

“Talks on Accountancy Sector Under GATs”

Presented herewith are the excerpts from the views on Accountancy Sector Negotiations under GATS/ WTO of Shri R. Gopalan, Joint Secretary, Ministry of Commerce & Industry, Government of India who Chaired the Technical Session on ‘Realities of Liberalisation of Trade in Services’ on November 5, 2004 during the National Conference on ‘New Challenges New Solutions in IT & WTO Era’ jointly organized by Committee on Trade Laws and WTO, Committee on Information Technology and NIRC of the Institute of Chartered Accountants of India during November 4 – 6, 2004 at New Delhi.

“.....It is a pleasure to address this gathering at this Technical Session on Realities of Liberalisation of Trade in Services. I am very fortunate to handle the services sector in WTO for the country. We understand the problems of various stakeholders in services under the WTO. The Government is very much aware of and is concerned about the issues/concerns of the profession of accountancy associated with the liberalization of services. We have been in excellent interaction with Dr. Ashok Haldia, Mr. Goyal & other office bearers of your profession. We understand your problems a lot more. We happen to understand that there have been problems in international arena while trying to move forward in services sector. The developed countries also have considerable interest in services. In services, trade takes place through four modes of delivery; Mode 1 consists of cross-border supply, for instance, BPO services; Mode 2 consists of consumption abroad; Mode 3 involves commercial presence where one sets up an office across the borders in another country and Mode 4- Movement of natural persons. The services trade

normally is understood and operated through one or more ways of these 4 modes of supply of services.

The problem is that we don't get access in the mode of service, where we have greatest advantage and that is Mode 4 – Movement of Natural Persons. As a developing nation, Mode 4 is of critical importance for us. And, as the Minister stated in the morning, India has a huge human power; quality human power, which can possibly stand on, anywhere in the world, on its own. In your profession also, we have quality professionals more so, like in many other professions. Access under this Mode 4 faces considerable amount of restrictions/problems. They start with VISA procedures; you can deny visa to professionals on any amount of reasons; there may be security considerations which they may have, but under the cloak of security considerations, some visa procedures are not made transparent at all and what we want under WTO is to make certain VISA procedures more transparent for the movement of people. Then, there are economic need tests, in the sense that people who are going whether their contribution is

required for that economy or not when there are sufficient people in that country, who could provide services. These are the types of restrictions, which the trade under movement of natural persons faces. We also want to ensure that apart from business visitors and intra-corporate transferees for whom the developed countries want access under Mode 4, we also want to have access for movement of contractual service providers and independent professionals like you e.g., there are firms who want to send its employees outside to perform services and also there may be professionals, so we want to have access for these two categories also under Movement of natural persons, negotiation for which is going on. The next issue which is important is Mode 1, where India has been really aggressive in removing all the barriers which are there in Business Process Outsourcing.

We find that though Government procurement which, at this point of time, is not covered under the GATS, in Government procurement, we find that there have been large number of Bills in the various State Legislatures in the US, which seek to establish that

government work need not be outsourced. But, for the independent companies, private companies; for them, while outsourcing, there is no restriction on them, today, in the US in terms of the commitments of the USA in the WTO. If there are some other restrictions in other cases on account of reasons, say, if they are funded by State Legislatures, then also they can't outsource.

We want to have a regime in which, barring certain very difficult sectors like telecom and financial services, we want to have a very open regime; bound by various countries in these round of negotiations. We want to have this bound, so that there is no going back by various countries from the commitments they have made.

Then Mode 3 issue is a very big issue for your profession. We have also been seeking access for natural persons through Mutual Recognition Agreements. We have started the exercise under Comprehensive Economic Cooperation Agreement with Singapore where accountancy profession is also seeking to conclude Mutual Recognition Agreement. We believe, that this Agreement would reduce the barriers, which countries can place across movement of natural persons. Once, you have recognition issues sorted out for recognition of your qualification, then there would not be any stoppage of movement of professionals. Once we complete this system of approving (with Singapore), we'll take this forward to other countries.

There are other issues also relating to trade in services and they are called domestic regulations. In domestic regulations

relating to setting technical standards, qualification requirement, standards, recognition and licensing requirements of professional bodies, we want to seek that these domestic regulations are transparent; are not more burdensome than is necessary for achieving the purpose/objective and that they are not indirect barriers to movement of people and that they are not indirect barriers to delivery of services under the four modes.

What I want to point out here is that though there are enabling provisions under the GATS, but the application of these provisions by various countries, should not be restrictive and what is our objective is that application of these regulations, should be transparent and that indirect barriers are removed, to the extent possible. And while achieving all this, what other countries have asked for is to open our markets under Mode 3, i.e., for commercial presence requirement and that is where, we all have to make decision that how important are Modes 1 & 4 for us and for that, upto what extent, can we relax the restrictions under Mode 3; that is the decision we would have to make.

I would like to share with you what the Commerce Ministry feels in order to make the profession and the sector internationally competitive, we had prepared a Paper on various services sectors and your sector is also one of them. Now, what we had in mind was to encourage the growth of large accounting firms; by removing the restrictions on number of partners, number of audits and the clause of restricted liability. What we had suggested is to remove restrictions on advertising, soliciting of customers, pay-

ment of commission/ brokerage/ share of profits to non-accountants, evolution of brand identity to encourage quality control and recognition. We had also suggested removal of restrictions on multi-disciplinary practice and give an impetus for consolidation of medium and small scale Indian accountancy firms by stipulating that only firms with a minimum of 10 partners could be considered for Statutory audits of PSUs, Nationalised Banks & Public Limited Companies with capital/borrowings in excess of 50 crores. We had also suggested to institute a policy of certifying accountants (book-keepers not permitted to perform attestation functions) and not just Chartered Accountants so as to create a formal certification cum governing body, exercising control over the functioning of all accountants. These are some of the suggestions we had made for making the sector internationally competitive...." ■

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