of modes of supply, prudential measures, recognition of prudential measures of members and securing expertise in dispute settlement. While prudential measures serve several useful functions such as the protection of investors, depositors and ensure the integrity and stability of the financial system, they are increasingly being used as effective barriers for international trade in services. Since they are part of the regulatory system of any country, requirements for excessive changes into the regulatory system may prove to be unsustainable, giving a strong reason to include it in the agenda.

Another area of concern is MFN exemptions. If some MFN exemptions are removed or the number and level of commitments are increased, much further liberalisation of certain sector such as air transport services can be achieved within the existing parameters. The appropriate question from the perspective of the positive agenda of developing countries is whether the incorporation of such conditions would improve our position. It is tenable to think that South Asia would have to improve their competitive position and efficiency in order for them to gain more market access in many of the services sectors.

Another element that could be included in the positive agenda of developing countries is broadening the definition of a juridical person that is 'owned' or 'controlled.' A more flexible definition would allow developing countries to increase their market access through joint ventures. Alternatively, GATS should be flexible to accept the concept of "community of interest", which allows for a group of countries to form alliances and provide services jointly. One clear example is Air transport resources where, provided South Asia can coordinate the available rsources, potential exists for such joint operation such as aircrafts, navigation systems, information collection, marketing, research activities, and maintenance and repair facilities. Such a system can be developed taking into account the complementarities of resources available within a region.

South Asia has all the reasons to be concerned over restrictions that may be imposed by multilateral agreements over their right to provide services within the region, which is necessary in the present global environment to develop capabilities before entering into the global marketplace. Such a regional approach to multilateral negotiations could be acceptable as it allows for liberalisation while providing the developing countries some breathing space to develop skills and expertise necessary to manage their own air transport services in the future.

South Asia is likely to gain from an expanded definition of movement of natural persons through a multilateral agreement, as the region is leading the world in terms of workers' remittances since 1993 (UNCTAD, 2000)[2]. The Annex on the Movement of Natural Persons Supplying Services under the GATS defines natural persons as seeking non-permanent entry to supply services abroad. However, status of non-permanent and temporary employees tends to be interpreted differently from one category to another, and differently in various countries, severely limiting the scope of the agreement. Immigration and labour laws regulations including 'economic needs test', work permits, etc. imposed by developed countries severely limit the movement of unskilled labour. No legal provisions exist in GATS to challenge any rejection of entry, while many such provisions exist for the movement of goods and capital.

In order to correct the asymmetry of agreements with respect to movement of capital and labour, substantial improvement in the area of the movement of natural persons is needed. Since it is apparent that many countries including South Asia would not be ready to abandon the use of such tests at present, the best remedy at present would be to develop multilateral guidelines related to criteria, duration and procedures for application multilaterally. Improving transparency in regulating movement of persons, facilitation of the movement of those that meet the criteria agreed upon without additional administrative barriers and sector-wise negotiations could provide tangible benefits in the immediate future.

Conclusions and Recommendations

South Asia has enormous potential in the area of services exports. This does not mean that South Asia should focus its efforts entirely on services or information technology. Economy should not be misdirected using incentives or tax structures as such intervention could lead to large resource misallocations, hindering a balanced growth in the economy.

In order to realise the potential for exports of services, South Asia must implement a two-pronged strategy. One is to engage effectively in multilateral fora such as WTO to advance its agenda. Since South Asia has tremendous potential as an exporter of labour services, enough effort should be made to incorporate adequate disciplines into the GATS, including measures that would minimise barriers such as nationality requirements, residency requirements, licensing, standards, qualification requirements and registration requirements.

Broadening the scope of GATS that would enable cross linkages between services and goods can play a vital role in several areas where there is a possibility for receiving reciprocal benefits from developed countries in exchange for opening our markets to their products and services. Adequate safeguards must be ensured for small-scale industries and smaller countries to improve managerial skills, catch-up with technology and achieve a minimum level of efficiency needed to compete with multinationals.

We should also push for full implementation of the provisions containing in the GATS with regard to increasing participation of developing countries. If necessary, new disciplines must be incorporated into WTO provisions to prevent multinationals becoming monopolies and to ensure the establishment of a mechanism whereby a country or countries jointly can initiate anti-competitive action. Second element of the strategy is the implementation of a coherent programmeme to upgrade infrastructure needed for effective provision of services. Human resources development and improvement of infrastructure in selected key areas including roads, telecommunication and energy must be made the top priority of government development programmes.

Liberalisation must be carefully planned taking into account the potential for private or public sector investment, efficiency improvement through foreign participation and their impact on employment and income generation. Although we would like to have some sectors under local control, capital, technology and skill requirements can be substantially high making it imperative to liberalise them.

Recommendations

- Introduction of a more neutral policy towards agriculture, industry and services.
- Implementation of an effective programme to develop human skills and key infrastructure.
- Creating an environment for enabling the private sector and civil society organisations to take active participation in building alliances and creating a comprehensive proposal for services negotiation.
- Pushing for more transparent and predictable rules under the GATS on movement on natural persons, quite akin to the movement of other services, goods and capital.
- Engaging effectively in multilateral forums such as the WTO with a clearly defined strategy.
- Preparing a common South Asian position, wherever possible and developing issue based alliance with other countries or blocs during the built-in review of the Services Agreement.

Endnotes

1 Bhutan and Nepal are still not members of WTO. Nepal is in the process of accession.

2 India topped the list of countries receiving worker remittances in the world since 1993, where it received $ 9,453 million in 1998. The second highest country, Mexico, received only $ 5,627 million during the same year.

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