



Trade Related Technical Assistance (TRTA II) Programme

ASSESSING PAKISTAN'S EXPORT POTENTIAL FOR PROFESSIONAL SERVICES

POLICY RESEARCH STUDY



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Introduction

An important outcome of the General Agreement on Trade in Services (GATS) in 1994 was the inclusion of professional services — including legal, accountancy, architectural and engineering services — within the framework of multilateral trading rules. Through the Agreement, the World Trade Organization (WTO) member economies have identified their policies affecting trade in professional services and also made specific commitments to create a more open trading environment. While the GATS has brought barriers to trade in professional services within multilateral disciplines, the scope of the Agreement is limited and many barriers still remain operative.

Professional services are an integral part of the production of merchandise goods and other services. Legal and accountancy services play major roles in ensuring effective market transactions and the management control of firms in modern economies. Architectural and engineering services are essential in the creation of infrastructure. Engineering services are also vital in creating new production processes. It is therefore important that these services are provided efficiently, both domestically and across frontiers

Professional services embody intellectual and technical inputs acquired through relatively high standards of education and training. In most economies, provision of these services is by individual professionals and small firms. Professional services are also increasingly traded internationally. This has taken place mainly through firms establishing a 'commercial presence' in foreign countries and by professionals travelling overseas to execute temporary service contracts. More recently, advanced communication technology has given rise to rising volumes of cross-border trade in certain services, such as blueprints and designs.

Most economies impose several practice-related restrictions on domestic and foreign providers of professional services. While these restrictions often have objectives such as ensuring service quality, they can also be explicitly discriminatory and limit trade and activity in professional services. To date there has not been much work assessing and quantifying restrictions on a cross-country basis; however, the effort of the World Bank in designing a Services Trade Restrictiveness Index (STRI)¹ is notable. The degree to which barriers restrict trade and the impact they may have on the professional sector remain unclear and under-studies.

All WTO members currently operate a mixture of policies affecting trade in legal, accountancy, architectural and engineering services. Restrictions on professional services are often considered necessary to maintain standards, ensure the quality of services and the integrity of service providers, and to protect consumers. While this is reflected in regulations applying to individual professionals as well as to firms providing the services, the extent to which these regulations restrict trade and affect service providers is often not transparent or readily observable. The nature of such restrictions would vary in their application to individuals (due to nationality, qualification recognition and work permits etc) and the firms working in various sectors.

Restrictions on trade in professional services have the potential to affect the supply of such services in fundamental ways, such as:

¹ The Services Trade Restrictiveness Index (STRI) is an initiative of the World Bank, in collaboration with the OECD. The STRI model is based on the quantification of the Market Access commitments and applied regime analyzed in the context of Regulatory regime and barriers etc. While the methodology and model used have yet to be made public, the STRI has been used in couple of studies by the World Bank.

Mode of supply	Criteria	Nature of restrictions
Mode 1 (Cross-border supply)	Service delivered within the territory of the Member, from the territory of another Member	Accreditation and recognition of the service supplier, residency requirements
Mode 2 (Consumption abroad)	Service delivered outside the territory of the Member, in the territory of another Member, to a service consumer of the Member	Technical and operational feasibility,
Mode 3 (Commercial presence)	Service delivered within the territory of the Member, through the commercial presence of the supplier	Licensing regime, type of establishment, residency requirements, joint ventures etc
Mode 4 (Presence of a natural person)	Service delivered within the territory of the Member, with supplier present as a natural person	Visa Related Restrictions, recognition and accreditation of individual service suppliers

It is worth mentioning the work in the GATS Working Party on Domestic Regulations (WPDR) is proceeding on arriving at horizontal (and later on sectoral) disciplines under the GATS Article VI.4 mandate. The only work that has achieved a level of fruition thus far is the agreement on "Disciplines on Domestic Regulations for Accountancy Services"². These were agreed at the time when the WPDR was known as the "Working Party on Professional Services"; however these agreed disciplines are still pending implementation status and are meant to enter into force at the end of the Doha Round.

Restrictions can limit competition and lead to higher prices of services in the protected sector without providing offsetting benefits in terms of higher quality or other consumer benefits (e.g. licensing systems, legal and operational requirements for medical practice can limit competition). Other restrictions can increase the cost of supplying the service, but may provide some level of benefit to consumers (e.g. additional qualification requirements can improve the quality of work which may provide the same level of benefit to the consumer but also increase the cost of supplying the service). The effects of such restrictions will depend on how they are applied in practice. This needs to be appropriately measured and, where possible, quantified. For the time being, there is no agreed means to quantify the effect of such restrictions and the rules vary from one jurisdiction to the other. However, some best practice indications can be derived from the Services Trade Restrictive Index (STRI) developed by the World Bank and the Organization for Economic Cooperation and Development.

Professional services typically include services rendered at sight and through the outsourcing of services. Professionals serving in other countries and serving through outsourced activities are a major source of foreign exchange for Pakistan³. Companies in developed countries often prefer professionals from developing countries because of their ability to provide services with the same quality at lower cost. Under such circumstances, trade benefits both the service provider and consumer countries and firms

² Council for Trade in Services 14th December 1998. These disciplines have not been "implemented" thus far due to pending disciplines in other areas and would be effective whenever the WTO members agree on opting for these as standalone or when the other areas are finalized.

³ No published/disaggregated figures are available on how much outsourcing is done in professional services; however the unofficial sources claim that this figure is close to USD 500 million per year.

Classification of Professional Services

Table-1 Professional Services: GATS classification list entries and CPC descriptions

UN CPC	W/ 120 A. <u>Professional Services</u>
861	a. Legal Services 861
862	b. Accounting, auditing and bookkeeping services
863	c. Taxation Services
8671	d. Architectural services
8672	e. Engineering services
8673	f. Integrated engineering services
8674	g. Urban planning and landscape architectural services
9312	h. Medical and dental services
932	i. Veterinary services
93191	j. Services provided by midwives, nurses, physiotherapists and para-medical personnel k. Other

This study is aimed at mapping Pakistan's professional services in the context of GATS classification, commitments and offers by Pakistan in the DDA and the available market access in the other WTO member countries. The following chapters would outline the state of affairs of professional services in Pakistan and the challenges faced. The last chapter has given some recommendations to harness the benefits of market access available through GATS commitments and enhancing exports from Pakistan in these service sectors.

Background of Professional Services

Accountancy services (CPC 862)⁴

The domain of accountancy services has been defined differently by WTO Member governments, and the boundaries with other regulated professions (e.g. the legal profession with respect to taxation) or non-regulated services providers (e.g. management consultants) are therefore not delineated consistently.⁵ For example the term Auditor in Pakistan is used for the person/entity that is eligible to audit a company as per Companies Ordinance and meeting the eligibility requirements prescribed therein⁶, while in some other jurisdictions this term is not well defined in terms of criteria. Moreover, in Pakistan, there is no precise definition of "management consultant"; while in most of the developed countries it is well scoped and defined. The definition of accountancy services per se should be distinguished from the expanding range of activities conducted by firms: for example, the Federation of European Accountants (FEA)⁷ notes

⁴ Background note by the WTO Secretariat, Document No S/C/W/316 of June 2010.

⁵ There is not properly defined regulation for all accountancy services except auditing.

⁶ Such as Chartered Accountant (member of ICAP) for a public limited company and a Cost and Management Accountant for Cost Audit of certain companies such as cement.

⁷ Federation of European Accountants: Classification of Accountancy and related services

that "activities of professional accountants in public practice, business and government are increasingly varied. They include well known activities such as preparation of financial information, tax services, statutory audit, as well as many innovative services in the areas of sustainability, strategy and management consultancy".

With regard to domestic sales, employment, the number and size of firms, etc., national statistical offices do report information for accountancy services, but comparable global data is generally scant. Some estimates are published by industry researchers, for example with respect to Certified Public Accountants, and they show wide variations between countries. Not surprisingly, the designation of those considered members of the profession has an important impact on the size of the accountancy sector. In some jurisdictions, for example, designation is equivalent to education, irrespective of the subsequent career path or activities. In others, professional designation is equivalent to a functional title, which the holder must surrender if he or she ceases to undertake accounting activities.

In several respects, accounting / auditing is the most international profession. The globalization of business has increased the demand for accounting services. As multinational clients expanded their operations worldwide, the large accounting / auditing firms followed them to foreign locations to provide a fuller range of services. The complexity of commercial transactions (including international mergers and acquisitions), the preparation of financial reports for getting listed on stock exchanges, and preparation of company tax reports requires skilled accounting services for smooth, efficient, cost-effective business operation. The world's two million accountants are employed not only by accounting firms, but by manufacturers, other service firms, and non-profit organizations in various activities, ranging from bookkeeping to auditing to the preparation of taxes.

Developments since the Uruguay Round are as follows⁸:

- Recurring financial crises have underlined the importance of high-quality financial reporting and its contribution to sound regulation, financial stability, and economic growth
- There has been a marked shift away from professional self-regulation towards stronger regulation by the state
- Emergence of new auditor oversight bodies
- Major reforms of the governance of the bodies which set international accounting standards, making them more independent of the profession and more responsive to the public interest.
- Greater use of international standards.
- Greater cooperation between international regulatory bodies on accountancy-related issues, and strengthened input by them to the standard-setting processes and their governance (incl. FSB, Gs, etc.)

Engineering services (CPC 8672)⁹

The influence of engineering in modern life is undeniable – it is the backbone not only of construction, but also of mineral-extracting industries and numerous manufacturing activities. Engineers design and participate in the construction of key infrastructures, such as buildings, roads, bridges, sewers, electricity and communication grids, satellites), vehicles (cars, ships, airplanes), power plants (nuclear power plants, coal and gas stations, wind farms, hydroelectric plants), products used in everyday life (medicines, cleaning products, televisions, computers and mobile phones) and many more.

⁸ John Hegarty: International Trade in Accountancy Services A World Bank Perspective, Geneva, 30 June, 2010.

⁹ Background note by the WTO Secretariat, Doc No S/C/W/334 of February 2011.

With the rapid advancement of technology, many new fields have gained prominence over the last years, such as computer, software, and genetic engineering. Widespread public concern about water and air pollution and increasingly extensive environmental quality degradation saw the emergence of environmental engineering as a separate discipline, devoted to understanding the impacts of human activities on public health, environmental quality, and natural resources and developing the scientific basis for identifying, analyzing, solving, mitigating, or managing environmental problems caused by human activities. The development of new – environmentally-friendly – sources of energy, the improvement of the quality and quantity of available water supplies, and the development of new medicines are among the most important engineering challenges of this century.

The engineering sector is particularly sensitive to the economic cycle as it provides design and development services to a wide range of industrial sectors, and as it is positioned upstream of the building and construction industry. The world market for these services seems to be significant in any case: global spending on engineering services was estimated at US\$750 billion in 2006 (roughly 2 per cent of world income), and was expected to increase to more than US\$1 trillion by 2020¹⁰). Major industries contributing to the growing demand of engineering services include the aerospace, automotive, chemical, industrial machinery, oil and gas, utilities, construction, and medical sectors.

Engineering and related services are subject to a number of regulatory barriers due to the nature of supply of such services. Much of the construction sector (main platform of engineering and related services) falls under government procurement (in particular in developing countries like Pakistan); therefore the regulations of these services are intrinsically dependent upon “externalities” of the regulations in construction services. An example of this instance could be the provision of engineering and related services for a hydro dam project in Pakistan. The main construction project would be subject to government procurement and defined as a “strategic and sensitive” sector, thus leaving fewer margins for the contractor to employ freely any of the engineering service providers.

Engineering services are a vital element of the economic infrastructure. Engineering services is one of the larger professional services sectors in most WTO member countries, and in many countries exports of architectural and engineering services earn greater export income than many other services sectors. Engineering service suppliers may be characterized by the dominance of small and medium businesses, whose main costs are the salaries of their highly qualified personnel. Engineering services are traded internationally mainly through the establishment of commercial presence by the foreign supplier in the host country or temporary movements of skilled personnel. Like architecture, lots of engineering services can also be provided via Mode 1 (electronic transmission of engineering content, e.g. engineering designs and consultancy).

Legal services (CPC 861)¹¹

It has often been observed that the legal services sector has experienced continuous growth as a consequence of the rise in international trade and of the emergence of new fields of practice, in particular in the area of business law. This trend has further continued over the last decade, and brought about sizable growth to the legal services sector. The widening and deepening of international trade and investment links, combined with strong economic growth in many developing countries, have increased worldwide demand for legal services and encouraged the establishment of foreign affiliates in China, Russia and other fast growing emerging markets. In addition to the expanding business activities in areas such as corporate restructuring, cross-border mergers and acquisitions, intellectual property rights, new financial instruments and competition law, two elements are important to note: the increasing use of alternative business-to-business dispute resolution, and outsourcing.

¹⁰ Booz Allen Hamilton and NASSCOM 2007

¹¹ Background note by the WTO Secretariat, DOC No. S/C/W/318, June, 2010

The global market for trade in legal services is estimated to have generated total revenues of US\$581 billion in 2008, representing an annual growth rate of 5 per cent for the period from 2004-2008. This figure is calculated on the basis of globally received revenue by law firms. It should be noted that in principle, all legal services are tradable through the four modes of supply, as defined in the GATS.

Legal practitioners involved in providing international legal services are, in the main, interested in providing 'producer' (intermediate) services concerned with commercial transactions and not 'consumer' services, which are typically 'final' services (e.g. family, matrimonial, estate, personal injury and similar personal legal services). A foreign lawyer is required to obtain a 'full license' when he or she may require only a license to practice home-country law, third-country law and/or international law, not host-country law. The most common restrictions for foreign law firms are use of the firm name (i.e. original name or the joint venture with local firm), restriction on scope of practice (i.e. only soliciting services or the pleading/advocacy as well), licensing and mutual recognition issues.

Health services

International trade in health services is growing in many areas. Health professionals are moving to other countries, whether on a temporary or permanent basis, usually in search of higher wages and better working conditions. There have also been notable increases in foreign investment by hospital operators and health insurance companies in search of new markets. In addition, more and more countries are seeking to attract health consumers from other countries. Demographics/population ageing and fiscal pressures in rich countries suggest a very high growth potential in tourism-related health services and the associated "wellness" industry.

Health tourism (mode-2) is a particularly notable trend that many developing countries are focusing on. In our region, India and Thailand are the leading examples of offering low cost health-related services to the consumers of developed country markets (mostly European and American). Pakistan has also joined the bandwagon but has yet to make its presence felt in the international market beyond the expat Pakistani community coming home due to various other factors and not only cost and availability factors. However, the regulatory and operational issues are hindering the growth of this mode of supply as well. Most of the times, the recognition and quality of services offered is a major issue especially in the context of reimbursement of such costs by the national healthcare agencies or the insurance health providers.

Importance of the service sector for Pakistan

The service sector contributes 53.8% to Pakistan's GDP. The contribution of services to the country's GDP is gradually increasing. The trade in services (cross border) has not been focused much in Pakistan due to lack of attention by the public and private sectors. It was the IT and related services and the growth of India in outsourcing, especially IT, that led to a realistic thought in Pakistani market to reach out the foreign markets. The professional services had been strong in terms of domestic consumption but the cross border supply was limited to movement of natural persons but often times on permanent basis, thus not valid categorization of mode-4 supply of service.

Just like the international trade in goods, the international trade in services profile of Pakistan is also very much concentrated on few sectors such as transportation and finance. A snapshot of latest figures is given below:

Table: 2 Summary of Trade in Services US\$ in millions

Series	Jul-07 to June 08	Jul-08 to June 09	Jul 09 to Jun 10
Exports of services	3,589.000	4,106.44	5,147.37
Imports of services	10,046.00	7,487.22	6,804.69
Balance of Trade	-6,457.00	-3,380.78	-1,657.32

Source: Figures published by State Bank of Pakistan.

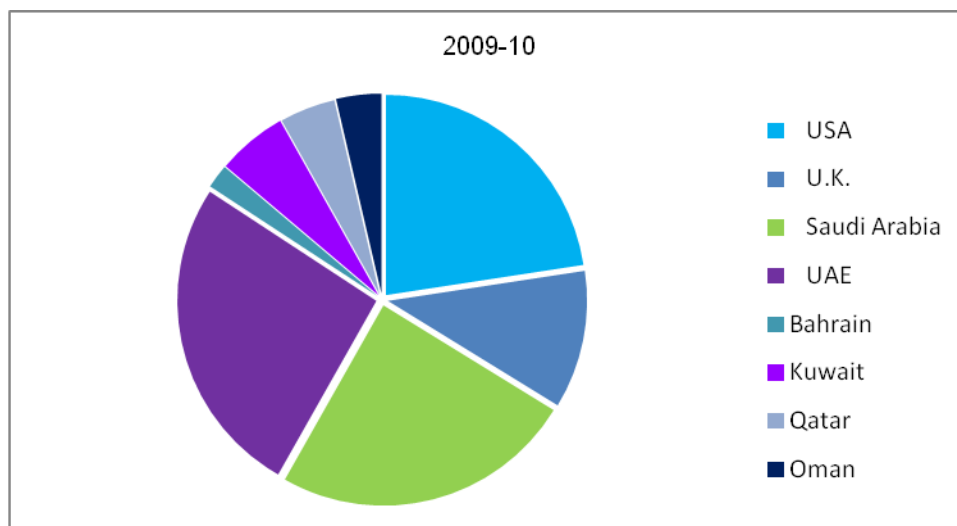
Since 2009, the number of workers working temporarily abroad has increased. The following table provides a snapshot of the skill level of personnel working abroad.

Table: 3 Number of Pakistani workers abroad by skill level

Year	Highly Qualified	Highly Skilled	Skilled	Semi Skilled	Un-Skilled	Total
2007	8,178	20,975	110,938	3,243	143,699	287,033
2008	9,713	33,173	177,791	4,209	205,428	430,314
2009	4,633	2,537	99,428	6,547	132,602	245,747
2010	7,081	31,650	165,726	5,181	153,266	362,904

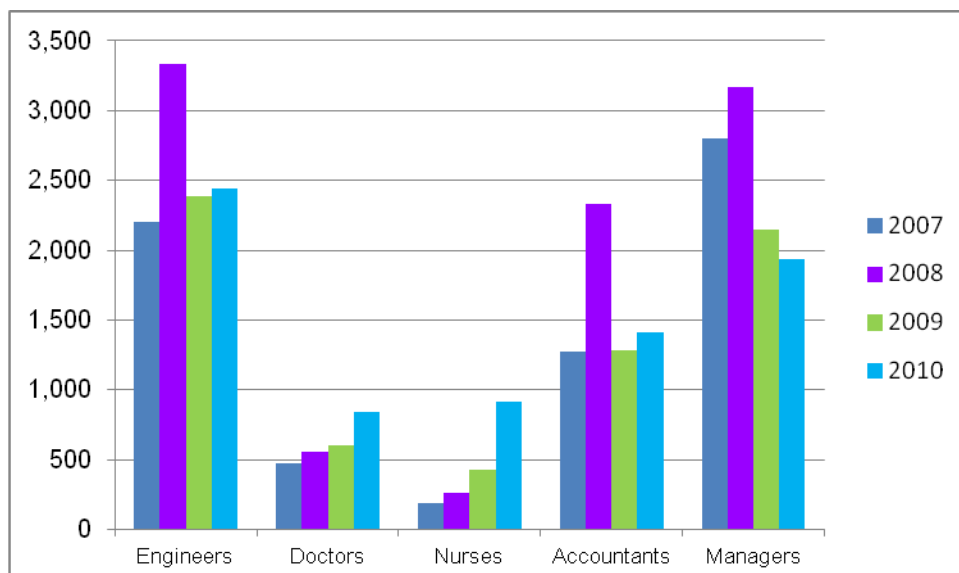
Source: Ministry of labour and manpower

Figure-1 Distribution of revenues from export of services is shown in the following pie chart:



Source: Ministry of Labor and Manpower (Based on the entries in register of department of protector in interest of immigrants i.e. responsible for keeping the record of individuals proceeding abroad for temporary work purposes.

Figure-2 Chart showing number of Pakistani professionals working abroad (i.e. migrant);



Importance of the professional services sector

Professional services are of particular importance for economic development through their relevance for the build-up of infrastructure (architecture, engineering), and the role they play in the creation of an investment- and business-friendly institutional framework (legal and accounting services). Especially for developing countries, granting progressively more liberal market access conditions for these services may prove indispensable for attracting foreign direct investment and promoting the transfer of knowledge.

In the case of Pakistan, professional services are playing a vital role in terms of transfer of knowledge and even technology in some cases. The natural persons involved in professional services are highly qualified and have an outreach in global markets as well as access to the latest knowledge and technology sources and they tend to apply this learning when come back to domestic market and starting using their services in Pakistan.

Pakistan's professional service industry

Pakistan's Professional Service industry is an established industry which has been contributing to the country's economic development. Pakistan has skilled professionals including engineers, doctors, accountants, lawyers, tax practitioners and consultants working efficiently in Pakistan and abroad. The number of Pakistani professional service providers working abroad is given below.

Table: 4

Professionals by occupations	2007	2008	2009	2010
Engineers	2,205	3,330	2,388	2,445
Doctors	470	554	601	839
Nurses	193	259	427	916
Accountants	1,277	2,333	1,279	1,412

Managers	2,804	3,164	2,147	1,937
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Source: Ministry of Labour and Manpower.

Key features of professional services in Pakistan

- Developments in information technology have made the provision of professional services easier. Professionals are earning revenue through the outsourcing of accountancy, legal and other services.
- Pakistani professionals already possess a rich international experience in the United States, the United Kingdom and the Gulf States. They have also worked with several foreign engineering companies on large-scale projects in Pakistan.
- It is a great advantage for Pakistani accountants that British and American accounting norms and practices are being adopted by most key emerging markets, including China.
- Pakistan's export of professional services i.e. construction, legal, accounting, auditing and tax consulting, architecture engineering & technical and services in medicine such as tele-medicine exports in reached \$81.369 million¹² in 2009-10.
- Pakistan has strong and forward-looking bodies of accountants working in the country. Such bodies are internationally recognized following the rules framed by International Financial Reporting Interpretations Committee (IFRIC) and are trying to integrate the global services market via Mutual Recognition Agreement.
- Good command in English is a positive factor for the professionals of Pakistan which is an important factor facilitating the growth of outsourcing services for Fortune 500 clients

Current exports and imports of professional services

Table 5: Exports of professional services by category (US\$ thousands)

Service Category	Jul-07 to Jun-08	Jul-08 to Jun-09	Jul-09 to Jun-10
Legal Services	11,827	11,280	18,316
Accounting/ audit and tax consulting services	9,528	5,981	3,981
Architecture engineering and technical services	37,140	62,178	41,325
Services in medicine export	904	851	1,328
Total	59,399	80,290	64,950

Source: State Bank of Pakistan (this figure is different than the one by federal bureau of statistics, due to difference in classification system used by both entities)

Table 6: Imports of professional services by category (US\$ thousands)

Service Category	Jul-07 to Jun-08	Jul-08 to Jun-09	Jul-09 to Jun-10
Legal services	48,660	30,402	5,289
Accounting/ audit and tax consulting	2,789	1,670	692

¹² Source: Statistics Division website: www.statpak.com.pk

services			
Architecture Engineering and technical services	83,839	148,974	150,608
Total	135,288	181,046	156598

Source: State Bank of Pakistan reports

Stakeholders

Professional service providers in Pakistan are typically small firms or self-employed professionals. That is to say, business is small scale and the predominant mode of supply is through the presence of natural persons (mode-4).

Public sector:

- Ministry of Commerce
- Trade Development Authority of Pakistan
- Ministry of Labour and Manpower
- Ministry of Overseas Pakistanis (OPF)
- State Bank of Pakistan
- Board of Investment
- Ministry of Industries and Production
- Ministry of Science and Technology
- Provincial Departments of Health

Private sector:

- Pakistan Medical and Dental Council
- Pakistan Engineering Council
- Bar Councils (regional and cities)
- Institute of Chartered Accountants of Pakistan (ICAP)
- Institute of Cost and Management Accountants of Pakistan (ICMAP)
- Pakistan Overseas Employment Promoters Association of Pakistan (P.O.E.P.A)
- Federation of Pakistan Chamber of Commerce and Industry
- There is no significant presence of such associations in Pakistan to represent the consumers' interest in a collective way. However, there might be a merit in establishing an organization on the model of Consumer Unity and Trust Society (CUTS) in India.

Domestic policies and commitments affecting services¹³

In the last decade, Pakistan has enacted a number of reforms in some of its major service sectors. In February 1998 it issued two supplements to its April 1994 Schedules of Specific Commitments in the WTO that provided fresh commitments relating to Telecommunications and Financial Services. Pakistan has also made serious efforts to carry out the structural reforms it had agreed with the International Monetary Fund (IMF) and the World Bank. As a result, Pakistan's policies are now substantially more transparent and liberal than ever before (and indeed more liberal than reflected in the country's GATS commitments).

The central features of the reforms implemented since 1995 have been (i) to improve the efficiency of the service economy through pro-competitive regulatory reform and by opening it to foreign competition; (ii) to increase Pakistan's exports of services, and (iii) to attract foreign investment. It is now widely accepted in Pakistan that an efficient and more robust services sector is not only important for its own sake, but more so for the competitiveness, efficiency and faster growth of the entire economy.

Most of these reforms were a function of the regulatory reform and liberalization policy of the Government of Pakistan that took off in the year 2002. The reforms were essentially unilateral and not linked with any bilateral trade agreements or similar instances. Most of the reforms were aimed at reducing restrictive government intervention and limiting it only to the oversight and policy levels rather than getting involved in the implementation, i.e. government has shifted its role from being a service provider to the regulator at the macro level. The private sector was encouraged to participate effectively in the policy making process and given a freer hand in terms of managing markets on a fair and equitable basis.

Investment policy

The current reformed policy allows foreign investment in any sector falling under the service sector as defined in Pakistan's national accounts. This includes Transport and Communications, Wholesale and Retail Trade, Finance, and Social Services (Education, Training and Health). In general, foreign investors are allowed to hold up to 100 percent equity subject to the conditions that:

- a. in some of the cases, a foreign investor in services must hold a minimum of \$ 150,000 to 300,000 as equity;
- b. Repatriation of profits is subject to varying requirements¹⁴ of the State Bank of Pakistan.

Foreign investments not meeting the latter two conditions are still permitted, but they cannot claim guaranteed repatriation of profits.

Specific policies

- a. Engineering Industry (Modes 1 and 3): This industry covers a very large number of activities ranging from road paving, offshore works, airports, sewage works, air-conditioning, lifts and escalators, medical equipment, power generation and telecommunication installation. The complete list of engineering activities that Pakistan can handle is given in the Bye Laws of the Pakistan Engineering Council, 22 November 1999.

¹³ Based on the study on trade in services by Mr. Akhtar Mehmood commissioned by the Ministry of Commerce. This is not a sentence. What do you mean to say in this footnote? (the information is based on the aforementioned study)

¹⁴ Maximum rate 5% of net sales. (source: Board of Investment website)

Such bye laws further provide that the share of a Pakistani company in the equity of a joint venture shall 'not be less than thirty percent'. "The foreign constructor or foreign operator may be granted license only for specific projects which need expertise and specialized technology of construction not available with a Pakistani engineer or operator." Alongside tourism, this industry has been declared a priority industry. It is therefore entitled to all the incentives such as tax holiday¹⁵.

The Engineering Council which regulates engineering services in the country has already decided that Pakistan should ask for commitments for Modes 1, 3 and 4 of supply. In return Pakistan should offer at least partial commitments in these three mode of supply, namely 1, 3 and 4. However, the request of Pakistan has yet to meet a favourable response from other WTO members due to the fact that Pakistan's own commitments and offers are not of very high quality and only a partial opening is on the table from the Pakistani side. (No credible data is available, checked from Pakistan Engineering council as well).

- b. Legal Services (Mode 1 and Mode 3): Any person can provide legal consultancy, but a foreign lawyer cannot practice law and appear in courts or otherwise formally plead cases unless he or she has been licensed to practice law in Pakistan. Foreign lawyers can form law firms in Pakistan as long there is 40 percent Pakistani equity within five years of an initial investment.
- c. Medical and Dental Services (Mode 1, Mode 2, Mode 3, and Mode 4): Pakistan did make some commitments in 1994 in relation to Modes 2 and 3. In the ongoing DDA negotiations, Pakistan has indicated a readiness to contemplate further liberalization in these sectors (these are shown in the schedule reproduced below: the new areas are highlighted in bold).
- d. Accountancy is rapidly becoming a globalized profession. It is necessary for this profession in Pakistan to prepare itself for serving clients in other countries and facing competition from foreigners in Pakistan. Bearing in mind the output of the WTO Working Party on Domestic Regulation, Pakistani negotiators also need to work towards securing better access and national treatment under the GATS.

The ongoing work in the GATS Working Party on Domestic Regulation (WPDR) is of great importance to the accountancy sector. It is worth recalling that disciplines on domestic regulations for accountancy services have already been agreed in the WTO (December 1998) Annex-I. and would become effective upon conclusion of the current round of negotiations, the so-called Doha Development Agenda.

Pakistan's GATS commitment and regulatory regime

Engineering sector¹⁶

As required by WTO membership, Pakistan made commitments in the Uruguay Round for some of the services sectors both in horizontal and specific commitments¹⁷ via document no. GATS/DC/67 dated April 15, 1994. ...

¹⁵ Priority industry means the Government focused industry which enjoys incentives such as tax holidays, credit availability facility and Government procurement etc.

¹⁶ Mazhar, G. WTO and Pakistan's construction sector, Institute of Policy Studies of Pakistan, 2008.

¹⁷ It may be noted that horizontal commitments apply to all sectors and sub-sectors, whereas, a specific commitment is made and applicable to a particular sector or sub-sector for which the commitment is made. Further, a specific commitment is made on a prescribed format by all countries for all the four modes of supply of services specifying their limitations to Market Access and National Treatment and also where applicable for Additional Commitments.

Horizontal commitments

Before discussing Pakistan's specific commitment on professional services, it is important to note that Pakistan made some horizontal commitments regarding the movement of natural persons which is one of the four modes of transacting trade in services. Other horizontal commitments include the following:

- (i) Under mode-3: 'commercial presence' is subject to incorporation in Pakistan with maximum foreign equity participation of fifty-one percent unless a different percentage is inscribed against a particular sector or sub-sector. All expenses of representative offices were specifically provided for in this Schedule shall be met by remittances from abroad. Such offices shall restrict their activities to the undertaking of liaison work or of representing the interest of the parent company abroad. In terms of applied policy in Pakistan, there is no restriction regarding the equity or similar requirement for any foreign service provider wishing to operate in Pakistan.
- (ii) Under mode-4: Pakistan has kept it unbound, except for the measures concerning the entry or temporary stay of natural persons up to a maximum of fifty percent in superior categories namely, executives and specialists (this is not very well defined in the schedule of commitments but in practice the term executive refers to professionals at decision making level, next to the board of directors) in any company These natural persons shall have been employed by juridical persons of another Member for a period of not less than one year prior to the date of application for entry in to Pakistan and shall be transferred to render services to the juridical person in Pakistan.

Specific commitments

Pakistan made specific commitments in the Uruguay Round in four professional sub-sectors: two in architectural and engineering services and two in construction services.

It is interesting to note that Pakistan's commitments in construction and engineering services under mode-4 in the horizontal commitments are for executives and specialists which will only provide opportunities for developed country suppliers (due to regulatory regime and trend of foreign services suppliers thus far. Moreover, with India there is the problem of MFN status). Since Pakistan has cheap skilled and unskilled labour, its movement abroad to provide construction and related engineering services may be resisted by developed countries due to issues such as visa restrictions (fear of permanent migration) and recognition of skills.

Regulatory regime

Article VI of GATS allows Members to maintain their regulatory regime to maintain technical standards, administrative or licensing procedures for regulating services sectors where specific commitments have been made.

The body responsible for regulating the engineering profession of Pakistan in respect of engineering education, construction and engineering consultation is the Pakistan Engineering Council (PEC) which operates through the following regulatory bylaws in order to regulate construction and engineering sectors in Pakistan:

- (i) Construction and Operation of Engineering Works byelaws, 1976 as amended (S.R.O 568(I)/87).
- (ii) Conduct and Practice of Consulting Engineers byelaws, 1986 as amended (S.R.O 809(I)/86)

Some of the relevant provisions of the PEC regulatory regime applicable to both domestic and foreign service providers are as follows:

1. Domestic as well as foreign engineers, constructors, operators, consultants to be licensed.
2. Foreign engineers / architects have to establish joint ventures to provide services. The foreign equity is limited to 51% holding.
3. Award and execution of contracts to follow PEC framework documents for bidding, evaluation, construction and consultancy contracts.
4. Engineering work should be undertaken, managed and performed by licensed engineers only.
5. Domestic preferences in bid evaluation are allowed by the government and various lending agencies. Margins of preference may vary from 10 to 20%.

A few specific provisions of PEC bylaws, relevant to architectural and engineering services and physical construction services, are given below to comprehend the whole spectrum.

In addition, some other government agencies also regulate trade in professional services in Pakistan, including engineering services such as;

- Security and Exchange Commission of Pakistan
- Ministry of Labour and Manpower
- Ministry of Foreign Affairs
- Trade Development Authority of Pakistan

Licensing

One of the most important and crucial regulation by any country is the provision of licensing to the domestic as well as foreign service providers. The purpose of licensing for the service providers (for natural or juridical persons) is to ensure the quality of the engineering services and the fulfilment of national policy objectives. The Authority (Pakistan Engineering Council) which regulates the engineering sector is also responsible for granting licenses to engineers. A foreign engineer or consultant is required to enter into a joint venture with a Pakistani counterpart for assisting him in his capacity building endeavours by sharing the knowledge, methodology and expertise. In specific joint ventures, the transfer of technology may also be part of the contract and that must be ensured however, these may be conceived as an impediment to Foreign Direct Investment Commensurate with the GATS provision VI-4, the procedure of licensing in Pakistan is transparent and not restrictive of trade. The share of works, stipulated by Pakistan in its horizontal and specific commitments during the Uruguay Round, are in accordance with the market access limitation provision set out by GATS.

In Pakistan, the Bachelor of Engineering Degree (B.Sc. Engg. / B.S. Engg. / B.E. / B.Tech (Hons) / B.Sc. Technology, A.M.I.E) is awarded by many public and private universities and institutes. A Bachelor of Engineering Degree is awarded to a student who has completed a four year course in engineering, which consists of eight semesters. Eligibility for entry to an engineering program starts after 12 years of schooling. Students are required to appear in an entry test and final evaluation is made by calculating their Intermediate (HSSC / F.sc. Pre Engineering) Marks and entry test marks. Students having a three year diploma of Associate Engineering (D.A.E.) can also appear for an entry test. The Pakistan Engineering Council (PEC), the regulatory body of the engineering profession in Pakistan, registers and awards registration certificates to those graduates who complete their engineering studies from Universities/Institutes offering Accredited Engineering Programmers, thus declaring them bona fide Professional Engineers, capable of carrying-out any professional engineering works in private or public sector and are entitled to use the prefix (Engr.) with their names in general and (R.E. / P.E.) titles in particular as per registration status.

Engineers are registered in two categories: Registered Engineer (R.E.) & Professional Engineer (P.E.). Graduate Engineers are registered as Registered Engineers. They may be registered as Professional Engineers on the PEC register after 5 years of further experience following after their graduation.

Movement of Natural Persons

Despite the fact that a Pakistani engineering degree is recognized in western country universities, Pakistani engineers are not allowed to move freely to other countries to provide services. The requirement of entry visas and related issues such as security clearances hamper their access to the international construction and engineering sector. Some efforts are underway on behalf of the Engineers Mobility Forum¹⁸ (EMF) to register the “International Professional Engineers” title so as to enable them to travel across the countries with added ease. Pakistan is contemplating entering into a serious dialogue, with Middle Eastern, American and British counterparts so that Pakistani Engineering degrees are accepted internationally. The Pakistan Engineering Council’s effort are geared towards achieving mutual recognition and accreditation levels for Pakistani engineers particularly those who are qualified from renowned educational and training institutions.

Opportunities and challenges from WTO in the engineering and related services sector

Trade negotiations at the multilateral and preferential level offer both opportunities and challenges. Having a huge source of skilled and unskilled labour and also professional engineers for export, Pakistan can avail itself of opportunities to earn foreign exchange by exporting construction services. The world construction market was conservatively estimated at US \$ 5.6¹⁹ Trillion in 2008. In advanced developing countries, the share of the construction sector in GDP is generally between 5-7%. However, the labour intensity of the sector is reflected in a higher employment share of about 10% in some OECD countries. There is a tremendous potential for the Pakistani construction sector to penetrate markets in the Middle East and other developing countries. Some home grown companies- such as DESCON engineering are already operating in Dubai- as are a few other in Middle Eastern cities. Pakistan has also signed Free Trade Agreements (FTAs) featuring commitments in construction, engineering and related services with China and Malaysia and there is potential for Pakistani service suppliers to expand in these markets.

Health related services²⁰

Pakistan made initial commitments covering 20 services activities which fall under 5 service groups, including hospital services under the “Health Services and Social Services” group. These commitments were made after consultations with the interested member countries taking into account the requests made by them and after consulting the domestic stakeholders. Most importantly Pakistan specified that its offer was conditional subject to the extent and nature of the commitments made by other participants particularly, in the sectors/subsectors and mode of supply of interest to Pakistan especially that relating to the “Movement of Natural Persons”. This conditional offer would be converted into unconditional and binding once the DDA negotiations are complete.

18 The Engineers Mobility Forum agreement is a multi-national agreement between engineering organizations in the member jurisdictions which creates the framework for the establishment of an international standard of competence for professional engineering, and then empowers each member organization to establish a section of the International Professional Engineers Register. The standard of competence applied is the same as for the APEC Engineer agreement. Most of the APEC agreement members are also members of the EMF agreement, but the latter is truly global so that countries such as the United Kingdom, Ireland and South Africa have become members of EMF even though they cannot join the APEC agreement.

19 Engineering News Records www.enr.com

20 Study on Trade in Health Services by Dr. Zafar A. Mirza, EMRO, World Health Organization.

Representative offices of foreign firms; limitations on market access under Mode 3

In the case of commercial presence (mode 3), representative offices of foreign companies have to be incorporated with the Security Exchange Commission of Pakistan and their equity share can be majority but not more than 51%. Also, the expenses of these representative offices shall only be met by remittances from abroad and such offices will only undertake liaison work.

Acquisition of real estate

Acquisition of real estate by non-Pakistani entities and/or persons is subject to authorization on a case-by-case basis taking into account the purpose and location of the undertaking. Through this limitation government has kept discretionary control over giving property rights to foreign entities. There is a need of transparency for such rules and regulations and the a vehicle such as investment policy of Pakistan and the website of the Board of Investment could contain a comprehensive database of such regulations for all provinces and areas of Pakistan.

Presence of foreign staff; limitations on market access under Mode 4:

The Government has put limitations on the presence of foreign staff of the foreign firm interested in providing a service in Pakistan to a maximum of 50% in case of executive and specialist categories. In order to be sure of the expertise of such staff, another condition has been placed on the movement of such persons to Pakistan: such staff members should have been working with their firm for a period of not less than one year before their transfer to Pakistan. To avoid any ambiguity, the terms “executives” and “specialists” are also clearly defined in the schedule.

Apart from executive and specialist categories, there are no other limitations (except security related exceptions such as for Indian nationals) on the movement to and presence of other staff categories which is a liberal approach.

Regulatory regime

The medical sector in Pakistan is regulated by the Pakistan Medical and Dental Council (PMDC), which is independent body acting under the delegated authority of the State.

PMDC is a statutory regulatory body setting standards for medical and dental education and professional competence, care and conduct of medical/ dental practice to protect the public interest in Pakistan.

PMDC has the prime responsibility to frame rules for students and practitioners of medicine in Pakistan. PMDC is also responsible for the regulation of Pakistani medical colleges.

Licensing

PMDC is also responsible for granting licenses to doctors and medical practitioners. In Pakistan, the relevant medical degree is MBBS (bachelors of medicine and bachelors of surgery). The MBBS degree is awarded as the basic medical qualification after completing five years of study. This comprises two years of basic science subjects including anatomy, physiology, and biochemistry, with a particular emphasis on human anatomy. Subsequently, there are three years of clinical internship and courses on medicine surgery and pharmacology. Finally, the student is required to work for one year under a professor, before one is awarded Degree of MBBS with license to practice. For specialization, one has to pass Fellow of College of Physicians and Surgeons Pakistan (FCPS) exam-1 in field in of specialization and obtain an internship in the field for 3–6 years. Next, one can take the FCPS exam part 2, which includes intensive practical exams. Upon successful completion a fellow of the relevant specialty is awarded. Tough entry tests are passed successfully before entering in to a medical college. Medical colleges and foreign medical qualifications are supervised by the Pakistan Medical and Dental Council (PMDC).

Accountancy services

The accountancy sub-sectors in which Pakistan made Uruguay Round commitments include Accounting and book keeping (CPC 862), accounting review services (CPC 86212), compilation of financial statements (CPC 86213), other accounting services (CPC 8622) and book keeping service except tax returns (CPC 8622). However, Pakistan excluded auditing services from its schedule of specific commitments at the defensive insistence of the Institute of Chartered Accountants of Pakistan (ICAP) concerned with the preservation of strict regulatory and residency requirements.

Market access commitments are unbound in mode 1 supply while no limitation is maintained on mode 2 supply. Market access limitations are unbound under mode 4 except as provided for in the horizontal commitments. Market access commitments on mode 3 supply are subject to following limitations:

- a. Foreign equity is not to exceed 49 % in case of firm and 30% in case of company.
- b. Services must be supplied by natural persons or by a registered firm having local partners in majority. In the case of a company, at least 70% of equity shall be held by the Pakistani Nationals.

There are no limitations on national treatment under modes 1 and 2. Under mode 3, limitations are subject to national treatment as prescribed by the Institute of Chartered Accountants of Pakistan (ICAP) such as obtaining membership of ICAP and getting registered as Practitioner with the ICAP. Moreover, in order to supply auditing services, the suppliers must either be sole proprietors or partnerships.

Regulatory regime

The accountancy sector in Pakistan is regulated by the Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP).

ICMAP was established in 1951 and given statutory powers under the Cost and Management Accountants Act of 1966. The ICAP was constituted under the Chartered Accountants Ordinance of 1961. Both Institutes are responsible for the regulation of the accounting, financial audit and cost audit professions in Pakistan.

Licensing

The professional bodies that grant licenses to work as a professional accountant in Pakistan are the Institute of Chartered Accountant of Pakistan (ICAP), the Institute of Cost and Management Accountant of

Pakistan (ICMAP) and the Pakistan Institute of Public Finance Accountants (PIPFA). To get a certificate of practice under the regulations of these professional accounting bodies, the main requirement is to get membership of the Institutes. Criteria for obtaining membership in ICAP and ICMAP respectively are as follows:

A person who has completed the prescribed training (i.e. 3 years articleship in a chartered accountant firm) and prescribed examination of the institute (i.e. six modules) is eligible for membership of ICAP.

A person who has completed all the prescribed examinations of the Institute and having more than one year of professional experience in the field of accounting, finance, auditing and corporate affairs is eligible for membership of the ICMAP.

Mutual Recognition Agreements (MRAs)

Pakistan has not entered into many mutual recognition agreements with other countries in the area of professional services. However, a few mutual recognition agreements have been entered into by independent professional bodies such as of the Institute of Chartered Accountants of Pakistan and the Institute of Cost and Management Accountants of Pakistan. A detailed overview of the MRAs of ICMAP and ICAP is given below.

Table-7 Overview of the MRAs of ICMAP and ICAP

Institutes in Pakistan	International Recognition	Mutual Recognition Agreements
Institute of Cost and Management Accountants of Pakistan	Chartered Institute of Management Accountants (CIMA), UK	The members of ICMAP will have to pass a gateway examination of CIMA UK and three papers of professional level to get a CIMA certification. To get the membership of CIMA UK an additional comprehensive examination is required to be passed.
Institute of Cost and Management Accountants of Pakistan	Certified Management Accountant, Canada	A member of the ICMAP who has acquired their designation through the ICMAP qualification process and has a university degree will be granted an exemption from the CMA Canada Entrance Examination and will be required to complete the Strategic Leadership Program, including the Case Examination and the Board Report, to obtain their CMA designation.
Institute of Chartered Accountant of Pakistan	Associate Certified Chartered Accountant, UK	The ACCA qualification is legally recognized as a Qualified Company Secretary in Pakistan. Higher Education Commission (HEC) of Pakistan recognize ACCA member as equal to Masters in Commerce (M.Com).
Institute of Chartered Accountant of Pakistan	Institute of Chartered Accountants of England Wales (ICAEW)	ICAP members get an exemption from the Professional Stage exams and mandatory training of ICAEW. ICAP members are only required to complete the Advanced Stage exams and the ethics module for membership to ICAEW.
Institute of Chartered Accountant of Pakistan		Members of the Institute of Chartered Accountants of Pakistan are partially recognized equivalent to an Australian Bachelor degree.
Institute of Chartered Accountant of Pakistan	Canadian Institute of Chartered Accountants	There are 4 stages before obtaining a Canadian CA. In the 1st stage ICAP's CAs are recognized to a 4 year bachelor degree of 120 credit hours. However they do require ICAP's CAs to appear for Business Law Course for further 3 credit hours before the stage is completed. The second stage comprises of a 4 hour MCQ based Core

		Knowledge Exam. In the third stage ICAP's CAs has to get registered as a trainee and appear for 2 integrated Exams of School of Accountancy. The final stage requires ICAP's CAs to appear for UFE (Uniform Evaluation) after which you can get the Canadian CA.
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Legal services

Pakistan has offered various commitments in legal services, excluding representation / pleading. Market access and national treatment commitments are unbound in mode 1 and there is no limitation on the supply of services under mode 2.

Market access limitations and limitations on national treatment are unbound under mode 4 except as provided for in the horizontal commitments. Limitations on national treatment under mode 3 supply are subject to:

- a. Residency required for non-Pakistani nationals under the Legal Practitioners and Bar Council Act of 1973 and its Rules and any other relevant laws, of the Bar Councils.
- b. Fulfilment of all requirements and conditions applicable only to foreign investors / juridical entities, such as :
 - Membership of the respective Bar Council(s)
 - Residency in Pakistan in order to plead cases
 - Restriction on appearing in the court unless the license is granted by the respective Bar Council

Regulatory regime

The legal profession in Pakistan is regulated by the respective bar councils of the provinces under the supervision of the provincial High Courts and the direction of the Supreme Court of Pakistan.

Licensing

Lawyers in Pakistan are called Advocates. To enjoy rights of audience in the Courts, a prospective lawyer/advocate must obtain a Qualifying Law Degree (LL.B of three years) from a recognized Pakistani university or from universities of common law countries. Advocates must also undertake one year of training under a senior lawyer (called Pupillage or Apprenticeship or Internship) at the conclusion of which the Bar admission test consisting of a multiple choice question paper and an oral test can be taken. After that, the respective Provincial Bar Council may grant the candidate the right of audience in the lower courts. An advocate enrolled with a Provincial Bar Council can practice anywhere in the respective province except before the High Courts and the Supreme Court of Pakistan. He/she will earn rights of audience in the High Court after a further two years of practice in lower courts and 10 years in High Courts in the case of the Supreme Court of Pakistan.

Liberalization of professional services in Pakistan

Pakistan began its program of liberalization of its economy in 1987/88. Among other things, this program included the liberalization of production and of international trade in both goods and services.

Given the stage of development of its service sector, Pakistan began its program of liberalization cautiously and moved rather slowly towards the dismantling of its well-entrenched, highly complex, and restrictive trade regime. However, with the passage of time, as the Government gained experience and confidence in the value of trade liberalization, commitment and implementation gathered pace. To a substantial extent Pakistan has also liberalized its financial sector, and has made considerable progress in liberalizing its telecommunications sector. However, a number of measures taken by Pakistan relating to these sectors have not yet been translated into internationally binding commitments. In the case of professional services, the country's applied regime is much more liberal than its GATS commitments or its DDA offers. The restrictions mentioned in the GATS schedule and the respective regulatory instruments (such as Pakistan Engineering Council rules) are rarely observed. This trend is due to the promotion of foreign direct investment and increasing use of foreign services suppliers by the multinationals and foreign companies operating in Pakistan.

The reasons for widespread hesitation among governments including Pakistan to undertake internationally binding commitments are not difficult to locate. The GATS remains a relatively new area in the context of multilateral negotiations, and Pakistan, like most other developing countries, has not prepared itself well enough to accept international disciplines in its trade policies. Not surprisingly, therefore, Pakistan's first commitments were rather tentative and limited. However the thinness of Pakistan's initial commitments was not due solely to the fear of liberalization. It needs to be acknowledged that at that time incentives for making deeper and wider commitments relating to services (in terms of greater export opportunities and larger investments) did not seem to be compelling enough. However, as disillusionment with its import substitution policies grew and the implications of the success stories of India and East Asian countries became more visible, Pakistan began to open more and more of its sectors to foreign competition and foreign investment. Trade in goods, telecommunications and financial services are all examples of sectors that Pakistan has both deregulated and liberalized in the recent past.

It is true that in Pakistan import substitution policies neither increased employment nor did they prevent the slowing down of the economy in the late 1990s. This, however, is not a sufficient reason for Pakistan to make stronger GATS commitments. What matters for Pakistan is not ideology but concrete opportunities to increase its exports and attract greater foreign investment²¹.

Pakistan has taken a liberal approach in its applied regime towards professional services and is generally perceived as an open and forward looking economy in the context of GATS negotiations. However, there is a lot to be done to harness the benefits of this open approach in terms of increasing exports or attracting foreign investors in these areas. A prominent feature of the disconnect between policy and impact is the absence of focused attention toward professional services both by the government and the private sector. The market is operating on the basis of a push by the individual services suppliers and not on the basis of a collective effort or policy platform (either sponsored by the government or private sector).

Architectural, engineering and integrated engineering sector (CPC 8671-73)

Market access limitations:

There is a large number of firms in Pakistan working in the construction sector. A majority of them are small firms having outdated technology which is labour intensive. However, there are also firms which operate on a large scale with the latest technology. One example of such firms is Descon Engineering Limited which has operations in Pakistan and also in the Middle East. The construction sector is of major

²¹ Study on trade in services prepared by Mr. Akhtar Mehmood for Ministry of Commerce, Government of Pakistan.

importance in Pakistan's professional services sector, with exports of US\$ 16,419,000 and imports of US\$ 28,659,000²² in 2010.

The construction sector is rather well organized in Pakistan. Engineering graduates of Pakistan who are qualified from the universities accredited by the Higher Education Commission of Pakistan are recognized in the Middle East. Cheaper skilled and unskilled labour is the major competitive advantage for the domestic firms competing internationally.

Pakistan has commitments in the engineering sector for the construction of building infrastructures, harbours, dams, hydro power and airports (CPC 8672). Under these commitments, Pakistan has removed market access limitations under modes 1 and 2. Mode 3 is subject to (i) maximum fifty one percent foreign shareholding in engineering consultancy companies, and; (ii) partnership and/or joint venture with Pakistani engineering companies.

The architectural and integrated engineering sector, in addition to construction, is equally important, having generated global exports of US\$ 41,325,000 and imports of US\$ 150,608,000²³ in 2010.

Pakistan's commitments in the architectural services and integrated engineering sector feature market access limitations under Modes 1 and 2 which are almost identical to commitments in the construction sector. Market access restrictions under mode 4 are unbound except as indicated in the horizontal commitments. However, in mode 3, commitments made by Pakistan are subject to the following conditions:

Architectural services:

- a. Foreign equity shall not exceed 51%
- b. Services shall be supplied by a natural person or by a registered firm having local partners in majority. In the case of a company, at least 70% of equity shall be held by the Pakistani Nationals

Integrated engineering services:

- (i) Maximum of fifty one percent foreign shareholdings in engineering consultancy other than those registered with the securities and exchange commission of Pakistan.
- (ii) Subject to partnership or joint venture with Pakistani engineers or engineering companies other than those registered with the securities and exchange commission of Pakistan.

With the current development in information technology, architectural services exports are likely to benefit Pakistan under mode 1 because it is easier to provide architectural designs through cross border supply. Pakistan has maintained market access limitations on the supply of engineering services under mode 3. The restriction imposed by Pakistan under this mode aims at favouring small firms with a view to enabling them to share technology and skills and reduce competition from foreign suppliers.

Health related services²⁴

²² Figures published by the State Bank of Pakistan

²³ Figures published by the State Bank of Pakistan.

²⁴ Study on Trade in Health Services by Dr. Zafar A. Mirza, EMRO, World Health Organization.

Around 83 WTO member countries have made one or another kind of commitment in the health sector. Of these, 27 have made commitments in "Hospital Services"; 7 have made commitments in "Social Services"; 12 have commitments in "Other Human Health Services"; 3 have committed in "Other" category; 36 countries have made commitments in "Medical and Dental Services"; 12 have committed in "Services Provided by Midwives, Nurses and Physiotherapists"; and 63 countries have made commitments in "Health Insurance".

Pakistan has generally been more liberal than its neighbouring South Asian countries. Bangladesh and Nepal have not made any commitments in any health-related services. India has made commitments only in hospital services. Unlike its neighbours, Pakistan has made commitments in both hospital services and in medical and dental services.

Pakistan made a number of important commitments in health related services. These commitments give market access in areas such as hospital services and similar health-related establishments. The main commitments are under "health and related social services" and in "Business services" sectors but there are commitments in other sectors and sub-sectors which are related to trade in health services. Following is the detail of these commitments:

There are four sub-sectors in the health and related sub-sectors and Pakistan has made commitments only under Hospital Services (A). The classification list of services sectors and sub-sectors exclude services listed as "Medical and dental services" (h) and "Services provided by midwives, nurses, physiotherapists and para-medical personnel" (j) in sub-sector of "Professional services" (A) under "Business services".

Commitments made under the hospital services sub-sector means that Pakistan is committed to allowing private hospital services to be set-up in Pakistan by foreign nationals / companies. These can be in the form of:

- Construction of new hospitals by foreign companies;
- Franchises by foreign hospitals;
- Setting-up of representative offices by foreign hospitals;

Mode 1: Cross-border supply in hospital services can mean a parent hospital in a foreign country providing diagnostic or therapeutic expertise through telemedicine or other means to its branch hospital in Pakistan. Pakistan has kept its commitments on market access and national treatment open or "unbound" in this mode of supply for the reasons of lack of technical feasibility; however the situation has changed now due to technological advancements and this mode of supply has no major problems of technical feasibility. This means that although Pakistan has committed to allow foreign hospitals to be set-up or represented in Pakistan it has not defined specifically the extent of market access or treatment it will provide to foreign hospitals as opposed to local hospitals (national treatment) with reference to cross border supply of diagnostic or therapeutic services. Thus, it can negotiate with other trading partner countries if it receives a request from them for entering into hospital business in Pakistani market. This "unbound" status provides leeway to Pakistan for negotiations. Pakistan has not made any additional commitment in this mode.

Mode 2: There is no commitment made under this mode for market access and national treatment because commitments under this mode for hospital services do not make much commercial sense. Pakistan can only commit to allowing foreign hospital services to be available in Pakistan for Pakistani consumers but it cannot commit this for Pakistani consumers.

Mode 3: This mode is the most obvious for trade in hospital services. Pakistan has allowed foreign hospitals to set up businesses on its land. Pakistan has not put any specific limitations on market access in this regard although the General Obligations would be applicable which in this case would mean that:

Representative offices of foreign companies (foreign hospitals service providers) will have to be incorporated with the Security Exchange Commission of Pakistan and their equity shares can be majority but not more than maximum of 51% which means that up to 49% equity shares would be of Pakistani investors. These representative offices²⁵ will only undertake liaison work which in case of hospital service providers means that patients could get information from them about their parent hospital services abroad; they could register the patients and could market their parent facilities and services.

Acquisition of real estate by non-Pakistan entities and/or persons (foreign hospitals service providers) is subject to authorization on a case-by-case basis keeping into account the purpose and location of the hospital services. Through this limitation government has kept the discretionary control over giving property rights to foreign entities (foreign hospital service providers).

The Pakistani government has put limitations on the presence of foreign staff of the foreign firm (foreign hospital service provider) interested in providing a service in Pakistan to a maximum of 50% in case of executive (hospital administrators) and specialists (medical, surgical specialists etc.) category. In order to be sure of the expertise of such staff another condition has been put for movement of such persons to Pakistan i.e. such staff members should have been working with that particular firm (hospital) for a period not less than one year before their transfer to Pakistan. In order for not leaving any ambiguity, the terms “executives” and “specialists” are also clearly defined in the schedule. Apart from executive and specialist category, there have been no other limitations on movement to and presence of other staff categories which is a liberal approach and which in case of foreign hospital service provider in Pakistan means that whole of the para-medical or nursing staff in that facility can be foreigners.

As for the regulation of foreign hospital service providers, i.e. licensing of facilities, recognition of its foreign qualified professional staff etc. the Pakistan Medical and Dental Council rules, regulations and procedures would be applied. No limitation on national treatment has been put on trade in health services under mode 3. All hospital service providers will be treated equally by law.

Mode 4: Both under market access as well as under national treatment, the movement of foreign staff to Pakistan to provide hospital services has been kept unbound except as indicated under horizontal measures and explained above under Mode 3.

Medical and dental services

“Medical and dental Services” are (h) one of the services in “professional services” of the “business services” sector. Pakistan has included these professional services in its commitment schedule which means that Pakistan has committed to make available its medical and dental services market to foreign providers. Foreign providers of medical and dental services in Pakistan can operate through different modes of supply. In each Mode, Pakistan has committed to provide market access and national treatment and specified limitations for these. There is a lot of overlap between “hospital services”, “medical and dental services” and “movement of natural persons” as in most of the cases the three of them would be interdependent. In other words there would be a mix of Modes in the supply of Medical and Dental Services.

²⁵ Representative office for hospitals is a remote contact point (established in Pakistan in this case) that takes initial enquiries, deal with testing and similar services and takes care of booking for medical services for the customers that would travel to the hospital to consume such services.

Mode 1: Medical and dental services supply by foreign suppliers in Pakistan can take place under following three arrangements:

- Foreign medical and dental experts providing diagnostic and therapeutic advice to Pakistani hospitals;
- Foreign medical and dental experts providing diagnostic and therapeutic advice to their own set-up hospitals in Pakistan;
- Foreign telemedicine company setting up a facility in Pakistan with linkages with foreign hospitals and foreign individual specialists; Services would be supplied under this Mode through modern electronic or conventional communication means Pakistan, for reasons of lack of technical feasibility, has not bound itself with any commitments for providing market access or offering national treatment to foreign operators.

Mode 2: This Mode of supply in the context of Pakistan's commitments for market access and national treatment to foreign suppliers of medical and dental services in Pakistan does not apply so Pakistan has mentioned no limitations.

Mode 3: This is the most applicable mode in the supply of these services in Pakistan by foreigners. Suppliers of medical and dental services in Pakistan²⁶ can have a commercial presence in the form of a medical facility of their own (hospital) or they can have an arrangement with a local hospital through which they can offer their services or these can have a franchising arrangement.

In the case of market access under mode-3 Pakistan has inscribed the following limitations for market access;

- a. The natural persons (foreign) to be recruited by the establishments under mode-3 would be subject to measures applicable to all sectors; (i.e. horizontal commitments), and
- b. Such establishments would be subject to Pakistan Medical and Dental Council Regulations.

These specifications mean that in the case of "a" (mentioned above, i.e. natural person recruited for mode 3) for market access all those horizontal or general obligations would be applicable as mentioned above while discussing Mode 3 supply of "hospital services" in Pakistan, namely;

- Condition for incorporation in Pakistan;
- Limitation on equity shares;
- Government discretion to provide property rights for real estate acquisition;
- Limitations on the presence of foreign staff (executive and specialist categories)

And in case of "b" it means that the regulation of foreign medical and dental service providers will be in accordance with the policies, rules, regulations and procedures of Pakistan Medical and Dental Council i.e. i.e. licensing of facilities, recognition of its foreign qualified professional staff etc. No limitation on national treatment has been put on trade in health services under Mode 3. All medical and dental service providers will be treated equally by law.

²⁶ Pakistan has an open investment policy in the hospital sector. Minimum foreign equity component should be US \$ 0.5 million to be invested on a repatriable basis and 100% foreign ownership is allowed. Despite such a liberal policy and in contrast to many developing countries, Pakistan does not allow any portfolio of foreign direct investment in hospitals. However, a multinational health insurance company, Allianz, has invested substantially in the health sector. In Pakistan currently some hospitals are represented through liaison offices, for example Cromwell hospitals of UK have liaison offices in Peshawar and Islamabad. There are also some health related franchised businesses e.g. Materna SA of France has franchised clinics where a baby's sex can be determined through Selna technology terming it as advanced family planning. Such clinics are situated in Rawalpindi and Lahore.

Mode 4: Both under market access as well as under national treatment, the movement of foreign staff to Pakistan to provide medical and dental services has been kept unbound except as indicated under horizontal measures and explained above under Mode 3 and in more detail in Mode 3 under “Hospital Services”.

Pakistan’s GATS professional services commitments

Specific commitments²⁷

At present, Pakistan has following commitments (and offers, shown in BOLD) in professional services under GATS.

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons			
Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
I. HORIZONTAL COMMITMENTS			
ALL SECTORS INCLUDED IN THIS SCHEDULE			
	1) (i) Except in the case of representative offices where specifically provided for in this Schedule, commitments under 'commercial presence' are subject to incorporation in Pakistan with maximum foreign equity participation of forty one sixty per cent unless a different percentage is inscribed against a particular sector or subsector (ii) All expenses of representative offices where specifically provided for in this Schedule, shall be met by remittances from abroad. Such offices shall restrict their activities to the undertaking of liaison work or of representing the interest of the parent company abroad.		
	2. Unbound, except for measures concerning the entry or temporary stay of natural persons falling in following categories: A. Intra-corporate transferees: Specific categories of natural persons listed below who are in the employment of a juridical entity of another member country of the WTO for a period of at least one year and who enter for temporary stay to render services for (i) the same juridical entity engaged in substantive business operations in Pakistan or (ii) a juridical entity constituted in Pakistan and engaged in substantive business operations in Pakistan which is owned by or controlled by or affiliated with the aforementioned foreign juridical entity:		

²⁷ This schedule includes commitments in the UR and Pakistan's initial offers under the DDA.

	<p>a. Managers are: Persons who direct a branch office or one or more departments as their head, or supervise or control the work of other supervisory, professional or managerial personnel and have the authority to appoint or remove the personnel and power to exercise discretionary authority over day-to-day operations. Stay 30 days to three years, with possibility of extension</p> <p>b. Executives are: Persons within an organization, who primarily direct the management, have wide decision making power and are either members of the board of directors or receive directions from the board or the general body of shareholders. Stay 30 days to three years, with possibility of extension</p> <p>c. Specialists are: Persons within the organization who possess knowledge at an advanced level of expertise and who possess proprietary knowledge of the organization's product, service, research equipment, techniques and management. Stay 30 days to three years, with possibility of extension</p>		
	<p>B. Business visitors are natural persons listed below who enter for temporary stay in Pakistan after obtaining a work visa for time periods as indicated against each category:</p> <p>a) Business persons are natural persons who stay in Pakistan without acquiring remuneration from within Pakistan and engage in making direct sales to the general public or supplying services, for the purpose of, sales and leasing; to supply after-sales and after-lease services; for the purpose of participating in business meetings or developing business contacts including negotiations; for the sale of services and/or similar activities, including those to prepare for establishing a commercial presence in Pakistan. Stay 30 days to 180 days</p> <p>b) Service Sales Persons are: Installers, repairers and maintenance personnel and supervisors possessing specialized knowledge essential to a seller's contractual obligation, performing services or training workers to perform services, pursuant to a warranty or other service contract incidental to lease of commercial or industrial equipment or machinery, including computer software, purchased from an entity located outside the territory of Pakistan, during the life, the warranty or service agreement of the same. Stay 30 days to one year</p>		

	<p>C. Professionals are: Natural persons who seek to engage, as part of a services contract granted by a juridical entity engaged in substantive business in Pakistan, in an activity at a professional level included in the specific commitments of Pakistan. Stay 30 days to one year</p> <p>D. Independent Professionals are natural persons, who meet the necessary educational requirements and/or alternative credentials of that profession in Pakistan; whose visit has been sponsored by a juridical person in Pakistan for temporary stay for imparting training. Stay 30 days to one year</p> <p>E. Other skills: Natural persons having skills inter alia in information technology, construction engineering, tourism, educational services, health related services, selected sporting services; that enter for temporary stay to impart training. Stay 30 days to one year, subject to labour market test</p>		
SECTOR SPECIFIC COMMITMENTS			
BUSINESS SERVICES			
A. Professional services			
<p>a) Legal Services ** (CPC 861) [Excluding representation/pleading]</p>	<p>Unbound None None 4) Unbound, except as indicated in the horizontal commitments</p>	<p>1) Unbound 2) None 3) a) Residency required for non Pakistani Nationals under the legal practitioners and Bar Councils Act 1973 and its Rules and any other relevant law for the time being in force b) Subject to fulfilment of all requirements and conditions applicable only to foreign investors/juridical entities 4) Unbound except as indicated in the horizontal commitments</p> <p>1,2,3,4) Subsidies unbound</p>	
<p>b) Accounting and Book keeping Services (Part CPC 862)** excluding auditing services 86212 Accounting Review Services 86213 Compilation of Financial Statements Services 86219 Other Accounting Services 8622 Book-keeping</p>	<p>Unbound None a) Foreign equity not to exceed 51 percent b) None except that service must be supplied by a natural person or by a registered firm having local partners in majority or in case of a company, 70% holding of Pakistani Nationals 4) Unbound, except as indicated in the horizontal commitments</p>	<p>Unbound None a) Residency requirement for natural persons as prescribed by the ICAP (the Institute of Chartered Accountants of Pakistan) and any other relevant law for the time being in force Unbound except as indicated in the horizontal commitments</p> <p>1, 2, 3, 4) unbound for subsidies</p>	

services except tax returns			
c) Architectural Services (CPC 8671)	<p>Unbound None</p> <p>3) a) Foreign equity shall not exceed 51% b) Service shall be supplied by a natural person or by a registered firm having local partners in majority or in case of a company, 70% holding of Pakistani Nationals c) ENT based on inquiry to gauge if direct or indirect govt. subsidy being provided</p> <p>4) Unbound, except as indicated in the horizontal commitments</p>	<p>1) Unbound 2) None 3) Subject to fulfilment of all requirements and conditions applicable only to foreign investors/juridical entities 4) Unbound except as indicated in the Horizontal commitments</p> <p>4) Unbound except as provided in the horizontal section.</p> <p>1, 2, 3,4, unbound for subsidies.</p>	
d) Engineering services for building infrastructures: harbours, dams, hydel power, and airports, only (CPC No. 8672)	<p>1) Unbound 2) Unbound* None</p> <p>3) (i) Maximum of 40 fifty one per cent foreign shareholding in engineering consultancy companies; (ii) Subject to partnership and/or joint venture with Pakistani engineers or engineering companies.</p> <p>4) Unbound except as indicated <i>in the under horizontal measures commitments</i></p>	<p>1) Unbound 2) Unbound* None 3) None 4) Unbound</p>	
e) Integrated engineering services (CPC No. 8673)	<p>1) Unbound 2) Unbound*</p> <p>3) (i) Maximum of 40 fifty one percent foreign shareholding in engineering consultancy companies; other than those registered with the securities and exchange commission of Pakistan (ii) Subject to partnership and/or joint venture with Pakistani engineers or engineering companies. ; other than those registered with the securities and exchange commission of Pakistan</p> <p>4) Unbound except as indicated <i>in the under horizontal measures commitments</i></p>	<p>1) Unbound 2) Unbound* 3) None 4) Unbound, except as indicated in the horizontal commitments</p>	
f) Medical and dental services (CPC No 9312)	<p>1) <i>Unbound</i> 2) <i>None</i></p> <p>3) (a) <i>As in measures applicable to all sectors</i> (b) <i>Subject to Pakistan Medical and Dental Council Regulations</i></p> <p>4) <i>Unbound except as indicated under horizontal measures commitments</i></p>	<p>1) <i>Unbound</i> 2) <i>None</i> 3) <i>None</i></p> <p>4) <i>Unbound except as indicated under horizontal measures commitments</i></p>	
g) Veterinary Services (CPC 9320) The offer does not include services provided by public institutions whether	<p>Unbound None</p> <p>a) Market Access subject to transparent ENT b) ENT based on inquiry to gauge if direct or indirect govt. subsidy being provided</p> <p>4) Unbound, except as indicated in</p>	<p>Unbound None</p> <p>a) Residency requirement essential for natural persons. b) Subject to fulfilment of all requirements and</p>	

owned and operated by federal, provincial, district, Tehsil or municipal Authorities	the horizontal commitments	conditions applicable only to foreign investors/juridical entities Unbound except as indicated in the horizontal commitments 1,2,3,4) Subsidies unbound	
h) Services provided by midwives, nurses, physiotherapists, and Para-medical personnel (CPC 93191) The offer does not include services provided by public institutions whether owned and operated by federal, provincial, district, Tehsil or municipal Authorities	Unbound None None Unbound except as under horizontal commitments	Unbound None Subject to fulfilment of all requirements and conditions applicable only to foreign entities Unbound except that qualifications for foreign service suppliers will be set by the Pakistan Nursing Council and any other relevant law for the time being in force	

Brief SWOT analysis of professional services in Pakistan

Strengths

- Good pool of skilled professionals in different fields which carry a professional value and recognition in major markets such as the US, Europe and GCC countries.
- Relatively low wage supply of skilled labour.
- International affiliations and adherence of quality standards strengthens the user/consumer confidence in the services supplied by Pakistani professionals.

Weaknesses

- Lack of coordinated policy and actions at government level. No ministry/public sector organization is taking professional services as a cluster for exports and focusing on the sector's development per se.
- Visa restrictions for professional service providers, especially from Pakistan, affect the supply of services and hence exports in this category.
- Most of the professional provider companies are typically small firms or self-employed professionals. That is to say, business is small-scale and the predominant mode of supply is through the presence of natural persons.

Opportunities

- Increased market access through bilateral, regional and multilateral trade agreements would result in new opportunities for Pakistani professional services providers. The conclusion of the DDA and advances under Mode-4 would play a vital role in this regard.
- Due to the increased focus on outsourcing contracts in the region (South and East Asia); Pakistan is well placed to bank upon such opportunities and to a certain extent has already started benefiting from it.

Threats

- Strong competition from other supplying markets such as India, East Asia and Latin America.
- Restrictive measures especially in regard to domestic regulations would act as market access barriers for professional services providers from Pakistan. Disciplines on domestic regulation are not yet concluded in the WTO-GATS negotiations therefore different countries can easily use it as a disguised restriction to trade. Such measures could include restrictive licensing procedures, higher level of fees, mutual recognitions, and discriminatory application of technical standards and lack of transparency for entry into the market as well as operating procedures.

Barriers to trade in professional services

The potential for mutually beneficial trade in professional services is huge, but in practice such trade faces a number of policy impediments in both developed and developing countries. Development in information and telecommunication technologies have rendered some restrictions redundant, but the dominant mode of delivery, commercial presence, is still subject to numerous restrictions, in particular on the movement of professionals across countries who face two broad types of impediments: quotas and fiscal discriminations in the form of restrictive visa regimes, prohibitions, and economic needs tests on foreign providers, as well as discriminatory treatment in taxes and government procurement. A further hurdle comes from domestic regulation such as licensing and qualification requirements and procedures that apply in principle to both foreign and domestic providers, but could be seen as trade impediments when imposed in unduly restrictive or burdensome manner of foreign service providers who have already fulfilled these requirements in another jurisdiction.

Table-8 Impediments to the presence of foreign professional service providers

Barriers to Trade in professional services	
Quotas and fiscal discrimination	Domestic regulation
<i>Restrictive visa regime:</i> Work permits and similar visas are processed in a centralized manner through the Board of Investment (in co-ordination with various security agencies) thus making it difficult to obtain.	<i>Licensing requirements and Procedures:</i> The application procedure is not easily available and often times there are periodic windows of application which may be missed by the service suppliers.
<i>Quotas on foreign providers:</i> There is a limit of maximum 50% foreign	<i>Qualification requirements and procedure:</i> The determination of equivalence and exact

workers in the category of executives in a company providing services. Some of the professions such as engineers and architects are regulated in such a manner <i>de facto</i> quotas occur often times. These regulations are in the form of recognition of qualifications, granting of licenses and holding of necessary examinations.	requirement of qualification are frequently changed which leads to uncertainty to the potential service suppliers.
<i>Discriminatory taxes and procurement:</i> Foreign service suppliers are levied higher taxes such as 7.5%	<i>Other technical regulations:</i> Most of the times, the industry / association implement their voluntary standards with changing requirements. The international benchmarking is often missing.

Challenges for professional services in Pakistan

Pakistan's professional services industry is fertile with experienced and highly skilled professionals. The only need is to cultivate this potential. It requires continuous support from the government at both the national and international level.

Policy challenges

- To meet the challenges faced by the Pakistani professional service industry, the government has to frame rules, regulations and policies to reduce trade distortive barriers without affecting the quality of service, protection of consumers, public safety while also safeguarding the rule of law.
- There is a need to have a centralized, coordinated and well thought out policy plan and related tools which would enable a sustained growth of this sector and enable it to fully utilize the market access opportunities available through GATS and other bilateral and regional agreements. The Trade Development Authority of Pakistan (TDAP) has taken some initiatives to focus on the export of services but it is not enough to cater to the needs of professional services exporters. There is a notable absence of focused policy guidelines and tools for professional services in Pakistan. The regulators and industry associations are focused on the domestic market and lack the vision for exports and expansion into the global market.

Institutional challenges

- Private and public sector trade associations can play an important role in a wide range of activities ranging from advocating sector perspectives during regulation formulation to facilitating contacts with foreign buyers. In Pakistan, some associations such as the ones for banking, medical services, construction and development are vibrant, but many services organizations are weak— suffering from problems due to lack of dedicated staff, lack of funds, lack of transparency, and a perception of partiality. The Government, under the banner of public-private partnership, can assist in developing service coalition groups of service firms that can jointly advocate regulatory environment change and multilateral trade negotiating objectives.
- At the industry level, the Federal Government with the assistance of the provincial government can monitor service industry performance and report findings. There is a need to take note of indicators that predict export potential and recognize and report on Pakistani firms that are

exceptional service exporters to determine and publicize best practices. This would create an export culture and encourage start-ups in professional services exports.

Industry challenges

Skilled professionals are the key for the service industry. However, in order to make their skills “exportable”, there is a need for a concerted action by the industry. This may take the form of the collaboration between the industry and the educational institutions to design and run educational programs that factor into the market reality and cater to the demands in terms of skills base.

The respective industry associations should create in-house capacity to study, analyze and harness the market access opportunities in different markets.

Stakeholder Consultations

Following persons were interviewed during the course of preparation of study:

- Mr. Shahid Raza (Partner Orr Dignam & Co. Advocates).
- Mr. Ahmed Irfan Aslam (Punjab Bar Council)
- Mr. Nadeem Safdar (M/s Yousaf Adil Saleem & Co. Chartered Accountants)
- Dr. Zaheer Ahmed , Medical Practitioner
- Dr. Waseem Aamir Maan (Professor of Engineering at the National University of Science and Technology)
- Mr. Javed Qaisar (Former Regional Director ICMAP Northern Region).
- Dr. Inaam Ul Haq (Medical Practitioner / Associate Professor at the Islamic International Medical College)
- Dr. Ghalib Imam Zaidi (Neuro-surgeon)

Engineering sector

In the Engineering Sector, the views of the persons interviewed related to different questions are reproduced below:

The authority which regulates this profession is the Pakistan Engineering Council (PEC) which is purely a Government Body and is responsible for granting licenses to engineers. Pakistani engineering graduates are somewhat recognized internationally. The recognition level varies from institute to institute. Additional qualification is always required from Pakistani engineers to practice abroad.

For Pakistani engineers, it is difficult in the current context of the war against terrorism to secure visas to work in foreign countries. Even engineers who get some international scholarships to study abroad often fail to join further studies due to the non availability of visa in a timely manner. On the other hand, it is very

easy for foreign engineers to find a job in Pakistan and work so long as they can cope with the country's security situation.

Pakistan has entered into mutual recognition agreements for promoting the engineering sector with Bangladesh, Sri Lanka, Saudi Arabia and Qatar etc but not with European countries. Remittance of money from abroad to Pakistan is very fast and secure. Forced (and non-reimbursed) contributions such as social security are required for Pakistanis working abroad.

Pakistani engineers if employed locally may not produce their best results as the country lacks proper research and development activities and funds required for such endeavours. Foreign firms often prefer to employ Pakistani engineers as they are cheaper to employ.

There is no specific discipline in which Pakistani engineers are more recognized abroad. However, there are a few disciplines with greater demand worldwide such as electrical, mechanical, and computer engineering. A few more disciplines could come in demand internationally as per the specific area requirement like biomechanical and electrical engineering in a number of OECD countries.

Health sector

In the Health Sector, the views of the persons interviewed related to different questions are reproduced below:

The authority which regulates this profession is the Pakistan Medical and Dental Council (PMDC) which is an Independent Body responsible for granting licenses to doctors. Pakistani graduates of medicine to some extent are recognized internationally and are required to take additional exams even in Gulf countries. The recognition level varies from country to country. To practice abroad, Pakistani doctors are required to pass their assessment test like PLAB and IELTS in England, USMLE in USA, Australian entry test and similarly other countries have their own requirements. In some cases they have to sit for 4 to 5 exams. Besides, the process of verification of qualification and training is cumbersome due to time and number of processes involved.

It is not easy for Pakistani doctors to get visas to work in foreign countries. However, the major target market countries do grant visit visas to take the test on bank statement and other visit visa requirements. It also depends upon the country to which the Pakistani doctors are trying to go to as it is more difficult to go to western countries.

To work in Pakistan, foreign doctors are required to take PMDC exam or in the case of specialists they would have to get their degrees accredited by the PMDC. Generally it is not easy for foreign doctors to work in Pakistan because of cultural, social and security reasons. Pakistan has recognized FCPS in the Middle East for doctors.

In the Middle East, there are no forced social security or pension contributions but in western countries there are many such taxes and forced contributions. Pakistani doctors are generally respected but not given the same status as western qualified doctors. Their English skills are often better than doctors from other European countries.

Pakistani doctors are working in all disciplines but are more recognized in the field of surgery, medicine and gynaecology. The barriers faced by Pakistani doctors to access foreign markets are degree recognition, lack of job opportunities, and limited scholarships for specialized training.

Accountancy services

Pakistani accountants and auditors have established their mark in international market although this has not yet been effectively translated into institutional and corporate base i.e. only individual service providers are operating in most of the export markets.

The Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP) have embarked upon the route of mutual recognition with major counterparts in target markets such as UK, USA, Australia and Middle East.

There is a visible trend of use of mode-1 by the accountancy services providers for their overseas clients, such as the Karachi based company Sidat Hyder Morshed Associates. Most of the other companies are operating at small scale but quickly tapping the areas of accounting and bookkeeping outsourcing through mode-1.

It is worth mentioning that the local affiliates of the major international accounting firms such as big 4 are already involved in export of services, primarily due to their affiliations.

Legal Services

In terms of international outreach of professional services from Pakistan, legal services are the most under developed due to variety of factors. The first and foremost is the absence of big firms who would have coverage of foreign markets in a visible manner. There are many instances whereby the Pakistani lawyers (based in Pakistan) are providing services to foreign clients on assignment basis but there is a lack of consistent and notable trend.

The legal professional in Pakistan is mostly targeted to local market and often times even the big firms are specialized in one or two areas. There are some affiliations of local based law firms with international operators but there has not yet been an evidence of using such affiliations for reaching out to the overseas market.

Policy recommendations

It has been argued in this paper that professional services is a key for Pakistani services exports and carries huge potential. However the potential is still untapped and Pakistan has not in the notables of professional services providers at a global scale due to very little share in global supply of professional services. In order to harness this potential and use the market access available through GATS and other bilateral trade agreements, the following recommendations may be considered:

Establishment of an institutional mechanism for professional services exports

The professional services industry in Pakistan visibly lacks a collective platform especially in the context of trade and reaching to export markets. The regulators (such as ICAP and ICMAP in accountancy, PMDC in medical and related, PEC in architectural and engineering and Bar Councils in legal) have assumed multiple roles which is not an efficient model for trade.

One of the options may be to establish a “coalition of professional services providers” of Pakistan. This platform may be used collectively for assessment, mapping, outreach and marketing activities for the professional services. The efforts of the Government, such as the Services Exports cell of TDAP, may be clubbed in to get better results. The coalition should be an independent body with a governing council with representatives from the industry, regulators and the government.

Focusing on mutual recognition agreements

Mutual recognition of qualifications and licensing is one of the most important features of international trade in professional services. While there are some efforts being made by various bodies in Pakistan, these are not sufficient and do not cover all of the target markets. The GATS Article VII, that encourages members to enter into mutual recognition, could be used apart from the agreed arrangements in the FTAs with China and Malaysia. This would prove a very useful step towards reaching and penetrating the major markets for Pakistani professional services providers. The Government of Pakistan should take a lead in this area as the efforts thus far have been by the industry and the regulators.

Providing enabling environment for use of mode-1

Due to variety of factors, the most feasible mode of supply for professional services from Pakistan is the mode-1. There is a need of providing enabling environment such a preferential access and rates for the internet bandwidth, frequency allocation (if required), dedicated servers etc and the cost sharing by the government for IT related infrastructure. There is a need of collaboration between the computer and related services in order to achieve better results.

Investing in education and skill base

The professional services thrive on individuals and the skill base they carry. Pakistan has a very good skill base and professionals in these services areas but interestingly the number (supply) is very limited and some professions, such as medical, are facing shortage even for domestic market. There is a need to invest in education and skills base not only to increase the supply in quantitative terms but also focusing on qualitative aspects in order to achieve the international benchmark and making the mutual recognition easier. There were some efforts in recent years to establish international level engineering and medical universities but these have become victims of governance and red tapes.

Incentive schemes for increasing exports in these services

The Government has not focused on professional services in terms of incentivizing them for exports. A model of IT sector incentives, such as tax breaks, may be used for these services as well. It may be noted however that fiscal incentives are not the only and most effective pushing factors for increase in exports; there may be some other incentives in form of use of foreign exchange earned for duty free imports of inputs etc. The incentive schemes may be designed after consultations with the industry and taking into consideration their needs.

Entering into bilateral agreements exclusively for mode-4

Pakistan professionals face very strict regulatory and visa regimes in the target markets. An effort at the government level for entering into bilateral arrangements with major markets such as United States and EU would prove very beneficial for the industry. India, for example, has many bilateral arrangements, both at the government and industry levels, with the United States and has preferential access to H-1 visas (for professionals).

Using the government channels for oversight and outreach to global markets

Although the government of Pakistan, like any other governments, is not a major supplier or competitor of professional services but the policy oversight and global outreach are core functions of the government that it does for all other services and sectors involved in exports. The usual commercial diplomacy channels of the government of Pakistan should be used to market the professional and reach out the global market through targeted marketing activities and participating into global fairs, road shows and similar opportunities.

Encouraging the foreign service providers in local market

The foreign service providers in professional services should be encouraged so that the market becomes competitive and learns from such providers in terms of knowledge and business techniques. The case of opening up financial and telecom services sectors in Pakistan for foreign providers has proven that the foreign services providers played a vital role in raising the benchmark for service delivery in local market and making them more efficient and stronger to compete. The foreign providers in professionals may do the same for domestic market.

Disciplines on domestic regulation in the accountancy sector

OBJECTIVES

Having regard to the Ministerial Decision on Professional Services, Members have agreed to the following disciplines elaborating upon the provisions of the GATS relating to domestic regulation of the sector. The purpose of these disciplines is to facilitate trade in accountancy services by ensuring that domestic regulations affecting trade in accountancy services meet the requirements of Article VI: 4 of the GATS. The disciplines therefore do not address measures subject to scheduling under Articles XVI and XVII of the GATS, which restrict access to the domestic market or limit the application of national treatment to foreign suppliers. Such measures are addressed in the GATS through the negotiation and scheduling of specific commitments.

GENERAL PROVISIONS

Members shall ensure that measures not subject to scheduling under Articles XVI or XVII of the GATS, relating to licensing requirements and procedures, technical standards and qualification requirements and procedures are not prepared, adopted or applied with a view to or with the effect of creating unnecessary barriers to trade in accountancy services. For this purpose, Members shall ensure that such measures are not more trade-restrictive than necessary to fulfil a legitimate objective. Legitimate objectives are, *inter alia*, the protection of consumers (which includes all users of accounting services and the public generally), the quality of the service, professional competence, and the integrity of the profession.

TRANSPARENCY

Members shall make publicly available, including through the enquiry and contact points established under Articles III and IV of the GATS, the names and addresses of competent authorities (i.e. governmental or non-governmental entities responsible for the licensing of professionals or firms, or accounting regulations).

Members shall make publicly available, or shall ensure that their competent authorities make publicly available, including through the enquiry and contact points:

- Where applicable, information describing the activities and professional titles which are regulated or which must comply with specific technical standards;
- Requirements and procedures to obtain, renew or retain any licences or professional qualifications and the competent authorities' monitoring arrangements for ensuring compliance;
- Information on technical standards; and
- Upon request, confirmation that a particular professional or firm is licensed to practise within their jurisdiction.

Members shall inform another Member, upon request, of the rationale behind domestic regulatory measures in the accountancy sector, in relation to legitimate objectives as referred to in paragraph 2.

When introducing measures which significantly affect trade in accountancy services, Members shall endeavour to provide opportunity for comment, and give consideration to such comments, before adoption.

Details of procedures for the review of administrative decisions, as provided for by Article VI:2 of the GATS shall be made public, including the prescribed time-limits, if any, for requesting such a review.

LICENSING REQUIREMENTS

Licensing requirements (i.e. the substantive requirements, other than qualification requirements, to be satisfied in order to obtain or renew an authorization to practice) shall be pre-established, publicly available and objective.

Where residency requirements not subject to scheduling under Article XVII of the GATS exist, Members shall consider whether less trade restrictive means could be employed to achieve the purposes for which these requirements were set, taking into account costs and local conditions.

Where membership of a professional organisation is required, in order to fulfil a legitimate objective in accordance with paragraph 2, Members shall ensure that the terms for membership are reasonable, and do not include conditions or pre-conditions unrelated to the fulfilment of such an objective. Where membership of a professional organization is required as a prior condition for application for a licence (i.e. an authorization to practice), the period of membership imposed before the application may be submitted shall be kept to a minimum.

Members shall ensure that the use of firm names is not restricted, save in fulfilment of a legitimate objective.

Members shall ensure that requirements regarding professional indemnity insurance for foreign applicants take into account any existing insurance coverage, in so far as it covers activities in its territory or the relevant jurisdiction in its territory and is consistent with the legislation of the host Member.

Fees charged by the competent authorities shall reflect the administrative costs involved, and shall not represent an impediment in themselves to practising the relevant activity. This shall not preclude the recovery of any additional costs of verification of information, processing and examinations. A concessional fee for applicants from developing countries may be considered.

LICENSING PROCEDURES

Licensing procedures (i.e. the procedures to be followed for the submission and processing of an application for an authorization to practise) shall be pre-established, publicly available and objective, and shall not in themselves constitute a restriction on the supply of the service.

Application procedures and the related documentation shall be not more burdensome than necessary to ensure that applicants fulfil qualification and licensing requirements. For example, competent authorities shall not require more documents than are strictly necessary for the purpose of licensing, and shall not impose unreasonable requirements regarding the format of documentation. Where minor errors are made in the completion of applications, applicants shall be given the opportunity to correct them. The establishment of the authenticity of documents shall be sought through the least burdensome procedure and, wherever possible, authenticated copies should be accepted in place of original documents.

Members shall ensure that the receipt of an application is acknowledged promptly by the competent authority, and that applicants are informed without undue delay in cases where the application is incomplete. The competent authority shall inform the applicant of the decision concerning the completed application within a reasonable time after receipt, in principle within six months, separate from any periods in respect of qualification procedures referred to below.

On request, an unsuccessful applicant shall be informed of the reasons for rejection of the application. An applicant shall be permitted, within reasonable limits, to resubmit applications for licensing.

A licence, once granted, shall enter into effect immediately, in accordance with the terms and conditions specified therein.

QUALIFICATION REQUIREMENTS

A Member shall ensure that its competent authorities take account of qualifications acquired in the territory of another Member, on the basis of equivalency of education, experience and/or examination requirements.

The scope of examinations and of any other qualification requirements shall be limited to subjects relevant to the activities for which authorization is sought. Qualification requirements may include education, examinations, practical training, experience and language skills.

Members note the role which mutual recognition agreements can play in facilitating the process of verification of qualifications and/or in establishing equivalency of education.

QUALIFICATION PROCEDURES

Verification of an applicant's qualifications acquired in the territory of another Member shall take place within a reasonable time-frame, in principle within six months and, where applicants' qualifications fall short of requirements, shall result in a decision which identifies additional qualifications, if any, to be acquired by the applicant.

Examinations shall be scheduled at reasonably frequent intervals, in principle at least once a year, and shall be open for all eligible applicants, including foreign and foreign-qualified applicants. Applicants shall

be allowed a reasonable period for the submission of applications. Fees charged by the competent authorities shall reflect the administrative costs involved, and shall not represent an impediment in themselves to practising the relevant activity. This shall not preclude the recovery of any additional costs of verification of information, processing and examinations. A concessional fee for applicants from developing countries may be considered.

Residency requirements not subject to scheduling under Article XVII of the GATS shall not be required for sitting examinations.

TECHNICAL STANDARDS

Members shall ensure that measures relating to technical standards are prepared, adopted and applied only to fulfil legitimate objectives.

In determining whether a measure is in conformity with the obligations under paragraph 2, account shall be taken of internationally recognized standards of relevant international organizations (1) applied by that Member.

(1) The term "relevant international organizations" refers to international bodies whose membership is open to the relevant bodies of at least all Members of the WTO.

Trade Related Technical Assistance (TRTA II) Programme

Component 1, Trade Policy Capacity Building, implemented by the International Trade Centre (ITC), is aimed at the Ministry of Commerce and Government of Pakistan in developing a coherent trade policy and attendant regulations for export competitiveness. Specifically, it will aim to reinforce the skills of government officers working in trade related ministries and implementing agencies on issues related to trade policy, commercial diplomacy and regulatory reform. The main way in which to achieve this through the institutional capacity building of key local training institutes, which is intended to have an immediate effect on the capacity of government officers working on trade policy issues.

In addition, Component 1 promotes comprehensive, regular and well informed public-private dialogue among the government, private sector and civil society for trade policy development, monitoring and evaluation. To promote local ownership and legitimacy of the dialogue, a steering committee comprising equal representation of the public and private sectors has been established with the formal approval of the Ministry of Commerce of Pakistan. Its mandate is to oversee the planning, implementation and monitoring of public-private dialogue on key issues. To better inform the public-private dialogue process, research studies are commissioned and internationally peer reviewed before dissemination to stakeholders.

The targeted interventions of Component 1 to achieve these goals constitute the following:

Result for Component 1: Coherent trade policy and regulatory reform for export competitiveness

1. The Pakistan Institute for Trade and Development (PITAD) institutional capacity is strengthened
2. PITAD's and other research institutes' expertise on trade policy strengthened
3. Government officers' capacity on specific trade policy and international trade negotiations strengthened
4. Research studies contributing to the development of a national export strategy conducted
5. Public-private dialogue for a coherent national export strategy is fostered"

For enquiries and further details about Component 1



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