



Liberalisation of services vital for South Asia

IQBAL MIRZA

KARACHI (April 13 2007): An international conference on "Trade in services in South Asia: Opportunities and Risks" has considered it essential that South Asian countries take up the liberalisation of services in a serious manner.

The issue was discussed at the conference, jointly organised by Fredrick Ebert Stiftung and the Institute of Policy Studies, in Colombo, Sri Lanka, on April 4-5.

According to details of the deliberations available here on Thursday, it was observed that services had taken on an increasingly important role in South Asian economies, overtaking industries and agriculture as the largest contributor to GDP in most Saarc countries.

For instance in Sri Lanka services contribute 57.1 percent of GDP and the figures for India, Pakistan and Bangladesh are 53.8 percent, 53.3 percent and 51.5 percent respectively.

Many services have great underlying importance for the performance of the economy as a whole. Increased efficiency in sectors such as telecommunications, transport and finance will resonate throughout the economy, improving performance in agricultural and industrial sectors as well.

G I Peiris, Minister of Export Development and International Trade, Government of Sri Lanka inaugurated the conference. Speaking on the importance of services, he emphasised the creation of enabling environment to harness potentials of trade in services in South Asian region. Different development levels of South Asian countries should be taken into account and this difference should be used to give concessions to the Least Developed Countries, (LDCs), he said.

In total eight papers were read, one each from the seven Saarc countries and on comprehensive paper on South Asia. In the papers and the discussion, which followed it was found that while multilateral liberalisation of trade in goods has taken place for the last half century, service liberalisation began only with the end of the Uruguay Round and it is a relatively new phenomenon

The implications of liberalising trade in services in South Asia have been poorly understood. Since with economic development, services have an important role to play in the economy, depriving this sector of the benefits of liberalisation would result in an escalating opportunity cost. Therefore, it is essential that South Asian countries consider the liberalisation of services in a serious manner.

Pakistan was represented at the conference by Engr M A Jabbar, former Vice-President, Federation of Pakistan Chambers of Commerce and Industry, Fasihuddin from Institute of Policy Studies, (IPS), Islamabad, and Zubair Faisal Abbasi, UNDP, Islamabad. In a session presided over by M A Jabbar, a paper was presented by Fasihuddin elaborating the context of services trade liberalisation in Pakistan which started during 1990s as autonomous liberalisation processes. He mentioned a number of areas, including legal and institutional issues related to General Agreements on Trade in Services (GATS), which need collaboration at the South Asia regional level.

Engr Jabbar opined that liberalisation in services could improve both access and efficiency of service sectors, reducing their cost and increasing quality. However, he emphasised on the importance of human development, which could also be positively affected through services such as health and education. Though these sectors were usually the realm of state supply, there are avenues for liberalisation as well, he said.

He said that prior to embarking on negotiations and locking in commitments at WTO, it was essential that a country had a strong grasp of its own offensive and defensive interests. This responsibility lies not just with the state. Research input from academics and civil society will play a critical role in helping state negotiators get a deeper and broader understanding of their own nation's interests

He also said that multi-sectoral dialogue and debate with key stakeholders was essential in identifying these interests. It is important to identify the interests of consumers, exporters, domestic producers and to balance these interests such that a positive impact is felt overall

Being developing nations and LDCs, South Asia needs to be weary of the impact of liberalisation on the poor. Given the fact that certain sector markets are imperfect, liberalisation could result in medium to long-term unemployment in certain un-competitive sectors in Pakistan, he said.

Engr Jabbar said that the trade deficit in services was half of the total deficit of Pakistan's trade. Total imports of services from Pakistan are around \$8150 million while exports touch merely \$3748 million. He said that economic managers in Pakistan and their negotiators in Geneva should clearly chalk out offensive and defensive interests so that Pakistan has a vision for trade in services.

Participating in the discussions Abbasi remarked that it was important to make adjustment periods as harmless as possible and strike a balanced compromise between the medium term hazards of increased unemployment and the longer term benefits of increased competitiveness. Domestic regulation is another critical issue for developing nations. South Asia has historically been plagued with over-regulation. What is required is effective regulation.

This is particularly important in the service sector where the "goods" cannot be inspected prior to consumption. Regulation is even more important in services like health and education, which have important social impacts, and services like telecommunication and finance, which have important economic impacts.