



Workshop on
**Enhancing the Development
Potential of Trade in Services
for the Least Developed Countries
through Preferential Treatment**

26 March 2018

Presentation

**Effective Market Access for LDC Services Exports – Is the LDC Services
Waiver Being Implemented? Pilot Case Studies – Focus on Cambodia,
Nepal, Senegal and Zambia**

Hannes Schloemann & Hadil Hijazi, WTI Advisors
hannes.schloemann@wtiadvisors.com hadil.hijazi@wtiadvisors.com



Effective Market Access for LDC Services Exports – Is the LDC Services Waiver Being Implemented?

Pilot Case Studies – Focus on Cambodia, Nepal, Senegal & Zambia

Hannes Schloemann & Hadil Hijazi, WTI Advisors
hannes.schloemann@wtiadvisors.com hadil.hijazi@wtiadvisors.com



W T I
advisors

Palais des Nations, Geneva

26 March 2018

Overview

- Up Front: The Messages
- Recalled: The Waiver & How it Works
- The Notifications – An Overall Assessment
- Real Market Access? The Case Studies and their Outcome
- Conclusions & Recommendations



Up Front: **The Messages**

- The glass is in the process of being filled – the 24 notifications are a **promising start**. (But only that.)
- Many, arguably most challenges that *could* be addressed are **not yet addressed** – issues: substantive scope; type of preferences; geographical coverage
- Real, effective market access for LDC services & services providers requires increased **attention, generosity and creativity**
- Needed: Systematic follow-up, monitoring, exchange...
- ...on all tools that can help. **The Waiver as an opportunity for a real focus on real MA for LDC services**



Recalled: The Waiver & How it Works

- 2011 Ministerial Decision: **The LDC Services Waiver**
- Exception to GATS Article II – MFN: **LDC-only Enabling Clause for Services**
- Automatically covered: Measures of the type covered by GATS Article XVI → classical market access
- Covered upon request (*de facto* just as much): Regulatory, administrative, tax & other preferences
- 2013, 2015 Operationalization Decisions →
 - 2014: Collective Request
 - 2015: High Level Meeting (= signalling conference)
 - 2015-2017: 24 Notifications



Updated Assessment: The Preference Notifications – Where Do We Stand?

- Two words of caution:
 - Counting preferences: an imprecise science
 - Real preferences? Hard to tell...
- How much is on the table?
 - Rising above the DDA offers
 - Getting close to “best PTA” level
 - More than demanded by the Collective Request? Yes, but...
- Types of preferences: mostly market access
- Sectoral distribution: uneven
- Modes of supply: almost equally distributed
- Degrees of liberalization (full/partial): mixed picture
- Some big packages, some small packages



Interim Conclusions: The Notifications – Best Practices & Lessons Learned

- Approach, technique, presentation
 - Comprehensive and systematic approach
 - Clear identification of preference
 - Clustering modes where possible
 - Courage - exploring uncharted waters
- Substance
 - Taking mode 4 seriously – CSS and IP, a step forward
 - Taking regulatory issues seriously
 - Targeted efforts in difficult areas help
- Lessons Learned
 - Asking works – the squeaky wheel gets the grease
 - Format influences content – the ‘schedule’ trap



Pilot Case Studies: Approach

- Four Countries – Cambodia, Nepal, Senegal, Zambia
- Eight sectors/clusters (4-6 per country, some overlap)
- Approach: Bottom-up, Sector by Sector, Provider by Provider, Issue by Issue
- Juxtaposed:
 - Services exports/export interests
 - Challenges (barriers) encountered
 - Possible preferences
 - Actual/notified preferences
 - *Pilot exercise with pertinent findings – but limited*
 - *‘Work in progress’ that should stimulate progressively deeper and broader engagement – by LDC governments, stakeholders, friends*



Pilot Case Studies: Sectors/clusters

- Professional services (legal, accounting, medical (& related health), nurses, veterinary, architecture, engineering, mining) (KHM, SEN, ZMB)
- IT & IT-Enabled (NPL, SEN)
- Creative industries (entertainment, audiovisual) (KHM, NPL, SEN)
- Tourism (KHM, NPL)
- Education (SEN, ZMB)
- Insurance & re-insurance (ZMB)
- Banking (KHM)
- Construction (ZMB)

Pilot Case Studies: Cambodia

- Vibrant recent development, services central
- Sectors considered: Legal, tourism, banking, animation (audiovisual), circus/ballet (recreational)
- Example: Animation – *iThink Asia*
 - Forward-looking, fast-growing industry; creative, IT-related, skilled but not requiring formal education; work-intensive, open to young professionals – Asia as a growing source of outsourced animation services
 - Barrier/challenge: Local content, co-production
 - Possible preferences: reduce/remove local content requirements, extend benefits under co-production arrangements
 - Notified preferences: None directly related. Some broad preferences offered by US, also Chinese Taipei.



Pilot Case Studies: Nepal

- Services central to Nepal's development and reconstruction – not just tourism.
- Considered: IT & IT-enabled, audiovisual, music, tourism
- Example: IT & IT-enabled BPO – *e.g. Cloud Factory*
 - 155 full-time staff, 1800+ freelancers in Nepal alone
 - Locations in UK, Kenya, Ireland, US
 - Artificial intelligence, data management & transcription, other IT-related – AI for self-driving cars (!)
 - Barriers/challenges (*inter alia*):
 - (1) visas & work permits – getting visas/work permits for CSS and intra-corporate transferees, speed, location of consular services (impact on understanding of business context);
 - (2) public procurement – local content, other preferences/exclusivities



Pilot Case Studies: Nepal (cont'd)

- Possible preferences:
 - (1) Facilitated visas/work permits for IT professionals; 'trusted persons' systems; LDC quotas; fast-track procedures; etc.
 - (2) Access for LDC providers to otherwise closed public procurement markets; national treatment, access to national/other quotas, other preferences
- Notified preferences
 - General on physical market access: very little, not sure whether preferential
 - But: Quite a few improvements on CSS / IP, e.g. Australia
 - Computer-related services: several far-reaching offers (new/improved) across modes
 - Trend: readiness to promise openness – but not sure how much new or preferential
 - (Procurement not addressed – but not a Waiver issue)



Pilot Case Studies: Senegal

- Services a key component of the country's development strategy (PSE). Great interest, great focus, great potential.
- Sectors touched upon: Professional (medical/health, veterinary), entertainment, audiovisual (film); education
- Examples: Veterinarians
 - Interesting opportunities reflecting Senegal's background as a regional champion of quality education – Modes 1 and 4, across the region and in Europe
 - Barriers: nationality requirements in France & elsewhere
 - Possible preference: remove nationality requirements
 - Notified preferences: N/A



Pilot Case Studies: Zambia

- “Landlocked land of opportunity” – a slogan with spice! Mining boom has translated into multiple developments. Services on the political map.
- Sectors considered: Professional (accounting, architecture, engineering, nurses); education; insurance; construction
- Example: Insurance (*Madison*) and re-insurance (*Prima Re*)
 - Several Zambian (re)insurance providers active across the region
 - Insurance in Mode 3 (closer region), re-insurance in Mode 1 (wider region)
 - Barriers/challenges: local/regional preferences & quotas (re-insurance); domestication of insurance sub-markets; work permits for executives of insurance subsidiaries / numbers of natural persons, executives; local partner requirements; withholding taxes; local partner requirements



Pilot Case Studies: Zambia (cont'd)

- Possible preferences:
 - Access to local/other re-insurance quotas
 - Exemption from withholding tax
 - Waiving of 'domestication' requirements (e.g. 'marime')
 - Relaxation on Mode 3 limitations (local partnering, form of legal entity, foreign capital)
 - Facilitated access for Mode 4 (work permits for intra-corporate transferees)
- Notified preferences:
 - Relevant regional markets not covered
 - Some 'inspiration' in other notifications (e.g. relaxed residency requirements for directors – Iceland, Norway)



Pilot Case Studies: Cross-cutting issues

- Physical market access for LDC service providers
 - Clear need, clear demand, reasonable possibilities
 - Very little response
 - Get creative!
- Fees, charges, taxes
 - Clear demand, obvious relevance, uncomplicated handling
 - Very muted response
- Mode 4 categories: CSS & IP
 - Clear relevance, clear demand
 - Reasonable response from 12 Members
 - Good start



Conclusions & Recommendations

- Not much tangible improved access yet – but: The glass is arguably still half full
- Substance: Towards attentive, generous and creative preferences
- Scope: Towards broader geographical coverage
- Institutions and Support: Towards a holistic process & systematic follow-up – including:
 - Data collection
 - Research, analysis and information dissemination
 - Capacity Building & Technical Assistance
 - Forum for dialogue, exchange of experiences, continuous monitoring, peer review, mutual inspiration



W T I
advisors



Discussion

hannes.schloemann@wtiadvisors.com

hadil.hijazi@wtiadvisors.com

