



Economists urge governments to facilitate services exports within the region

By Dilshani Samaraweera

Economists say South Asian governments should facilitate services exports within the region, as demand from western markets is contracting due to the global recession. Economists noted that businesses that did not find regional exports profitable previously, may now be forced to consider this option.

“When markets are getting squeezed, the private sectors will need to consider alternative markets. The region offers an alternative. We need to consider trade in services within the South Asian region, and also with ASEAN (Association of South East Asian Nations),” said Senior Economist, UNCTAD, India, Rashmi Banga, speaking at a conference on liberalising services in the South Asian region, organised recently by the Institute of Policy Studies and the UNDP Regional Centre in Colombo.

Governments are also warned to brace for an influx of thousands of returning migrant workers, one of the biggest types of service exports from South Asia to the world.

“Already there are job losses in migrant markets. If this continues our migrant labour force will be badly affected. This means remittances will reduce and people will also start coming back home soon. This can cause many difficulties,” said the Managing Director of Business Horizons, Pakistan, Waqar Ahmed.

A number of services have already been identified as ‘potential areas’ to increase services exports within the South Asian region.

These include migration, transport services, communication, energy, tourism, financial, construction education, health, and business services. Governments are advised to step in, to help speed up the exports of these services. The Sri Lankan government says it is trying to help by increasing ‘connectivity’ in the region, to boost both goods and services trade. For instance, the Hambantota Port in the South of the island, that is now being built, will connect South Asia with East Asia.

“Connectivity is an enabling factor to spur regional growth and economic cooperation,” said an Advisor to the President on Foreign Affairs, Nihal Rodrigo. “To enhance connectivity, facilities like port services in southern Sri Lanka, for transit trade between China and East Asia, and also the Middle East and Africa, are being developed,” said Mr Rodrigo.

The SAARC (South Asian Association for Regional Cooperation) is also working on a regional agreement to liberalise trade in services among South Asian countries. An agreement is expected to be finalised during a meeting of the SAFTA Ministerial Council in July, in the Maldives.

However, the SAARC is known for missing its own deadlines regularly and analysts say that although an ‘agreement’ may come soon, actual implementation will take much longer.

The region’s movement of people and services are seen as too tightly regulated with no mutual agreements among different types of service providers in the different countries, to allow a quick increase in service exports. Services trade among South Asian countries is still only in the region of about 2.5% of the region’s global trade.