

Pan-Commonwealth Conference on Professional Services Trade

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OPENING ADDRESS

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It gives me great pleasure to participate in this Pan-Commonwealth Conference on Professional services trade. Allow me to welcome you on behalf of the Commonwealth Secretariat, and to extend my appreciation to the Government of Malaysia for hosting this event. This is yet another illustration of an approach built on “partnership”, which characterizes the relationship among the 53 Members of the Commonwealth. With one third of the world’s population and one-fifth of global trade, the Commonwealth can truly be a catalyst for change.

This Conference is a culmination of work that the Commonwealth Secretariat has been carrying out in the area of professional services over the last five years. Therefore, in my address today, I would like to share with you some of the reasons for the high profile we accord to professional services, and the lessons we have learnt along the way.

It is now widely acknowledged that trade can play a significant role in poverty eradication. Indeed, the Millennium Development Goals include targets to improve market access, foreign direct investment and transfer of technology. Studies have shown that increased trade strongly encourages growth and reduces poverty. Nevertheless, it remains important to address the situation of marginalized groups within countries and even groups of countries that have not benefited as much as we would have wished them to.

In particular, I would like to focus on the least developed countries and small states. More than half of the 53 Commonwealth member states are considered to be small states. A combination of scale, isolation and physical characteristics presents huge development challenges to these countries. Solomon Islands, for example, consist of about 1000 landmasses and was recently hit by both an earthquake and a tsunami. Rising sea level puts the very existence of Tuvalu at risk. The sheer remoteness and poor transport and communication infrastructure of these countries make raising productivity and competitiveness an uphill task. Together with least developed countries, small states rely on a limited number of sectors for their exports- typically agricultural commodities, minerals or tourism. The trading system has in the past addressed their unique challenges by granting preferential market access, longer adjustment periods and other special policy measures. But the tide is now changing. Progressive liberalization since the Uruguay Round has seen preference margins continually eroded. The special privileges of supplying sugar and bananas to the EU are coming to an end. And the

global agenda now gives increasing priority to issues like combating terrorism and climate change.

Because of these and similar developments, we must now even more urgently explore new and creative ways of realizing the growth aspirations of our countries. One of these avenues is the services sector. It is a well known fact that the share of services to GDP and employment rises with income. But the ratio of services to GDP is significant even for poorer countries. In fact, services activities in low- and middle-income countries have been expanding faster than GDP since the mid 1980's.

Statistics from the WTO show that between 2000 and 2005, world commercial services exports rose by 11% to reach \$2.7 trillion. The trade patterns show that Europe imports 46% of world commercial services followed by Asia with 25%. The picture for exports is very similar. "Other commercial services" - that is, excluding travel and transportation- was by far the fastest growing and most dynamic category. This area - other commercial services or professional services - is the main focus of this conference.

Country level data reveal that many nations are beginning to tap into this growing trend. Malaysia, for instance exported 21 billion dollars worth of commercial services in 2006, of which professional services accounted for 33%.; South Africa's exports came to about 12 billion dollars with professional services accounting for 20%. This is a tiny snapshot but it demonstrates the growth potential in this sub sector.

The Commonwealth Secretariat has supported a number of countries in developing their professional services sector. Our intervention has largely concentrated on identifying sub sectors where there is potential for export, and analyzing the demand conditions in target markets. In some countries, such as Malaysia, we have supported the Government in restructuring the export promotion organization to better meet the requirements for professional services trade in a global context. In partnership with the Caribbean Export Development Agency we have explored how a regional trade promotion organization can maximize synergies with national bodies to promote professional services exports.

Through our engagement with Government agencies, service providers and experts, we have learnt a number of lessons that I would like to share with you today. We have found that Government commitment is vital if professional services exports are to grow. Commitment needs to be demonstrated across several areas: the policy environment that supports foreign direct investment in key sectors, access to financial services, the quality of public institutions, providing a conducive business environment and the international image of the country. Today, we know that in health care, patients are attracted primarily by the country's skilled professionals and the quality of infrastructure, which make excellent service possible at reasonable cost.

We have also found more successful responses in countries where the services export promotion drive is an integral part of a wider growth strategy and where a specific organization is mandated and resources provided to co-ordinate the initiative. There is no “one size fits all” methodology and different approaches work in different countries. Malaysia is unique in having an organization solely dedicated to the promotion of professional services. Countries like Jamaica have a high level Industry Advisory Council that provides oversight and direction to the investment promotion agency which co-ordinates the development of professional services. Yet others like Ghana have established a department within their export promotion council to focus solely on services. What is important is that the organization is recognized as a credible institution that can ably service clients from the public and private sector both within the country and abroad.

Our work has underscored how important a dynamic and outward looking private sector is to success. It is a truism that at the end of the day, it is business men and women that do the actual export. Enterprise analysts are divided on the subject of whether entrepreneurs are born or made. I do not intend to go into that debate at this juncture. I suspect it is both. What is clear from our work is that the private sector leads the way. In other words, where there is opportunity, service providers will surmount innumerable obstacles to find and exploit it. Entrepreneurs in the Caribbean have used strategic partnerships with EU-based construction companies to gain exposure to neighbouring countries and have enhanced their businesses in this way. An entrepreneur in the IT sector has successfully harnessed the skill and lower cost of professionals in Kenya to build a competitive business in the UK. We have met professionals in Cyprus that are offering business services to American clients for markets in Russia. Or Chinese medical journals that are translated in Hong Kong and produced in India for the English-speaking public. The list goes on. Government agencies and development partners should give full support to these and other existing private sector initiatives. To do so requires a paradigm shift towards viewing accountancy, language training, business support, construction and cosmetology as services that can be exported. The private sector must be innovative in finding appropriate business models that will ensure international competitiveness. The fact that many traded services can be delivered remotely, and this is especially so for professional services, means that access to efficient and reasonably priced information and communications technology services and the provision of modern ICT infrastructure, are very important to the expansion of trade in services.

My address would be incomplete if I did not touch on the importance of education and skill enhancement. One of the most evident trends in today’s globalised world is the eminence of knowledge. A work force with high levels of literacy and numeracy definitely stands a higher chance of plugging into global systems than one where these skills are low. Once again, I am glad that the Millennium Development Goals has identified this important area. However, we must go further and invest in quality, market-based skills training at the tertiary level. Let me note that accreditation by internationally recognized professional bodies adds significantly to marketability and to overcoming regulatory impediments.

Ladies and Gentlemen, the task at hand is not an easy one. We are acutely aware of the many obstacles that stand in the way of developing countries: low critical mass; poor information and communication infrastructure; low levels of investment in education and skills; bottlenecks in the global policy and trading environment. The list is long. I am sure that in the next few days you will have ample time to address these issues in detail, and to propose workable solutions to the benefit of developing countries. The Commonwealth Secretariat stands ready to support you to become more competitive in the global trade in professional services.

I thank you.
