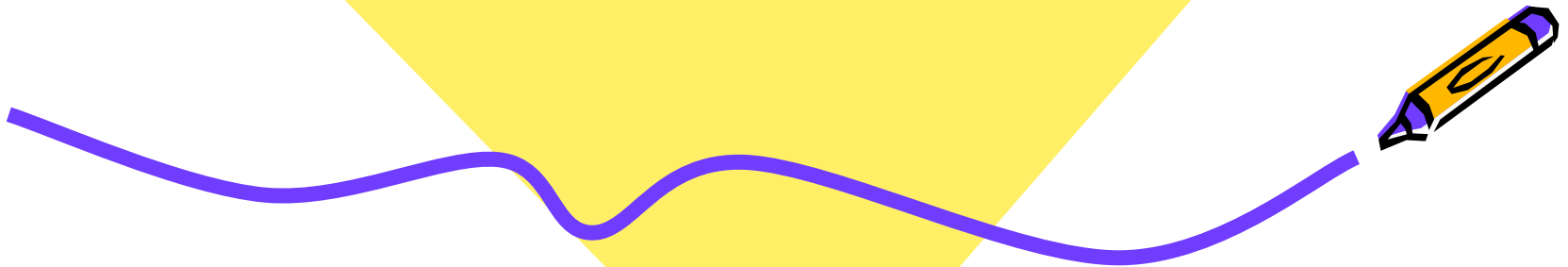


Emergence of India as a Services Hub



# SERVICES - STATISTICS

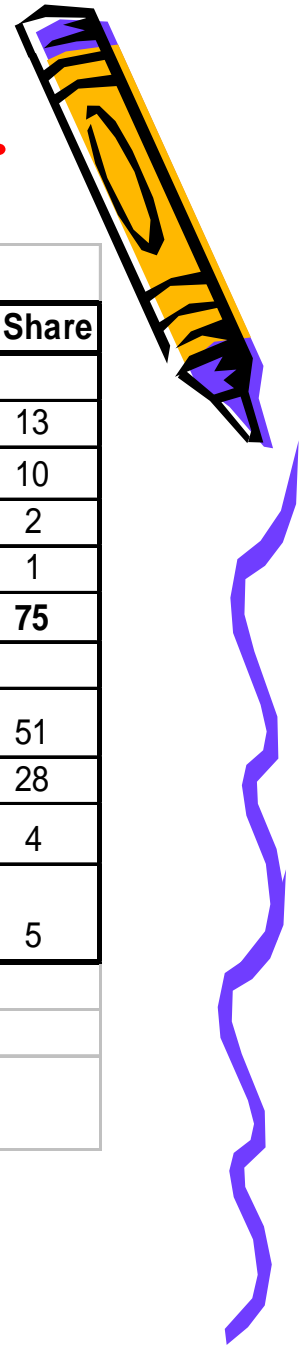


- World trade in commercial Services in 2006 - \$2710 billion (roughly 1/4<sup>th</sup> of merchandise trade).
- India's Services Exports in 2006 - \$73 billion
- Share of India's exports in world trade of services - 2.7%.
- Share of India's exports in world trade of goods - around 1%.
- Services accounted for 54.3% of GDP in 2005-2006 in India.
- Services Exports account for 37% of total exports in 2005-06.
- NASSCOM/KPMG Report of 2004: Offshored IT services to grow by 30-40% in the 'next few years'.
- It is this strength and global competitiveness that has guided the Govt's stance in the GATS negotiations at the WTO.



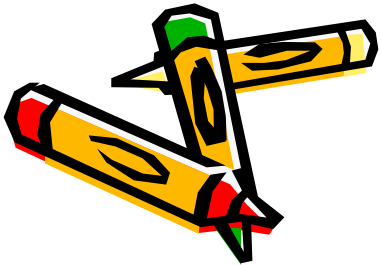
Source: WTO Statistics

# SERVICES - STATISTICS contd.

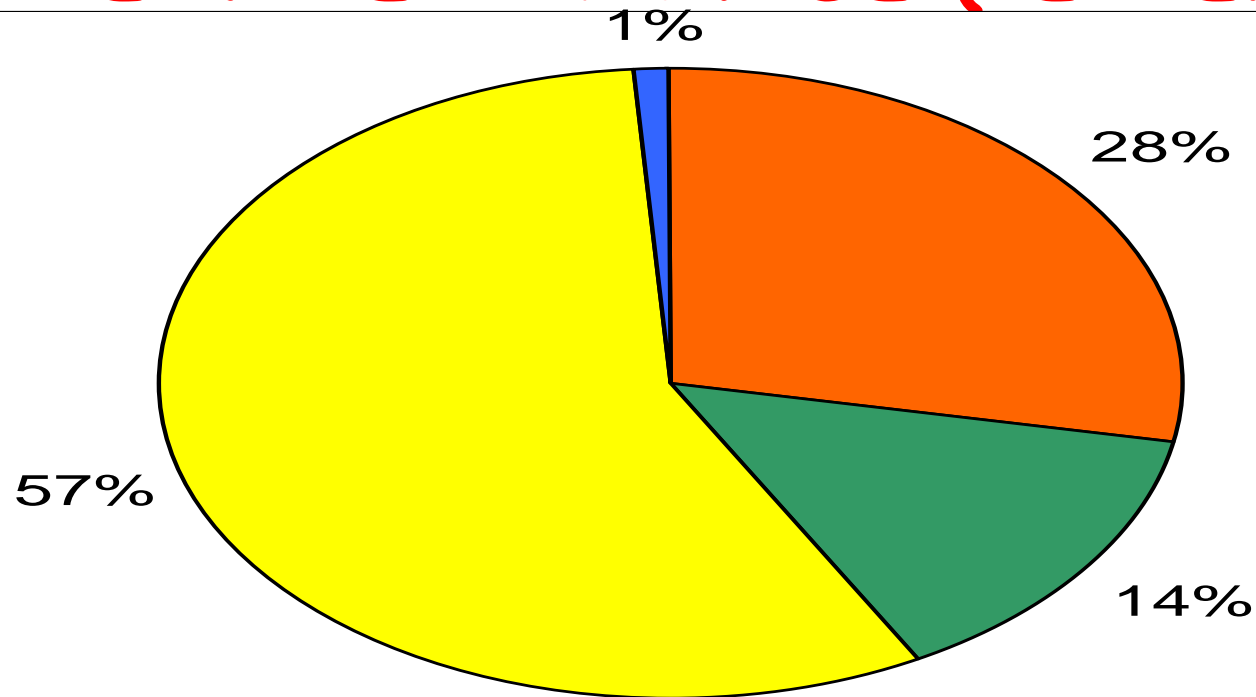
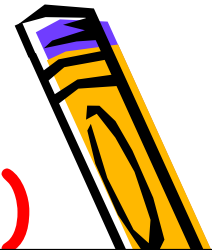


India's Export of Services (US \$ Million)								
	1990-91	% Share	1994-95	% Share	2000-01	% Share	2005-06	% Share
<b>Total Services Export</b>	<b>4551</b>		<b>6135</b>		<b>18870</b>		<b>61404</b>	
Travel	1456	32	2365	39	3168	17	7853	13
Transportation	983	22	1696	28	1913	10	6291	10
Insurance	111	2	152	2	257	1	1050	2
G.n.i.e.	15	0	41	1	657	3	309	1
Miscellaneous	1986	<b>44</b>	1912	<b>31</b>	12875	<b>68</b>	45901	<b>75</b>
<i>of which</i>								
<i>Software Services</i>							23600	51
<i>Business Services</i>							12858	28
<i>Financial Services</i>							1704	4
<i>Communication Services</i>							2182	5

Source: RBI Bulletin June 2007



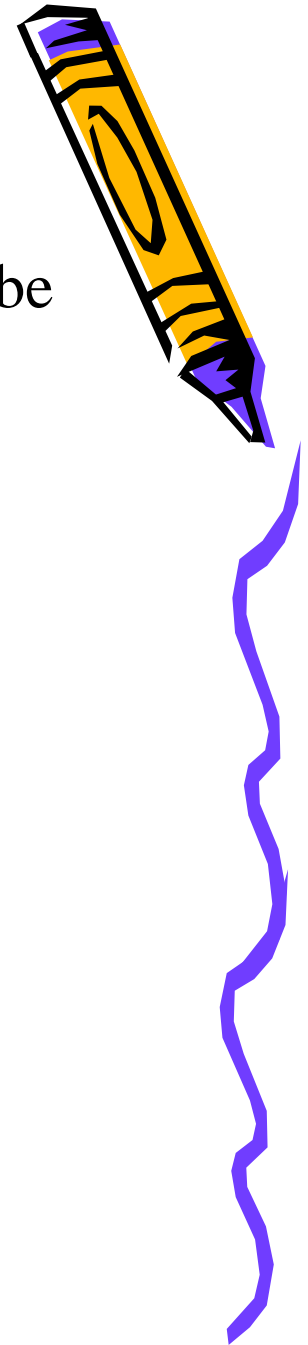
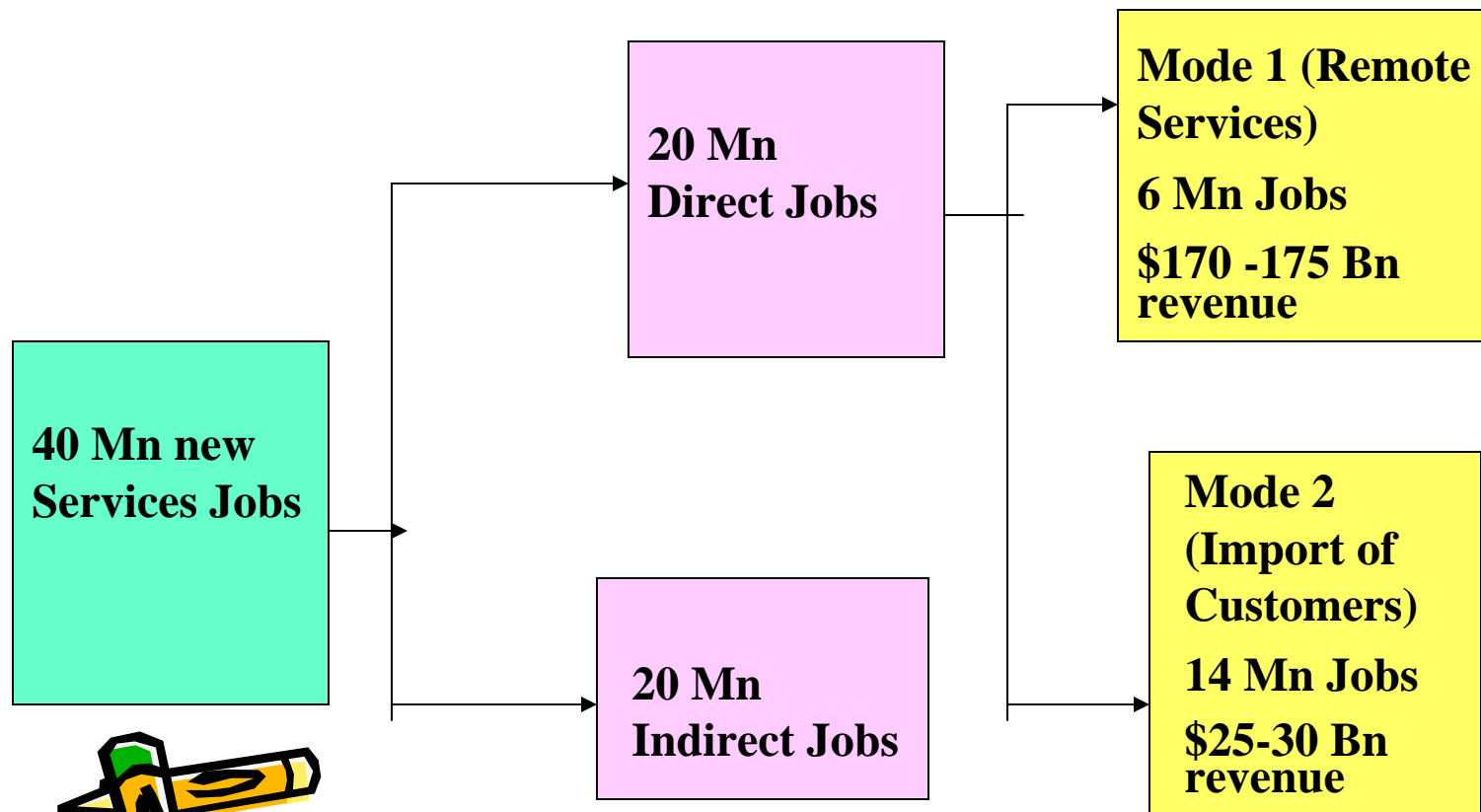
# VALUE OF WORLD TRADE IN SERVICES BY MODE (PERCENT)



- Mode 1 (Cross Border Supply)
- Mode 2 (Consumption Abroad)
- Mode 3 (Commercial Presence)
- Mode 4 (Movement of Natural Persons)

# Study by Boston Consulting Group

- 40 Million new **Services** jobs, \$200 Billion revenue to be generated by 2020 in India.

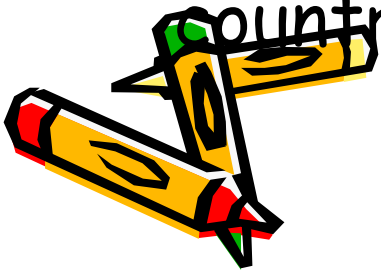


**Indirect to Direct employment creation 1:1**

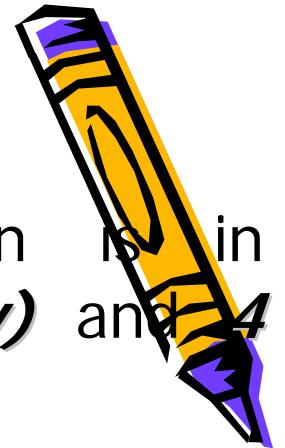
# Possibilities of gains from liberalization of Movement of Natural Persons (Mode 4 )



- Study by Winters and Walmsley (2002) and Rodrick (2002) suggests that the annual gains from Mode 4 liberalization could range between \$150 billion and \$200 billion.
- Study estimates that the impact of an increase in developed country quotas on inward movement of workers from developing countries is equivalent to 3% of the developed countries total labour force.

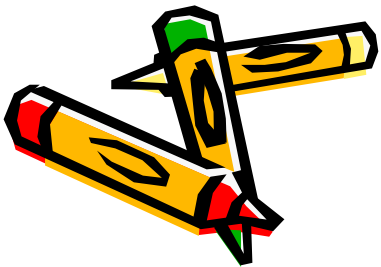


# INDIA'S STRATEGY



India's *major interest* in Services negotiation is in liberalization of *Modes 1 (Cross Border Supply)* and *4 (Movement of Natural Persons)*

- We want Developed countries to *bind their existing regime* in all sectors in Mode 1 (barring sensitive ones) and offer commitments for Contractual Service suppliers and Independent Professionals under Mode 4. Removal of various limitations existing in Mode 4 movement is another major issue to be addressed.
- In Mode 4, large potential exists, due to workforce shortages in developed countries arising from *ageing population*



# INDIA'S STRATEGY ...contd.



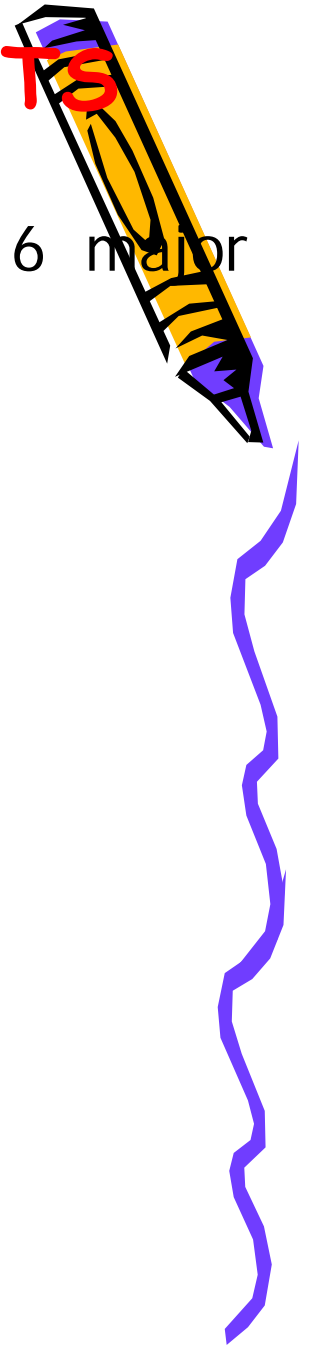
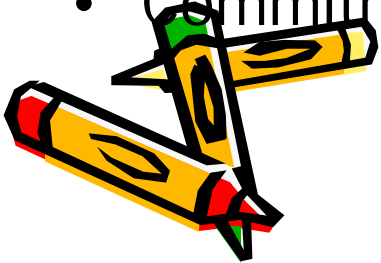
- We seek market access for the categories de-linked from commercial presence viz., ***Contractual Services Suppliers*** and ***Independent Professionals***
- Several ***impediments being faced in free movement of natural persons***
- ***Qualification and licensing procedures*** in various countries are not transparent, this needs to be rectified.





# INDIA'S PRESENT COMMITMENTS

- During Uruguay Round, India's commitments in 6 major sectors:
  - Business services
  - Communication services
  - Construction & related engineering services,
  - Financial services
  - Health and related Social services
  - Tourism & Travel related services.
- Main commitments: Mode 3 and Mode 4
- Commitments lag behind autonomous liberalisation



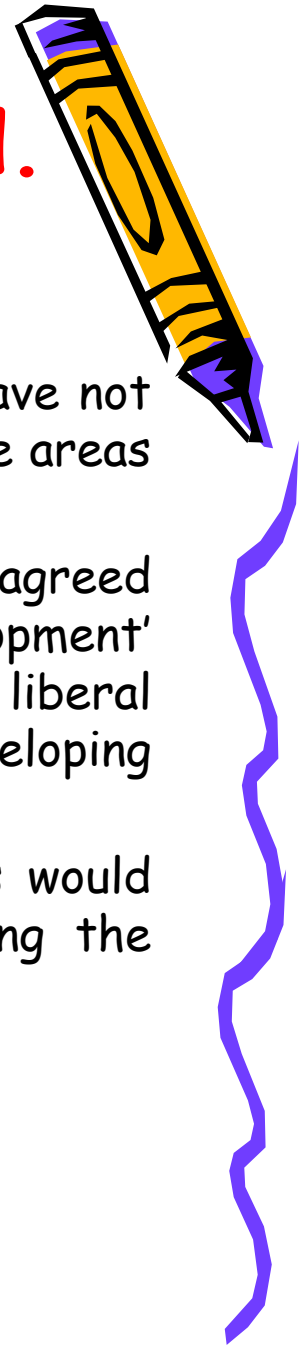
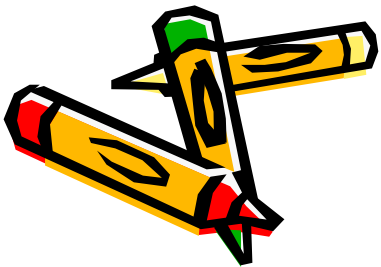
# INDIA'S REVISED OFFER

- Tabled at the WTO in August 2005
- India's Revised Offer substantial improvement over its Initial Offer.
- New areas covered include Architectural, engineering and integrated engineering and urban planning and landscape services; veterinary services; environmental services; distribution services; educational services; recreational, cultural and sporting services, maintenance and repair of aircraft.
- Further, the coverage and commitments have been improved in construction and related engineering services; tourism services; financial services etc.
- New commitments have also been offered in cross border supply in a large range of other business services; professional services; research and development services; rental and leasing services; real-estate services; etc.



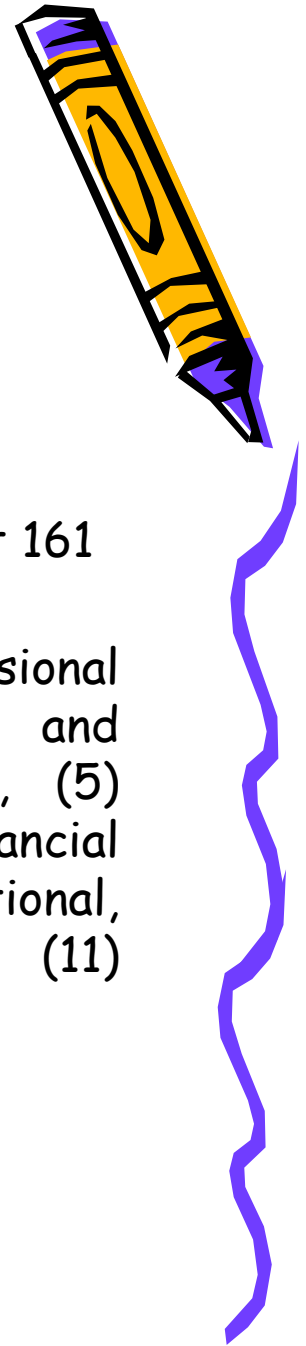
# INDIA'S REVISED OFFER Contd.

- India is a demandeur in Services Negotiations at the WTO
- India's trading partners especially the developed countries have not been very forthcoming with improvements in their R.O.'s in the areas of interest to India.
- At the Hong Kong Ministerial (held in December 2005), it was agreed that there was a need to strike a balance between the 'development' dimension of the Doha Round as well as push towards more liberal offers from developed countries in areas of interest to developing countries.
- To do so, it was decided that the dynamics of negotiations would have to include plurilateral requests as well, while retaining the primacy of the Request-Offer process.



# Nature of GATS

- Positive list approach
- Binding commitments - choice is left to the Member
- Negative listing of limitations on Market Access and National Treatment.
- GATS follows a list of 12 Service sectors, which include about 161 sub-sectors
- Sectors include (1) Business services (including Professional Services), (2) Communication services, (3) Construction and related engineering services, (4) Distributions services, (5) Education services, (6) Environmental services, (7) Financial Services, (8) Health and related services, (9) Recreational, Cultural and Sporting services, (10) Tourism services, (11) Transport Services and (12) Other services.

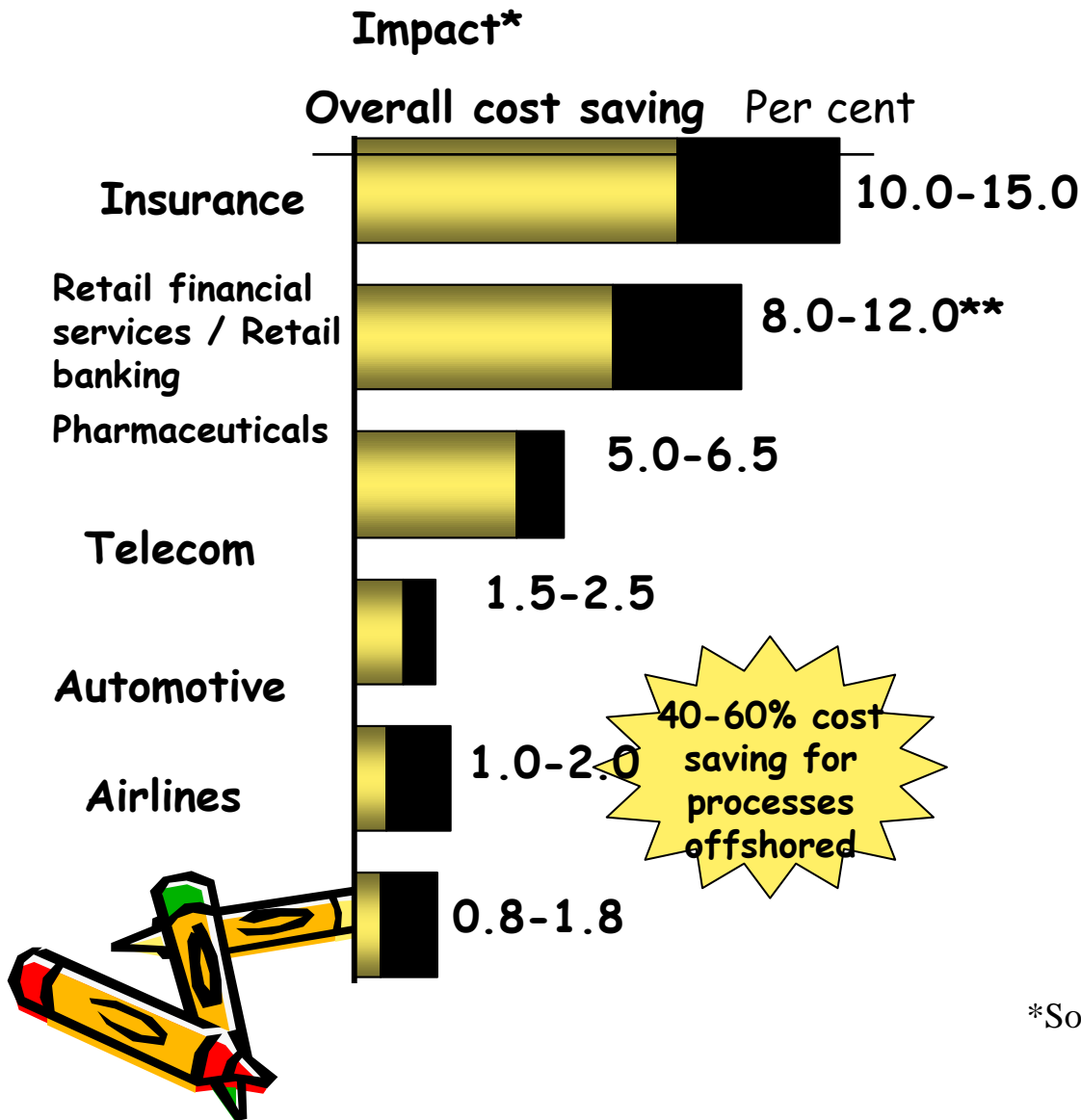


# Importance of Professional Services

- Professional Services are one of the fastest growth sectors in economies world wide.
- Main market for Professional Services is concentrated in developed countries, generating 85% of the total revenues.
- Traditionally Professional Services are supplied through commercial presence, recently there is a growing trend of global Outsourcing.
- Professional Services include services like legal services, accounting auditing and bookkeeping services, taxation services, architectural services, engineering services, integrated engineering services, urban planning and landscape architectural services, medical and dental services veterinary services, services provided by mid wives nurses etc.



# Cost savings by off shoring BPO services to India\*



## Key opportunity areas

- Claims processing
- Servicing
- Call centre operations
- Call centre operations
- Loan processing (consumer, corporate, mortgage)
- Research and development
- Call centre operations
- Billing
- Engineering and design
- Accounts payable/receivable
- Revenue accounting
- Call centre operations
- Frequent flyer programmes

\*Source: World Bank Study

# India's position in the Global Offshoring Market

- In spite of India emerging as a Services hub in IT services in this region certain challenges still remain.
- Movement of Employees
  - CSS and IP
  - Immigration & Visa Issues
  - Universal Recognition of Qualifications, Experience and Training
  - Employment laws enforcing local hiring
  - Wage Parity Insisted upon
  - Social Security Tax
  - Tax Withholding



# India's position in the Global Offshoring Market contd.

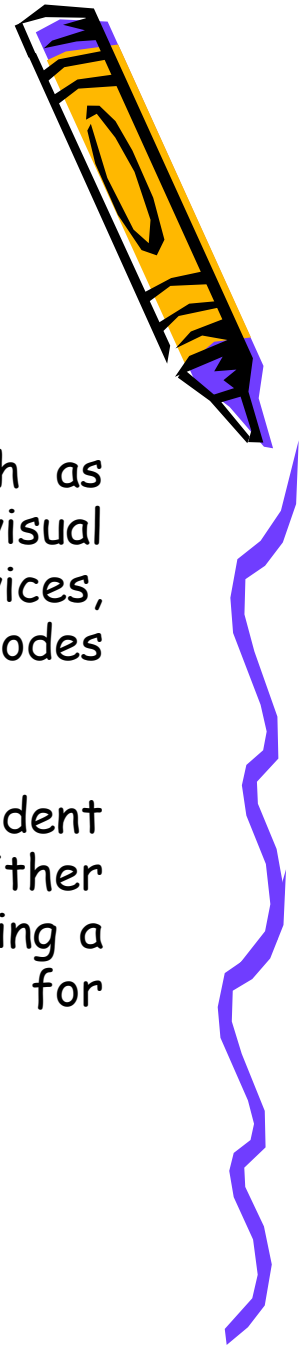
- Cross Border Supply
  - Political Backlash
  - Data Protection Issues
  - Partially committed in the WTO
    - Under Mode 1, Developed countries have offered much less than their potential.
    - We want Developed countries to bind their existing regime in all sectors in Mode 1 (barring sensitive ones).
    - Technology changes throw open the possibility of hitherto unfeasible sectors to be operated under Mode 1; it is necessary that offers of Developed countries should capture new services in future also.





# Developed Countries interest in India

- India has received Requests from 27 countries.
- These Requests cover all the major service sectors such as express delivery services, telecommunication services, audio visual services, financial services, distribution services, legal services, energy services, environmental services etc. and are in all modes of supply of service.
- The core interest of most of India's trading partners as evident from their Requests, is in Mode 3, in which the request is either for binding the presently applicable FDI policy, or for offering a more liberal policy than what is currently prevailing and for opening up new sectors.



THANK YOU

