

UNIT 15 SERVICES

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15.0 OBJECTIVES

After studying this unit, you should be able to:

- define the services
- discuss the issues in international trade in services
- explain the trends in India's export of services
- evaluate India's competitive advantages and disadvantages
- suggest the measures to boost India's export of services

15.1 INTRODUCTION

The services sector during the eighties has attracted considerable interest not only in the context of international negotiations for liberalisation of international trade in services, but also for its role in the economic development of different countries including the developing countries. The commercial services accounts for 19.6% of total world exports and 19.7% of the total world imports for the year 1998. India being a labour surplus country, has competitive advantage in the export of services. In this unit, you will learn the issues in international trade in services, trends in India's export of services and India's competitive advantages and disadvantages.

15.2 DEFINITION OF SERVICES

Normally, one comes across terms as "services" and "invisibles". There are, however, no consensus definitions. The term 'invisible' is used predominantly in the balance of payments discussion. All the major items of Current Account barring merchandise are treated as 'invisibles'. For, in a layman's term, merchandise is tangible, i.e., you can touch it physically; while services are intangible. One cannot either touch them or see them physically.

The term 'services' is used in the context of general discussion. 'Services' have been simply defined by contrasting them with merchandise such as immateriality, non-storability and simultaneous production and consumption. But owing to technological developments some of these attributes of services have changed. For instance, remote delivery of services by modern means of communication, computerised storage of data flows and the like. Therefore, the modern definition of services is as follows:

A service can be defined as an act which is the result of productive activity and whose effect is to change the status or position of a beneficiary. The service output is not distinguishable from its production process and the result or effect of the service is inseparable from its beneficiary and cannot form the subject of a new transaction. Accordingly, services have to be classified as activities and not as products. Kotler and Bloom have defined services as "any activity or benefit that one party can offer to another that is essentially intangible and does not result in ownership of anything. Its production may or may not be tied to a physical product." However, services can be owned through various legal measures.

Services normally include construction, transport and communication, wholesale and retail trade, financial services, business and domestic services, government which includes public administration, education, health, defence, social services, medical, legal, marketing sectors, tourism, etc.

There is need to further look into services in an international context. The services in the international context have been classified as follow:

- a) Factor Services:
 - i) Foreign direct investment including technology transfer
 - ii) Labour services
- b) Non-Factor Services:
 - i) Travel
 - ii) Transportation, port and related services
 - iii) Insurance
 - iv) Other government services, and
 - v) Miscellaneous or other private services.

Services are playing a very important role in the economies of developed and developing countries. The share of services in the world trade is not very high. Only around 10 per cent of services are traded in the world. The international trade in services has increased in the eighties and nineties but not dramatically, as has been frequently argued. Yet their growth in trade has been substantial.

Before going into the discussion of issues in trade in services, it is important to identify some of the major aspects of the services sector. State regulation plays a very important role in the services sector. State, in developed and developing countries regulate/promote the services sector on a number of grounds. Firstly, it is argued that the nascent services sector needs to be protected and promoted in developing countries. This function can be performed only by the State. Secondly, in a number of cases, some of the components of the services sector, such as transport, finance, computers etc., have a strategic role to play in the context of the defence of the country. This argument is put forward by the developed and the developing countries. Thirdly, components of the services sector such as films, music, etc. have a tremendous influence on the culture of countries. Hence, they need to be regulated as well as promoted. Finally, governments, especially of welfare States consider their tasks to provide certain services to their citizens. These include health, education and such other needs. Consequently, governments provide resources to promote the growth of these sectors and as a result they control these sectors as well. Hence, one finds in some of these sectors State monopoly.

15.3 ISSUES IN INTERNATIONAL TRADE IN SERVICES

As has been seen, the services sector has been a highly regulated one. There has been a serious attempt to liberalise international trade in services. A separate agreement, although a component of the final agreement was signed as General Agreement on Trade in Services

(GATS). It is part of the World Trade Organisation and is subject to integrate dispute settlement mechanism.

It defines Trade in Services as the supply of a service:

- (a) from a territory of one member to the territory of any other member;
- (b) in the territory of one member to the service consumer of any other member;
- (c) by a service supplier of one member, through commercial presence in the territory of any other member; and
- (d) by a service supplier of one member, through presence of natural persons of a member in the territory of any other member.

The general obligations include provision in the Most Favoured Nation clause, i.e., each member shall accord immediately and unconditionally to services and service suppliers of any other member treatment no less favourable than that it accords to like services and service suppliers of any other country. *Transparency Clause* means that each member shall publish promptly (except in emergency situations) all relevant measures of general application, which pertains to or affect the operation of the agreement and all international agreements pertaining to or affecting trade in services to which a member is a signatory. *National Treatment* means treatment to services and service suppliers of any other country which is no less favourable than what it accords to its own services and service suppliers. This provision is part of market access and national treatment would not be general obligations but would be commitments made in national schedules.

This agreement in Part IV establishes the basis for progressive liberalisation in the services area through successive rounds of negotiations and development of national schedules. Areas where negotiations have been concluded or are in the process of negotiations are financial, telecommunication, professional services and movement of natural persons, and information technology. Unlike merchandise trade where border measures like tariffs and qualitative restrictions become important, international trade in services gets affected by some specific non-border aspects.

First, services trade is subject to fiduciary regulations in importing countries and many other sellers are required to possess appropriate licences and/or qualifications. These are operated within the national boundaries.

Second, in the case of some services foreign markets are mostly efficiently serviced by a permanent presence in the market – by the establishment of a local branch or subsidiary. It has been found in a number of cases that investment is the dominant mode for international transaction. They have been identified as banking, accounting, advertising, automobile and truck leasing, employment agencies, equipment leasing, hotels and motels and legal services. There are certain services in which both trade and investment flows are important (communication, computer services, construction and engineering, educational services, franchising, health services, insurance and pictures).

Trade in these services, therefore, raises the issue of right of establishment in an importing country. It very often conflicts with the national laws. In fact, these laws become important barriers to trade as well. This also raises a number of questions regarding sovereignty of a nation.

Third, in area of the services sector, as has been noted, state has regulated/promoted a large number of components. It is also the owner of a number of these services. This obviously brings up a large number of issues such as level playing field, etc.

Finally, a large number of services can be traded only when the personnel dealing with these services move from one country to another either for a short period or for a longer period. This would come under the immigration laws of the country to which the personnel have to move. These laws are governed by different objectives and rules. Very often the personnel

from the developing countries face more stringent rules in developed countries, thus constituting an effective barrier to trade.

Check Your Progress A

- 1) What do you mean by services?
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- 2) What is transparency clause?
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- 3) What is national treatment?
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- 4) State whether following statements are **True** or **False**.
 - i) Commercial services account for 35% of total world exports.
 - ii) Travel is an example of non-factor services.
 - iii) Trade in services gets affected by specific non-border aspects.
 - iv) Services trade is not subject to fiduciary regulations in importing countries.
 - v) In construction and engineering services, trade and investment flows are important.

15.4 INDIA'S EXPORT AND AVENUES OF SERVICES

The Services Sector is considerably important in the Indian economy. Nearly 41 per cent of its GDP is accounted for by services. It is expected that this sector would reach the 50 per cent share in GDP mark soon. Services exports is expected to be 1/3rd of the merchandise exports. India's exports of services had been \$9.3 billion and its merchandise exports \$32.2 billion in 1997. Its share in the world services market is 0.5 per cent. Now it is expanding by 16 percent per annum. It is, however, estimated that growth will be around 26 percent. It has been growing at a faster rate compared to other sectors. Look at Table 15.1 which shows growing export of services from India. It has increased from 3719 million dollar in the year 1988 to 11067 million dollar in the year 1998.

Table 15.1: India's Export of Commercial Services

(Million dollars)	
Year	Value
1988	3719
1989	4092
1990	4609
1991	4905
1992	4893
1993	5034
1994	6031
1995	6763
1996	7179
1997	8926
1998	11067

Source: WTO Annual Report, 1999.

15.4.1 Conventional Services

The services sector in India has a large number of components. Let us discuss major sector of services.

Tourism and Travel: Tourism and travel hold great promise for high growth in India. It has been estimated that India will be able to achieve an annual growth rate of over 12 percent in tourist arrivals. International trade in tourism takes place when individuals residing in one country travel to another country to purchase tourism services. India can emerge as a major tourist attraction based on its cultural and physical resources, strategic location and the availability of low cost labour. It should be noted that industry is highly capital intensive in some segments. Hence, industrialised countries account for 80 per cent of tourist arrivals and international receipts.

Construction and Engineering Services: India has a comparative advantage in this sector. It is based on the availability of low cost skilled and semi-skilled labour, mastery of appropriate technology adapted to conditions frequently found in other developing countries and close social and ethnic relations.

But there are some difficulties as well. In most parts of the world, local laws do not encourage migrant construction labour to work. This calls for a series of international negotiations to remove such barriers.

Financial Services: The GATS has defined financial services as: A financial service is any service of a financial nature offered by a financial service supplier of a member government. Financial services include all banking and other financial services excluding insurance.

Banking activities overseas for Indian banks is costly and also competitive. The overseas branches of Indian banks with their paltry resources are unable to undertake local business as the cost of raising funds abroad is prohibitive in spite of slightly improved credit rating of India. They have largely concentrated on India related business like funding of letters of credit and remittances. Indian banks have a slightly better performance in developing countries. Their performance in leading financial centres like London and New York is very poor for they cannot compete with big banks. Indian banks should, therefore, concentrate on developing countries. The State Bank of India is establishing branches in Commonwealth of Independent States (CIS) countries.

The Indian banks must, in the beginning establish branches in those countries which have long-term trade relations. Then only they can contemplate establishing branches/subsidiaries in developed countries.

Insurance: Insurance constitutes one of the most structurally complex industries in the world economy. It is also one of the most regulated sectors due to the susceptibility to recurring crises. Asia has a share of 25-30 percent of world insurance. The General Insurance Corporation (GIC), India and its subsidiaries satisfy six to seven out of eight international norms for assessing solvency in insurance companies world-wide. It is, therefore, believed that the Indian insurance industry can become a leader among developing countries due to its financial strength, lower costs, skilled manpower and lack of reinsurers for low volume of business in developing countries.

Life Insurance Corporation of India is already operating with its offices in the UK, Mauritius and Fiji. From 1992, LIC has started marketing unit-linked products in the UK, with a working arrangement with one of the leading life insurance companies of that country – Sun Life. LIC has also a subsidiary in Bahrain called LI International EC. In Kenya it has a joint venture.

The General Insurance Corporation and its subsidiaries have representation, either directly or through branches, in 18 countries and through associates/locally incorporated subsidiaries in other countries. The insurance companies of India can become an excellent base for a number of TNCs who have concentrated in specialised areas of insurance by becoming sub-contractors.

Indian Shipping Services: Shipping services from India were not very important at the time of independence. Since 1948, there has been a tremendous expansion of shipping. In 1998, India was 17th among the world's maritime nations in terms of tonnage (gross tons) by flag of registration with a fleet strength of 425 vessels of 6.41 million qrt whose average age is 15 years. In terms of dwt India's position among world's maritime nations was slightly better. India was 15th with a fleet strength of 10.68 million dwt.

Shipping services provided by the mercantile marine of a country in its overseas trade constitute an important source of foreign exchange earnings as well as savings. The World Trade Organisation (WTO) is promoting negotiations in maritime services. Due to differences between developed and developing countries, the Maritime Services Accord had been postponed to the year 2000.

Due to its importance as a foreign exchange earner and a saver, it is proposed to recognise shipping industry as a service export industry. It is expected that shipping industry must increase its share of world shipping from 0.5 percent to 1 per cent. Indian shipping can grow by leaps and bounds if Indian ports are efficient. Indian ports are to be totally modernised.

Air Transportation: There has been a phenomenal increase in the volume of air traffic, both domestic and international over the last two decades. Over the last 25 years the domestic air traffic has registered an average annual growth of 10 per cent and Air India traffic registered an average growth of 12 per cent. In recent years important policy decisions have been taken to speed up the development of civil aviation in India. For instance, the transit charter policy has been liberalised to facilitate foreign tourists visiting the country. An open sky policy for cargo has been introduced to facilitate exports. The monopoly of Indian Airlines has now been broken and the domestic air routes have been thrown open to private operators. Steps are being taken to restructure Air India and Indian Airlines companies.

Air India has been a renowned carrier and also profitable. It can become a successful international carrier. The ethnic base of million people and an excellent past are the favourable factors. It is relatively a small carrier flying only 2 million passengers annually compared to 24 millions of British Airways. Marketing has to be aggressive to compete effectively in the international market.

Export of Labour from India: India is a capital scarce country. It may not be in a position to export capital. Even in technology, India does not belong to the group of countries having advanced technology. India may export intermediate technology which is needed in some developing countries. But the preference of these countries is to import advanced technology because they have been attracted to it regardless of its immediate applicability. This is also strengthened by the financial aid that these countries receive, which is very often tied

aid, to purchase goods and services from the donor countries. Foreign direct investment, bulk of which comes from the developed countries also reinforces this tendency.

The most important factor that can be expected from India, therefore, is labour. Migration of Indian labour has taken place to various countries in the recent past. Even in the 19th century labour from India went abroad. Although there are no reliable data on migration of Indian workers abroad, it is estimated that more than one million people have migrated in the recent past.

Most of the Indian emigrants have gone to oil exporting countries in the Gulf area. Highly qualified specialists and educated labour go to advanced countries especially the US, Canada, Australia and the European countries. Labour has been remitting funds substantially to India. The markets for construction workers in the turnkey projects are available in the African and Middle East countries. There are good chances of India getting sub-contracts for labour components for construction work. The demand in the Middle East and other labour receiving countries has steadily shifted towards skilled and highly skilled manpower as industrial progress advances and reliance on more sophisticated technology by the importing countries grows. India should try to develop skilled manpower to meet such emerging needs.

Software: Computer software is one of the most flourishing items in which India has an edge over many other economies. India's software exports have grown substantially. It has achieved about 40-50 percentage growth per annum. Exports also constitute 50-60 per cent of the total production. This trade can be divided into two parts: (a) provider of the services going to the place of consumption, and (b) distance between provider of the services and the consumer. Service in category (a) is known as body shopping which is subject to immigration restrictions. India supplied a large number of computer personnel. Once again due to the problem of immigration restrictions in the US and other developed countries the growth is not as much as is the potential. On account of this distant services have become important. Through satellite links distance service is possible. There is a \$300 billion market in the world. India can hope to get a sizeable share of this market.

Another type of service that India is offering is data entry. This type of service requires contact and trustworthiness. Although India has an edge over the price it is not the sole consideration to get the contracts.

India has two disadvantages: (a) it has a limited satellite link, and (b) the issue of trustworthiness. There is a feeling that India will misuse her intellectual property rights. If India is able to convince transnational corporations about her professional trustworthiness, the market to export software will expand.

India has comparative advantage in software exports. *First*, India is richly endowed with human capital. *Second*, the contribution of expatriates of India has been substantial. *Third*, several managers of software attribute India's comparative advantage in software to the innate mathematical attributes of Indians. *Fourth*, the Government of India has also supported this sector.

15.4.2 Non-Conventional Service

So far we have concentrated on conventional services and their export potential. There are a vast number of non-conventional technology based services in which India has certain advantages to become an important exporter. Six such services can be identified for discussion. They are: super speciality hospitals and related services; satellite mapping; standardisation and quality assurance services; printing services; maintenance services; and technology intensive educational services. Let us now discuss them in detail.

Super Speciality Hospitals and Related Services: India's super speciality hospitals along with fully modernised diagnostic centres are able to provide world class health care services at about one-tenth the cost of comparable services in the developed countries. But the major weakness of this sector is proper marketing of these services.

Satellite Mapping Services: The Indian space programme which had a modest beginning in the late sixties is aimed primarily at promoting the development and application of space technology and space sciences for socio-economic benefits. Over the decades, space technology development and utilisation has not only graduated from an experimental phase to an operational era, but it has also proved its potential to address the national needs. Today it is in a position not only to meet the needs of India but also export this service. This service is not included in exportable services. But India is internationalising its space services. The increasing capabilities of Indian satellites have enabled many new space services to be introduced in the country as well as to compete in providing services outside the country. Satellites have been used for mapping services, information on crops degraded lands, forest cover, land use and land cover, agricultural drought, oceanic surveys, etc. India is considered to be very competitive in its satellite mapping services. India is price competitive because the price of services is nominal.

Standardisation and Quality Assurance Services: The worldwide movement for quality management system at the enterprise level as a prerequisite to building competitiveness in world trade has led to a rising demand by manufacturing and services companies for quality system certificates conforming to ISO good standards. It gives a competitive edge to companies. Both in the domestic as well as the global market, it reduces costs, ensures consistent quality improvement and brings confidence to the consumer.

Although currently there is hardly any export of this service, it is hoped India will be in a position to export this service for it has a good supply base as well as developing international contacts through MOUs. India is, however, promoting training of people from foreign countries especially from the SAARC countries and also providing consultancy.

Printing Services: Printing industry in the last 500 years of its history has experienced various changes. Rapid pace of technology and major breakthrough in the application of digital technology have brought about a major transformation in almost all aspects of the printing industry. Printing activity in India is mostly concentrated in the small scale sector. As per an estimate, there are about 1,60,000 printers in India. They have also modernised some aspects of their printing.

India's export of books has gone up. One important aspect of this is job printing (for overseas publisher). It has now become quite important. Printing in India is inexpensive. The depreciation of the rupee has made this business even cheaper for publishers abroad. Secondly, labour is required to work on an overtime basis. So it works out cheaper. In job printing, the manuscript is sent by publishers abroad to Indian printers. This is printed in India and then sent abroad. "The costs could be as much as one-tenth of the books printed overseas", say experts. But countries like Singapore and Hong Kong are emerging as competitors to India. This sector had been under negotiation under the GATS of the WTO. Various countries have given commitment to open up their markets. There is a lack of knowledge among the printers regarding exports. It is estimated that the foreign markets are large mainly for short-term jobs. Normally there are orders for one time printing. However, majority of presses involved in exporting offer a comprehensive range of printing needs. Typesetting is also a lucrative operation especially for developing countries.

Maintenance Services: Maintenance and repairs normally denote the activity to keep fixed assets in efficient operating condition. Maintenance assumes extraordinary importance in the proper running of any industry be it manufacturing or service industry, aircraft maintenance, ship repairs, road transport. All these sectors have maintenance service in India.

Various opportunities exist for these maintenance services. They include construction and maintenance including preventive maintenance in various countries like Middle East, SAARC countries, Malaysia, Zambia, Vietnam etc. The fields include: maintenance management, consultancy for electrification, technical audit of operation and maintenance of already electrified system, consultancy services for operation of detailed project and construction management, highway sector, design, engineering and construction supervision, consultancy for privatisation of state-owned roads, etc.

Indian companies have done foreign assignments in this sector in Mexico, Portugal, Iran, Iraq, Tanzania, Zaire, Sudan etc. Maintenance services are being negotiated under the GATS in the W.T.O..

Technology Intensive Educational Services: Increasingly education is much sought after by almost everyone. The term "globalisation of higher education" is increasingly reducing the gap between developed and developing countries. India has a large number of educational institutions.

Academic community consists of 213 universities, over 800 colleges, 2,500 research institutions, 310 medical colleges, more than 400 technical institutions and a vast number of R&D institutions. There are also Indian Institutes of Technology at Mumbai (Bombay), Delhi, Chennai (Madras), Kanpur and Kharagpur. Many of the technology intensive universities offer various training programmes. The main competitors for India in this sector are USA, UK and Australia. However, developing countries and the neighbouring countries look for India to provide these services.

15.5 INDIA'S COMPETITIVE ADVANTAGES AND DISADVANTAGES

The discussion of competitive advantages and disadvantages of exporting services from India have been identified while discussing various components of the services sector, their exports as well as their export potential. It is indeed difficult to state general advantages and disadvantages of such a wide variety of services. Yet, it is useful to broadly discuss the advantages that India possesses and the disadvantages that services exports from India confront.

Competitive Advantages

- i) One of the important elements of the components of the services sector is that they are generally labour intensive. India is endowed with labour. Further, many services sectors need not only unskilled, but also semi-skilled and skilled labour. India not only possesses unskilled labour. It also has a vast potential of semi-skilled and skilled labour. This gives the Indian services sector an advantage over its competitors in a number of developing and developed countries.
- ii) The large Indian domestic market for a number of services provides adequate economic strength and learning capacity to manage a large number of areas of the services sector.
- iii) In some specific areas, such as tourism India possesses a large diversity of natural resources as well as innumerable cultural and artistic places. These would attract the tourist trade. The infrastructural facility in terms of transport, hotels, motels etc. is developing to make Indian tourism attractive to tourists especially foreign tourists. The cost of tourism in India especially in the context of the devaluation of the rupee is very low.
- iv) In a number of cases the Government policies do promote the export of services.

Competitive Disadvantages

- i) The mobility of labour to promote export of services is restricted because of visa policies of importing governments. Their governments do not want to liberalise their visa policies.
- ii) Market access despite GATS has not been free for a number of services of interest to India. This is particularly true in factor services such as labour movement including skilled personnel. Even short- and medium term movement is obstructed by visa policies, problems of residence, etc.
- iii) Many areas of the services sector although are labour intensive, they have emerged globally as capital intensive with the advancement of technology. Further, many areas of this sector suffer from inadequate capital.

- iv) The required finance including export finance is not available to a number of areas of the services sector at lower costs.
- v) Many developing countries like South Korea and Taiwan have improved their competitive advantage by increasing their capacities and nurturing a nascent services sector.
- vi) Market access to Indian services exports is not only impeded by government policies of the importing governments but also by informal rules and regulations in the market by domestic suppliers of service. In this context lack of clear information about these measures has been a big handicap.
- vii) Marketing of services by the Indian producer of services has not been of world standard. The marketing of services internationally has reached a very sophisticated level. Quality of services offered has acquired a particular significance for the acceptance of services by the consumer, especially foreign consumer largely depend on not only the quality but also the perception of quality. Hence, promotion of services in marketing plays a significant role. Indian producers may offer a quality product but it must be perceived as such by the consumer. Reliability of service supply is yet another factor. Indian producers very often overlook the critical importance of reliability in the source of supply.

15.6 SUGGESTIONS TO BOOST SERVICES EXPORT

The Government policy must aim at promoting services. There are a number of suggestions made by trade and industry to the Government. In the following section, a few suggestions of trade and industry have been highlighted:

- 1. Aggressive marketing strategy should be adopted for export of services from India.
- 2. There is need for setting Export Promotion Councils for different services.
- 3. Procedural simplification has to be effected.
- 4. Export facilities should be granted like giving concessional export finance to the exporter of services.
- 5. In the WTO, there should be time-bound commitment for movement of persons.
- 6. The denial of national treatment in the case of taxation under mode one i.e., cross-border supplies, implies a kind of tariff for services.
- 7. Visible and invisible barriers not mentioned in the national commitments to WTO should be made transparent by WTO member countries.

Check Your Progress B

- 1) Enumerate five conventional services.

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- 2) Enumerate five non-conventional services.

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3) Enumerate three competitive advantages of India's services export.

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4) State whether following statements are True or False.

- i) Tourism and travel hold great promise for high growth in India.
- ii) The State Bank of India is not establishing branches in CIS countries.
- iii) Asia has a share of 50% of world insurance.
- iv) The World Trade Organisation is promoting negotiations in maritime services.
- v) India is not a capital scarce country.

15.7 LET US SUM UP

Services are different from merchandise. Merchandise is tangible and Services are intangible. Services are normally defined as immateriality, non-storability and simultaneity of production and consumption. Technological advances have made services as activities and possess some features of merchandise for instance some of the services are storable. Services are also called invisibles. Services have dominated the advanced economies. They constitute more than 60 percent of their GDP. In employment, their contribution is higher. It is more than 70 percent and also a growing sector. Even in developing countries share of services is increasing. It is now around 40-45 percent of GDP. In employment also, their contribution is high.

Services normally include construction, transport and communication, wholesale, retail trade business and domestic services. Government which include public administration, education, health, defence, social services, medical, legal, marketing sectors and tourism. There are also factor services which include foreign direct investment including technology and labour services.

International trade in services has grown. Nearly as much as one-third of value of merchandise trade is service trade. Developed and developing countries are both participating in varying degrees.

Services are important for Indian economy. Nearly 41 percent of Indian GDP is attributed to services. Even international trade in services is important to India although the share of India in world trade of services is only 0.5 percent. India has a large number of service sectors which have export potential. Labour, transport, tourism, construction, software, education, etc. India has many advantages in exporting services: (i) labour, unskilled, semi-skilled and skilled; (ii) domestic market to provide good economic base; (iii) India possess certain specific advantages such as natural and cultural heritage which attract tourists; and (iv) government is keen on promoting export of services. There are number of disadvantages that India suffers in exporting services: (i) market access is difficult, (ii) services dependent on movement of personnel confront extremely restricted visa facilities, and (iii) other barriers to trade such as technical specifications etc.

15.8 KEY WORDS

Most Favoured Nation Treatment: All countries exporting to a given country will be receiving same treatment. In other words there is no discrimination among foreign competitors arising from the Government policies.

National Treatment: Foreign supplier of services will be treated same as the domestic suppliers.

Right of establishment: Supplier of services seeks to export services through establishing a branch or a subsidiary in an importing country.

Comparative advantage: A country has the advantage in producing goods and services in some products while it does not have similar advantages in producing some other set of goods.

Simultaneous production and consumption: In a number of services there is no time lag in producing a service and consuming it. Examples, teaching and learning, music playing and listening, bank transaction, banker's service, etc.

Border Measures: When a product or a service is imported the importing country levies a duty, limits the quantity, specifies standards etc. at the border of a country. Customs, tariffs and quotas belong to border measures.

Non-border measures: Those which a country imposes them on a service or a product after it crosses the border. For instance whether a foreigner can establish a bank in other country depends on a number of laws that govern banking in the country in which the foreign bank wants to establish a branch/subsidiary etc.

Transparency: It means all the measures that an importing and exporting country take regarding services sector must be not only published but also made available to concerned governments, international organisations, traders, producers, etc.

15.9 ANSWERS TO CHECK YOUR PROGRESS

A 4 i) False ii) True iii) True iv) False v) True

B 4 i) True ii) False iii) False iv) True v) False

15.10 TERMINAL QUESTIONS

1. Distinguish between services and merchandise. Enumerate major services.
2. What are the main issues of international trade in services? What is the role of services in India's external trade?
3. What are the difficulties in trading services internationally?
4. Identify various important services in India. Briefly discuss the advantages and disadvantages that they have in becoming major exports of India.
5. Briefly discuss various issues of General Agreement on Trade in Services.
6. Discuss the policy of Government of India in promoting export of services.

SOME USEFUL BOOKS/REPORTS

Centre for Monitoring Indian Economy, Foreign Trade and Balance of Payments, July 2000,
Delhi.

DGCI & S, Annual Report, 2000

UN International Trade Statistics Year Book, 1997.

Ministry of Finance, Government of India, Economic Survey, 1999-2000, New Delhi.

WTO Annual Report, 1998-99.

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