



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

26 March 2018

Statement

**Importance of Market Access for Service Exports of
LDCs**

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**WORKSHOP ON ENHANCING THE DEVELOPMENT POTENTIAL OF SERVICES
TRADE FOR LEAST DEVELOPED COUNTRIES THROUGH PREFERENTIAL
TREATMENT**

26 March 2018, 10:00 – 13:00, Room XXVI, Palais des Nations

Importance of Market Access for Service Exports of LDCs

**Bonapas Onguglo, OIC, Trade Negotiations and Commercial Diplomacy
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Chairman, Deputy Secretary-General of UNCTAD, Excellencies, Ladies and
Gentlemen

SDG 17 and the Istanbul Plan of Action for LDCs call for a doubling of LDCs' share of global exports by 2020. This moderate target underlines the point about the marginal participation of LDCs in global trade and hence in reaping development benefits arising from such participation. In 2016 the share of LDCs exports in world goods exports was 0.92% and in world services exports it was about 0.74%.

In this connection in today's event we would discuss how the development potential of services trade can be enhanced for LDCs and by doing so, contribute to increasing their participation in world trade. There is a general consensus in economic literature that services and services trade contribute to increased productivity across all sectors of the economy. They are catalysts for diversification, infrastructure building, enhanced competitiveness and increased trade facilitation. Services are also key contributors to several of the Sustainable Development Goals, including poverty reduction, education, clean water and sanitation, affordable energy, and innovation and infrastructure.

Services provide opportunities for jobs and income earning activities for women, youth and micro, small and medium sized enterprises. However, it is also a well-known fact that while services are contributing a growing share of the GDP of all LDCs, their contribution to international trade in services remains limited (as I mentioned the share of LDCs' service exports in global exports still remains less than one per cent).

It can be recalled that not too long ago the vision of services as the conduit and strategic sector for the development for LDCs was not an evident one. Indeed, some economists¹ proposed a vision of the development process which begins with the economy allocating most of its resources to the agricultural sector, with a gradual shift to industry and then to services as the economy matures. While this may have been the path than many developed countries and newly industrialized countries may have followed, new insights from literature on the linkages between sectors of development and servicification of economic sectors and of the share of services embodied in trade on a value-added basis have led to a deeper understanding of the importance for all countries, including LDCs, of developing the services sector as well. It is becoming conventional wisdom that any country can 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.

Chairman, Ladies and Gentlemen

¹ Kuznets (1971) for example.

This workshop's discussion will draw upon the study we commissioned, prepared by Hannes Schloemann and Hadil Hijazi. It provides analysis 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 a case study of four LDCs namely Cambodia, Nepal, Senegal and Zambia. As a prelude to reviewing the case studies, I wish to recall some key milestones that led to the adoption of the LDC Services Waiver.

Article IV of the General Agreement on Trade in Services (GATS) clearly states that one of the objectives of services liberalization under the agreement is the increasing participation of developing country Members in world trade and that, in the implementation of facilitating measures to increase such participation particular, attention shall be given to the least-developed country Members. Also, Article XIX:3 of the GATS provides that for each new round of trade negotiations, negotiating guidelines shall be developed for the special treatment for LDC Members, in line with Article IV.

While such modalities² were adopted in 2003 already, i.e. 2 years after the start of the Doha Round of negotiations, it is only in 2011 that the Geneva Ministerial Conference adopted the LDC services waiver allowing WTO members to grant preferential treatment to services and service suppliers from LDC members. Between these two dates, LDCs worked tirelessly to have their specific constraints and challenges recognized by other members and their specific needs reflected in the negotiation.

² The Modalities for the Special Treatment for Least-Developed Country Members in the Negotiations on Trade in Services.

The LDC services waiver is an important stepping stone towards facilitating the liberalization of services and improving and providing predictable and additional market access of the LDCs services and service providers.

It provides that WTO Members may provide preferential treatment to services and service suppliers of LDCs with respect to market access or to any other measures as may be annexed to the waiver, provided such treatment shall be granted immediately and unconditionally to all LDCs. This was not a new idea as the 2003 Modalities had already provided that Members should give special priority to providing *effective market access* in sectors and modes of supply of export interest to LDCs, through negotiated specific commitments. The novel feature of the waiver is that by providing a waiver from the MFN treatment this implied that LDC services and services suppliers would not have to compete with all other WTO Members but that the market access could be provided on a preferential basis to them.

Such preferential treatment would however continue to prove elusive as for the 2 years between the 2011 (when the waiver was adopted) to the 2013 ministerial conferences, no WTO Member would make use of the waiver. At the 9th WTO Ministerial Conference in Bali (Dec. 2013) WTO Members therefore adopted a Ministerial Decision on the Operationalization of the Waiver Concerning Preferential Treatment to Services and Service Suppliers of LDC.³ The Council for Trade in Services was instructed to initiate a process aimed at promoting the expeditious and effective operationalization of the LDC services waiver and periodically review the operationalization of the waiver.

³ WT/MIN(13)/43 WT/L/918.

The decision also set the scene for the submission of an LDC collective request identifying the sectors and modes of supply of particular export interest to them⁴ and for the High-level meeting⁵ that would ultimately launch the process to the submission of the 24 notifications that have been submitted to date.⁶

LDCs merit commendation for their sustained efforts, during what proved to be a lengthy process, to ensure that the WTO Membership rallied behind their efforts to use services trade as a tool for development. The WTO members also and the preferences providers in particular should also be commended for stepping up and making available the preferences under the waiver.

In the context of the CTS, the LDC Group has shared with the memberships the assessments of the notifications that they have undertaken. These assessments have allowed them to seek clarifications from the preference granting countries and to make further requests for preferences better tailored to the supply capacities of their service suppliers.⁷

⁴ The LDC collective request was submitted on 21 July 2014. and a High-level meeting took place on 5 February 2015. At the meeting, over 25 developed and developing countries indicated sectors and modes of supply where they intend to provide preferential treatment to LDC services and service suppliers.

⁵ The High-level meeting took place on 5 February 2015. At the meeting, over 25 developed and developing countries indicated sectors and modes of supply where they intend to provide preferential treatment to LDC services and service suppliers.

⁶ The Council for Trade in Services has received a total of 24 notifications of preferences in favour of LDC services and service suppliers, on the part of 51 Members.

⁷ The LDC Group has described their approach in the following manner :i) to note where notifications had provided preferences in market access, but also beyond Article XVI measures, to include national treatment measures and measures that removed regulatory hindrances as preferential treatment for LDCs, ii) to seek clarifications to better understand the preferences notified (e.g. by asking the notifying Members to explain how their preferences would be implemented and how they would operate), iii) to ask Members to explain how they were building awareness of the preferences with their consumers and assisting LDC suppliers in LDCs "to orient themselves to preference benefits available so that such suppliers can utilize the preferences granted."

Also, at the last meeting of the Council for Trade in Services on 2nd of March, LDCs encouraged WTO members to increase awareness of the Waiver domestically and advocated for WTO Members to explore what recommendations the Council might make on steps that could be taken towards enhancing the operationalization of the Waiver.

The analysis in the study we commissioned with the case studies on the four LDCs precisely seeks to offer specific recommendations in this regard. One element that can be mentioned is the importance of basing any evaluation of whether effective market access is granted on a comparison of the preferences with countries' applied regimes, and not the scheduled commitments or DDA offers given the "water" in the schedules.⁸

So, ensuring that market access is effective requires more than just the authorization to enter a market; it involves ensuring that various border and regulatory measures, including those relating to qualification and technical standards, the establishment of companies and the temporary movement of natural persons, do not act as deterrents to the services trade of LDCs. The UNCTAD study highlights a number of issues identified by the services suppliers of the reviewed LDCs e.g. Visa fees which put an excessive burden on LDC service suppliers or the lack of recognition of their qualifications and skills can render market access opportunities void. Preferential treatment needs to include preferential regulatory treatment and measures in support of LDCs domestic capacity.

⁸ Effectiveness of preferences depends on going beyond existing commitments at multilateral, regional and bilateral levels, and even beyond applied MFN regimes.

Additionally, access to other Members' markets must also be complemented by initiatives that focus on improving services policies and regulatory & institutional institutions in the LDCs themselves, hence the need to technical assistance and training.

This is why the LDC services waiver does not only refer to market access but also "any other measures as may be annexed to this waiver". However, the market access measures may be the easier ones to offer as they relate to measure directly in the control of the preference granting country, as opposed to measures aimed at encouraging investments or other enterprise level actions.

Achieving such effective market access will not be an easy process. It will require WTO Members at all development levels being purposeful in their continued engagement in this exercise, committed to identifying and putting in place the required policies, enabling environment and capacity building support to LDCs in utilizing the preferences.

Chairman, Ladies and Gentlemen

I wish to conclude with a few words on UNCTAD's work on services trade and development within the framework of which this specific focus on improving LDCs services trade performance is implemented.

In response to requests we have received from LDCs, UNCTAD has developed a project on "Capacity building of LDCs in services trade for sustainable development". This project aims at providing assistance to LDCs in expanding services exports and facilitating achievement of the SDGs. Through this project, in line with demands from LDCs, we would offer a comprehensive package of assistance that provides information on the relevance and stage of implementation of the Services Waiver on a country-specific basis; serve 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.

In the pilot phase of this LDCs services project, with financial support from the Government of Sweden to whom we express our high appreciation, we commissioned the analysis on the relevance of the Services Waiver for Cambodia, Nepal, Senegal and Zambia. We hope development partners can support and work with us 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.

THANK YOU