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Improving the Operationalisation and Implementation of the WTO’s LDC Services Waiver: A Commonwealth Perspective

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Abstract

In 2011, the World Trade Organization members adopted a decision on the LDC Services Waiver ('the Waiver'), which allowed developed and developing countries to grant least developed country (LDC) members preferential treatment that would otherwise be inconsistent with most-favoured-nation treatment under Article II of the General Agreement on Trade in Services. However, even after the decision adopted to operationalise the Waiver at the Bali Ministerial Conference in 2013, most LDCs have not been able to take advantage of this arrangement. One major reason for the limited implementation and operationalisation of the Waiver is the lack of data on LDC services exports and notifications by the preference-providing members. In addition, most of the preferences do not meet the requirements mentioned by the LDC group in their Collective Request. Against this backdrop, this study explores the services trade of the 14 Commonwealth LDCs to analyse whether the preferences provided under the LDC Services Waiver are commercially meaningful for these economies. The study highlights the major contribution that services make to gross domestic product (GDP) in almost all Commonwealth LDCs and argues that services sectors have significant potential to drive economic development and transformation in these countries. Through a primary analysis of the preferences granted to date, the study shows there is some commercial value in these preferences for existing services sectors in specific LDCs. However, better implementation and application of the preferences would require capacity building, greater awareness of the preferences and infrastructure development. The lack of timely data on services trade, along with underdeveloped policies, regulations and infrastructure supporting the development and growth of services sectors in LDCs, and onerous regulatory regimes in preference-granting countries, are some of the major issues preventing LDCs from benefitting more fully from the opportunities presented by the Waiver. Preference-providing countries should consider extending support to LDCs to build their capacity and develop appropriate policies to help grow their services sectors and support their service suppliers to help realise the intended benefits of the Waiver.

Contents

1. A brief introduction: evolution of the LDC Services Waiver and LDC services trade 5
2. Services and services trade in Commonwealth LDCs 7
3. Unpacking the services preferences provided by WTO members to LDCs 11
4. Assessing the commercial value of notified preferences for LDCs 16
5. Conclusions and recommendations 21

Notes 24
References 27
Annex 1 – Case studies 30

Abbreviations and Acronyms

BPO	business process outsourcing
CSSs	contractual service suppliers
CTS	Council for Trade in Services
DDA	Doha Development Agenda
EU	European Union
GATS	General Agreement on Trade in Services
GDP	gross domestic product
ICT	information and communications technology
IFC	International Finance Corporation
IPs	independent professionals
LDC	least developed country
MFN	most-favoured-nation (treatment)
TPR	Trade Policy Review
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

1. A brief introduction: evolution of the LDC Services Waiver and LDC services trade

The least developed countries (LDC) group comprises low-income economies that are most vulnerable to environmental, economic and exogenous shocks.[1] LDCs tend to be more vulnerable to external economic shocks, natural and man-made disasters, communicable diseases, health risks and climate change; and face heightened risks of deepening poverty and persistent underdevelopment. In addition, a lack of capital investment poses a major obstacle to their development and transformation, while many LDCs also suffer from limited access to affordable, reliable and sustainable energy. Forty-six (46) countries[2] fall under this categorisation, 14 of which are members of the Commonwealth – as presented in Table 2.1.

Expanding the services sector and growing services trade can help LDCs to overcome some of these challenges. Services trade is the fastest growing form of international trade, expanding more rapidly than merchandise trade in the global economy (World Bank and WTO, 2023), and has the potential to increase LDCs' export performance in global trade. To strengthen the integration of LDCs in the global trading system and enhance their participation in international trade in services, members of the World Trade Organization (WTO) adopted a decision (WTO, 2011) on the 'LDC Services Waiver' ('the Waiver') during their Geneva Ministerial Conference in 2011. This invoked an 'Enabling Clause'[3] for trade in services, allowing members to grant LDC services and service suppliers preferential treatment that would otherwise be inconsistent with Article II:1 of the General Agreement on Trade in Services (GATS)[4] related to most-favoured-nation (MFN) treatment. The Waiver provides direct market access preferences to LDCs in the form of preferential quotas and exemptions from GATS requirements. In addition, it allows other non-market access preferences,[5] subject to authorisation by the Council for Trade in Services (CTS). One important potential outcome envisaged through this Waiver is the facilitation of LDC services exports in sectors[6] and modes of supply (see Table 1.1)[7] of interest to them, including in labour-based services supplied through temporary movement of natural persons (Mode 4). It is important to note that the benefits provided under the Waiver extend not only to WTO LDC members, but to all LDCs as defined by the United Nations.

In the two years that followed the decision to grant the Waiver, no preference was extended to LDC services and service suppliers. Recognising this lack of progress, the WTO members adopted another decision in 2013 at the Bali Ministerial Conference establishing a process for the operationalisation of the LDC Services Waiver (WTO, 2013).

Following this decision, in July 2014, the WTO LDC group submitted a Collective Request (WTO, 2014) indicating the services sectors and modes of supply of interest to them.[8] Another decision (WTO, 2015) was

Table 1.1 Modes of supply for trade in services

Mode of supply	Description
Mode 1 – Cross-border supply	When services flow from the territory of one member into the territory of other members via telecommunication or mail, such as distribution services.
Mode 2 – Consumption abroad	Refers to a situation when a service consumer travels to another member's territory to consume a service, for example, as a tourist or for medical treatment.
Mode 3 – Commercial presence	When a service supplier of one member establishes a territorial presence, including through ownership or lease of premises, in another member's territory to provide a service – for example, international hotel chains, or by establishing an educational institution or foreign bank.
Mode 4 – Presence of natural persons	Refers to a situation where service providers of one member enter the territory of another member for a short period of time – for example, IT professionals, teachers, doctors, etc.

adopted at the Nairobi Ministerial Conference in 2015 to reaffirm the LDC Services Waiver and extend its time horizon until December 2030. At the 12th Ministerial Conference held in Geneva in June 2022, the WTO members, once again, reaffirmed their decision adopted at the Nairobi Ministerial Conference on the 'Implementation of Preferential Treatment in Favour of Services and Services Suppliers of Least-Developed Countries and Increased LDC Participation of Services Trade'. In addition, the WTO Secretariat was instructed to, *inter alia*, review, promote and take steps towards the operationalisation and implementation of the LDC Services Waiver.[9] Since then, the Waiver has been a permanent part of the discussion agenda of the CTS, where progressive work has been undertaken in the past year.[10] At present, the Waiver is effective until the end of 2030, or until a member graduates from LDC status, whichever comes earlier (WTO, 2011; 2015).

After the Waiver was operationalised at the 2013 Bali Ministerial Conference, the WTO received notifications from members indicating sectors and modes of supply where they were providing, or intended to provide, preferential treatment to LDC services and service suppliers. As of June 2023, 51 economies had notified their preferences under the Waiver through 25 notifications[11] to the WTO. The 25 notifying members represent more than 86 per cent of global trade in services (WTO, 2022a). Therefore, the preferential treatment offered by these members holds significant potential to help support economic growth and expand trade in services for LDCs in the long run.

Considering the length of the LDC Services Waiver (currently running to 2030), and the opportunities it presents to reduce trade barriers in key markets for LDCs' services exports, the Waiver could incentivise service suppliers in LDCs to make long-term investments that help to expand their exports of services. After the COVID-19 pandemic, which caused a substantial decline in services exports (particularly in the case of contact-intensive services), LDCs' services exports grew by 9 per cent in 2021 (WTO, WT/COMTD/LDC/W/70 2022b), whereas the LDC share in global services trade increased marginally from 0.92 per cent in 2017 to 0.93 per cent in 2021. Services exports, including exports of travel and tourism services, telecommunication services, and insurance and financial services, are major drivers of growth in gross domestic product (GDP) in most LDCs. Therefore, it is important to undertake an in-depth analysis of the preferences offered in these sectors.

The practical impact of the Waiver has so far been limited, partially because of a range of factors such as insufficient capacity to supply services in LDCs; lack of understanding of the preferences available; underdeveloped infrastructure supporting service delivery and exports in LDCs; lack of transparency relating to regulatory regimes and requirements in preference-granting countries; and underdeveloped policies to support LDCs' trade in services. All of these factors hamper the effectiveness of the preferential treatment. Moreover, preferences providing Mode 4 access – related to movement of natural persons – are limited, despite the high potential of Mode 4 services trade for these economies (ILO, 2022).[12] In addition, although there has been growth in exports of digitally delivered services (Mode 1) globally (World Bank and WTO, 2023)[13] and within LDCs, LDCs have not yet been able to capitalise fully on the available opportunities in this area, due to capacity constraints and infrastructure deficiencies.

Against this backdrop, this paper provides an examination of the preferences granted to date through the LDC Services Waiver and assesses their commercial value for LDCs, while evaluating the effectiveness and value of these preferences in relation to what the LDCs have asked for in their Collective Request. The paper analyses the preferences along several disaggregated dimensions, focusing on the type of preference (market access, national treatment), mode of supply, relevant service sector and preference-granting member.

The remainder of the paper is structured as follows. Section 2 provides an overview of trends in trade in services involving Commonwealth LDCs. Section 3 assesses the preference offers notified by WTO members to date and compares the preferences granted with the priorities of LDCs (as expressed in their Collective Request to the WTO). Section 4 highlights key services sectors for Commonwealth LDCs and analyses the commercial value that preferences granted across various modes of supply in these sectors may have for economic development in LDCs. Finally, Section 5 concludes and proposes solutions and recommendations to enhance the operationalisation and implementation of the LDC Services Waiver and ensure it better supports the development needs and priorities of LDCs.

2. Services and services trade in Commonwealth LDCs

2.1 Commonwealth LDCs' services trade performance

LDCs enjoyed strong growth in services exports in the decade prior to the emergence of COVID-19. They collectively recorded annual growth of 6.8 per cent in commercial services exports between 2011 and 2019, and their share of global services exports increased from 0.59 per cent to 0.72 per cent (WTO, 2022a). Among the Commonwealth LDCs, services accounted for more than half of The Gambia's total exports during this period; and Bangladesh made meaningful progress in diversifying and growing exports of financial services, information and communications technology (ICT), and other professional services. Tourism and business services remain the primary services exported by most Commonwealth LDCs.

The COVID-19 pandemic had a major impact on LDCs' services exports. In 2020, their exports of commercial services declined by a larger margin (35 per cent) compared to the global average (21 per cent). This was in part due to their significant reliance on exports of tourism and travel services, which were impacted disproportionately by the pandemic (WTO, 2022d). As a result, the share of LDCs in global commercial services exports – which was already small prior to the pandemic – declined from 0.53 per cent in 2020 to 0.49 per cent in 2021 (WTO, 2022c).

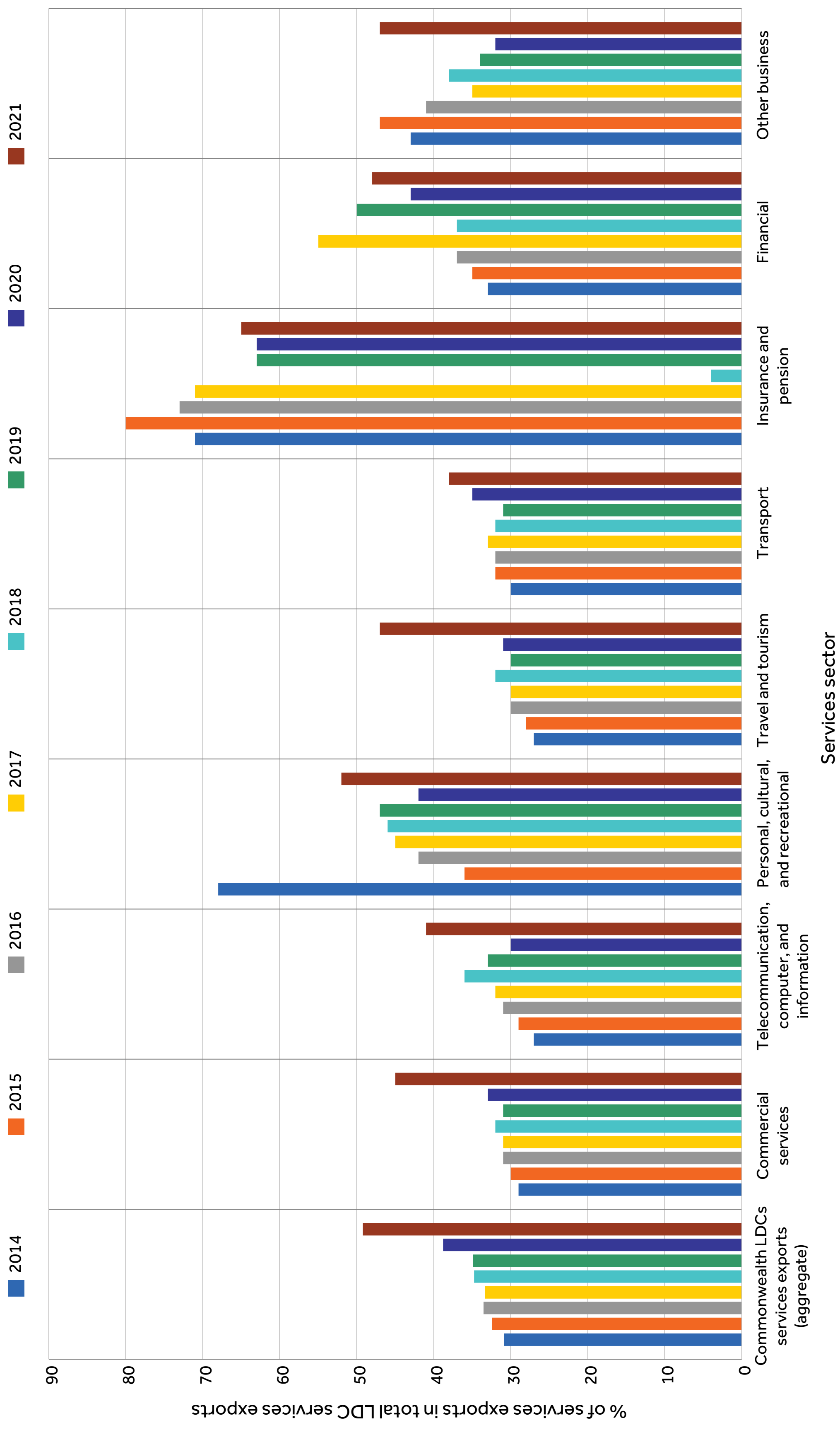
While the share of LDCs in global services trade remains low, the broader trade performance of the 14 Commonwealth LDCs has been promising, with their total share of world exports of goods and services increasing by 1.27 times between 2011 and 2020 (Vickers et al., 2022). In addition, four Commonwealth LDCs – Bangladesh, Tanzania, Uganda and Mozambique – were among the top-ten LDC exporters of services, with Bangladesh and Tanzania the second and third largest services exporters, respectively (WTO, 2022c).[14]

Figure 2.1 presents the relative contribution of services exported by the 14 Commonwealth LDCs to total services exports by all LDCs from 2014 to 2021. Since 2014, Commonwealth LDCs have expanded their collective share of LDC services exports. Services exported by Commonwealth LDCs accounted for half of all services exported by LDCs in 2021. Commonwealth LDCs are especially significant exporters of insurance and pension services, along with personal, cultural and recreational services, and contribute more than half of total LDC exports in these two sectors.[15] In 2021, Commonwealth LDCs also contributed approximately half of the services exported by LDCs in three other sectors, namely financial services, travel and tourism, and other business services.[16] Among the individual Commonwealth LDCs, Bangladesh exponentially increased its share of the total services exported by LDCs, from 8 per cent in 2014 to 24 per cent in 2021. From a small base, Togo doubled its share from 1 per cent between 2014 and 2019 to 2 per cent in 2020 and 2021.

2.2 The economic contribution of services in Commonwealth LDCs

Table 2.1 highlights the important contribution of services to GDP in Commonwealth LDCs. While services exports from these countries were impacted significantly by COVID-19, especially in 2020 due to the collapse of tourism, travel and other related services induced by the pandemic, there have been positive signs of recovery in their services trade, which bodes well for future economic growth. For example, Zambia's commercial services exports grew from US$665 million in 2011 to more than $1 billion in 2019, before declining in 2020 to $440 million. It then recovered somewhat in

Figure 2.1 Percentage shares of Commonwealth LDCs in total services exported by all LDCs, 2014–21[17]



Source: Author's compilation (based on data retrieved from ITC Trade Map).

Table 2.1 Commercial services exports (value and growth) and their share of GDP in Commonwealth LDCs, 2011–20

	Exports (US$ million)			Growth per annum (%)			
LDC	2011	2019	2020	2011–2019	2020	2011–2020	Share of GDP (%)
Bangladesh	1,419.0	3,207.0	3,451.0	10.7	7.6	10.4	51.3
The Gambia	135.0	229.0	–	6.8	–	–	53.3
Kiribati	12.0	8.0	–	−4.9	–	–	67.9
Lesotho	41.0	28.0	11.0	−4.7	−60.7	−13.6	49.2
Malawi	81.0	172.0	–	9.9	–	–	52.4
Mozambique	366.0	923.0	763.0	12.3	−17.3	8.5	40.1
Rwanda	316.0	705.0	325.0	10.6	−53.9	0.3	47.0
Sierra Leone	157.0	224.0	–	4.5	–	–	32.3
Solomon Islands	108.0	122.0	53.0	1.5	−56.6	−7.6	48.6
Tanzania	2,256.0	4,104.0	2,345.0	7.8	−42.9	0.4	34.3
Togo	465.0	607.0	–	3.4	–	–	49.3
Tuvalu	3.0	5.0	–	6.6	–	–	64.4
Uganda	1,615.0	1,752.0	866.0	1.0	−50.6	−6.7	41.8
Zambia	665.0	1,014.0	440.0	5.4	−54.6	−4.5	49.9

Source: Retrieved from WTO, the UN Conference on Trade and Development (UNCTAD), World Bank and national databases of specific LDCs.

2021 to reach $500 million (WTO, no date – c). However, this has not yet been matched by a recovery in the services sector's contribution to Zambia's GDP, which stood at 49.9 per cent in 2021, down from the 2020 estimates of 53.6 per cent.

As indicated in Table 2.1, services value-added contributed 67.9 per cent to Kiribati's GDP in 2021, with this figure 64.4 per cent for Tuvalu. In Bangladesh, the services sector accounted for more than half (51.3 per cent) of total GDP in 2021; whereas the sector's share in Uganda's GDP was close to 42 per cent.

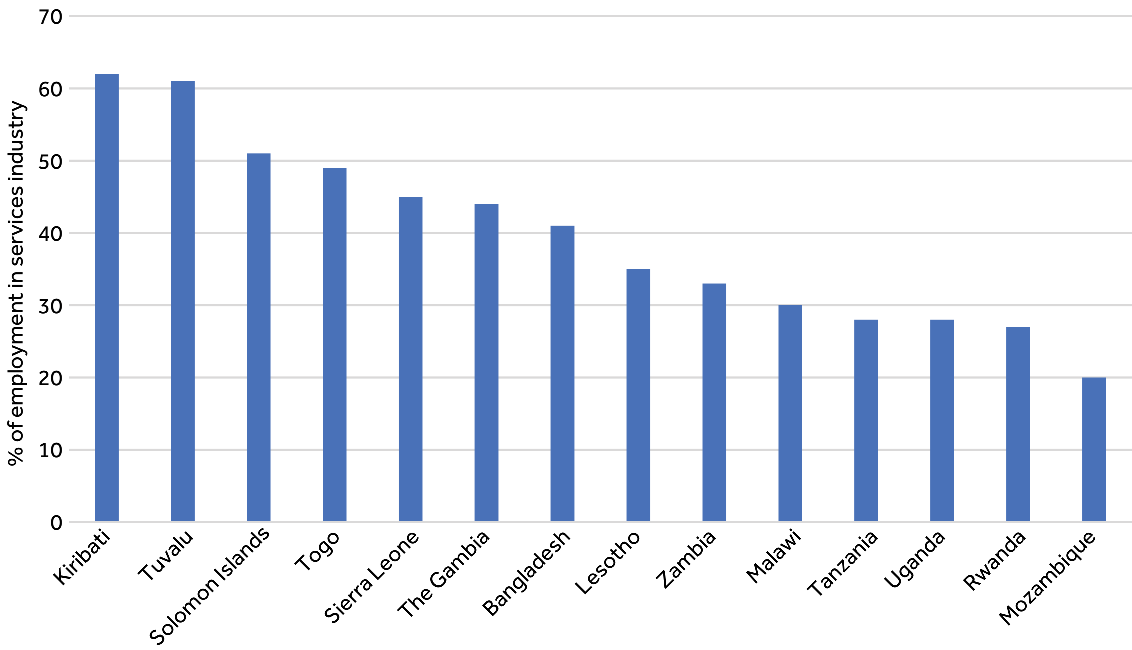
According to the National Institute of Statistics of Rwanda (NISR), Rwanda's economy has been growing significantly for the past two years as it recovers from the adverse economic effects of COVID-19. Services have played an important role, accounting for 47 per cent of Rwanda's GDP in 2021 and 2022 (NISR, 2021).

Togo is home to one of the largest ports in West Africa and transport services constitute a key sector. Overall, Togo's trade in services contributes approximately 49.3 per cent to its GDP. Services exports in Togo have been developing progressively since 2017, rising from US$531 million in 2017 to $612 million in 2021. Similarly, the services sector has been growing in importance in Mozambique since 2000, with its contribution to GDP increasing from 54.2 per cent in 2000 to 55.4 per cent in 2016 (ADB, 2018). However, for various reasons, including COVID-19, this share dropped to approximately 40 per cent in 2021.

Not only do services contribute a major share of GDP in most Commonwealth LDCs, they are also key sources of employment in these countries and thereby have a crucial impact on economic growth and development. By helping to raise productivity and expand markets, trade in services can be an especially key driver of job creation and contribute to per capita income growth in LDCs.

Figure 2.2 outlines the share of the workforce employed in services in all 14 Commonwealth LDCs. More than 60 per cent of the total workforce in Kiribati and Tuvalu was employed in services sectors in 2010 and 2016, respectively. Meanwhile, the sector provided employment for approximately half of the workforce in Solomon Islands and Togo in 2021. Similarly, large shares – totalling more than 40 per cent – of the workforces in Sierra Leone, The Gambia and Bangladesh are employed in services. A slightly different picture emerges in some other economies, where the services sector contributes less to overall employment. It makes up nearly one-third of total employment

Figure 2.2 Share of employment in the services industry, percentage of total employment



Notes: Data used is for 2021 or the latest available year, which is as follows: Kiribati (2010) and Tuvalu (2016).
Source: Author (estimated using data from World Bank World Development Indicators, and ILO modelled estimates).

in Lesotho, Zambia and Malawi; while in Tanzania, Uganda, Rwanda and Mozambique, the employment share of the services sector is considerably smaller at between 20 and 28 per cent.

In addition, many of these LDCs are now moving towards integrating and strengthening digital trade in their economies. LDCs that are endowed with digitally knowledgeable and skilled consumers and service providers and youthful workforces have significant potential to leverage the digital economy. This is especially evident from Rwanda's approach to economic development through digital transformation. For the past few years, Rwanda has gained international attention for its progressive use of digital products, e-commerce and e-government services, and by developing forward-looking digital policies to support its vision of becoming a knowledge-based, upper middle-income economy. Despite its small size, Rwanda has 'aimed high' on digitalisation as a tool to accelerate growth and reduce poverty.[18] The role of digital integration and digitally provided services in Rwanda's economic development is discussed further in Annex 1. As another example among Commonwealth LDCs, according to the Digital Government Strategy of the Republic of Malawi, the country has been working to develop digital infrastructure to provide services digitally (Government of Malawi, 2019). Similarly, Bangladesh has improved its digital services platform in the past few years and is seeking opportunities to boost its services exports through Mode 1.

It is clear from the discussion above that the services sector is one of the major contributors to economic development in most Commonwealth LDCs. In this context, the provision of support and preferential treatment by other developing and developed countries can help LDCs boost their future share in global services trade and develop their services sectors to accelerate economic growth and transformation. This provides a compelling case in support of prioritising more effective implementation and operationalisation of preferences provided through the LDC Services Waiver, both bilaterally and at the multilateral level.

3. Unpacking the services preferences provided by WTO members to LDCs

This section identifies the economies providing preferences to LDCs under the LDC Services Waiver and unpacks the nature of the preferences granted by them. It then evaluates these preferences against the Collective Request submitted by the LDC group to the WTO and assesses the commercial value of these preferences for LDCs.

3.1 Preference-providing economies and the type of preferences on offer

At the time of writing, 51 countries through 25 notifications[19] had announced the sectors and modes of supply where they intend to offer preferential treatment to LDC services and service suppliers under the LDC Services Waiver. The group of preference-providing countries includes both developing and developed economies from different regions (Table 3.1), with the largest number of WTO members submitting notifications (ten) coming from Asia and the Pacific.

All 25 notifications have been submitted in a format similar to a WTO schedule and include sector descriptions and treatment for the various modes of supply for specific market access measures. In addition, five members have included non-market access measures, including national treatment;[21] while four members[22] have offered non-market access measures such as capacity building and technical assistance programmes for LDCs.[23]

3.1.1 Sectoral distribution of preferences provided to LDCs

As Figure 3.1A demonstrates, business services followed by transport services have gained the most importance, with a large number of preferences provided in these two sectors.

As shown in Figure 3.1B, the largest number of preferences is offered in the business sector. As the business sector also includes many subsectors – such as professional services, computer and related services, and other business services – preferences in this sector may provide LDCs with an important advantage. The second largest number of preferences are offered in the transport and logistics sector, which is also a priority sector for LDCs.

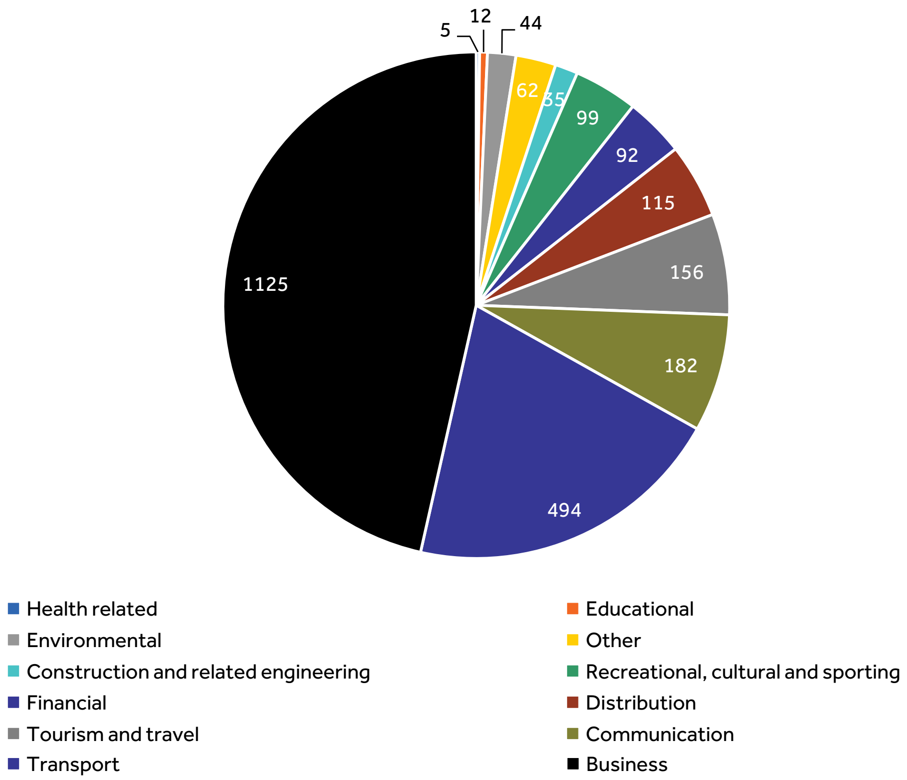
Although recreational, cultural and sporting services are covered by a number of preferences (99 in total), onerous visa and work permit requirements in preference-granting markets may prevent artists and sportsmen and women in LDCs from benefitting from the preferences on offer in this sector. In order to provide services through art performances or to participate in events (e.g., music, theatre) in preference-providing economies, an artist often needs to travel and be physically present

Table 3.1 Notification of preferences under the LDC Services Waiver – members by region[20]

Asia and the Pacific	Americas	Europe	Africa
Australia (805)	Canada (792 + Rev 1)	Norway (806)	South Africa (853)
Korea (808)	Mexico (821)	Switzerland (819)	
China (809)	United States (825)	Turkey (824 + Rev 1)	
Hong Kong, China (810)	Chile (834)	Iceland (835)	
Chinese Taipei (811)	Brazil (839)	European Union -27 (840)	
Singapore (812)	Uruguay (857)	Liechtenstein (841)	
New Zealand (813)	Panama (890)	United Kingdom (1038)	
Japan (820)			
India (833)			
Thailand (860)			

Note: The numbers in the table indicate the WTO document number for the specific notification; e.g., S/C/N/805 represents Australia's notification.

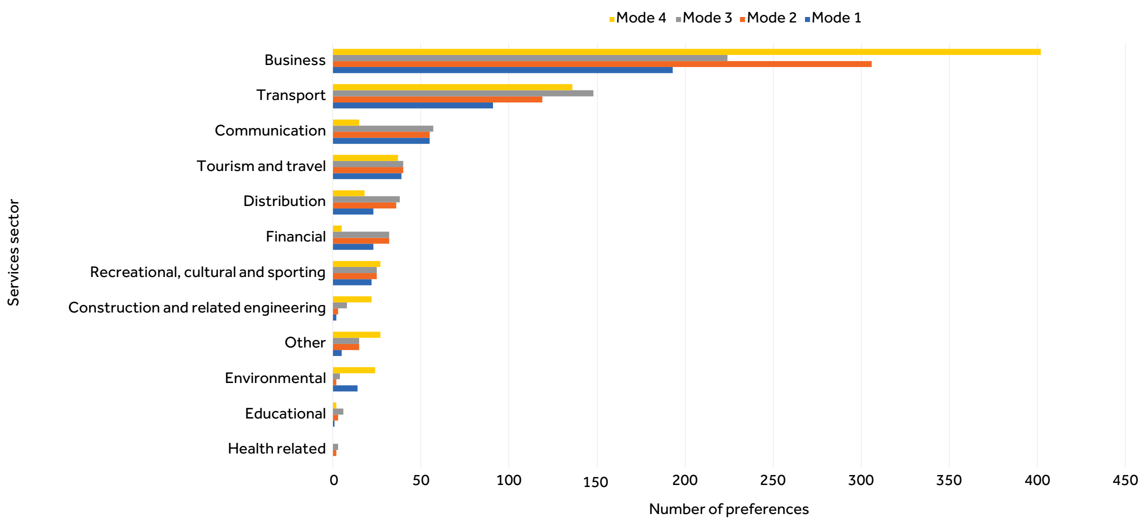
Figure 3.1A Market access preferences granted by sector



Note: The chart depicts the aggregate number of preferences granted in each sector across all modes of supply.
Source: Author (estimated using information collected from LDC Services Waiver notifications, WTO data (unpublished) (2019)[24] and UNCTAD (2020)).

in the host country. However, high visa fees and strict qualification rules, onerous social security requirements, and a lack of transparency in visa processing create additional hurdles for these artists. To address these issues, India, Chile, Iceland, the Republic of Korea and Mexico have explicitly extended their horizontal commitments on Mode 4 for these services. In addition, Chile and Taiwan have extended access for contractual service suppliers (CSSs) by relaxing the necessary qualification requirements.

Figure 3.1B Market access preferences by sector and mode of supply



Source: Author (estimated using information collected from Services Waiver notifications, WTO data (unpublished) (2019) and UNCTAD (2020)).

Tourism services, one of the key priority sectors from a LDC perspective, have been covered by only a small number of preferences. As presented in Table 3.2, several members agreed to provide market access to travel agencies and tour operators from LDCs mostly through Modes 1, 2 and/or 3, whereas relatively fewer members extended them in Mode 4. Considering that Mode 2 services do not encounter many challenges, tourism services provided through Mode 4 (CSSs, tour guides) or through Mode 3 (travel agencies, hotels and restaurants) may not get the desired benefits under the small number of preferences offered in this sector.

Aside from tourism, LDCs often also have a comparative advantage in construction services, specifically in relation to access for CSSs or independent professionals (IPs). Construction services are generally provided through Modes 3 and 4. Construction services provided via Mode 4 are mostly provided by semi- or low-skilled labourers. As many LDCs have an abundance of these types of workers, they are heavily exposed to issues affecting the movement of labour and transfer of services through this mode of supply. Market access limitations, such as restrictions on the form of legal entity, the minimum threshold for the participation of foreign capital, and local content requirements, create barriers to the Mode 3 provision of services in this sector. In addition, restrictions related to national treatment, such as nationality requirements or local content requirements to work on any government projects (construction of roads, dams, airports etc.), create challenges for construction labourers. Despite these difficulties, preferences in this sector are limited. To address this issue, some WTO members – including Canada, Iceland,

Table 3.2 Summary of preferences in the tourism sector

Member and WTO notification document number	Services	Mode of supply
1. Australia (S/C/N/805)	Travel agencies and tour operator services	Modes 1, 2 and 3
2. Brazil (S/C/N/839)	Travel agencies and tour operator services; and tourist guide services	Mode 3
3. Canada (S/C/N/792/Rev.1)	Tourist guide services	Modes 1, 2 and 3
4. Chile (S/C/N/834)	Travel agencies and tour operator services; tourist guide services; hotels and restaurants	Modes 1, 2 and 3
5. China (S/C/N/809)	**Capacity building** through development of infrastructure essential for tourism in LDCs	
6. European Union (S/C/N/840)	Travel agencies and tour operator services; and tourist guide services	Modes 2 and 4
7. Hong Kong, China (S/C/N/810)	Travel agencies and tour operator services	Mode 1
8. Iceland (S/C/N/835)	Travel agencies	Modes 1 and 2
9. India (S/C/N/833)	Travel agencies and tour operator services; and travel guide services	Modes 1, 2, 3 and 4
10. Japan (S/C/N/820)	Tour guide services; hotels and restaurants	Modes 1, 2, 3 and 4
11. Korea, Republic of (S/C/N/808)	Tourist guide services	Modes 1, 2 and 3
12. Liechtenstein (S/C/N/841)	Hotels and restaurants	Mode 3
13. Mexico (S/C/N/821)	Tourism services; hotels and restaurants	Modes 1, 2 and 3
14. Panama (S/C/N/890)	Travel agencies and tour operator services; tour guide services	Modes 1, 2 and 3
15. Switzerland (S/C/N/819)	Travel agencies and tour operator services (1, 2 and 3); tourist guide services (2 and 3); hotels and restaurants (2)	Modes 1, 2 and 3
16. Turkey (S/C/N/824/Rev.1)	Hotels and restaurants	Modes 2 and 3
17. United Kingdom (S/C/N/1038)	Travel agencies and tour operators; tourist guide services; hotels and restaurants	Modes 2 and 4

Source: Author (compilation based on the LDC Services Waiver notifications to the WTO).

Norway, Turkey, Uruguay and a few European Union (EU) member countries – have extended offers for Mode 4 supply in limited construction subsectors. Although they address CSSs in their preferences, none of these preferences allow access for highly qualified CSSs, which affects both Mode 3 and Mode 4 supply of construction services by LDCs.

Although the Collective Request does not mention the education or health sectors as primary sectors of interest to LDCs, these sectors do present notable export potential for three Commonwealth LDCs: Bangladesh, Uganda and Zambia. As discussed in Section 4, all three economies have shown interest and potential in exporting health-related services and in the provision of publicly financed or controlled scholarship schemes for student education. The almost negligible number of offers in these two sectors under the LDC Services Waiver limits the scope for these countries to exploit their export potential in these sectors.

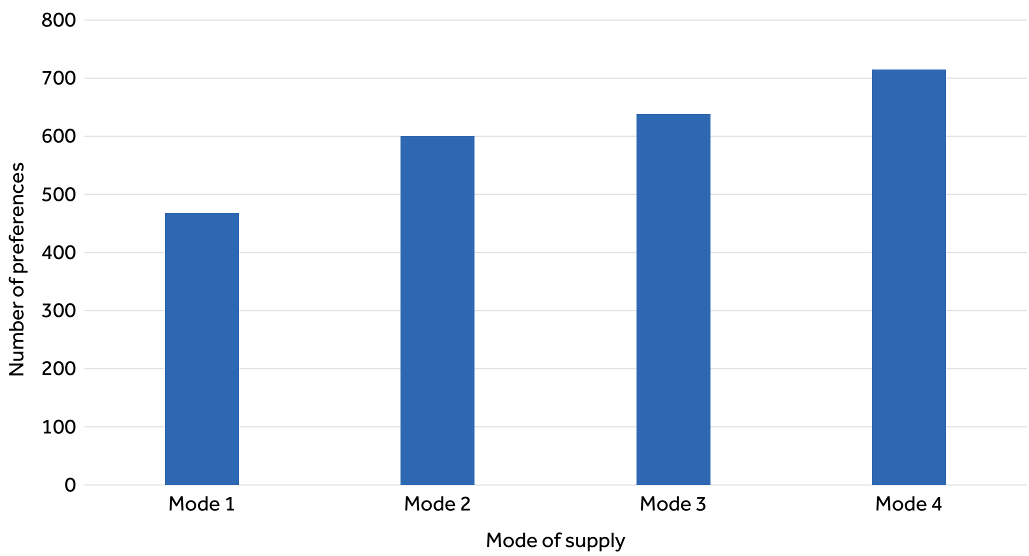
3.1.2 Market access preferences by mode of supply

Considering the aggregate numbers of market access preferences granted in each mode of supply, Figure 3.1C shows that the greatest number of preferences (more than 700) are provided in Mode 4, followed by Mode 3. Whereas around 600 preferences have been offered in Mode 2, Mode 1 has received relatively less attention.

Cross-border services trade under Mode 1 is progressively transitioning to digital forms of delivery, and it is important to reiterate that it is difficult to provide preferences for digital transactions (e.g., via cloud-based services). In addition, due to capacity constraints and a lack of technical know-how, few LDC suppliers are active in supplying services in this manner, which might be one of the reasons there are fewer preference offers for this mode of supply.

Services supplied via Mode 1 are very much connected with those supplied via Mode 4 in many respects; this is especially when it comes to attending artistic festivals or organising in-person meetings in the service-availing economies. Therefore, it is important to provide access in Mode 4 so that the LDC service providers can gain from benefits under the Mode 1 preferences. To this end, a small number of members provide partial liberalisation through preferences in Mode 1 services.[25] The effective application of these preferences would require improved awareness among LDC service suppliers as well as greater capital investment. Nevertheless, Rwanda's success in its efforts to become a digital hub suggest that even partial liberalisation in Mode 1 holds potential for LDC service suppliers.

Figure 3.1C Aggregate numbers of preferences offered by mode of supply



Source: Author (estimated using information collected from LDC Services Waiver notifications and UNCTAD (2020)).

Almost 600 preferences have been offered in Mode 2. However, it is important to look at these preferences in detail as Mode 2 preferences do not necessarily add substantial value to LDCs' services exports. Health, education and tourism are the most important sectors for which services are supplied via Mode 2. Most LDCs lack the capacity and resources to provide quality healthcare services, and, to some extent, this stands true for the export of education services from LDCs as well. In contrast, tourism is the most important exported service in a number of LDCs, and it is necessary to examine the potential impact of trade policies on their tourism services. This is analysed in detail from a Commonwealth perspective in Section 4.

Many members have provided preferences in Mode 3. However, it is necessary to assess the commercial benefits that LDCs can gain from these preferences. As many service providers across the 14 Commonwealth LDCs lack the resources and investment capital to establish a commercial presence abroad to provide services in preference-granting markets, offers in Mode 3 are relatively less economically attractive for them. Nevertheless, it may be necessary to establish a commercial presence in order to gain from benefits through preferences granted by members under the other three modes of supply.

Mode 4 covers less than 5 per cent of world trade in services and is, by far, the most restrictive form of trade. The Collective Request concentrates on Mode 4, which is the most restricted and politically sensitive mode. In most cases, negotiations related to Mode 4 (labour mobility) are conducted outside of the realm of trade policy and mainly through bilateral agreements with the host country.[26] Although all notifications under the LDC Services Waiver include Mode 4 preferences, only 15 of the 25 notifications include improved Mode 4 preferences.[27] Six members included existing notifications and extended their offers to include new categories for CSSs and IPs, business visitors, installers and servicers of machinery, and graduate trainees. Two notifications have applied the existing Mode 4 commitments to new sectors, whereas one notification does not refer to Mode 4 at all. In addition, most Mode 4 preferences are provided by developing countries. By comparison, no developed country has made improved commitments under Mode 4, thus effectively preventing LDC service providers from accessing certain opportunities in these economies.

3.2 Comparative analysis of the preferences notified and their value to LDCs

From a general assessment of the preference margins for services in preferential trade agreements, it can be inferred that many of the measures bound therein reflect the applied (MFN) regime. Despite the specific appeals made by LDCs under the Collective Request, WTO members mostly deviated from granting regulatory preferences. Therefore, in the presence of limited preferences available to LDCs, active use of the current preferences, their systematic monitoring, and periodic feedback on the application of the preferences in LDCs would make a significant contribution towards strengthening LDCs' services exports.

Moreover, around 50 per cent of the preferences offered do not go beyond the applied MFN treatment, and therefore lack practical value. Although it has been indicated that most DDA offers reflect the applied MFN regime, approximately 70 per cent of preferences in Modes 1 to 3 do not exceed the level of the DDA offers. Moreover, in instances where the notification goes beyond the DDA offers, many members have stated that these reflect measures taken from their preferential agreements with other trading partners. Therefore, preferences granted under the Waiver may seem preferential, but are not necessarily provided exclusively to LDC services and service suppliers.

The 'Collective Request' (WTO, 2014) recorded the services sectors relevant to LDCs, while requesting a Waiver for the market access and national treatment restrictions on LDC service suppliers. The Collective Request mentions the following relevant sectors for LDCs:

- travel, tourism, hospitality and conference services;
- banking, non-banking and insurance services;
- transport and logistics-related services;
- education and training-related services;
- ICT;
- business process outsourcing (BPO) services; and
- creative industry services.

It further highlights the categories of service suppliers that are of interest to LDCs.

Recognising the importance of Mode 4 services trade for LDCs, the Collective Request ('the Request') emphasises the need to: waive requirements for visas and work permits for CSSs and IPs; introduce simplified documentation requirements; provide no visa refusal stamps; offer reasons for visa denial; expedite visa approval procedures; introduce residence permit measures; and relax economic needs and labour market tests. Addressing the Request, 23 per cent of the notified preferences are equal to the Collective Request and 46 per cent go beyond what was asked for in the Request (UNCTAD, 2020). However, 18 per cent of the preferences falling within this 46 per cent are provided in Mode 2 which, in the current context, is less valuable for LDCs. Therefore, it can be argued that the actual notified preferences do not satisfy the demands set out in the Collective Request. Moreover, it is also vital to consider the market in which these preferences are available. For instance, Bangladesh provides most Mode 4 services to the Gulf or Middle East markets. Therefore, the inclusion of new categories with Mode 4 preferences by Chile, the EU, Iceland and Norway might not be very valuable for service suppliers located in Bangladesh but may possibly offer more value for those located in other LDCs, especially in the African region.[28]

Comparing the notifications with the Collective Request provides a mixed picture. On the one hand, some of the notifications are of little or no value to LDCs, such as those provided in Modes 2 and 3. On the other hand, some of the preferences are more valuable to the LDC group given their current circumstances, economic structures and priorities. For example, Chile, the EU, Iceland and Norway offer some interesting preferences in Mode 4 and categories of natural persons, which are commercially important for LDCs and their exports.

4. Assessing the commercial value of notified preferences for LDCs

In order to identify if the notified preferences offer any commercial value to LDCs' services and service suppliers, it is important to first define what is meant by 'commercial value'. In the context of the LDC Services Waiver, the preferences would be considered to have added commercial value if they provide greater market access while relaxing regulations for LDC services and service suppliers, which, in turn, increases LDC services exports and raises the overall share of the individual countries in global trade in services.

In order to assess the commercial value of a particular preference to an individual LDC, it is important to consider if that country exports the service benefiting from the preference and to understand the sectoral distribution of services provided by that country. If a country has an existing market and functional services sectors, relevant preferences can be meaningful in priority sectors for that country. However, such analysis needs to be undertaken on a case-by-case basis. Therefore, this section examines different services sectors and their economic relevance for various LDCs in the Commonwealth.

Although only occupying a very small share of global services trade, LDCs produce many types of services across all modes of supply. This is, in itself, a big step forward for these economies. However, support and offers from developing and developed countries can potentially help them to expand their services output, enhance the quality of the services they provide and grow their services exports, in the process improving their per capita incomes and accelerating their transition out of LDC status. For example, to assist LDCs to boost their services exports under Mode 4, India, through its preference offers, has waived visa fees for LDC service suppliers (notification S/C/N/833).

4.1 Sectors where preference offers would be most beneficial to LDCs

The services sector has been a crucial driver of economic development and trade growth for LDCs in the past few years. Exports of services have played a critical role in raising the participation of LDCs in global trade. Depending on their geographical location, resources, capacity and economic structures, some services sectors are more important than others in the context of Commonwealth LDCs and their economic development. This section highlights some of these sectors and identifies their value for LDC economic development. Focusing on these sectors, it further discusses the extent to which preference offers under the Services Waiver are commercially meaningful for LDCs.

4.1.1 Tourism and travel

According to the WTO Sectoral Classification (WTO, 1991), 'tourism and travel related services' include services provided by hotels and restaurants, catering, tourist guides, travel agencies and tour operators. In 2019, tourism was the largest sector in LDCs' overall services export basket (D'Andrea, 2021). The sector has been identified as playing a critical role in the economic development of many LDCs by contributing to GDP growth, generating foreign exchange earnings and creating employment.[29]

Among the African LDCs, the total contribution of the travel and tourism sector to Malawi's economy was estimated at 6.7 per cent before the COVID-19 pandemic affected the industry worldwide. Representing approximately 7 per cent of employment in 2019, the tourism sector contributed more than 516,000 jobs in Malawi.[30] Despite being massively affected by pandemic-induced travel restrictions in the past three years, tourism has been identified as a key driver of sustainable economic growth and development by the Government of Malawi. Consequently, the government implemented a National Tourism Policy in 2019.[31] In order for the tourism industry to add value through poverty reduction and by enhancing the quality of life of Malawians and aiding the development of both urban and rural areas, Malawi is seeking inward foreign direct investment (FDI) for infrastructure development, along with support for planning and policy-making, international and regional co-operation, and co-ordination with training institutions, universities or other bodies, to accelerate tourism development.[32]

In Tanzania, travel services contribute a major share of services exports. Before the breakout of the pandemic, in 2019, travel made up 93 per cent of total services exported in Tanzania (WTO, 2020). Tourism is also one of the largest sectors in The Gambia, where it contributes approximately 20 per cent to GDP.[33] The sector has recovered from the worst effects generated by COVID-19 and, in 2021, tourism contributed 72 per cent of services export earnings in The Gambia.[34] However, the country is highly dependent on external tourism agencies and independent foreign financial institutions. When Thomas Cook, a British tour operator and financial institution, went into liquidation in 2019, it resulted in a 40 per cent decline in tourist arrivals to The Gambia in that year (Saine, 2019).

In 2019, Togo's exports of tourism services accounted for 15.9 per cent of the country's total services exports.[35] In Zambia, tourism is an important driver of economic development through job creation and foreign exchange earnings and as a major contributor to GDP. In 2019, the Zambian tourism industry represented 10 per cent of the country's total exports, contributing 7 per cent of GDP and approximately 7.2 per cent of total employment (Tabetando, 2020). Despite its economic contribution, the tourism industry in Zambia faces many challenges due to the lack of a national tourism plan, under-developed tourism-related infrastructure, limited investment by both local and foreign investors, a narrow range and scope of tourism products, and inadequate tourism marketing and promotion.

In 2020, tourism exports represented 9.3 per cent of Uganda's total exports, down significantly from 22.7 per cent in 2019 and 25.7 per cent in 2018.[36] In addition, some indicators show that in 2022, tourism exports accounted for nearly half of the total services exported by Uganda.[37] Tourism is an emerging sector for Uganda's economy and has the potential to grow further in the future.

Among the Asian LDCs, although the tourism industry in Bangladesh is in the initial stages of development, according to a report by the Bangladesh Investment Development Authority (BIDA), it contributed 3 per cent of Bangladesh's total GDP in 2019 (BIDA, 2021).

In the Pacific, according to the International Finance Corporation (IFC), in 2019, tourism services generated US$132.8 million, amounting to 10 per cent of GDP in Solomon Islands (IFC, 2021).[38] Similarly, although small, tourism is a growing industry in Tuvalu. In 2019, the country welcomed a total of 3,600 tourists and, even in the midst of the COVID-19 outbreak in 2020, the sector contributed 5.6 per cent of Tuvalu's GDP (PSDI, 2021).[39] Although the tourism sector offers perhaps the greatest potential for growth in Tuvalu, poor infrastructure, lack of international connectivity and regulatory restraints limit its expansion.

While tourism offers considerable growth opportunities for LDCs, regulatory constraints – such as visa restrictions and other market-access challenges – affect this sector in most LDCs. Restrictions on the type of services offered, travel warnings, restrictions on tourism companies from these economies, poor promotion and marketing of LDC tourism destinations, and a lack of international financial services are some of the barriers that hinder economic development in this sector. In this context, to help the tourism sector grow in LDCs, the preference-providing countries can review their travel warnings periodically for LDCs and may consider granting national treatment and removing restrictions for LDCs' travel agencies. WTO members can also consider expanding the unilateral extension of benefits to LDCs' tourism agencies and tourism boards in order for them to develop globally.[40] Another way for developing and developed countries to support LDCs in the tourism sector is by assisting them in infrastructure development. China, for example, offers unilateral support to interested LDCs to develop essential infrastructure supporting tourist activity, including hotels, scenic spots, ports, roads, railways and telecommunication networks (via notification S/C/N/809).

A total of 16 WTO members have offered market access preferences in tourism services to LDCs. Some members have also extended non-market access preferences; for instance, China offers authorised destination status (ADS) to interested LDCs through bilateral consultations. However, ADS can only be offered to specific LDCs if they can guarantee the safety of Chinese tourists and their property.[41] In addition, China also offers training programmes in various sectors, including tourism. In terms of promotional marketing and information sharing on tourist activities, India provides unilateral support to LDCs by offering a space to LDC service suppliers (tourism operators) during the Indian edition of the Global Exhibition on Services.[42]

4.1.2 Information and communication technology

ICT, including computer services, is a major sector of interest for many Commonwealth LDCs, including Malawi, Lesotho, Bangladesh and The Gambia. In 2021, the share of ICT services in the total services exported by Malawi was the highest at 32.4 per cent among all Commonwealth LDCs. In the same year, Lesotho's ICT services exports accounted for 18.7 per cent of the total services exported by the country.[43]

Bangladesh is home to a fast-growing and innovative IT industry offering high-profile services to international clients. The Export Promotion Bureau's statistics for Bangladesh show that local IT companies increased their export revenue by 52 per cent in the first quarter of 2022. In addition, by providing software and information technology enabled services (ITES), these IT firms have extended their global footprint with more than 350 IT companies in Bangladesh offering services to around 80 countries globally.[44] In 2022, ICT represented 8.7 per cent of the total commercial services exported by Bangladesh and, in the financial year 2019–20, exports of IT services represented 15.2 per cent of the country's total commercial services exports (Saiful, 2021).

A slightly different story emerges for The Gambia in this sector. The country's exports of ICT services have constantly fluctuated in the past few years. In 2009, ICT exports accounted for 17.5 per cent of The Gambia's total services exports, but this dropped to 4.3 per cent in 2021.[45] Nevertheless, looking at the previous projections, it can be inferred that The Gambia shows potential to improve its export share of ICT services in the future.

Although many economies are expanding their market shares in ICT-based services, this expansion remains mostly limited to software or BPO services. These are traditionally provided via Mode 1 and Mode 4, and increasingly are also provided through Mode 3 by creating subsidiaries in the territory of other countries. To provide IT services effectively and to gain more business, it is important for the service providers to visit the service-importing country. However, visa and work permit restrictions and fees affect Mode 4 services. Furthermore, requirements for establishments and equity caps can constrain services provided via Mode 3. In many instances, the host countries require the appointment of local people in more senior management positions, thereby affecting both Mode 3 and 4 services. To address these issues, the host countries may consider exempting these requirements for ICT service providers in LDCs. Although the existing preferences granted do not address these issues specifically, some of these preferences offer general market openings in all modes of supply and in multiple sectors, including ICT. In the absence of absolute and effective implementation of the Waiver, it is difficult to provide a definitive assessment of the commercial meaningfulness of these preferences. Nevertheless, the overview presented in this section suggests that increased market access in ICT-related services should be valuable for ICT service providers located in individual Commonwealth LDCs.

4.1.3 Education

Traditionally, international trade in education services was dominated by higher education qualifications at the master's and doctorate levels. However, today, students travel abroad for short-term courses, training programmes, exchange programmes and a range of other educational pursuits. Historically, global trade in education services was predominantly undertaken via Mode 2 and Mode 4, whereas now, with the rise of the internet and computers, these services are also offered via Mode 1, and by the overseas establishment of campuses or by joint ventures in foreign countries (Mode 3). In the African region, Zambia holds a strong reputation for providing education services, moving into some specialisations in areas such as hydropower-related education. With its specialised research institute, The Kafue Gorge Regional Training Centre, Zambia, aims to become the home for hydropower training in Africa.[46] However, university and research centre recognition and rankings, as well as the quality of education, remain issues of concern for most students travelling abroad for education purposes.[47] Therefore, the LDC group's Collective Request included suggestions to grant scholarships and waive Mode 2 restrictions, allowing students from preference-providing members to study in LDCs.[48] However, members have yet to respond to this suggestion in their notifications. Moreover, the members that have offered preferences on education services have not provided support to enhance the recognition of educational institutions in LDCs, thus limiting any commercial value for these countries.

Notably, touching upon the LDCs' Collective Request on 'Education and Training-Related Services', some members have offered non-market access preferences. For example, Turkey used to offer scholarships to scientists in LDCs; however, this programme ended in 2022 (see notification S/C/N/824). In addition, in relation to the request made under Item 31 of the Collective Request, concerning training from LDCs, Turkey offers a programme for both exchange students and academic staff to study or provide training at higher educational institutes in LDCs, while also enabling students and academic staff from LDCs to do the same at higher education institutes in Turkey.[49] Moreover, under its horizontal commitments, Turkey has waived the requirements for education service providers travelling to Turkey (Mode 4) to hold a work permit for a duration of up to six months.[50] Some LDCs, including Zambia, have the potential to increase their share of education services in global services trade, mostly by attracting students from preference-providing countries such as Turkey, and could benefit from the limited preferences on offer in this area.

In light of the changing structure of education services (with a shift to greater use of online classes), members could consider providing unilateral support to LDCs by marketing and recognising their institutions and courses. This, in turn, can add value to education institutions in LDCs providing international services. Although the Collective Request does not include any such requests for education services, considering the rapid rise of digitally delivered services, support from the preference-providing members would help Commonwealth LDCs to promote specialised courses offered through higher education institutions. This would help to grow and diversify their educational services exports.

4.1.4 Health

As the World Health Organization (WHO, 2021) recognises, health and medicine-related services remain underdeveloped in many LDCs, and this is made worse by lack of capacity, resources and awareness in LDCs concerning health-related issues. Health sectors only make up approximately 0.3 per cent of LDCs' total services exports. Therefore, it is reasonable not to expect extended offers in this sector. Even so, with respect to health and medical services, LDCs face major challenges in terms of insurance portability, and qualification and licence requirements. Within the healthcare system, services provided by hospitals, doctors and nurses encounter challenges affecting Mode 2 and Mode 4 services. In addition, with the increased demand and focus on telemedicine, Mode 1 has become an important means to export healthcare services and has been identified by Bangladesh as a priority sector. Bangladesh has been providing telemedicine domestically since 1999 and has potential to export healthcare services using Mode 1 (Fahad, 2020). In this regard, it is noteworthy that in the absence of a legislative framework in Bangladesh addressing telemedicine (BMDC, 2020), providing cross-border services is challenging. Therefore, in order to export these services and derive value from specific preferences, the first step should be for the country to develop a focused legislative framework covering telemedicine services.

While the underdeveloped nature of healthcare in most LDCs may currently discourage many individuals located in higher-income countries from traveling to these countries to seek healthcare services, it is possible that a person travelling to a LDC for any other purpose may require some healthcare during their stay. In such situations, it is necessary for other countries to provide automatic portability of medical insurance so that treatment and other medical services can be accessed by travellers to LDCs. Such support for LDCs is largely missing in the existing preference notifications.

Furthermore, recognition of qualifications is one of the major barriers faced by LDCs in health-related services, specifically affecting Mode 4 services. Exports of labour-based (Mode 4) healthcare services are of particular interest for three Commonwealth LDCs: Bangladesh,[51] Uganda[52] and Zambia,[53] and offers to provide market access to qualified nurses from these countries could be commercially meaningful for them. Therefore, an appropriate system could be created to recognise medical qualifications obtained in LDCs specifically for trained providers of nursing services.

However, aside from limited interest shown by the EU for doctors and nurses in LDCs, preference offers in this area are largely absent from the existing notifications.

4.1.5 Insurance and financial services

Insurance and financial services are important sectors for some Commonwealth LDCs, including Sierra Leone, Kiribati, Tuvalu and Togo. For example, according to data drawn from the World Bank's World Development Indicators database, in 2021, insurance and financial services accounted for nearly half (48 per cent) of Sierra Leone's total commercial services exports.[54] Similarly, in 2020, the equivalent share of insurance and financial services in Kiribati's exports of commercial services was estimated at 43 per cent, although this dropped to 31 per cent in 2021.[55] The high shares of this sector in these countries' commercial services exports emphasises the importance of preferences in this area to help grow their trade in services.

The relative performance of Malawi's exports in this sector presents a different picture. From 2011 to 2018, Malawi's exports of insurance and financial services were on the rise and contributed 30 per cent of the country's total commercial services exports in 2018. However, this share dropped to 1 per cent in 2019, before recovering marginally to reach 2 per cent in 2021.[56]

The shares of insurance and financial services in the commercial services exports of other Commonwealth African and Pacific LDCs have been growing steadily. In 2021, their share in Uganda was estimated at 4 per cent of the country's total commercial services exports. This share stood at 9 per cent in Tuvalu[57] and 6 per cent for Togo[58] in the same year, progressively increasing in the latter over the past five years. Insurance and financial services have been identified as promising sectors to expand Togo's services exports and accelerate economic development in the country.

Exports of insurance services are also important for other Commonwealth LDCs in Africa, including Rwanda and Mozambique, where, in 2021, they accounted for 5 per cent[59] and 4 per cent[60] of these countries' total commercial services exports, respectively. In turn, although Zambia's exports of insurance and financial services contributed just 2.5 per cent to the country's total commercial services exports in 2021, up until 2019, Zambia accounted for approximately one-third of the total insurance services exported by all 46 LDCs (ITC, no date). Insurance services in Zambia are generally provided by small local insurance companies or subsidiaries of large insurance companies operating elsewhere. The service providers face issues with re-insurance as the countries require the re-insurance to be provided through a local entity or insurance company, which excludes Zambian insurance providers from the huge market. They provide services through Mode 1 and Mode 3 and have branches and offices in Africa, but face issues with visas and capital requirements. Some common barriers encountered specifically for re-insurance include national and regional quotas, withholding tax, and re-insurance premiums.

In terms of marine insurance, limitations on the employment of foreign insurance providers present barriers to LDC insurance service providers. A limited number of notifications[61] under the LDC Services Waiver touch upon insurance and financial services, but technical issues related to re-insurance are outside of their scope. In addition, national requirements for managers are largely excluded with few notifications covering these, except for Norway which, although on a horizontal basis, provides improved Mode 4 access for managers in its notification (S/C/N/806). Norway, however, does not offer any preferences in the case of national treatment for financial services, insurance and insurance-related services. Providing a partial degree of liberalisation for insurance and insurance-related services, Switzerland in its notification (S/C/N/819), offers preferences in Mode 3, where investors from LDCs are provided with less stringent conditions to establish a business compared to the GATS Schedule.

Undoubtedly, preferential offers in this sector would be commercially beneficial for the economies mentioned above. However, the improved offers provided on a horizontal basis in Mode 4 are currently the only relevant and arguably valuable preferences offered to LDCs in this sector.

5. Conclusions and recommendations

Since the Bali Ministerial Conference, there have been significant developments in the context of the LDC Services Waiver. The fact that 25 WTO members have provided more than 2000 preferential offers to LDCs is, in itself, a step forward. However, the lack of effective implementation of the preferences is a major drawback for LDCs. Primarily, two technical issues currently have the greatest impact in restricting the effective operationalisation and implementation of the Waiver. First, regulatory regimes in the preference-providing countries, and quotas on specific modes of service supply, affect the extent to which LDCs can capitalise on opportunities presented through the Waiver. Second, when accessing other WTO members' markets, the services provided are generally required to meet specific standards and quality requirements demanded in the preference-granting countries, creating considerable challenges for service suppliers in LDCs.

Although the existing preferences provide some opportunities for LDCs in terms of market access, they are difficult to apply in the presence of regulatory regimes and requirements such as economic needs and labour market tests, strict visa rules, and certification and licencing requirements. To deliver more effective and improved operationalisation of the Waiver, these types of regulations in the preference-providing countries need to be relaxed for LDC service suppliers. However, it should be noted that relaxing regulatory regimes is not necessarily an easy task for preference-granting countries. In addition, underdeveloped regulations covering services in LDCs pose another major challenge for LDCs and their service providers supplying services internationally, particularly when it comes to demonstrating regulatory compliance.

With these issues in mind, recommendations in five core areas are proposed below to help improve the implementation and operationalisation of the LDC Services Waiver and ensure it delivers commercially meaningful benefits for LDCs and their service providers.

5.1 Timely and reliable data collection

A significant gap in services trade data for many LDCs is one of the major issues encountered when analysing their services export performance. Having accurate and reliable statistics on LDCs' services trade would help trace problematic issues and further assist in designing and implementing appropriate programmes to remove trade barriers. Data on services trade is available through the WTO and World Bank Integrated Trade Intelligence Portal (I-TIP) Services database.[62] However, this dataset does not cater to current issues concerning LDCs' services exports. In turn, while the ITC Trade Map (ITC, no date) provides consolidated data in many areas, specific data on LDC services exports is limited to a few sectors and subsectors, while others, such as health, education and professional services, fall outside of its scope.

Therefore, it is necessary for efforts to be made to collect timely and reliable information on LDCs' services trade performance. To make the data most effective and usable, it needs to be collected with information on sectors, modes of supply and trading partners. As there are several barriers involved in the cross-border transfer of services, the information should also highlight the difficulties faced by LDCs when trading services with different countries across the world.

5.2 Capacity building and technical assistance

For more than a decade, discussions at the WTO have emphasised that LDCs lack the capacity to make use of the preferences that are provided to them. To make more effective use of these preferences, LDCs need to work on developing their capacity in specific areas, including in relation to domestic policies and regulations supporting services. Therefore, technical assistance could be provided to LDCs to help them design and implement more coherent and development-oriented domestic policies and regulations around services.

In addition, WTO members can provide technical assistance to LDCs to support initiatives to train their workforces and build the capacity of their service providers. Technical assistance, delivered for example through training programmes and consultancy courses, may help LDCs to build competencies in specific service sectors.[63]

These capacity building and technical assistance efforts should be directed towards the specific areas and modes of supply where LDCs have a comparative advantage and have prioritised in their development strategies. These are likely to vary from one LDC to another depending on factors such as their geographical location, level of connectivity, population size and economic structure.

Building the capacity of LDC service suppliers, and directing Aid for Trade to address the bottlenecks encountered by LDCs when attempting to export their services abroad, can help them gain better access to markets for services in preference-providing economies. This is primarily a domestic challenge that can be resolved with the help of the international community. For example, digital infrastructure and interoperability of standards are the major requirements for digitally provided, IT-based services, and LDCs are likely to require targeted support to develop these areas.

5.3 Research, analysis and awareness about preferences

To improve the structure and implementation of preferences and enhance the availability and effectiveness of support extended to LDCs, country-specific research can be undertaken to identify their strengths and weaknesses and highlight barriers affecting their participation in services trade. A serious bottleneck faced by service suppliers in LDCs is lack of awareness about the preferences and opportunities available to them through various support measures and market openings. The technical nature of trade preferences, as well as regulations governing services and services trade, provide additional challenges for service suppliers. Therefore, educating LDC service suppliers and relevant stakeholders about the preferences and how to utilise them, the technical aspects of the LDC Services Waiver, opportunities in services export markets and how to capitalise on them, existing trade agreements, and prevailing barriers to services trade and how they can be tackled, would help overcome some of these bottlenecks and enable these service providers to expand their exports using the preferences.

In addition, LDC service suppliers seldom take advantage of the preferences because they must first establish commercial contacts with consumers in the preference-providing countries. Many service suppliers in LDCs lack the capacity or existing networks to do this. These suppliers may also have limited capacity to deal with domestic services regulations in export markets, including those related to credit, health insurance, visa rules and other regulatory requirements. To help connect service suppliers in LDCs with consumers in preference-providing countries, the latter should work with individual LDCs to create common official digital platforms or information desks holding the details of service suppliers. Such information could also be exchanged through government-led export promotion bureaus and international trade fairs.

5.4 Sharing best practice

With the lack of accurate information and limited implementation of preferences under the LDC Services Waiver, it becomes even more difficult to analyse their effectiveness. Therefore, sharing best practice would help LDCs and preference-granting countries to better implement and use the preferences in the areas where LDCs could benefit most from their comparative advantages. At present, detailed information on best practice is largely absent, and thus not being fully taken into account to better design, notify, implement and utilise the preferences offered under the Waiver.

Some efforts have been made in this direction at the multilateral level, where to review and promote the operationalisation of the LDC Services Waiver, a two-day webinar was organised by the CTS at the WTO,[64] during which Rwanda shared best practice in creating digital platforms to provide services globally (Masengesho, 2021). In a similar spirit, Bangladesh shared experience and best practice contributing to the growth of its software industry and outlined how other LDCs could also benefit by introducing similar practices in their own software industries.[65] However, this webinar did not focus on the challenges faced by most LDCs in relation to services trade. Some LDCs that have a major share in overall services trade by the LDC group could not participate in the webinar, while others facing significant challenges were left behind because no follow-up was undertaken after the webinar was finished.

As highlighted by the LDC members at the WTO, regular and systematic sharing of best practice, and improved notification of preferences by WTO members in areas of interest to LDCs, would contribute significantly towards improving the scope and effectiveness of future preferences granted under the Waiver, thus making a greater contribution to economic development in LDCs in the future.

5.5 Monitoring and peer review of the preferences

Although the WTO under the CTS provides a forum to discuss the needs and demands of LDCs, there is no appropriate forum to analyse and assess the preferences provided under the Waiver. Moreover, the CTS does not provide space to discuss issues preventing LDCs from effectively using the preferences to grow their services sectors and accelerate their economic development. Effective implementation of the Services Waiver requires mechanisms to monitor the quality of the notifications made by preference-granting countries and assess their relevance and effectiveness against the needs expressed by LDCs through their Collective Request. Current mechanisms in this respect are not very helpful, as no proper checks and comparisons are conducted to assess the quality of the notifications and offers; identify if the preferences provided are, in reality, serving the interests of LDCs; and evaluate whether their practical implementation will add commercial value to LDC economies. While new mechanisms could be introduced at different institutions to address this issue, efforts to monitor the utilisation of existing mechanisms – for instance, through the Trade Policy Review (TPR) exercises at the WTO – may hold more promise in the short run. To address this at the WTO, the TPRs produced for the preference-providing countries could highlight the preferences they have offered and measure their implementation rates, while the TPRs for the LDCs could include a section on the utilisation of available preferences by their service exporters and suppliers.

Identifying the preferences and assessing the impact of their application on economic development in individual LDCs would require a detailed assessment of the applied regime. This is likely to be a complex task and requires a more detailed analysis of LDCs' services trade and their trading partners. The initial analysis undertaken in this paper shows that only a few Commonwealth LDCs are managing to consistently expand their commercial services export shares in the global economy, while others are still struggling with a lack of capacity, investment, awareness and development. LDC-specific discussions in small groups focused on best practice, and the practicalities of devising commercially meaningful preferences and effectively implementing the Services Waiver, perhaps facilitated by the Commonwealth Secretariat and other stakeholders, would help these LDCs to capitalise on the existing preferences on offer in sectors and modes of supply that are most relevant to them. In turn, learning from best practice and the experience of other countries, may encourage them to enhance capacity in other sectors where they can potentially expand their services exports in the future.

Notes

1 According to the UN classification, in order to qualify as a LDC, a country must fulfil three criteria and agree to the classification. As indicated by the UN Department of Economic and Social Affairs, the three criteria stipulate that a country must: (i) have an average per capita income of below US$1,018; (ii) have a low score on a Human Asset Index (which includes measures of gender parity for secondary school enrolment, health and education outcomes, mortality rates, maternal mortality, etc.); and (iii) score highly on an economic and environmental vulnerability index, which measures the remoteness of the country, its dependency on agriculture and its vulnerability to natural disasters. For more details on LDC identification criteria and indicators, see: https://www.un.org/development/desa/dpad/least-developed-country-category/ldc-criteria.html

2 A list of all 46 LDCs can be accessed at: United Nations (no date) 'List of LDCs', available at: www.un.org/ohrlls/content/profiles-ldcs

3 The term 'Enabling Clause' for trade in services was first coined by Hannes Schloemann in an article published in 2012; since then, this term has been widely used for trade in services.

4 With respect to any measure covered by the GATS, Article II:1, members are required to extend 'treatment' immediately and unconditionally to services or service suppliers of all other members on a basis that is 'no less favourable than that accorded to like services and service suppliers of any other country'. In principle, members are prohibited from providing preferential arrangements among groups of members in individual sectors or granting reciprocity provisions that confine access to benefits to trading partners granting similar treatment. However, derogations are possible in the form of Article II exemptions.

5 Other or non-market access preferences go beyond those included in GATS Article XVI (market access). These include, for example, preferential treatment provided in relation to capacity building in LDCs, training to LDC service suppliers, or assistance for LDCs to develop infrastructure to support various activities concerning the delivery of services in and from LDCs.

6 The WTO through the GATS developed a Services Sectors Classification list 'W/120', which sets out 12 broad sectoral categories and 155 services subsectors. The services categories in W/120 are based on the United Nations Commodity Product Classification List (CPC).

7 GATS Article I:2 defines four different means through which services can be traded (termed as 'modes'). The four modes of supply are: Mode 1 (cross-border trade); Mode 2 (consumption abroad); Mode 3 (commercial presence); and Mode 4 (temporary movement of natural persons).

8 Since the early years of the Doha Development Agenda (DDA), Mode 4 has been a long-standing area of interest and demand for LDCs under GATS; however, this interest did not get the desired response from other members at the time. Therefore, tailored to the needs of the diverse LDC group, their Collective Request includes all relevant areas of interest to them, including the mode of supply where LDCs' service suppliers encounter most obstacles, i.e., Mode 4.

9 See MC 12 outcome document, WT/L/1135, Para 8. The full document is accessible at: https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/MIN22/24.pdf&Open=True

10 In addition to the operationalisation of the LDC Services Waiver, members emphasised improving LDC services export data. Further information on the LDC Services Waiver discussion at the CTS can be accessed at: WTO (2023).

11 Counting the European Union as one, 24 WTO members made announcements about the preferences at a high-level meeting in February 2015, and the United Kingdom, after its withdrawal from the European Union in December 2020, submitted its notification to the WTO on 1 January 2021.

12 The ILO report (2022) highlights that LDCs, including African LDCs, have increased labour-intensive markets, making them ideal to supply both unskilled and skilled labour-based services.

13 According to the World Bank and WTO co-publication (2023), digitally provided services have proved to be fundamental to the post-COVID-19 recovery in services trade. Between 2005 and 2022, the export of digitally provided services (Mode 1) projected significant growth, which in 2022 was estimated to be nearly four times that of 2005 estimates.

14 In 2021, Bangladesh accounted for 16.6 per cent and Tanzania contributed 11 per cent of the total services exported by LDCs. In the same year, Uganda was the sixth largest LDC services exporter with a share of 5 per cent, while Mozambique stood in eighth position with a 2.6 per cent share of total LDC services exports.

15 In 2021, Commonwealth LDCs were estimated to have contributed 65 per cent of total LDC exports of insurance and pension services, while their equivalent share

stood at 52 per cent for personal, cultural and recreational services.

16 Commonwealth LDCs' shares in total LDC services exports were 48 per cent for financial services and 47 per cent for both travel and tourism and other business services.

17 There are several other services sectors of critical importance to Commonwealth LDCs. However, due to the absence of data, these are not included in the figure and are, instead, discussed in detail in Section 3.

18 Rwanda plays a crucial role in the East Africa Regional Digital Integration Project.

19 As per the membership of the WTO, a total of 25 members have submitted notifications. However, for the purposes of the country count, the 27 members of the European Union have been counted separately, bringing the total number of members submitting notifications to 51.

20 See WTO Notification regarding the LDC Services Waiver presented in document series S/C/N/*, available at: https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S006.aspx?Query=((@Symbol=%20s/c/n/*%20)%20and%20(@Title=%20preferential%20treatment%20to%20services)%20%20and%20((@Title=%20least%20developed%20countries)%20or%20(@Title=%20least-developed%20countries)))&Language=ENGLISH&Context=FomerScriptedSearch&languageUIChanged=true

21 The six members that have included a national treatment column in their preference notifications are Canada, Iceland, Norway, Switzerland, Thailand and South Africa.

22 These four members are China, India, Turkey and Switzerland.

23 For further details on the preferences and summary of offers notified, see Drake-Brockman et al. (2015).

24 Calculations of the preferences have been compiled by the author based on information retrieved from the LDC Services Waiver notifications, UNCTAD (2020), WTO data (unpublished) (2019), and WTO I-TIP database. The detailed WTO I-TIP database for LDC Services Waiver preferences can be accessed at: http://i-tip.wto.org/services/SearchResultGats.aspx

25 Eleven (11) members, namely Australia; Brazil; Canada; Hong Kong, China; Iceland; India; Japan; Mexico; New Zealand; Singapore; and Switzerland, have indicated preferences in Mode 1 services.

26 For a more detailed understanding of regulatory frameworks on Mode 4 in bilateral agreements, see Carzaniga and Sharma (2022).

27 Seven (7) members, namely Brazil; Chinese Taipei; Iceland; India; Japan; Korea; and Thailand, have included preferences concerning Mode 4 in their notifications.

28 See UNCTAD (2020) for an in-depth comparative analysis of the preferences offered under the Waiver in relation to the Collective Request.

29 Tourism contributed 32.1 per cent of the total services provided by LDCs in 2019. For further details on LDC trade data, see D'Andrea (2021).

30 See African Nature Based Tourism Platform, available at: https://naturebasedtourism.africa/publication/funds-needed-to-bolster-tourism-recovery-in-malawi/#:~:text=In%20the%20decade%20before%202020,provided%20close%20to%20516%2C200%20jobs.

31 See National Tourism Policy for Malawi (2019) available at: http://www.reforms.gov.mw/psrmu/national-tourism-policy

32 Ibid.

33 For further information on The Gambia's tourism sector, see the International Trade Administration: Gambia, The – Country Commercial Guide (2022), available at: https://www.trade.gov/country-commercial-guides/gambia-travel-and-tourism#:~:text=COVID%2D19%20has%20significantly%20curtailed,to%2020%20percent%20of%20GDP.

34 See the Economist Intelligence (2022) 'Gambia', available at: https://country.eiu.com/article.aspx?articleid=1502293333&Country=Gambia&topic=Economy&subtopic=Forecast&subsubtopic=Economic+growth#:~:text=Tourism%20is%20among%20The%20Gambia's,total%20export%20receipts%20in%202021.

35 World Tourism Organization, IMF and World Bank estimates, available at: https://data.worldbank.org/indicator/ST.INT.RCPT.XP.ZS

36 World Tourism Organization, IMF and World Bank estimates - Uganda, available at https://data.worldbank.org/indicator/ST.INT.RCPT.XP.ZS?locations=UG

37 Tourism exports amounted to 41.4 per cent of Uganda's total services in 2022; see: www.zawya.com/en/economy/africa/ugandas-tourism-rebounds-as-visitor-numbers-rise-59-in-2022-yjn0pg8n

38 This is an IFC report developed in partnership with Australian Aid and New Zealand Foreign Affairs and Trade Aid Programme. See IFC (2021).

39 This is a report prepared as a part of a technical assistance programme undertaken in partnership with the Asian Development Bank, the Government of Australia, and the Government of New Zealand.

40 India, in its notification (S/C/N/833, 8), extends an invitation for proposals for bilateral agreements with LDCs on tourism co-operation, on mutually agreed terms.

41 Ibid.

42 The Global Exhibition on Services is one of the most prominent services trade fairs, first held in India in 2015, and has since become part of India's international economic outreach.

43 World Bank (2022) 'ICT service exports (% of service exports, BoP)', International Monetary Fund, Balance of Payment Statistics Yearbook and data files, available at: https://data.worldbank.org/indicator/BX.GSR.CCIS.ZS

44 The top ten partner economies to which Bangladesh exports commercial services are: Hong Kong, China, the United States, Singapore, India, China, the United Kingdom, United Arab Emirates, Germany, Japan and the Republic of Korea.

45 World Bank (2021a) 'ICT service exports (% of service exports, BoP) – Gambia, The', International Monetary Fund, Balance of Payment Statistics Yearbook and data files, available at: https://data.worldbank.org/indicator/BX.GSR.CCIS.ZS?locations=GM

46 The Kafue Gorge Regional Training Centre was established in 1989, with the aim of providing specialist hydropower training for electricity utilities in the Southern African Development Community (SADC) and sub-Saharan Africa. For in-depth information on energy development in Zambia, see Water Power & Dam Construction (2008) 'Hydro training centres on Africa', available at: https://www.waterpowermagazine.com/features/featurehydro-training-centres-on-africa/

47 Zambia has a lucrative education market, and the country has been focusing on making it more attractive through investments, partnering with foreign institutions and making higher education more practical and less theoretically focused. See Simukoko (2017).

48 See WTO (2014) Item 27 on 'Education and Training-Related Services'.

49 MEVLANA Exchange Program (http://mevlana.ibu.edu.tr/en/) facilitates the exchange of students and academic staff between Turkish higher education institutions and higher education institutes elsewhere, spanning multiple regions. Students and academic staff can only benefit from this programme in instances where there is a bilateral MEVLANA exchange protocol between the higher education institutions.

50 Under its horizontal commitments for Mode 4, Turkey has offered an exemption for LDC service providers from applying for, or holding, a work permit for a particular duration under several categories and sectors.

51 Although Bangladesh faces a shortage of nurses domestically, the country aims to export healthcare services as a means to increase foreign reserves. Moreover, some studies suggest that a greater number of students in Bangladesh would only choose nursing as a career if they could make use of opportunities to provide their services in developed countries. In addition, Bangladesh has identified nursing services as one of the primary sectors to increase exports and boost foreign reserves. For further information, see Rtv News (no date).

52 In an OpEd published in May 2022 (Luyima, 2022), it was highlighted that exporting nurses to the UK has become one of the priority areas to accelerate economic development in Uganda. Due to a shortage of nurses internationally, the UK delegation met with the President of Uganda, during which it was agreed that more highly trained nurses from Uganda would be exported to the UK. Another report published in May 2023 highlights that Uganda has secured export of 3,000 nurses to the UK and Middle East (Monitor, 2023).

53 The healthcare sector, including telemedicine, has been made a priority sector by the Government of Zambia. See Health Policy Project (2016).

54 IMF indicators suggest that, before 2021, insurance and financial services were not among the primary service export sectors as the share of these services in total commercial services exports was considerably lower compared to the 2021 statistics. More details on this trend are available at: https://data.worldbank.org/indicator/BX.GSR.INSF.ZS?locations=SL

55 World Bank (2021b) 'Insurance and financial services (% of commercial service exports) – Kiribati', International Monetary Fund, Balance of Payments Statistics Yearbook and data files, available at: https://data.worldbank.org/indicator/TX.VAL.INSF.ZS.WT?locations=KI

56 Malawi's exports of insurance and financial services were drastically affected by the COVID-19 pandemic and the industry was nearly decimated during that time; however, it is slowly recovering now. The export data can be accessed at World Bank (2021c) 'Insurance and financial services (% of commercial service exports) – Malawi', International Monetary Fund, Balance of Payments Statistics Yearbook and data files, available at: https://data.worldbank.org/indicator/TX.VAL.INSF.ZS.WT?locations=MW

57 World Bank (2021d) 'Insurance and financial services (% of commercial service exports) – Tuvalu', International Monetary Fund, Balance of Payments Statistics Yearbook and data files, available at: https://data.worldbank.org/indicator/TX.VAL.INSF.ZS.WT?locations=TV

58 World Bank (2021e) 'Insurance and financial services (% of commercial service exports) – Togo', International Monetary Fund, Balance of Payments Statistics Yearbook and data files, available at: https://data.worldbank.org/indicator/BX.GSR.INSF.ZS?locations=TG

59 World Bank (2021f) 'Insurance and financial services (% of commercial service exports) – Rwanda', International Monetary Fund, Balance of Payments Statistics Yearbook and data files, available at: https://data.worldbank.org/indicator/TX.VAL.INSF.ZS.WT?locations=RW

60 World Bank (2021g) 'Insurance and financial services (% of commercial service exports) – Mozambique', International Monetary Fund, Balance of Payments Statistics Yearbook and data files, available at: https://data.worldbank.org/indicator/TX.VAL.INSF.ZS.WT?locations=MZ

61 Insurance services are mentioned in six notifications by Brazil, the European Union, Iceland, Liechtenstein, Norway and Switzerland.

62 WTO, I-TIP Services trade database, available at: http://i-tip.wto.org/services/default.aspx

63 The non-market access preferential offers made by India include training programmes in financial services. In a financial services programme organised by the Reserve Bank of India, 50 per cent of the seats available for foreign participation are reserved for participants from LDCs. India also offers technical assistance to LDCs' services providers and students in the hotel management industry, as well as in management and technical consulting, and insurance services. Similarly, Turkey, in its notification to the WTO under the LDCs Services Waiver (S/C/N/824/REV.1), offers special scholarship programmes – such as an Africa initiative called, 'Harran and Bosporus', for students from LDCs. Moreover, Turkey waives specific restrictions in the area of education and training-related services in and from LDCs.

64 As a part of the Nairobi Ministerial Decision, the WTO CTS held a webinar titled, "Least Developed Country Services Export Performance and Facilitating

Implementation of preferences notified under the LDC Services Waiver" on 2 and 3 June 2021 at the WTO, Geneva. A detailed programme is available at: https://www.wto.org/english/tratop_e/serv_e/webinar_june21_e.htm

65 Using digital marketing as a tool, Kaz Software Bangladesh (https://kaz.com.bd/) – one of the leading companies in the country – provides high-quality, software-based services. The company is currently exporting services to 14 countries globally.

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Annex 1 – Case studies

i. Rwanda

Rwanda – Services priority areas, digital integration and steps taken

Economic overview

A small landlocked LDC, with a population above 13 million, Rwanda aspires to middle-income country status by 2035 and high-income country status by 2050. Rwanda's GDP increased from US$752 million in 1994 to $9.5 billion in 2018 (Government of Rwanda, no date). During the same period, the country's GDP per capita grew from $125 to $787.

Services exports are a key contributor to Rwanda's economy. According to the WTO (no date – b), in 2021, travel and transport were the two major areas of services exported by Rwanda, at US$150 million and $146 million, respectively. In the same year, Rwanda's exports of commercial services amounted to $51 million, followed by a smaller share of goods-related services. For over a decade, Rwanda has made significant economic and structural reforms and sustained steady economic growth (WTO, 2017), while ensuring 8.2 per cent real GDP growth in 2022.

Rwanda adopted its vision for 2020 in 2000, following which life expectancy in the country increased from 49 years in 2000 to 66.6 years in 2017. Poverty levels were reduced from 60.5 per cent in 2000 to 38.2 per cent in 2017, while extreme poverty levels fell from 40 per cent to 16 per cent over the same period, leading to improvements in the livelihoods of people in Rwanda. In addition, there was significant improvement in maternal mortality and child mortality rates during this period. Rwanda initiated programmes for free basic education, resulting in net enrolment of nearly 100 per cent in primary education. As the Vision 2020 came to an end, the Government of Rwanda introduced the National Strategy for Transformation (NST1) plan (2017–24), intending to achieve a series of targets by 2035 and lay the foundations for its Vision 2050. The priorities for Vision 2050 include:

1. international co-operation and positioning;
2. a high quality and standard of life;
3. transformation for prosperity;
4. development of modern infrastructure and livelihoods; and
5. deriving value for development in line with set targets.

Key priority areas for development and economic transformation (from a services point of view)

- Rwanda aims to develop and promote a **service-led and globally competitive knowledge-based economy**, while promoting exports and expanding trade-related infrastructure.
- High-tech areas, such as **financial services/FinTech/e-payments, BPO, legal services, security services and other professional services** are on the country's list of key priorities.
- Rwanda aspires to become a **digital hub** in the East African Community and make its mark internationally in professional services, including IT and computer-based services.
- The country recognised several other services sectors as priority areas in which it aspires to develop capacity and create value for economic development and transformation. These sectors include: **tourism, creative arts, knowledge-based services, construction, aviation, and logistics and transportation.**
- In the tourism industry, the country aims to increase tourism revenue to US$800 million by 2024, up from $374 million in 2016, including by attracting large artistic events, cultural and religious tourism. It also aims to become a world-class conference destination, which will bring more business travellers to Rwanda.

Steps taken

- BPO services have been established to capitalise on previous investments in fibre optics. To support the service suppliers, capacity building and training programmes have been undertaken. Support has been extended to universities and education centres to upgrade skills related to BPO and ICT services. In the fields of accounting, legal and security services, capital support for development has been extended to the companies providing these specific services. Rwanda has also partnered with international organisations and non-governmental organisations such as GIZ (2023) to enhance capacity in digital transformation.
- The youth (16–30 years) unemployment rate in Rwanda in 2019 stood at 19.6 per cent. To combat this, with a focus on increasing digitally delivered services, the country is ensuring digital literacy for all youth aged between 16 and 30 years by 2024.

- The country emphasises capacity building and training programmes, and industrial-based training, while enhancing public–private partnerships. It focuses on scaling up the number of technical and vocational education and training graduates with skills that are relevant to the labour market. To promote research and development as a key enabler to fast-track economic development, especially in the areas of industrial development, science, innovation and technology, Rwanda is establishing new centres of excellence.
- To make the economy more tourism friendly, Rwanda, within its 'Transformational Governance Pillar', has emphasised 'safety and security' as one of the primary focus areas for citizens and people visiting Rwanda. Focusing on promoting tourism, the country is increasing investment in tourism-related infrastructure and building the capacity of the private sector to provide high-quality services. Additionally, huge investment projects for improved travel connectivity and the development of the hospitality industry are underway.
- To attract international talent, Rwanda is focused on developing and operationalising a thriving skills ecosystem in various sectors, as mentioned above.

ii. Bangladesh

Bangladesh – Services priority areas, economic development and the road to graduation from the LDC category

Economic overview

Bangladesh is a LDC located in South Asia. It is one of the most densely populated countries in the world, with a population of approximately 171 million people. Bangladesh is on track to graduate from LDC status in 2026. Through a series of five-year plans and a long-term Perspective Plan 2021–2041, Bangladesh is seeking to eliminate extreme poverty. It is geared to achieve its objective of attaining upper middle-income country status by 2031 and becoming a high-income country by 2041.

Since 2011, the services sector has been the largest contributor to economic growth in Bangladesh. In the financial year 2017–18, this sector contributed 52.1 per cent to the country's GDP (Government of Bangladesh, 2021). As estimated by the WTO (no date – a), in 2021, other commercial services and transport were the two major services exported by Bangladesh, amounting to US$2,738 million and $1,317 million, respectively. In the same year, Bangladesh ranked 76th globally in terms of the magnitude of exports of commercial services. With its major services export partners being Hong Kong, China, the United States, India, the EU and Singapore, the country has improved its trade portfolio in sectors such as ICT, construction and labour-intensive services. Bangladesh realises the significant value that services trade can play in achieving its targets and continuing to grow the economy, in the process, making Vision 2041 a reality.

Benefits gained through market-access preferences under the Waiver

Being a LDC, Bangladesh has gained significantly from the preferences provided by WTO members through the LDC Services Waiver. By taking advantage of the market-access preferences available under the Waiver, Bangladesh was able to increase its exports of services by approximately US$7 million annually. Hence, while Bangladesh's impending graduation from LDCs status brings good news for the country in the sense that it will have reached an important developmental milestone, it also means the country will lose access to the preferential treatment available through the Waiver. Initial estimates indicate that the loss of preferences in markets in Canada, Australia, the EU, Japan, India and China might lead to a significant (11 per cent) annual reduction in Bangladesh's total exports. Upon graduation from LDC status in 2026, Bangladesh will also not be able to benefit from many of the exemptions applicable to LDCs under WTO rules, such as the flexibilities available under the Waiver for the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights. Therefore, the country aims to gain from the preferences and capacity building programmes available until its time of graduation, while also developing a roadmap for future development post-graduation.

Key priority areas for development and economic transformation (from a services point of view)

- Industry has been recognised as the lead sector to drive economic growth in Bangladesh. In particular, manufacturing is regarded as a key priority area and an important source of jobs in the country. Within the manufacturing sector, Bangladesh aims to increase its share of manufacturing services exports and expand into developed economies.
- With the growth in its ICT exports, Bangladesh has already embarked upon a journey to participate more fully in digital trade and, to move forward, the country aims to keep up with digital innovation. Bangladesh has recognised a few key priority sectors for trade in services, including ICT, BPO, engineering, consultancy, tourism and architectural services.

- In addition, the country places the most emphasis on services provided through two modes of supply: Mode 1 and Mode 4.
- Bangladesh currently faces challenges in two major areas: inadequate industrial infrastructure and a lack of coherent policies to support services exports.

Steps taken

- Being a labour-intensive market and keeping in mind the skills demanded in key export destination countries, Bangladesh is improving its National Skills Development Policy. With regular training assessments, it is ensuring that standards of training and accreditation are comparable to international levels.
- Women are being trained to participate in the labour force, specifically in manufacturing and electronics industries.
- With the aim of making its services market more competitive, a 'Digital Bangladesh' initiative has been introduced. In addition, some steps have been taken towards achieving services interoperability and connecting service providers with consumers. Initiatives have been introduced to establish 'IT Villages', which are primarily used for producing and exporting software.
- Measures have been taken to inform stakeholders in the services sector about the benefits offered under the LDC Services Waiver by different countries.
- Investments have been made in transport services and infrastructure.
- Steps are being taken to increase co-ordination across different government departments and agencies to support services sector exports. In addition, statistical studies are being undertaken to analyse export performance in services sectors and identify export-related barriers.