

FTA negotiations in Services – Seeking inputs

Services contribution in India's economic statistics is 54% of GDP, 69% of FDI, more than 30% exports, 20% imports and 34% employment. Nearly 50% of trade deficit in goods has been annulled by the trade surplus in services. For IT/ITES services, India has a core competence and has been a net exporter. Nearly 80% of IT/ITES exports are to EU and US.

In the context of FTAs, India has significant services chapters in those with Singapore, South Korea, Malaysia, Japan, Malaysia and Mauritius. The services trade agreement consists of a core text, Annex on Schedule of Specific Commitments and Annexes on Movement of Natural Persons (MONP), Financial and Telecom Services. The Schedule of Specific Commitments has columns related to Limitations on market access, Limitations on national treatment and Additional Commitments. Limitations on market access would include curbs on service suppliers including numbers, value of services, foreign capital etc. On limitations on national treatment, it is about provisions which may favour local services or suppliers. The additional commitments related to aspects like qualifications etc.

There are 4 modes in services where commitments are taken

- i. Cross border or Mode 1: supply of services across borders (mostly over the internet)
- ii. Consumption abroad or Mode 2: service consumer going abroad to consume (ex: tourists)
- iii. Commercial Presence or Mode 3: branches of service providers abroad (ex: bank branch)
- iv. Movement of Natural Persons (MONP) or Mode 4: temporary movement of skilled workforce.

In terms of specific commitments the term “*none*” means that no limitations exist and full commitments are taken while in case of “*unbound*” it means that no commitments are taken. Moreover, while the CPC codes which classify services into 12 sectors and 161 sub-sectors is used for scheduling, this is not mandatory unlike goods wherein the HS codes are used.

The specific inputs that the stakeholders could provide for FTA negotiations in services are the following:

- i. Limitation or restrictions on services of our export interest
 - a. Market access (number of suppliers, value of service, foreign capital)
 - b. National Treatment (discrimination against foreign supplies or services)
 - c. Modewise
 - i. Mode 1: for example - not allowing transfer of service across border or putting some condition
 - ii. Mode 2: for example - not allowing flow of tourists
 - iii. Mode 3: for example- FDI limits or allowing none or only “x” branches to be opened
 - iv. Mode 4: for example- limit or restriction on business visitors (BV), intra corporate transferees (ICT), contractual service suppliers (CSS), independent professionals (IP), short term service suppliers (STSS), interns etc. Economic Needs Test (ENT), language stipulation and other barriers may also be indicated.
- ii. Inputs as above for the possible negotiations with Australia, Canada, EU and UK

These inputs may be sent at dc@nsez.gov.in