

TO OUR READERS



Draft Matter of Editorial for Journal

The shining sun of globalisation and liberalisation on the horizon of trade, commerce and industry has generated enough heat to melt down the political boundaries of nations. The World Trade Report 2005 indicates that the world economy has registered the annual growth of 4% during 2004, for the first time in last one decade. More significantly, the global GDP was more broad-based across different regions. The value of world merchandise trade rose by 21%, to \$8.8 trillion, and that of commercial services trade rose by 16% to touch \$ 2.10 trillion. The growth rate in respect of trade in commercial services in Asian countries was above the global average and the service sector has become the single largest contributor to GDP ahead of agriculture and industry.

In India, service sector has emerged as the new engine of economic growth with the share in GDP increasing to more than half in the year 2004. Currently, India's earnings through services exports are estimated at US \$ 51 billion in 2004-05. This is a quantum jump from US \$ 25 billion in 2003-04 and has the potential to further increase to US \$ 200 billion by 2020. As the strength of India's service sector lies in its well-educated, highly competent, English speaking, and technologically adept work force, the potential is well within reach provided we succeed in ensuring better access to services markets of developed countries and build requisite internal capabilities.

Globally, the trend is clear: as national economies develop and income rises, the commercial service sector accounts for an ever larger share of GDP. The service sector is going to dominate the economic activities of most countries at every stage of development, making services trade lib-

eralisation a necessity for the integration of the world economy. The issue today, therefore, is not whether to open up or not to open up. The real issue is to decide when and how to open up domestic markets to foreign competition; what sectors to focus upon and what sequence of policies to follow. In a democratic country like ours, these are very critical issues and are guided by a variety of factors, some political and social, others economic.

General Agreement on Trade in Services (GATS), based on the recognition of the growing importance of trade in services for growth and development of world economy, aims at establishment of a multi-lateral framework, as a means of economic growth for trade in services under conditions of transparency and progressive liberalisation. The services negotiations at WTO, mandated under Article XIX of GATS and currently underway since year 2000, aim to achieve a greater degree of liberalisation in all the service sectors and in all the four modes of supply of services.

The accountancy services, which play an important role in the world of trade and commerce, have remained at the center stage during successive rounds of negotiations under GATS since its inception, and if the current trends are any indication, the accounting sector is bound to open up, albeit progressively. The options available are, therefore, very limited and certainly not in favour of blocking the progressive liberalization in the accounting services. In the Indian context, this is neither desirable. With the vast potential that exists for the export of accountants and accounting services from India, an appropriate strategy is to ensure effective access to the markets of major trading partners through Modes 1 (Cross-border supply), 2 (Consumption abroad) and 4 (Movement of natural persons), on the one hand, and ensure removal of professional and non-professional impediments that exist in various countries predominantly in the form of visa restrictions, non-recognition of qualification, lack of fairness and transparency in the laws and regulations and more than burdensome economic needs tests. This can, at best, be achieved through a well-designed and articulated negotiation strategy – a tradeoff leveraged to growth in the export of account-

ing services from India. What is needed is a holistic approach, building pressure on the major trading partners and making them realise that in case, they do not provide an effective access to service providers from India, they would neither have direct or indirect access to vast Indian market. There is no case for haste or reeling under the lobbying pressure for opening up under the terms that are not fair and reasonable and do not address the concerns of domestic service providers. We should be cognizant of the fact that over the last 10 years, only a few countries have made full commitments for the accounting services. During current negotiations also, only a few countries have given offers and that too with marginal improvements. Revised offers from India's major trading partners such as USA, EC, Canada and Australia reveal that these have fallen much short of India's expectations for more liberalised commitments in modes of interest for India i.e. Mode 4 and Mode 1. In fact, in generality, this is something which is cause of concern for almost all the developing countries who have joined together to build pressure on developed countries to practice what they preach. This is the most critical challenge that WTO faces today. As a multilateral trading system, it is faced with the task of ensuring quality of offers both in regard to the sectors and modes of supply of interest to developing and least developed countries.

ICAI sees progressive liberalisation of accountancy services as an opportunity for the profession in India rather than as a threat. It would welcome opening up of the accountancy sector provided the accountants from India get effective access to the market of export interest. The experience so far suggests that the countries, including the developed ones, have sought to fortify their domestic market. ICAI, however, believes that given a proper framework, the profession in India will rise to the occasion and would blossom into an internationally competitive profession. Proactive measures at the macro and micro level are already on and are slated to be further intensified to gear up to meet the imperatives of a truly globalised accounting profession.

Editorial Board
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