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## COMMUNICATION FROM CUBA, DOMINICAN REPUBLIC, KENYA, NIGERIA, PAKISTAN, SENEGAL AND ZAMBIA

### Assessment of Trade in Services

The following communication has been received from the above-mentioned delegations with the request that it be circulated to the Members of the Council for Trade in Services.

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Developing countries have been expressing their interests and intents relating to the conduct and results of assessment of trade in services.<sup>1</sup> This communication builds on these previous submissions and makes an attempt to identify some preliminary results that can be inferred from the assessment of trade in services as it has been conducted to date.

Developing countries recognise the potential benefits of liberalization in trade in services for their economies. However, gains from services liberalization have often been nullified by such factors as limited access in modes and sectors of export interest to them and/or supply-side constraints. Therefore, though they recognise the contribution of services to GDP and employment in their economies and by extension the potential of services exports for economic development, developing countries consider that the assessment of trade in services, as mandated in the GATS, should be conducted in overall terms and on a sectoral basis with reference to the objectives of the agreement including those set out in paragraph 1 of Article IV in order for them to participate in a commercially meaningful manner in the services negotiations.

Available data, though not adequate and complete in all respects, does allow the drawing of inferences. Much discussion has been devoted to the lack of internationally comparable statistics on services. However, it is also important to re-emphasise that a qualitative assessment is likewise possible and necessary (especially as several of the goals of Article IV are of a qualitative nature). Lack of comparable statistics does not prevent assessment. What can be done with the available information should not be underestimated. In that context, the contribution of Argentina to assessment is a good example.<sup>2</sup> Document S/CSS/W/44 successfully analysed the available figures with a view to identify those factors and trends, which are relevant for the current negotiations, in particular from a developing country perspective.

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<sup>1</sup> For example the Communication from Cuba, Senegal, Tanzania, Uganda, Zimbabwe and Zambia, Assessment of Trade in Services, S/CSS/W/132, 6 December 2001 and the Communication from Cuba, Dominican Republic, Haiti, India, Kenya, Pakistan, Peru, Uganda, Venezuela and Zimbabwe, Assessment of Trade in Services, S/CSS/W/114, 9 October 2001.

<sup>2</sup> Assessment of Trade in Services: the Participation of Developing Countries, S/CSS/W/44, 29 January 2001.

It is believed that the following results of assessment, based on available research and analysis, will go a long way in assisting developing countries formulate appropriate "requests" and determine the feasibility of "offers" to be made, notwithstanding the fact that assessment of trade in services remains an ongoing activity of the Council for Trade in Services.

### **Results of the Assessment of Liberalization of Trade in Services**

1. *The fundamental objective of the GATS Preamble – to achieve an overall balance of rights and obligations for all WTO Members – has not been attained.* Developing countries have made what for them represented substantial commitments under GATS with respect to many service industries but have not received concessions of any meaningful economic value, including under the movement of natural persons mode of supply.<sup>3</sup> This imbalance was further accentuated with the major commitments that some developing countries undertook autonomously including under structural adjustment programmes<sup>4</sup> and as a result of the negotiations on financial and telecommunication services, without receiving reciprocal benefits.

2. *Developing countries' share of world services exports has only increased by a small percentage.* In the period from the adoption of the GATS to 1999, the increase had only been of 6 per cent, mostly due to the export competitiveness of Asian developing countries. On the other hand, developed countries account for three quarters of world exports of services and represent most of the 20 top exporters in different services sectors.<sup>5</sup> Moreover, many service sectors are characterised by a high degree of concentration. Service providers from developing countries (most of whom are SMEs) face competition from larger service multinationals.<sup>6</sup> Thus, services trade liberalisation under the GATS has only in part led to increasing developing countries' services exports, in particular when compared to developed countries service exports. *Most trade in services still takes place between rich countries.*<sup>7</sup>

3. *For some developing countries, growth in imports has been larger than growth in exports,* and many of them face a deficit in trade in services in most sectors.<sup>8</sup> Thus, the growth in exports of services under the GATS has been more than offset by the growth in service imports.

4. *The specific objectives of GATS Article IV have not been achieved.* Developing countries face a number of critical barriers to their services exports – ranging from prohibition of access to services markets (e.g. nationality, residency or visa requirements); price-based measures (e.g. entry and exit taxes, visa fees, tariffs on goods in which services are embodied); subsidies granted in developed countries (including the high-technology sectors); technical standards and licensing requirements; and lack of transparency in government measures. Moreover, the access to information channels and

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<sup>3</sup> UNCTAD, 1999, Assessment of Trade in Services of Developing Countries: Summary of Findings, UNCTAD/ITCD/TSB/7.

<sup>4</sup> UNCTAD, 1999, Assessment of Trade in Services of Developing Countries: Summary of Findings, UNCTAD/ITCD/TSB/7, paragraph 8 and UNCTAD, 1998, Scope for Expanding Exports of Developing Countries in Specific Services Sectors Through all GATS Modes of Supply, Taking into Account their Interrelationship, the Role of Information Technology and of New Business Practices, TD/B/COM.1/21.

<sup>5</sup> UNCTAD, 1999, Assessment of Trade in Services of Developing Countries: Summary of Findings, UNCTAD/ITCD/TSB/7 and UNCTAD, 2000, Positive Agenda and Future Trade Negotiations, New York and Geneva, United Nations.

<sup>6</sup> UNCTAD, 1999, Assessment of Trade in Services of Developing Countries: Summary of Findings, UNCTAD/ITCD/TSB/7.

<sup>7</sup> World Bank, 2001, "Trade in Services: Using Openness to Grow" in Global Economic Prospects.

<sup>8</sup> UNCTAD, 1999, Assessment of Trade in Services of Developing Countries: Summary of Findings, UNCTAD/ITCD/TSB/7.

distribution networks are subject to discriminatory processes and have restricted competition.<sup>9</sup> Thus, services trade liberalization under the GATS does not either *per se* and automatically bring about benefits for developing country economies, their services providers and consumers or lead to the achievement of objectives under Article IV of GATS.

5. *Benefit from privatisation and liberalisation is not automatic* without the appropriate preconditions<sup>10</sup> and policies to encourage and enhance technological capacity and diffusion as well as complementary policies to help improve access to essential services for the poor.

6. *Liberalisation of services entails adjustment costs.*<sup>11</sup> Thus, without adequate flanking policies services trade liberalisation under the GATS might not achieve its overall goal, inscribed in its Preamble, to promote the economic growth of all trading partners and the development of developing countries. Developing countries' need to give priority attention to the provision of universal access with regard to essential services and public goods can only be met if they are provided with the institutional and capacity building support to maintain adequate flanking policies.

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<sup>9</sup> Ibidem, paragraph 18

<sup>10</sup> UNCTAD, 2000, Positive Agenda and Future Trade Negotiations, New York and Geneva, United Nations and World Bank, 2001, "Trade in Services: Using Openness to Grow" in Global Economic Prospects.

<sup>11</sup> World Bank, 2001, "Trade in Services: Using Openness to Grow" in Global Economic Prospects.