

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

26 March 2018

Palais des Nations, Geneva

## **Summary\***

The Chairperson of the meeting, Mr. George Riddell, Senior Trade Attaché to the World Trade Organization and the United Nations for the Foreign and Commonwealth Office, United Kingdom, welcomed participants to the meeting. He invited them to discuss the opportunities and challenges created by the World Trade Organization (WTO) Services Waiver for least developed countries' (LDCs) services and service providers and, in doing so, to identify some suggestions to help improve LDCs' supply capacities, services exports and participation in international trade.

Mr. Riddell highlighted that the United Nations Conference on Trade and Development's (UNCTAD) consensus building function provides a useful forum under which to consider this preferential instrument on services trade, its effectiveness, its utilization by LDCs, and the Aid for Trade support by donor countries providing preferences to LDCs to make use of the preferences. The sharing of experiences by preference beneficiaries and preference providers could help to identify ways in which to improve the preferences and their utilization.

The Deputy Secretary-General of UNCTAD, Ms. Isabelle Durant, provided introductory remarks. She underlined that services were critical for development and for the achievement of sustainable development goals (SDGs) for all countries, and especially for LDCs. However, the share of LDCs' service exports in global exports still remained less than one per cent. Realizing the potential of services required best-fit policy, regulatory and institutional frameworks to strengthen services supply capacity and trade. It also needed effective market access in major markets for services exports from LDCs. In this regard, the preferential treatment for LDCs services trade through the WTO Services Waiver was an important instrument to reinforce existing trade opportunities and create new ones for services and services suppliers from LDCs.

She emphasized that the positive effects of the Waiver would ultimately depend on the meaningfulness of the preferences. It was crucial that the Waiver provides LDCs with a preferential market access in the sectors and modes of supply of interest to individual countries. Thorough country-specific and sector-specific analyses were essential prior to making a choice of preferences to be granted.

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\* Summary prepared by the UNCTAD secretariat.

The Deputy Secretary-General of UNCTAD concluded by saying that with the limited resources available, the pilot phase of the UNCTAD's project "Capacity building of LDCs in services trade for sustainable development" conducted case studies of four LDCs. The development partners were requested to consider supporting UNCTAD's work on services development to extend the coverage of LDCs case studies to benefit from the Services Waiver and service development generally.

The Officer in Charge of the Trade Negotiations and Commercial Diplomacy Branch of the Division on International Trade and Commodities, Mr. Bonapas Onguglo, emphasized that services and services trade could contribute to increased productivity across all sectors of the economy. They were catalysts for structural transformation, diversification, enhanced competitiveness and increased trade facilitation. Services provided opportunities for jobs and income earning activities for women, youth and micro, small and medium sized enterprises. LDCs can therefore progress with the development of the services sector alongside the development of the agriculture and industrial sector, all of them being interlinked and complementing each other.

The WTO Services Waiver was an important stepping stone of trade liberalization for LDCs with respect to market access and any other measures that are annexed to the Waiver. The novelty of the Waiver was that it was for LDCs only – so LDCs did not need to compete with other WTO (non-LDCs) members to make use of the Waiver.

The study "Effective Market Access for LDC Services Exports – Is the LDC Services Waiver Being Implemented?", commissioned by UNCTAD, provided analyses on the effectiveness of the market access for LDC services exports offered by WTO Members in the context of the LDC Services Waiver, based on case studies of four LDCs namely Cambodia, Nepal, Senegal and Zambia. The study was part of UNCTAD's longstanding work on services trade and development, within the framework of which this specific focus on improving LDCs services trade performance was implemented. In response to requests received from LDCs, UNCTAD developed a project on "Capacity building of LDCs in services trade for sustainable development". This project aimed at providing assistance to LDCs in expanding services exports and facilitating achievement of the SDGs. This project, in line with demands from LDCs, offered a comprehensive package of assistance that provided information on the relevance and stage of implementation of the Services Waiver on a country-specific basis; served as a platform for establishing links between public and private sector in LDCs to utilizing the services preferences; and facilitating the exchanges of best practices and lessons learned among various stakeholders at the national, regional and international levels.

It was important that development partners could support and work with UNCTAD in this project to enable LDCs services providers to take better advantage of the services preferences, and to enable dialogue between LDCs and the preference providers on gradually improving the utility and additionality of preferences provided.

Mr. Hannes Schloemann, Consultant of DITC, Director of WTI Advisors, presented the lessons learned from the selected LDCs case-studies. He suggested that the Waiver was only one tool in the toolbox. The objective of the Waiver was to secure effective market access. The question was whether or how the Waiver was implemented and operationalized. The lessons from the waiver experience could be informative for preference granting WTO Members in experimenting with flexibilities, without the concerns of gaining that experience by having to provide flexibilities to all WTO Members. Lessons from the waiver process could also be useful to develop South-South cooperation.

The 24 notifications by the WTO members providing preferences to LDCs was a promising start. However, most challenges that LDCs services exporters face in the foreign markets were not yet addressed by existing preferences. The majority of issues related to substantive scope; type of preferences; and geographical coverage. Effective market access for LDC services and services providers required increased attention, generosity and creativity in the design of the preferences. There was a need of systematic follow up and exchange of best practice among services providers in various sectors (what worked in one sector, could probably be replicated in other sectors).

Statistics on services trade were still very weak. In addition, to learn about actual barriers to services exports, it was important to talk to actual services providers. Therefore, the approach undertaken in the case-studies prepared in the pilot phase was bottom-up, sector by sector, provider by provider. In particular, the studies analysed the following sectors: professional services (legal, accounting, medical (and related health), nurses, veterinary, architecture, engineering, mining); information technology (IT) and IT-Enabled; creative industries (entertainment, audio-visual); tourism; education; insurance and re-insurance; banking and construction.

Mr. Schloemann provided some concrete examples of barriers to exports faced by services suppliers from the four countries included in the study. The overall assessment in the studies showed that there still existed important physical market access challenges for LDC service providers. The preferences provided so far had very little response on that matter. Better preferences on mode 4 would be particularly important to address some of the cross-cutting barriers faced by LDCs, such as those related to visas, work permits, fees for authorisations, fees for the recognition of qualifications, and access to categories of independent professionals and contractual services suppliers, which had clear relevance and demand in LDCs. There was a reasonable response from 12 preferences providing Members, which can be considered as a good start.

In addition, future work would need to achieve not only more on market access but also much more on national treatment, regulatory preferences and building of supply capacity, including on infrastructure, skills and technology.

In conclusion, it was highlighted that there was no much tangible improved access provided by the preferences. The future preferences should be more attentive, generous and creative. There was also a need to broaden the geographical coverage of the preferences.

On-going efforts from UNCTAD in supporting LDCs on the waiver process could suggest a comprehensive, structured and systematic support forum for trade preferences in services, drawing from the experience of the GSP proposed by UNCTAD many years ago. Such a system could focus not only on assessing the implementation of the Waiver but also on addressing capacity, regulatory and overall supply side constraints of LDCs. It should comprise a follow-up with respect to the Waiver, including though: improved data collection; research, analysis and information dissemination; capacity building and technical assistance for LDCs. Furthermore, the system could provide a constructive platform for dialogue and for sharing best practices among all stakeholders, in a whole-of-government and whole-of-society approach.

The meeting then heard reflections by representatives of the four LDCs included in the case studies. H. E. Mr. Rithi Pich, Ambassador of Cambodia to the World Trade Organization, presented Cambodia's economy as rapidly diversifying its services industries. Services sectors were the largest contributors to gross domestic product (GDP). Cambodia was working towards further services export diversification. Services exports do not only generated revenue, but also contributed to improving competences and excellence at home.

The importance of international efforts to allow further liberalization was underlined. The initiative of UNCTAD could help LDCs to increase capacities to utilize preferences, as well as to identify the sectors that needed market opening. Appreciation was expressed to UNCTAD for initiating the project and choosing Cambodia for its pilot review.

H. E. Mr. Deepak Dhital, Ambassador of Nepal to the United Nations, highlighted the importance of tourism for his economy. Tourism accounted for 45 per cent of Nepalese services exports. The services providers in the field needed to be well-informed about the potential that Services Waiver can offer. Barriers to marketing tourism products abroad still needed to be addressed. In addition, he emphasized the need for international recognition of Nepal's skills and qualifications.

H. E. Mr. Coly Seck, Ambassador of Senegal to the United Nations, emphasized the importance of ensuring that preference granted in the notifications would address not only market access, but also other key issues included in the LDCs Collective Request. These included the request to waive visa, work permit, residence permit measures and that to waive any restrictions to the recognition of qualifications of LDC professionals and accreditation of LDC institutions. Another area for improvement was the format of the notifications which were often presented in a format which is too complex for the services suppliers, which would limit the understanding by private sector of the preferences granted. He acknowledged that while the notifications were relevant for some of Senegal's target export markets, the country was also looking to increase its trade with the region and noted the

relevance of the African Continental Free Trade Area in this respect. He called upon donors to support UNCTAD in this area of assistance to LDCs.

H. E. Ms. Marget Kaemba, Deputy Permanent Representative of Zambia to the United Nations, expressed her appreciation to UNCTAD for taking the role in assisting LDCs to identify, design and implement mechanisms that could facilitate LDCs' services exports. It was noted that the Waiver was one of the tools that might generate significant gains in exports markets.

As Zambia was currently involved with four regional blocks covering services (SADC, COMESA, Tripartite and AfCFTA), UNCTAD was urged to take a holistic approach with its project by engaging with regional blocks in the specified regions. It was highlighted that the LDC Waiver could be an added tool to the process in the context of regional integration.

Mr. Mostafa Abid Khan, Coordinator of the LDC group, Minister of Permanent Mission of Bangladesh, provided an overview of the LDC Services Waiver process. He noted that identifying the preferences could be a challenging exercise. Unless the preferences given under the WTO services waiver were identified and understood, it was hard to advise the private sector on how to use the preferences provided. Therefore, it was necessary to know the currently applied regimes and see how much the preferences provided went beyond the applied regimes. Only then it was possible to advise the private sector regarding the advantages of the Waiver.

An interactive debate followed these presentations and statements. The delegate from Senegal stated that services accounted for more than half of GDP in LDCs. Senegal would like to position itself as a multi-service provider. The WTO Services Waiver was an important tool, but it was important to make it a lasting tool. Exhaustive analyses of the preferences had to be conducted. There was a limited capacity inside the countries to do such analyses. It was especially hard to know the applied regimes. Therefore, there was a need to continue to conduct analyses of the WTO services waiver on a country specific basis with a focus on individual sectors and modes of services supply.

The delegate from Ethiopia added that Ethiopian participation on global trade in services was limited. Still, Ethiopia was the largest transport service exporter among LDCs.

The delegate from Haiti inquired on the next stage of the project and what countries would be involved. He also asked how UNCTAD work could continue on the basis of conclusions provided and the studies done so far.

Mr. Bonapas Onguglo, Officer in Charge, Trade Negotiations and Commercial Diplomacy Branch, DITC provided a summary of the workshop. He emphasized that this workshop was part of UNCTAD's efforts to assist all stakeholders to identify, design, and implement best-fit and effective preferences to LDCs that, by improving their services exports, contributed to their development. Even for the WTO Members that had already submitted notifications, these discussions were

timely. In upcoming stages, the meaningfulness of notifications was to be assessed and WTO Members were encouraged to undertake capacity building measures that would enable LDCs services suppliers to benefit from notified preferences.

The Services Waiver was only one tool of the toolbox. There was a need for coordination and partnership between preference providers and beneficiaries under the Waiver as well as between UNCTAD, WTO and ITC. The importance of the forum to exchange experiences was highlighted.

Lessons from the WTO Services Waiver for LDCs confirmed that preferential treatment policy approaches required careful assessment. Thorough services assessments, such as UNCTAD's Services Policy Reviews, could provide benchmarks of significance and viability to feed preferential treatment initiatives.

If resource conditions would be met, UNCTAD could continue to offer a comprehensive package of assistance and expand this technical cooperation in response to many requests from other LDCs. The coverage of future work under UNCTAD's capacity building programme on enhancing the development potential of trade in services for LDCs through preferential treatment, as the development of a comprehensive support system, relied on support from development partners. UNCTAD stood ready to continue to support LDCs and developing countries in general in harnessing development benefits from services and services trade.