

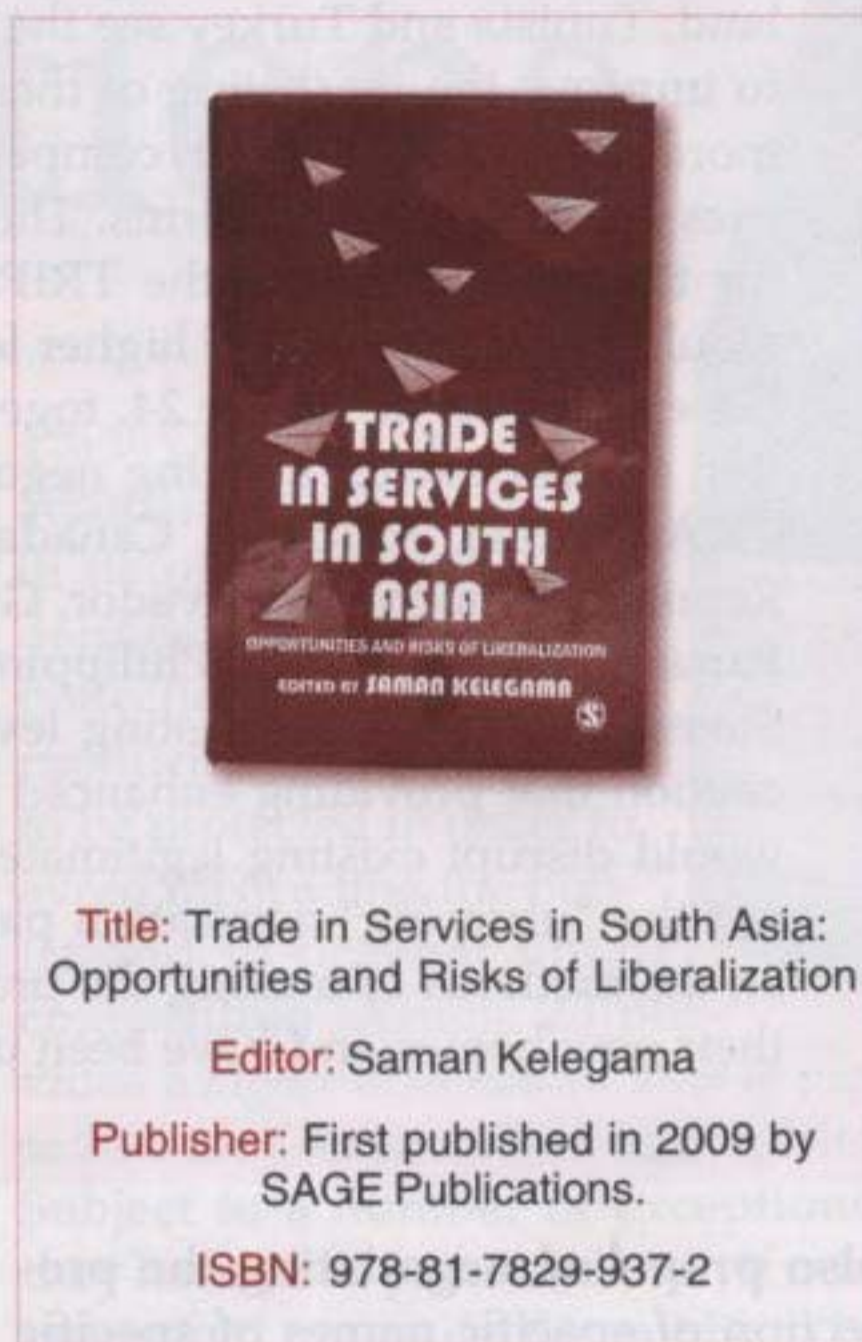
Beyond goods liberalization

With the rapid growth of the services sector and its trade, services liberalization is assuming growing importance across many countries. As services have a complex and dynamic relationship with other economic sectors coupled with far-reaching implications for human development, developing and least-developed countries need to assess the opportunities and risks of services liberalization, and accordingly, develop negotiating positions for bilateral, regional and multilateral negotiations.

In South Asia, where services have overtaken agriculture and industry as the top contributor to gross domestic product (GDP) in most countries and foreign trade in services is growing rapidly, services liberalization is a burning issue. Besides the fact that almost all South Asian countries, by virtue of being World Trade Organization (WTO) members, have to implement the General Agreement on Trade in Services (GATS), the perception that regional trade in services has more complementarities than regional trade in goods is driving efforts to include services in bilateral preferential trading arrangements as well as in the Agreement on South Asian Free Trade Area (SAFTA).

Saman Kelegama, of the Institute of Policy Studies of Sri Lanka (IPS), has a knack for coming up with timely publications on topical trade issues in South Asia. *Trade in Services in South Asia: Opportunities and Risks of Liberalization* is his latest offering. Edited by Kelegama, the book is a collection of essays exploring the opportunities and risks of services trade liberalization in South Asia.

The seven country chapters on India, Pakistan, Sri Lanka, Bangladesh, Nepal, the Maldives and Bhutan present the trends in the services sector and trade in these countries, level of protection and liberalization initiatives, competitive advantages and offensive and defen-



Title: Trade in Services in South Asia: Opportunities and Risks of Liberalization

Editor: Saman Kelegama

Publisher: First published in 2009 by SAGE Publications.

ISBN: 978-81-7829-937-2

sive interests in various sectors and GATS-defined modes of supply, and prospects for further liberalization at bilateral, regional and multilateral levels. These country chapters are followed by a chapter providing a "South Asian Perspective" on liberalizing trade in services and another providing an overview of the scope and nature of the GATS Domestic Regulation disciplines. The essays in the compilation throw light on the challenges that South Asian countries face while complying with GATS regulations, with their inadequate legal provisions and regulatory structures.

Notwithstanding such insights, the book does not answer satisfactorily the critical question of addressing the possible negative implications for human development of liberalization of services such as health and education. South Asian countries opening up such services to their domestic private sector have witnessed deterioration in equity in access to the services. The arrival of foreign services providers, from within or outside the region, is no guarantee that domestic consumers will

be charged competitive prices and the equity situation will improve or at least not deteriorate.

Another lacuna is that although almost all chapters note the fact that employment in services has failed to keep pace with services' increased contribution to GDP and the services trade growth, no attempt is made to analyse the problem in depth and suggest ways to make services trade more employment generating.

Not all country chapters comprehensively deal with the possibilities for regional cooperation on services liberalization, detailing what each country expects from others and what it can offer them in return. It would have been better if all the country chapters had followed the same format.

The chapter that provides South Asian perspectives on services liberalization, authored by Rashmi Banga, does not deal with issues of importance to all South Asian countries in a balanced manner. It focuses on India, Pakistan, Sri Lanka and Bangladesh and takes little account of Nepal, the Maldives and Bhutan. It is not clear how exactly these three small least-developed countries (LDCs) are going to benefit by opening up services regionally. Also unaddressed is the balance-of-payments concerns of LDCs.

Furthermore, the methodology behind analysing the competitiveness of individual countries in the four modes of supply is not clear. Banga erroneously concludes that for Nepal, Mode 2 assumes greater significance as compared to Mode 4. In fact, workers' remittances are Nepal's premier source of foreign exchange earnings, about seven times higher than tourism receipts.

These limitations notwithstanding, all in all, the book is a must-read for anyone interested in the changing paradigms of services trade, not least policy makers and researchers. ■