

**TANGIBLE RESULTS FROM INTANGIBLE BUSINESS -
STRENGTHENING THE LINKAGE WITH THE SERVICE SECTOR**

**A paper contributed by
Nikhil Treebhoonhun
Advisor and Head of Trade Section
Commonwealth Secretariat**

Question1: Does the export of services represent an opportunity to reduce poverty? Is it realistic to speak of a poverty-sensitive value chain for the service sector? Or should the service sector be disregarded when it comes to defining a pro-poor export strategy? Why or why not?

In 2004, global trade in Services was estimated at over US\$2 trillion by the WTO and OECD and growth is expected to remain brisk at an average rate of over 7 percent per annum. Professional services have been experiencing the fastest growth within the sub-sector. This vast and growing market is underexploited by many countries. This may be due to their limited capacity to access the markets brought about by the limited knowledge of professionals and governments to participate in this global services trade.

Therefore, the export of services does represent an opportunity to generate employment at different levels, from simple domestic services to high-end services. Tourism has the most potential for developing a poverty-sensitive value chain. The other services sub-sectors with which we have been dealing at the Secretariat are at the high end and do not impact directly on poverty. However, trade in services centres around people; services facilitate trade in goods. Services are embedded in goods trade. Hence, Services trade should not be disregarded when defining a pro-poor strategy because this is the only sector that can be included in the various aspects of the delivery process...either directly or indirectly. More work is required to elaborate strategies that link up poverty reduction directly with the export of services.

Moreover, by providing a diversified source of foreign exchange, by contributing to value addition in the economy, the export of services, particularly in small economies, becomes a necessary condition for poverty alleviation.

Question 2: Which export oriented service sub sectors have the greatest potential of reducing poverty? .

- Tourism and Professional Services. In global trade terms, the latter is referred to or included in the category of "Other Services". Professional Services trade dominates the Services Sector and it is the fastest growing sub-sector.

What are Professional Services?

- Referred to as "knowledge-based" Services.
- There are over 69 identified sub sectors in the GATS;
- Difficult to define because it is not physical like a "good" – not tangible.
- Involves mainly people and technology.
- Highly dependent on Telecoms

Examples of Professional Services:

Construction-related	Legal
Health-related	Market Research
Education-related	Management consulting
ICT and Software Development.	
Engineering	
Printing and Publishing.	

Accredited Professional Service Providers:

- - Lawyers;
- - Medical health Practitioners;
- - Accountants;

- - Architects
- - Engineers.

Question 3: If labour mobility represents an effective means of achieving both export development and poverty reduction objectives, should national export strategy emphasise the expansion of such export? What are the implications for the long-term development and competitiveness of the country?

Yes, such strategies must give prominence to this aspect of services trade. They are addressed in the Four Modes of delivery of Services in the WTO GATS Agreement. However, Labour mobility is an issue under Mode 4 and should be addressed by the trade negotiators.

Regarding the second part of the question, in order for countries (Poor Countries) to get as much benefit as possible, the process must be organised and structured to ensure that those persons are treated fairly in the countries where they migrate. For example, the rights and privileges of those countries must be given adequate attention as it relates to their further professional development; workers rights, health and safety and fair access to social services including housing, education for their family, etc.

Their home country/government/employers must “encourage” their return to contribute towards the further development of their country by improving the conditions of work as well as issues of seniority and reemployment. Usually, the reasons why people/workers migrate are the poor working conditions and low wages.

Please note that remittances sent by these workers to their countries are major contributors to the economy of those countries.

Questions 4: What are the fundamentals of an export strategy for services that attempts to bring the poor into the export process? What are the implications for institutions that manage such a strategy?

To bring the poor into the export process directly, education and training are fundamental

Indirectly, i.e. for export of services to act as catalyst for growth with the possibility of trickle down effect, a whole host of issues must be addressed relating to:

- Qualifications and procedures to qualify (Mutual Recognition Agreement and accreditation);
- Nationality and residency requirements;
- Government procurement laws;
- Compatibility of legal systems;
- Business Culture and ethics;
- Language;
- Cost of Communication and Travel;
- Marketing;
- Inadequate knowledge about markets and procedures;
- Training of trade officials;
- Formation of partnerships (Joint Venture).
- Meeting International standards.
- An enabling environment (removing unnecessary impediments).

Institutions involved in strategy must be so oriented to address the issues listed above.

How does COMSEC promote trade in services?

The Trade Section provides technical assistance to Member Countries of the Commonwealth to facilitate the development of strategies that will enable them to develop and expand their trade in professional services. The technical assistance programme involves the development of Strategic Programmes for the Export Promotion of Professional Services. To date, the trade section has successfully completed professional services projects in Malta, Sri Lanka, Cyprus and Malaysia and is currently implementing similar projects in Mauritius, and four Commonwealth Caribbean Countries – Dominica, Barbados, Trinidad and Tobago and St. Lucia.

The approach taken by the Trade Section involves working with member countries to enable them to build local capacity both in the professional competence and trade facilitation. This includes capacity building to enable firms, individuals and countries to access the global services market and compete regardless of size and or distance from markets, at the same time providing government officials with the necessary tools and knowledge of exporting professional services. The approach includes the following:

- Assessment of institutional support;
- Assessment of local supply (content and quality);
- Market research;
- Assessment of the enabling environment (government policies);
- Legal and regulatory issues;
- Training for government officials including Commercial/trade Attaches
- Detailed Strategic Plans of how to Promote Exports of Professional services;
- Preparation of proposals on how to market their services.