

THE ROLE OF PUNJAB IN PROMOTION OF TRADE IN SERVICES

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INTRODUCTION

Services are vital to the functioning of the global economy and are becoming increasingly important in view of their contribution in output, employment and trade. International trade in services is regulated by the General Agreement on Services (GATS) of the World Trade Organization (WTO).

In Pakistan, the significance of the services sector is being realized in view of its huge potential for future expansion. It contributes more than 50% to GDP, 34 % of employment and brings about \$ 4 billion as workers remittances from abroad. Pakistan has strengths in low labour cost, a young workforce, English language skills, geographical location, cultural ties with Middle Eastern countries, and a growing economy. Traditionally its services exports have mainly comprised travel and related services, tourism, telecommunications and logistics. There is an opportunity to rapidly grow services exports in the area of business services which include financial, engineering, legal and other professional services.

In Pakistan, trade in services is a subject that lies within the domain of the Federal Government and it may seem that the provincial governments may have nothing to do with it. However, one finds by looking at the bigger picture that the provincial policies can largely affect the development and promotion of services sector in the economy. As a result, one may reach to the conclusion that the provincial governments can effectively contribute in facilitating the process of strengthening the services potential within the country. In this regard, the province of Punjab can take the lead as a facilitator and advocate for the promotion of services.

PUNJAB VISION

The Punjab province has a vast potential for exporting services which has so far remained largely unexploited. Moreover, it is a high time to make best use of WTO regime for liberalization of trade in services and encourage the services industry to make constant efforts to improve its quality and competitiveness. Punjab with its tremendous potential of human resource and technological development can prove to be a hub of exporting services, particularly, by exploiting modes requiring use of the expertise of its

professionals whether it is the tourism, construction, banking, accountancy, information technology or medical services.

The Punjab Province is beginning to recognize this importance of services sector. The Punjab Vision contains the policy of the Government in regard to the services sector, the significant features of which are to:

- i) Stimulate job creation in construction and housing industry
- ii) Boost tourism, hotel and resort development for income generation and employment
- iii) Improve communications and transport services
- iv) Promote wholesale and retail trade

PUNJAB'S ROLE AS A FACILITATOR

Punjab can effectively play a role in rapidly enhancing Pakistan's services potential by assisting in increasing institutional support, facilitating the regulatory environment, strengthening the service input infrastructure, and focusing on service sectors with high export growth potential.

i) Increase Institutional Support

Private and public sector trade associations can play an important role in a wide range of activities ranging from advocating sector perspectives during regulation formulation to facilitating contacts with foreign buyers. In Pakistan, some associations such as the ones for banking, medical services, construction and development are vibrant, but many services organizations are weak— suffering from problems due to lack of dedicated staff, lack of funds, lack of transparency, and a perception of partiality. The Punjab Government under the banner of public-private partnership can assist in developing service coalition groups of service firms that can jointly advocate regulatory environment change and multilateral trade negotiating objectives.

ii) Streamline Regulatory Environment

The domestic and foreign regulatory environment of service industries exercises a major influence on services exports. The Regulatory Environment can be streamlined through the following instruments:

- By easing Domestic Regulatory Environment
- By improving Public-Private Consultation Process
- By integrating Private Sector Interests in Trade Negotiating Objectives

Although, the role of regulation lies chiefly with the Federal Government, however, the Government of Punjab can contribute by maintaining consistent provincial policies and ensuring that service industry standards are consistent with international service industry

standards, where they exist. A strong cyber law regime will help internet-based commerce which is a key channel for exports. As recommendations the Punjab Government can do the following: -

a) Constitute a Services Task Force:

The private sector is the engine of economic growth, yet its views are not always incorporated in policy formulation in a structured manner. Ad hoc consultation has the disadvantage of inconsistency and lack of transparency and accountability. The consultation process must be defined, publicized, implemented, monitored, and improved. Punjab can constitute an honorary Services Task Force with representation from different service sectors, Government, Academia, Labour, Non Government Organization's and experts to identify industry priorities, raise commercially significant trade issues, and comment on negotiating proposals. This could meet regularly to formulate and disseminate policy objectives with regard to services sectors.

b) The Government can invite structured comments:

The Punjab government can advertise a request for comments on bilateral, regional, and multilateral negotiations and even accept written submissions. A Knowledge Management IT system can be established to register, track, collate, and report on comments and recommendations.

c) Informal consultations:

The Punjab Government can consult informally with private sector firms on service trade issues. These meetings may be with a cross-section of service firms or they may be on a one-on-one basis. This will help the Government to seek inputs that could be subsequently reflected while formulating policies.

iii) Strengthen Service Input Infrastructure

Export in services is dependant on skilled manpower, finance, telecom and utility services. Strengthening this service input infrastructure can be accomplished through the following instruments:

- Match Human Resource Supply with Demand
- Improve Financial Lending Environment
- Improve Telecom Infrastructure
- Improve Utility Provision and Expand Transport

a) Coordinate service sector promotion

Following prioritisation of service sectors, the Government can formulate comprehensive programs to facilitate growth that include the private sector, educational institutions, and financial institutions.

b) Improve Financial Lending Environment

Financial inputs are a key enabler of growth in any business. As services businesses usually are small, with little production inventory or equipment to pledge as collateral, they find it difficult to obtain financing. Financial institutions should be made aware of traditional means of financing service firms with non-physical collateral. As a recommendation the Punjab Government can encourage the local banks to introduce Standard Means of Financing Service Exporters. It can also encourage accounts receivables, intellectual property and venture capital based funding for service exporters. Arrange symposiums to expose financial institutions to the attractiveness of these modes of financing. Encourage partnerships with financial institutions that possess expertise in these areas. The Government in conjunction with financial institutions can determine how to best introduce reinsurance products for Accounts Receivable based funding. Encourage financial institutions to provide funding with Intellectual Property as collateral by providing reinsurance products to limit their exposure.

c) Improve Utility Provision and Expand Transport

Utilities, particularly electricity, are an important input into services sectors. Electricity supply must be reliable and low cost otherwise communication equipment, computers, facilities and speciality equipment performance is disrupted. In Pakistan electricity cost is relatively high and supply is not very reliable. As a result export businesses which need to maintain high standards of service quality are forced to invest in Uninterruptible Power Supplies (UPS) and Electricity Generators. In addition, for service exporters, convenient travel to service export markets of priority is integral to identifying clients, undertaking marketing, and providing the service as well as after sales service. The Punjab Government can suggest the Federal Governmental Authorities to seriously look into these matters in order to assist certain prioritized services sectors.

ADVOCACY ROLE OF PUNJAB

i) Provide Better Information

Information is a key enabler of success. Both creation of and access to information are important. The following instruments will improve information flow and create awareness, and Punjab can play an instrumental role in it:

- Assess Service Sectors and Prioritize by Export Potential
- Create Greater Awareness of Service Export Potential

ii) Monitor Service Sectors

On an industry basis, the Federal Government with the assistance of the Punjab government can monitor service industry performance and report findings. There is a need to take note of indicators that predict export potential and

recognize and report on Pakistani firms that are exceptional service exporters to determine and publicize best practices.

iii) Create Greater Awareness of Service Export Potential

Services have been awarded prominence as an important part of a nation's domestic economy and trade over the last couple of decades. In developing countries the potential contribution of services is not widely appreciated. A large number of Government Ministries and organizations, Parliamentary bodies and diplomatic missions impact service sectors. A number of statistics gathering agencies, banks, other financial institutions, and immigration and tax authorities gather information about services exports. Finally, telecommunications, utility, educational and financial companies provide important inputs to services sectors. It is therefore important that these heterogeneous bodies have an appreciation of the growing importance of services, difference between services and products, and other service modalities. A proactive awareness campaign can be launched from Punjab in this regard.

iv) Spread Awareness in Government

The Government should require all constituent Ministries and bodies to analyse and report on their current impact on services sectors and suggest ways in which they can contribute to services trade expansion. The provincial governments, particularly, need to discover their role in this regard. Punjab can set an example for other provinces.

v) Spread Awareness in the General Public

Publishing articles or facilitating publishing of articles in leading newspapers and magazines on the growing importance of services and services modalities can be a good idea for Punjab to begin with.

vi) Improve Pakistan's Image

Pakistan's image in target export countries with respect to the law and order situation should be more commensurate with reality. The Pakistanis overseas markets and foreign multinationals who are conducting safe and profitable business in Pakistan since many decades are key groups that can contribute to the improvement of Pakistan's image through advocacy in media and public events. The Punjab Government needs to interact with them for this purpose and them on board.

vii) Improve Quality and Ethics Consciousness

Quality and ethical conduct are important pre-requisites of success in export markets. Poor quality and ethical malpractice does not only hurt the individual company but also adversely affects the sector and country image. Punjab can educate people in this regard.