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Making an Impact on Development through Trade in Services

Parallel Working Sessions: From Agenda to Action

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Moderator: Emmanuel Barreto, Senior Advisor, Trade in Services, ITC

Setting the scene for the discussion, moderator Emmanuel Barreto of the ITC said the first characteristic of services is that the sector is extremely fragmented, with over 150 sub-sectors ranging from architects to nurses.

Services also suffer from a high degree of ignorance on the part of governments in developing countries. Many do not understand their importance.

In part this is due to their intangibility. If you go to a hotel offering to sell glasses, they can tell you how many they want to buy. But if you are selling human resources management, for example, they cannot just say, "I'll take 50 of them."

Unfortunately, services are rarely part of developing country export strategies. Services are not just a possible export in their own right, they are also vital to the movement of goods' trade, he added.

In the case of Zambia, which the session took as a case study, services account for around 65% of GDP. This is far higher than in Africa as a whole, where the average does not exceed 50%. Nevertheless, it is dramatically below potential, Barreto said. Zambia's services' market has been liberalized since the 1990s, and the fact that it is not booming is largely due to government ignorance of its importance.

According to the World Bank, a Zambian firm with the same access to financial services as a South African counterpart would be 6% more productive. Do the same calculation with regard to telecommunications, and the productivity gain is 13%.

Gain a reputation

He then handed the floor to Satish Kumar Gulati, manager for research and consultancy at the Zambian Centre for Accountancy Studies, who gave a brief outline of what constitutes trade in services. One of the most important things is to gain a reputation, gain credibility. Selling services is not a quick business; it takes time to build, he added.

With regard to what is being done to boost the profile of services' business, he pointed to regional workshops, often organized by ITC, which have helped to build awareness.

This is something that the ITC needs to continue in order to build bridges and it should consider inviting potential buyers along, too.

Service providers in Zambia, as in other African countries, face a number of specific obstacles, including the high cost of telecommunications, high regional air travel costs, restricted access to funding, and lack of information about potential markets.

When it comes to trying to export, domestic service providers can lack the necessary international credibility. There have been cases of providers not receiving payment for work done.

One way to overcome this problem could be to create associations which could act as watchdogs, with buyers encouraged to purchase only from members. These associations could even be regionally linked. They could also organize workshops, help build capacity, provide quality control, databases and international market information, Gulati said.

Market effectively

The moderator added that marketing of skills is a problem area, because although people learn professional skills they are not taught how to market them effectively. Finance is clearly a challenge because banks lend against physical assets and not against an intangible such as future earnings.

Glyne Michelo, Director General, Zambian Development Agency, said that it has taken Zambia a long time to make promoting services a priority. A policy decision was taken in 1985, but it was not until 2003 that it became effective, he said. They now account for 25% of all exports and are growing at 14% a year, which is faster than the overall growth in world trade.

The first step was to approach the ITC for help, he reported. The result was a work plan that involved public-private partnerships. Associations were formed and the media mobilized, he said.

The latter were particularly useful in raising awareness of the importance of the services' sector. Gulati added that 60% of newspaper advertising revenue is provided by the services' industry so it is not difficult to persuade journalists to give coverage to services' issues.

A database was set up for services' providers and the agency participated in regional networking events.

Such workshops encouraged the forming of long-term business relationships, he added. Service providers are now included in trade delegations.

One particular success has been in English-teaching, for which there is strong demand in Angola and the Democratic Republic of Congo.

WTO negotiations

When the debate was thrown open to the floor, one British representative wanted to know why Zambia and other poorer developing countries are opposing services' liberalization at the WTO, while at the same time backing extension of so-called Mode 4 under which rich countries should allow more foreign professionals to enter their services' markets.

He wanted to know whether they have got the balance right. He added that in his experience, many developing country negotiators at the WTO do not have a clear idea just what service areas can be of benefit to their countries.

Gulati said that since the 1990s Zambia has carried out a lot of liberalization. On mobile phones, for example, he felt that something will be agreed on gateways and the problem at the moment is that the government is reluctant to give away free something on which it has spent millions of dollars.

Michelo said that the financial sector has been liberalized. Another sector doing well is tourism, he added.

Brain drain "obsession"

Another speaker wanted to know how come Africa backed Mode 4 when it is also worried about the so-called brain drain. He also wanted to know whether regional organizations such as SADC are involved in promoting services.

For moderator Barreto, the brain drain is just a political obsession because professionals working abroad are also a large source of revenue through remittances. The large number of Zambian nurses working in Britain, for example, is a testament to the credibility of the country's nursing schools, he added. What the government should do is use the remittances to improve education.

And yes, SADC agreed at its last meeting in Madagascar to regulate services, he added.

Somebody raised the question of the financing of professional education and whether it should be the responsibility of government. A delegate from Swaziland raised the problem of having services' organizations of a sufficient size to compete for international contracts because too often people leave to set up their own businesses once they have gained experience.

One way to resolve this could be through associations, Gulati said. Barreto said professionals from different countries can link up to present a joint project. A delegate from Fiji said it would be useful to have information on which types of services are needed in rich countries and to be able to tailor education and training programmes to meet them.

Modelling needed

Barreto said that ITC has provided assistance for the GATS. It analysed markets, trained officials and provided advice on offers and requests for the negotiations.

A delegate from Jamaica wanted help with a strategic plan for services' development: what should be the priorities and what should be the role of government?

The moderator noted that services faced a problem with a lack of statistics for almost all areas except tourism. It is an area in which more economic modelling needs to be done, he said. In particular, Barreto said, ITC would like to identify around 100 indicators to test country competitiveness in services.