



**Parliamentary Network on the World Bank Committee on International Trade for Development (PNoWB-Trade) launches sub group on trade in services**

Minutes from Video Conference February 28, 2005  
jointly organized by PNoWB Trade and the World Bank

*So far, the focus on agriculture has overshadowed services in the multilateral trade negotiations of the Doha Development Agenda. However, services play an increasingly important role in global economic activity and liberalization of services is of growing interest to developing countries such as India. The complex services negotiations are at a vital junction if there is to be a substantial agreement at the Ministerial conference in Hong Kong in December. There is a need for high level political attention to speed up the negotiations.*

*Main conclusions of the parliamentarians' discussion on the challenges of the ongoing negotiations:*

- *“Presence of natural persons” (Mode 4) is an issue of growing concern to developing countries. Even though the message might be hard to sell to western public opinion in particular, both developed and developing countries will benefit from this in the long run.*
- *There are proposals for win-win situations in meeting the challenge of brain drain. One possibility is to increase the levels of aid for trade, and thus linking aid to capacity building efforts.*
- *Parliamentarians can support the negotiations by addressing the ministers and communicating the urgency of providing substantial offers before the Hong Kong ministerial.*

*Ideas for how parliamentarians can promote development aspects of trade in services*

- *Propose parliamentary questions and engage trade ministers in free movement of temporary labor (Mode 4), non-trade barriers such as visa problems, how to address brain drain and the general status of the ongoing negotiations.*
- *Initiate public dialogue between continents to raise awareness of the content and status of the WTO Doha negotiations*
- *Involve EU representative in the next meeting of the PNoWB Trade*
- *PNoWB Trade should swap e-mails and exchange ideas and experiences. Next VC is tentatively scheduled for May. By then, participants are to report on suggested actions.*

**Participants:**

**Naples, Italy:** Hugh Bayley, MP United Kingdom (UK) and chair, PNoWB Trade; Takash Kosugi, MP, Japan (for parts of the meeting), Norbert Mao, MP, member of Public Accounts Committee, Uganda; Emmanuel Tumusiime Mutebile, Governor, Bank of Uganda; Ivar Slengesol, The World Bank

**Nairobi, Kenya:** Mutahi Kagwe, Chair, Finance, Trade and Tourism Committee; Wycliffe Oparanya, MP, member, Finance, Trade and Tourism committee  
Anne Waiguru, Coordinator, PNoWB East Africa Chapter

**New Delhi, India:**; Robert Kharshiing, MP, Rajya Sabha; Suresh Prabhu, MP, Shiv Sena, Loka Sabha; Suresh Keswani, Ex MP, Geetanjali Chopra, The World Bank

**Update on the ongoing Doha round of global trade negotiations: Carlos A. Primo Braga, Senior Adviser, International Trade Department, the World Bank**

(Based on services paper prepared for the video conference (VC) by Carlos A. P. Braga and Kjersti Brokhaug, The World Bank)

Services is an area of increasing importance both in terms of economic value and as a share of employment both in developed and developing countries. After intense debate, services were included in the multilateral trading system as part of the agreement establishing the World Trade Organization (WTO) in 1995 and incorporated in the Doha Development Agenda (DDA) in late 2001. So far, the results of the ongoing DDA negotiations are mixed, at best. Many deadlines have been missed, and a number of countries have yet not submitted their initial offers.

Trade in services is more diverse than trade in goods. There are four ways, or modes of delivery or services:

*Mode 1: Cross-border supply.* E.g. The service of an Indian software company provided over the Internet to a client in the United States.

*Mode 2: Consumption abroad.* E.g. An American tourist comes to Kenya to visit national parks, thus uses tourism services in Kenya.

*Mode 3: Commercial presence.* E.g. Most examples will be found related to foreign direct investment (FDI). To be able to serve the market in a specific country, an investor establishes a presence in that country.

*Mode 4: Presence of natural persons.* E.g. A software engineer from India goes to the USA to provide a service for a software company on a temporary basis.

These negotiations are more complex than the negotiations on trade in goods, since they often involve many agencies, issues that are highly technical and that involve changes of laws. The process of negotiating services is one of requests and offers. In a request, a country says which sector they want to see liberalized from a trading partner, then make an offer. When the negotiations are finalized, the final offers will be “multilateralized” and thus be the country’s commitment to all other WTO members. The governments are to make offers in all sectors and modes.

By the end of February this year only 51 initial offers (EU counted as one) representing 75 countries have been issued. Madagascar and Uganda have announced that their offers

will be made shortly, thus (leaving the least developed countries aside) as many as 40 countries have not yet made their initial offer.

At the current stage, the services negotiations have been overshadowed by the dominance of the negotiations on agriculture. However, during the last weeks' services cluster, there has been an increased awareness of the urgency of focusing on services. Developing countries are concerned about Mode 1, and the fact that even though this area is relatively open, the increased level of out-sourcing is raising the danger of new barriers to trade being imposed. In addition, many developing countries want better access to foreign markets, under the so-called Mode 4.

Even though the content of many of the offers is confidential, the general opinion is that the commitments in these offers do not mean significant liberalization. However, in some areas there is some progress being made in creating new rules for trade in services. Overall, the good news is that there is a growing number of offers, the bad news is that the quality of these offers is poor. The critical question now is whether there will be a critical mass of offers by the Hong Kong Ministerial in December.

### **Free mobility of labor is of increasing importance to developing countries**

#### **Suresh Prabhu, MP, India**

The negotiations on services have suffered under the focus on agriculture because the negotiators are asked to fight wars in too many sectors at a time. Intense negotiations have been going on in the area of agriculture, which is important for African and Latin American countries. Agriculture is important for us as well, but we want to have an increased focus on liberalization of services. For India, it has proved very difficult for skilled labor to use their skills in foreign markets due to technical barriers to trade.

#### **Suresh Keshwani, Ex MP, India**

Globalization is free movement of factors of production across the globe. Today, non-trade issues are in the way of free mobility of labor, which is one of the factors of production. We need to assure that the best opportunity is given to the best qualified player across the globe.

#### **Mutahi Kagwe, MP, Kenya**

Mode 4 is, as India just said, one area where our employees meet a number of barriers. Even a limited liberalization in Mode 4 would benefit the developing countries. Kenya has made requests in sectors such as construction services, education, telecommunication etc, and has received a request from developed countries such as the European Union (EU). However, in Mode 4 there are still a lot of non-tariff barriers such as immigration issues. For Kenyans, even a regular business trip to the EU is a problem due to visa issues. The view in Kenya is that there ought to be progressive liberalization in services, and for us, Mode 4 is a special area of interest. In the ongoing mini ministerial here in Kenya, non tariff barriers has been raised as a question in the area of services. The

ongoing global trade negotiations are complex, and we should be careful not to grasp over too much. Otherwise, the risk is that you get a final agreement that is not implementable.

### **Wycliffe Oparanya, MP, Kenya**

In Kenya, unemployment rates are high. Thus, if we liberalize, there will be political pressure to impose protective measures. However, being a developing country we need to make sure that the goods – being physical goods or labor- we produce are competitive and cheap. Therefore, we want free movement of labor, and get rid of the problems with visas and other immigration issues. This barrier to free movement of labor is especially evident when employees are moving from developing to developed countries. Indeed, we want there to be an assessment in our country of what the consequences of liberalization in Mode 4 would be, but if labor from the poor countries are not allowed to use their skills at the global market, that will be a problem for developing countries in the future.

### **Norbert Mao, MP, Uganda**

The creation of trade ministers and committees in Africa shows how trade has become an important issue for African countries. However, there is a huge need for technical assistance to be able to compete at the global market. Poor African countries need assistance to increase their negotiating capacity, and this aid should be provided cooperatively. That is, targeted at the various African groups in the WTO.

Parliamentarians might increase their engagement, for example by investigating what has really been the impact of agreements like African Growth and Opportunity Act<sup>1</sup> (AGOA) and the Cotonou Agreement<sup>2</sup>, and whether all parties have lived up to their commitments. All countries may not have benefited equally from these agreements, but there is a need to recognize that it takes time from a country gets increased market access till there is a boom in that country's trade. One important role of parliamentarians is to make sure there is political consistency.

### **Hugh Bayley, MP, UK and chair, PNoWB Trade**

During this discussion, it has been made clear that the services negotiations, and free movement of labor are increasingly important to many developing countries.

- One concern has been brain drain. Using the example of health care services in the UK that have needed to rely on foreign labor to expand, Mr. Bayley requested the other participants comments on the west attracting e.g. nurses from Malawi, and whether it is a problem that skilled workers from poor countries move to the north to sell their labor there instead of filling the need of their home country.
- In western countries, it is not easy to “sell” the gains from outsourcing jobs from a developed to a developing country to the media. One example is the insurance company Avina that moved their telephone centers and back office jobs to India.

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<sup>1</sup> More information on AGOA, see <http://www.agoa.info/>

<sup>2</sup> For more info on the Cotonou Agreement, see for example the “users’ guide” at <http://www.thecommonwealth.org/Templates/System/LatestNews.asp?NodeID=141828>

This was criticized by the media in the UK, and Mr. Bayley fought a losing battle trying to sell the benefits to the UK company and consumers (potential higher earnings, thus lower prices on insurance and new insurance agents in the UK). Aviva is successfully selling life insurance to the Indian middle class, but the market for general insurance is yet not liberalized in India. An opening of this market would be a new market opportunity for the insurance company. Gradual liberalization over time would also benefit India.

### **Emmanuel Tumusiime Mutebile, Governor, Bank of Uganda**

For a landlocked country like Uganda, trade in services is very important. The transportation costs are larger for a country that is landlocked. Therefore, Uganda will be more competitive if its services sector is efficient. Liberalization is positive for both the North and the South. Uganda has no capital controls, and Mr. Mutebile believes that even unilateral liberalization is good for Uganda, and that multilateral liberalization also will be beneficial even though it might take some time before it happens.

### **Parliamentarian action to promote the development aspects of trade in services**

#### **Hugh Bayley, MP, UK and chair, PNoWB Trade**

The market is providing the opportunity of offshoring financial services. Though unions are asking for protectionism, I do not think that will happen. The UK government is on the side of keeping an open market.

Regarding practical matters, the participating parliamentarians should consider what we can do in the area of trade in services to raise questions in parliaments, to assure that there is real commitment by the Hong Kong ministerial. One suggestion might be to create questions that others might pose. I will prepare some parliamentary questions about free movement of labor, visa questions and so on. We should all consider how we can take concrete action to increase the pressure on the executives and thus assure real progress by Hong Kong.

#### **Suresh Prabhu, MP, India**

The benefits of liberalization are sometimes hard to sell in India as well. When developing countries opened their markets for manufactured goods, many jobs were lost. The parliamentarians may play a more active role in a number of ways:

- Move beyond just signing the final agreement of the multilateral trade negotiations. Initiate dialogue between continents to raise awareness of what is going on in the negotiations.
- Parliamentarians could cooperate with governments to help prioritize between the number of social goals (such as the Millennium Development Goals) and economic goals that they are expected to meet. Global organizations could in turn assist in creating a strategy of how to meet the prioritized challenges.

#### **Robert Kharshiing, MP, India**

One concrete action that the parliamentarians in this network might take, is to include senior embassy officials (including trade officials) in these Video Conferences and the work of the PNoWB. Mr. Kharshiing recently had a successful experience from including them in another forum. A leading Indian newspaper has contained a number of good news on outsourcing lately:

- Many Americans and Europeans have come to India to work in Indian companies.
- Recently, Germany liberalized visas for software professionals. Earlier there would be a huge stream of people applying for that, but now only a handful. They find it more interesting and profitable to work in India. Thus, what used to be brain drain may now be a benefit to India with foreigners coming here to work and also Indians that have been working abroad returning to India and use the skills achieved during their stay abroad.

Mr. Kharshiing suggested that other developing countries study Uganda's experience on the consensus democracy they have developed, and the unilateral liberalization they have done. He also suggested that the PNoWB meet more often, exchange emails and that each parliamentarian address their trade ministers to discuss the state of the services negotiations.

#### **Mutahi Kagwe, Wycliffe Oparanya, MPs, Kenya**

The North and the South have different goals with their membership in the WTO, and this affects the way they look at various issues. The developed countries seek to trade to increase wealth whereas the developing countries want to trade to promote development. This is also the case regarding brain drain.

- On the subject of brain drain, Northern countries look to the south to fill gaps in their labor market. They should see the people available for training in the south should be seen as a huge resource, but regarding e.g. nurses, there is a lack of both training facilities and trained personnel. The solution could be to see this as a cross-availability of opportunities: one should exchange aid for trade. The wealthy countries should increase the training capacity in the poor country, and thus enough nurses could be trained both to cover for example the UK and Kenyan market.
- The market for outsourcing is not a level playing field. The businesses of rich countries are already present in Africa, but Africans are denied access to their markets. This inequilibrium has been developing over a long period of time. An equilibrium may only be reached when all markets are liberalized and labor and capital can move freely.

#### **Norbert Mao, MP, Uganda**

For developing countries, brain drain might be a better solution than what they call brains in the drain. In poor countries, many bright people do not have the opportunity to fully use their capacity. If persons are bright, they should not be stopped from using their full capacity, be it in their own country or abroad. Africans that go abroad may return in

twenty years time and help develop their continent. There seems to be a move towards a more progressive policy on these issues in various countries.

### **The road ahead**

#### **Carlos A. P. Braga, World Bank**

The discussion on Mode 4 in the WTO is not about migration, but temporary movement of labor. However, security concerns have created additional impediments to temporary movement of labor. Developed countries are afraid that movement of labor might lead to increased migration.

How can the negotiations on Mode 4 be moved forward?

1. Meeting security concerns. Developing countries could implement their screening process to assure that the persons that are applying for work in developed countries will not impose a security threat.
2. Meeting the concerns of brain drain by increasing the levels of aid for trade.

But – one should not forget the timetable. The challenge in the ongoing negotiations is to get a critical mass of substantial proposals in services by the Hong Kong Ministerial in December. We are running behind in the services negotiations.

#### **Hugh Bayley, MP, UK and chair, PNoWB Trade**

Before the next meeting, Mr. Bayley suggested that

- He would select a few key topics, such as the proposal for liberalization of visa for health staff for UK commitment to training health staff to Kenya, and discuss it with his ministers before the next meeting.
- Try to get a person representing the EU involved in the discussion on labor issues.
- Kenya should take stock on where and what type of donor advice they would need for the capacity building mentioned by the Kenyan MP.
- Make sure the minutes from this, and the last meeting are circulated.
- Make an email list for participants so that discussions can continue in between meetings.

(These minutes were prepared by Carlos A. P. Braga and Kjersti Brokhaug, World Bank Trade Department, Geneva office, for PNoWB and the World Bank)