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Book Review: Trade in Services in South Asia

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BOOK REVIEWS

SAMAN KELEGAMA (Ed.), *Trade in Services in South Asia*. New Delhi: SAGE, 2009, pp. 306, ₹ 750.

When services were brought into the *General Agreement on Tariffs and Trade* (GATT)/World Trade Organization (WTO) framework during the Uruguay Round of trade negotiations, developing countries were rather opposed to it. However, the situation has changed now as some developing countries have become important exporters of services in recent years. Consequently, they are taking active interest in services trade. This gain in trade in services is however not even across developing countries. In South Asia, the major gainer from this trend is India. Since this growth in trade in services, particularly in developing countries, is a recent development, there is inadequate understanding of different dimensions and complexities of services trade. A new volume is thus a welcome addition to the existing literature.

Apart from the introductory chapter by the editor, the book has nine chapters, two of which are from a South Asian perspective, while the other seven chapters relate to seven countries in the region. The chapter on India by Rupa Chanda offers a good analytical review of the services trade in India. It makes the interesting observation that the General Agreement on Trade in Services (GATS) has played little or no role in increasing India's export of services; neither has it provided new market opportunities nor has it prevented the emergence of protectionist measures in key markets. India's export in services is driven mainly by technology and business dynamics. The chapter also discusses the complementarities in trade in services that India has with other countries in the region.

The chapter on Pakistan by Fasih Uddin portrays rather a gloomy picture of services trade in the country. Pakistan has gone through significant liberalisation in the services sector, both autonomously and under GATS. However, there has been continuous deterioration in the balance of services trade putting severe pressure on the balance on payments. The liberalisation programme has largely been guided by requests from others rather than assessments of the competitive position of domestic sectors or impact assessment of the services sector. It appears that the country is not yet ready for further liberalisation of the services sector. The chapter on Sri Lanka by Deshal de Mel also makes a similar observation. Both chapters also emphasise the non-availability of qualified and trained manpower as a major bottleneck for enhancing competitiveness of the services sector.

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The chapter on Bangladesh by Ananya Raihan shows that despite rapid growth of the services sector in the country, trade in services remains small. Moreover, a very small part of this trade is with South Asian countries and almost three-fourth of this is with one country—India. Bangladesh remains a net importer of services. The chapter argues that the country might gain from liberalisation of services in some sectors but caution must be exercised as the risks can be high too. It argues in favour of a more liberal regime for movement of natural persons within South Asia.

The chapter on Nepal by Navin Dahal highlights the fact that Nepal had to undertake significant liberalisation commitment due to the fact that it was a later entrant at the WTO, despite being a least developed country (LDC). As a result, it has the highest level of commitments under GATS. It identifies tourism and health services as potential areas of trade in services apart from its advantage in movement of natural persons. It may be noted in this context that additional gains from this mode within South Asia can be small as it faces an already liberal regime in India which is the major market in South Asia. The chapter also argues that Nepal is likely to gain significantly from the emergence of India as a major hub of trade in services, particularly in information technology and business process outsourcing.

The chapter on Maldives authored by Janak Wijayasiri and Jagath Dissanayake is an important contribution, as very little is known about services trade in Maldives. The country maintains significant surplus in trade in services mainly due to its tourism sector. Maldives probably has the most liberal services regime in the region, including in the area of movement of natural persons. It is interesting to know that about one-third of the labour force in Maldives is from other countries in South Asia. This has helped Maldives overcome its lack of qualified and trained manpower, which has been identified as a bottleneck for competitiveness in services in other countries in the region. Another interesting feature of the services sector in Maldives is that its liberalisation is largely autonomous and not through GATS or other international agreements. Thus, Maldives has retained its policy space.

The chapter on Bhutan by Pema R. Rinchen observes that the services sector in Bhutan is at a very early stage of liberalisation not only because Bhutan is not a member of the WTO but also because it started its modern economic development as late as the second half of the twentieth century. Bhutan maintains a surplus in trade in services mainly due to tourism and export of electricity. The chapter points out that the country has significant potential for exports in services but the same can have significant environmental risks. Interestingly, some other countries in the region also see good potential in tourism and may also have similar risks.

The first regional chapter by Rashmi Banga argues that greater regional integration in services trade can improve the overall competitiveness in the region, which will help South Asian countries improve their performance at the global level as well. Interestingly, such a conclusion can be drawn from some of the country chapters as well. The final chapter by Parashar Kulkarni on domestic regulation issues in the

South Asian countries, as expected, comes to the conclusion that the regulatory structures in the region remain quite weak and need to improve significantly to benefit from the potential liberalisation of services. The chapter suggests caution for further liberalisation of services sectors in the region but also argues that global integration could be better than regional integration. This is not only in contrast to what has been suggested in previous chapters in the book but also in the foreword by Aaditya Mattoo, in which Mattoo advocates greater regional cooperation, particularly for improvement in regulatory governance.

This book is an important addition to the literature of South Asia as it provides significant information and analysis about services trade in the countries of the region in a single volume. It would have been useful if the book had been more comparative and analysed why India would gain from service trade while other countries in the region would not, although they all share a common history and a cultural and institutional legacy. The answer to this could be India's ability to nurture bigger firms that can also take advantage of Mode 3 (investment abroad) to some extent. Other countries largely depended on Mode 2 (consumption abroad) and movement of natural persons and only India is in a position to take advantage of all modes of service delivery. It may be noted that some gains made by movement of natural persons in the region have not been facilitated by GATS, which facilitates only intra-corporate transfer of personnel. Much of the optimistic prognosis of services trade in the book is based on potentially greater movement of natural persons but it is doubtful if that is possible given the geopolitical scenario within and outside South Asia.

It would also have been useful if the country papers had provided a better treatment of complementarities with other South Asian countries, as was done in the India chapter. Nevertheless, the book is extremely useful for negotiators in dealing with a possible services agreement in the framework of South Asia Free Trade Area (SAFTA) as well in the context of many bilateral trade agreements now being negotiated between South Asian countries. It would also be useful for the academic community dealing with South Asia in general, and South Asian trade issues in particular.

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SAMIR DASGUPTA and JAN NEDERVEEN PIETERSE (Eds), *Politics of Globalization*. New Delhi: SAGE, 2009, pp. xxvi + 439, ₹ 850.

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The task of adding perspective to the issue of globalisation is daunting, given the range of scholarship that already exists. The manifold contours of this befuddling phenomenon have been painstakingly separated and explained with logic and clarity.