Trade in Services
An answer book for small and medium-sized exporters
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Lahore 2007
ABSTRACT FOR TRADE INFORMATION SERVICES

INTERNATIONAL TRADE CENTRE UNCTAD/WTO (ITC)
SMALL & MEDIUM ENTERPRISE DEVELOPMENT AUTHORITY (SMEDA)

Trade in Services: An answer book for small and medium-sized exporters

Guide for small and medium-sized enterprises in the services sectors in Pakistan; provides practical advice to help them improve their export performance or enter new markets. Using a question and answer format, the topics covered include the decision to export, preparing for export, choice of market, identifying customers, selecting a strategy, cultural considerations, promotional materials, quality assurance, pricing, securing payment and temporary market entry. The General Agreement on Trade in Services (GATS) and the functions of the World Trade Organization (WTO) are also described. National appendices include overviews of the services sector in Pakistan, Pakistan’s role in the WTO GATS negotiations, including Pakistan’s schedule of GATS commitments, key national laws and regulations of interest to services exporters, and a list of information resources for services exporters.

Subject descriptors: Services, WTO, Multilateral trading system, Pakistan.

English

Palais des Nations, 1211 Geneva 10, Switzerland
6th Floor LDA Plaza, Egerton Road, Lahore 54000, Pakistan

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Introduction

According to Pakistan’s 2005 Economic Census of Establishment, there were 3.2 million economic establishments operating in Pakistan, of which 2.96 million comprise less than 99 employees. Therefore, 93% of entities fall into the category of small and medium enterprises (SMEs). It is interesting to note that 80% of these SMEs are services-based enterprises, reflecting concentration on a rich segment of our economy. In the last decade, the services sector has emerged as a growth powerhouse, reaching 8.5% growth in 2006, the largest contributor to GDP growth.

Gradually the services sector has evolved into an economic sector of great export potential. Currently, Pakistan’s share of the global export of services is almost negligible. However, the sector has attractive prospects. The Government of Pakistan has, with the assistance of the European Community (EC) Trade Related Technical Assistance Programme (TRTA), implemented by the International Trade Centre (ITC), in the last couple of years launched a series of integrated initiatives to build the services sector in Pakistan, including conducting ‘Successful Services Exporting’ training courses, and publishing a Services Capacity Report in 2005 reviewing the export potential of the sector and a Services Export Roadmap in 2007.

At the same time, Small and Medium Enterprise Development Authority (SMEDA), in collaboration with ITC, has adapted this publication — Trade in Services: An answer book for small and medium-sized exporters — with the addition of national appendices to provide guidance to SMEs operating services enterprises. This handbook provides practical advice using a question and answer format, to help SMEs improve their export performance or enter new markets. The topics covered include the decision to export, preparing for export, choice of market, identifying customers, selecting a strategy, cultural considerations, promotional materials, quality assurance, pricing, securing payment and temporary market entry. It also elaborates on the General Agreement on Trade in Services (GATS) and the functions of the World Trade Organization (WTO). The following country-specific appendices have been included in the publication:

I. The Services Sector in Pakistan  
II. Pakistan and the GATS  
III. National Laws and Regulations of Interest to Services Exporters  
IV. Information Sources for Services Exporters  
V. GATS Services Sectoral Classification List

I hope this joint effort on the part of ITC and SMEDA will provide useful information to Pakistan’s services sector enterprises in order to better understand the business environment and laws impacting their daily businesses. It will also assist business to improve its export of services. I sincerely hope that this localized version of the Trade in Services answer book will greatly benefit SMEs in boosting their export capacities.

Shahid Rashid  
Chief Executive Officer  
Small & Medium Enterprise Development Authority
Foreword

Services have played an important role in world trade for centuries. However, in the past 40 years the focus of the services trade has shifted away from facilitating the trade in goods to trading in the services themselves. Dramatic changes in information and communications technologies have made this possible; many services can now be marketed and delivered online.

Exports of services are particularly important to developing and transition countries as these exports contribute directly to job creation and development.

While exporters of goods and services face some similar challenges, services exporters have to deal with unique issues, many related to the intangible nature of services. This guide, which is applicable to potential and existing exporters in a wide range of services sectors, addresses these issues and offers practical and relevant advice to small and medium-sized enterprises to help them improve their export performance or enter new markets.

This publication is part of the International Trade Centre’s *Trade Secrets* series. We hope you will find its strategies and references useful for your international business development.

Patricia Francis
Executive Director
International Trade Centre
Acknowledgements

This publication is the result of collaboration between the International Trade Centre (ITC) and the Small and Medium Enterprise Development Authority (SMEDA). It is based on the ITC generic publication, *Trade in Services: An answer book for small and medium-sized exporters* published in Geneva in 2001.

Within ITC, project development, project management and overall reviews of the manuscript were carried out by, or under the guidance of Rajesh Aggrawal, Senior Adviser, Multilateral Trading System; Laurent Matile, Senior Officer, Multilateral Trading System; and Julie-Anne Lee, Project Consultant, Business Advisory Services.

The generic 2001 answer book was written by Dorothy I. Riddle, President and Chief Executive Officer of Service-Growth Consultants Inc., Vancouver, Canada for the International Trade Centre (ITC). It was prepared under the guidance of Doreen Conrad, Head, ITC Trade in Services Unit, and Sarah McCue. Peter Walters, Director of the ITC Division of Product and Market Development, provided strategic direction.

Leni Sutcliffe edited the book. Carmelita Endaya was responsible for copy preparation.

Within SMEDA, project development, project management and overall reviews of the national appendices were carried out by, or under the guidance of Mr. Muhammad Jamil Afaqi, General Manager (Policy and Planning Division) and Ms. Aisha Amjad, Manager (Policy and Planning Division).

Appendices I — The Services Sector in Pakistan, II — Pakistan and the GATS, IV — Information Sources for Services Exporters, and V — GATS Services Sectoral Classification List were compiled by Mr. Mohammad Jamil Afaqi, General Manager (Policy and Planning Division), Ms. Aisha Amjad, Manager (Policy and Planning Division) and Mr. Syed Farhan Ahmad (Project Assistant).

Mr. Shaheen Tahir and Ms. Tanya Hafeez, representatives of SMEDA’s Legal Services Cell, contributed to Appendix III — National Laws and Regulations of Interest to Services Exporters.

Material for inclusion in the national appendices was drawn from existing information sources and the assistance/insight of stakeholders. As part of our commitment to consult with relevant stakeholders, seven focus group meetings were organized across Pakistan, in which 180 services sector SMEs participated. The success of these workshops was the result of efforts by Mr. Shaheen Tahir, Mr. Muhammad Raza, Management Associate (Policy and Planning), SMEDA’s Regional Offices (Punjab, Sindh, Balochistan and NWFP) as well as the core team members.

Mr. Liaqat Ali Gohar and Mr. Amir Ijaz, representatives of SMEDA’s Marketing team, undertook the task of printing of the publication.

We would like to express our gratitude to everyone who helped bring this publication to fruition, especially those SMEs who participated in the national services workshops and survey. Their contribution is noted above with thanks and appreciation.

We hope that SMEs in Pakistan will find this a useful and practical tool for business improvement.
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>iii</td>
</tr>
<tr>
<td>Foreword</td>
<td>v</td>
</tr>
<tr>
<td>Acknowledgements</td>
<td>vii</td>
</tr>
<tr>
<td>Note</td>
<td>xiii</td>
</tr>
</tbody>
</table>

## Making the decision to export

1. What does ‘exporting’ services mean? 3
2. Why should my service firm export? 4
3. What are the advantages to be gained from exporting my services? 5
4. What challenges do I face in exporting my services? 6
5. How do I reduce the risks associated with exporting services? 8
6. How do I find out whether my service will be competitive abroad? 9
7. What do I need in order to export successfully? 10
8. How do I decide when the time is right to start exporting? 11
9. What are the most common mistakes made by service exporters? 12

## Preparing to export

11. What are the typical steps in developing an export strategy for services? 17
12. Why do I need an export strategy? 18
13. How can I build credibility abroad as a service provider? 19
14. How can I obtain export-related experience? 20
15. How do I contact firms that are successful exporters? 21
16. How long must I wait before I can expect to see a profit? 22
17. How can my firm best finance its export market development? 23
18. How do I use the Internet to assist my export initiative? 24
19. How should my firm plan its transition to e-trade? 25
20. How should my firm prepare to export? 26
21. What domestic market development strategies will also work abroad? 27
22. Who in my firm needs to support the export plan? 28

## Choosing your market

23. What makes an export market attractive for my service? 31
24. Which type of market should I consider? 32
25. How will I know if my service will sell in a particular market? 33
26. How can my firm get the most from market research interviews? 34
27. Where can I find market information? 35
28. How do I obtain information on a particular market? 36
29. Where do I find information on market entry restrictions? 37
30. Where do I find information on industry standards and regulations for my service industry in a particular market? 38
31. How do I find out who my competitors are and what they are offering? 39

Finding your customers 41
32. How do I develop a reputation within a specific foreign market? 43
33. How do I find out which trade events would be best for me to attend? 44
34. How do I prepare for an international trade event? 45
35. Should I join an industry or trade association in my target market? 46
36. How do I identify possible customers? 47
37. How do I get potential customers to notice my new service? 48
38. What should I do first if I want to bid on government contracts? 49
39. Where can I find out about international bidding opportunities? 50
40. How do I find out about the telecommunications infrastructure in my target markets? 51

Choosing a strategy for exporting services 53
41. What is the best way to enter a foreign market? 55
42. How do I enter a market virtually? 56
43. How can I maximize my profitability? 57
44. How can I use existing customers to develop export markets? 58
45. How can I use my country’s national export strategy to assist my export efforts? 59
46. When should I work with a local partner? 60
47. How should I choose a local partner? 61
48. What are the common problems that arise when working with local partners? 62
49. How can I make sure that my local partnership will be effective? 63

Cultural considerations 65
50. Why do cultural differences matter in exporting my service? 67
51. How do cultures differ? 68
52. What are the main differences in business practices from country to country? 69
53. Where can I find information on business practices and etiquette in particular markets? 70
54. What are the implications of culture for the design of my service delivery? 71
55. How do I customize my services for a particular market? 72
56. Does gender make a difference in doing business abroad? 73
57. What can I do as a businesswoman to overcome prejudices? 74
58. In what language should I deliver my service? 75
59. Will I need an interpreter? 76
60. How can I work best with an interpreter? 77
61. What are the main cultural errors committed in the provision of services abroad? 78
Promotional materials

62. What kinds of promotional materials will I need?
63. What should my promotional materials contain?
64. What are the characteristics of a user-friendly website?
65. What information do I need on my business card?
66. Are my promotional materials of an appropriate quality?
67. Do I need to have my promotional materials translated?

Quality assurance

68. What quality factors matter to customers abroad?
69. What quality standards are relevant to services exporting?
70. What is ‘quality’ in services?
71. Will a small and medium-sized firm be able to implement ISO 9001:2000?
72. What is ISO 9000:2000?
73. What is an environmental management system and what is ISO 14000?
74. How do I decide whether I should be registered to ISO 9001?
75. How does one get registered to ISO 9000?
76. Where can I find more information on quality standards relevant to my industry?
77. What are the benefits of registration to ISO 9000?
78. What are the costs of ISO 9000 certification?

Pricing your service

79. How do I set a price for my service in a foreign market?
80. What are the most common pricing mistakes?
81. What should you do about an online request for bids?
82. How important a variable is price in the customer’s purchase decision?
83. How do I find out what my competitors are charging their services?
84. How do I negotiate a price for my service?

Financing and getting paid

85. What terms should be specified in my contract to make sure I get paid?
86. What terms of payment should I insist on?
87. How do I arrange for a wire transfer or direct deposit?
88. How do I encourage my bank to be supportive of my business?
89. What type of insurance should I consider for my business?
90. How do I manage foreign exchange risk?
91. How do I assess my customer’s ability to pay?
92. What should I do if my customer fails to pay?
Temporary market entry

93. Under what conditions can I travel freely to other markets? 125
94. How do I find out about restrictions on foreign travel to specific markets? 126
95. How do I make my border crossings as easy as possible? 127
96. How do I find out about public holidays in my target market? 128
97. What safety precautions should I take when travelling abroad? 129

WTO and GATS

98. What is the World Trade Organization? 133
99. What is the General Agreement on Trade in Services? 134
100. How does GATS and the WTO Agreement as a whole help me as an exporter of services? 135
101. Where can I get information on liberalization commitments in my service sector? 136
102. What should I do if I think that my exports of services are being unfairly blocked in foreign markets? 137

Appendices

Appendix I – The services sector in Pakistan 141
Appendix II – Pakistan and the GATS 154
Appendix III – National laws and regulations of interest to services exporters 177
Appendix IV – Information sources for services exporters 187
Appendix V – GATS services classification list 191
Note

The following abbreviations are used:

- CBR: Central Bureau of Revenue
- CNIC: Computerized National Identity Card
- CPC: Central Product Classification
- EC: European Commission
- EU: European Union
- FBS: Federal Bureau of Statistics
- FDI: Foreign Direct Investment
- GATS: General Agreement on Trade in Services
- GATT: General Agreement on Tariffs and Trade
- GDP: Gross Domestic Product
- GNP: Gross National Product
- HR: Human resources
- ISO: International Organization for Standardization
- IT: Information technology
- ITC: International Trade Centre UNCTAD/WTO
- MFN: Most-favoured-nation
- NSB: National standards body
- NTN: National Tax Number
- PTCL: Pakistan Telecommunications Company Limited
- PKR: Pakistan Rupees
- QMS: Quality management system
- SBP: State Bank of Pakistan
- SME(s): Small and Medium-sized Enterprise(s)
- SMEDA: Small and Medium Enterprise Development Authority
- TDAP: Trade Development Authority of Pakistan
- TRTA: Trade-Related Technical Assistance
- USA: United States of America
- WSSN: World Standards Services Network
- WTO: World Trade Organization
Making the decision to export
1. **What does ‘exporting’ services mean?**

You export your services whenever a foreign customer purchases them. Member countries (referred to as ‘Members’) of the World Trade Organization (WTO) have agreed that this can happen through any one of four modes of supply:

- Your *service* crosses the border from your country to another (e.g. emailing, faxing or couri­ering a report to a client).
- Your *customer* crosses the border temporarily (e.g. foreign executives attend a training seminar you give in your country; foreign tourists).
- Your service firm establishes a *commercial presence* abroad (e.g. a local or regional office).
- You or your *staff* cross the border into your customer’s market to provide a service (e.g. you deliver a training session at your client’s office).

The defining question is whether you will be paid by someone residing in another country, no matter where the service delivery actually takes place. If your answer is ‘yes’, then you are exporting.

**RESOURCE**

**Business Guide to the General Agreement on Trade in Services.** International Trade Centre. Rev. ed. 2000. ITC, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 22 730 0111, Fax: +41 22 733 4439, Email: itcreg@intracen.org, Internet: [www.intracen.org](http://www.intracen.org). United Nations Sales & Marketing Section, Palais des Nations, CH-1211 Geneva 10, Switzerland, Fax: +41 22 97 00 27, Email: unpubli@unog.ch (for orders from Africa, Europe and the Middle East). United Nations Sales & Marketing Section, Room DC2-853, 2 United Nations Plaza, New York, N.Y. 10017, United States, Fax: +1 212 963 3489, Email: publications@un.org (for orders from America, Asia and the Far East). Chapter 1 defines services in international trade and discusses the different supply modes.

**Successful Services Exporting: A Handbook for Firms, Associations and Governments.** International Trade Centre. Rev. ed. 2001. ITC, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 22 730 0111, Fax: +41 22 733 4439, Email: itcreg@intracen.org, Internet: [www.intracen.org](http://www.intracen.org). United Nations Sales & Marketing Section, Palais des Nations, CH-1211 Geneva 10, Switzerland, Fax: +41 22 97 00 27, Email: unpubli@unog.ch (for orders from Africa, Europe and the Middle East). United Nations Sales & Marketing Section, Room DC2-853, 2 United Nations Plaza, New York, N.Y. 10017, United States, Fax: +1 212 963 3489, Email: publications@un.org (for orders from America, Asia and the Far East).

**International Trade Centre.** Web page at [www.intracen.org/servicesexport](http://www.intracen.org/servicesexport). Provides information on how to export services and how to order ITC publications.
2. **Why should my service firm export?**

There are reactive and proactive reasons why your service firm should consider exporting.

**Reactive reasons**, stemming from factors beyond your direct control:

- You receive an unsolicited inquiry from a potential customer or partner abroad.
- Demand for your services in the domestic market is saturated.
- Your competitors are exporting and you need to stay competitive.
- You need to spread your risk across different geographic markets.
- You need to extend the product life cycle of your service offering.
- You have excess staff capacity and need new contracts.

**Proactive reasons**, which spring from your firm’s strategic vision:

- You see a unique opportunity emerging in a foreign market.
- You see an opportunity to exploit a unique competence that your firm has.
- You see an opportunity to increase your firm’s profitability.
- You see an opportunity to enhance your firm’s competitive advantage.
3. **What are the advantages to be gained from exporting my services?**

You can gain many advantages or benefits from exporting. Some of the most common are the following:

- Increasing sales volume beyond what is possible within your domestic market.
- Diversifying risk by broadening your market, currency and client bases.
- Acquiring contracts in stable, convertible currencies.
- Acquiring customers whose needs are a better match for your services.
- Utilizing your production capacity more continuously.
- Extending the life cycle of a service innovation.
- Keeping current clients who are expanding internationally.
- Acquiring new knowledge or experience that you can use in your domestic market.
- Identifying partners for greater market diversification.
- Decreasing dependence on domestic sales or compensating for stagnating domestic markets.

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**RESOURCE**

**Export Readiness Diagnostic Tool for Services Exporters.** International Trade Centre. ITC, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 22 730 0111, Fax: +41 22 733 4439, Email: itcreg@intracen.org, Internet: [www.intracen.org/servicexport](http://www.intracen.org/servicexport). Software tool that assists services export firms in assessing their readiness to export.

**Successful Services Exporting: A Handbook for Firms, Associations and Governments.** International Trade Centre. Rev. ed. 2001. ITC, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 22 730 0111, Fax: +41 22 733 4439, Email: itcreg@intracen.org, Internet: [www.intracen.org](http://www.intracen.org). United Nations Sales & Marketing Section, Palais des Nations, CH-1211 Geneva 10, Switzerland, Fax: +41 22 97 00 27, Email: unpublish@unog.ch (for orders from Africa, Europe and the Middle East). United Nations Sales & Marketing Section, Room DC2-853, 2 United Nations Plaza, New York, N.Y. 10017, United States, Fax: +1 212 963 3489, Email: publications@un.org (for orders from America, Asia and the Far East). Chapter 2.

**International Trade Centre.** Web page at [www.intracen.org/servicexport](http://www.intracen.org/servicexport). Developed by the ITC Trade in Services Unit, this page provides information on how to export services and order ITC publications.
4. What challenges do I face in exporting my services?

Marketing services differs from marketing goods, mainly because services are intangible and because customers are required to pay (or to promise to pay) in advance, i.e before they can inspect the completed service. Therefore, customers usually seek out recommendations from people they know before trying a new service provider. If your firm is not known in a foreign market, then it is unlikely to get recommended, no matter how good your service is. Some of the things you can do to address major challenges are set out below.

Lack of credibility in the foreign market
In order to create interest in the service, one needs to have a clear picture of how to reach potential customers and convince them to try the service. Because of the riskiness of buying intangibles, most service purchasers look to some type of authority for confirmation that the firm can be depended on to deliver the contracted service. The challenge here, in effect, is how to make oneself familiar to potential customers before investing time and money in travel abroad.

You can overcome this by:

- Focusing on building your firm’s credibility in the foreign market before promoting a specific service.
- Making sure that your website and other promotional materials are world-class and project the image you desire as this will reinforce your reputation for competence.
- Ensuring that your firm’s principals (senior management) are willing to travel to build relationships with potential customers abroad.
- Building a strong base of contacts and ‘advocates’ willing to recommend your services.
- Being visible at international conferences or through presentations – customers want to see service providers in action as a way of sampling the service.
- Learning about the local culture – there is no room for bad first impressions.
- Forming a partnership with a leading local firm to build credibility by association.
Difficulties in gaining temporary business entry to the market

You can overcome this by:

- Evaluating travel restrictions carefully before you select a market because you must be able to cross the border when required.
- Acquiring multiple-entry visas where possible.

Apparent lack of convenient access

You can overcome this by:

- Working with a local partner or creating a local presence, as most buyers are more comfortable dealing with local service providers.
- Establishing strong electronic links with your customers through email and online interaction.
5. **How do I reduce the risks associated with exporting services?**

In most instances, the degree of risk you will face is directly related to how you ensure that you are export ready (see question 7) and the way in which you develop your customer base abroad. The following are the most common strategies used to reduce risk:

<table>
<thead>
<tr>
<th>Type of risk</th>
<th>Strategies used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not getting paid</td>
<td>Develop good customer relations.</td>
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<tr>
<td></td>
<td>Look into your prospective customers’ creditworthiness before doing business with them.</td>
</tr>
<tr>
<td>Legal action for non-completion</td>
<td>Manage your customers’ expectations well. Get professional liability insurance.</td>
</tr>
<tr>
<td>Loss on foreign exchange</td>
<td>Contract for exports in a stable currency.</td>
</tr>
<tr>
<td>Reduced domestic quality</td>
<td>Ensure that you have enough capacity for exporting as well as for providing quality service to your domestic customers.</td>
</tr>
<tr>
<td>Creating local competitors</td>
<td>Select local partners with complementary, rather than similar, expertise.</td>
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</tbody>
</table>

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**RESOURCE**

**Successful Services Exporting: A Handbook for Firms, Associations and Governments.** International Trade Centre. Rev. ed. 2001. ITC, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 22 730 0111, Fax: +41 22 733 4439, Email: itcreg@intracen.org, Internet: www.intracen.org. United Nations Sales & Marketing Section, Palais des Nations, CH-1211 Geneva 10, Switzerland, Fax: +41 22 97 00 27, Email: unpubli@unog.ch (for orders from Africa, Europe and the Middle East). United Nations Sales & Marketing Section, Room DC2-853, 2 United Nations Plaza, New York, N.Y. 10017, United States, Fax: +1 212 963 3489, Email: publications@un.org (for orders from America, Asia and the Far East). Chapter 10.

**International Trade Centre.** Web page at www.intracen.org/serviclexport. Developed by the ITC Trade in Services Unit, this page provides information on how to export services and order ITC publications.

**Export Readiness Diagnostic Tool for Services Exporters.** International Trade Centre. ITC, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 22 730 0111, Fax: +41 22 733 4439, Email: itcreg@intracen.org, Internet: www.intracen.org/serviclexport. Software tool that assists services export firms in assessing their readiness to export.
6. How do I find out whether my service will be competitive abroad?

First ask yourself how you will know whether your service will be competitive in another part of your own country. Your competitiveness is probably related to one or more of the following factors:

- Your ability to control quality is as good or better than that of your competitors – competitive based on quality.
- Your ability to provide better value for money than your competitors – competitive based on price.
- Your ability to address an unmet customer need – competitive based on uniqueness or innovation.
- Your ability to provide a culturally appropriate service – competitive based on cultural sensitivity.

To assess these factors, you will need to do market research into your competitors in your prospective market and what they offer, the needs of your target customers, and the cultural differences to which you need to adapt.

**RESOURCE**


**Export Readiness Diagnostic Tool for Services Exporters.** International Trade Centre. ITC, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 22 730 0111, Fax: +41 22 733 4439, Email: itcreg@intracen.org, Internet: www.intracen.org/serviceexport. Software tool that assists services export firms in assessing their readiness to export.

**Successful Services Exporting: A Handbook for Firms, Associations and Governments.** International Trade Centre. Rev. ed. 2001. ITC, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 22 730 0111, Fax: +41 22 733 4439, Email: itcreg@intracen.org, Internet: www.intracen.org. United Nations Sales & Marketing Section, Palais des Nations, CH-1211 Geneva 10, Switzerland, Fax: +41 22 97 00 27, Email: unpubli@unog.ch (for orders from Africa, Europe and the Middle East). United Nations Sales & Marketing Section, Room DC2-853, 2 United Nations Plaza, New York, N.Y. 10017, United States, Fax: +1 212 963 3489, Email: publications@un.org (for orders from America, Asia and the Far East). Chapters 2 and 11.

**International Trade Centre.** Web page at www.intracen.org/serviceexport. Provides information on how to export services and how to order ITC publications.
7. **What do I need in order to export successfully?**

To be ready to export successfully, you need to have or to do the following:

- Support from senior management for your export objectives and strategy.
- Adequate resources: finances, delivery capacity and staff who are sensitive to cultural differences.
- A competitive service well matched to the needs and preferences of local customers.
- An appropriate online presence.
- Realistic expectations of what it will take to succeed.
- A flexible and timely export strategy that takes advantage of your network of contacts and that is based on appropriate market research.
- To follow through on all the steps required to ensure that your firm is export-ready before attempting to market your service abroad.

Flexibility in your export strategy is critical because the international competitive environment changes rapidly and market opportunities often come and go in less than six months.
8. How do I decide when the time is right to start exporting?

The traditional advice to goods producers has been to mature in a domestic market before exporting. This advice is not relevant for service firms, especially given the growth in e-trade in services. Many service firms have only export markets if they supply a specialized service for which there is little demand in their home market and their service can be supplied online.

Use the ITC services export readiness tool to assess your export readiness and start as soon as you feel ready. You may wish to choose a slack period to focus on export market development. Remember that you will need a lead time of at least several months for market development before you can expect export sales to begin.

Exporting profitably is like running a successful marathon: winning is nine-tenths in the preparation. Fully two-thirds of the export process should take place at home before you travel abroad.

Entering a new services market demands a long-term investment and a long-term perspective. You need to be sure you are in an excellent position to capitalize on the investment of time and money you are and will be making, and exploit strategies to reduce the investment required.

Strong marketing materials and successful networking skills are a plus for any business, but they are vital for companies that export services. It is essential that you have them before you start exporting.

RESOURCE

Export Readiness Diagnostic Tool for Services Exporters. International Trade Centre. ITC, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 22 730 0111, Fax: +41 22 733 4439, Email: itcreg@intracen.org, Internet: www.intracen.org/serviceexport. Software tool that assists services export firms in assessing their readiness to export.
9. What are the most common mistakes made by service exporters?

Most export mistakes fall into one of eight categories:

- Approaching a market cold rather than getting referrals from satisfied customers and other network contacts.
- Trying to promote one’s service without first spending time to establish one’s credibility as a provider of quality services.
- Poor or rushed preparation, including travelling to foreign markets without spending time on market research and developing contacts.
- Not attempting to customize the service to cultural values and mores abroad, and assuming that a particular export technique or service will automatically be successful in all countries.
- Not treating online presence as another market that needs to be staffed appropriately to meet the needs of global customers.
- Not providing sufficient and timely follow-up.
- Trying to access too many markets at a time.
- Neglecting to translate marketing materials into the local language.
10. How do I assess my firm’s potential for export success?

The key factor is to offer a service that will satisfy a need in the foreign market. To assess your potential for success, you should:

- Evaluate your target market and your firm’s potential in it. You will, of course, first need to identify feasible markets.
- Research the market and ensure that your services will be well matched to it.
- Identify your strengths and challenges, and consider your ability to adapt your promotional approach to each market.
- Undertake strategic marketing activities.

In addition, you will need to ask crucial questions such as: what international or regional agreements have been reached on services and how do they help, constrain or apply to your firm? For this type of information, visit the website of the World Trade Organization at www.wto.org.

You need a clear statement of objectives: what type of service do you expect to export, who will you target (type of customer, strategic partner), what level of export sales do you want to achieve, and what time frame do you have for reaching your target.

It is important to remember that your service capacity should meet demands in your foreign market. It is essential that you consider issues of language and culture, and the foreign business environment.
Preparing to export
11. **What are the typical steps in developing an export strategy for services?**

Because potential international customers depend on recommendations and referrals, you are likely to be most successful in markets where you have strong contacts. Also, since you need to move quickly to take advantage of new market opportunities, you will need to keep modifying your strategy as conditions change and your network expands. Here are the typical steps to take in developing your export strategy:

- Define your export objectives and gain top management support.
- Identify the export-related strengths of your firm that you could leverage.
- Identify three to five potential markets with customers who have needs similar to those that your firm has already addressed successfully.
- Identify your firm’s existing contacts in each potential market (satisfied customers, business colleagues, mentors, old schoolmates, relatives, friends).
- Rank your markets according to the quality of your contacts in each of them.
- Verify, through market research, that your top-ranked market is a viable market for your firm.
- Work with your contacts to build credibility for your firm in your potential market and/or with target customers.
- Travel to the market (if necessary) to build profile and meet potential partners and customers.
- Review the regulatory regime and trade liberalization commitments in your potential export market, and resolve market entry issues and risks.
- Allocate the resources needed to develop the priority export market.
12. **Why do I need an export strategy?**

Behind most export success stories is a strategy. Whether formally written down, or sketched out informally at a meeting of your management team, an export strategy is an essential tool for evaluating the factors that will affect your company’s ability to go international.

An export strategy can be as short as one page. Whatever its length, it provides a document that will enable you to:

- Focus the efforts of all staff on the same priorities.
- Direct the expectations of senior management of how long it will take to become profitable and what resources will be needed.
- Monitor your progress towards your export objectives and make adjustments in your strategy as needed.

The better your planning, the more prepared you will be. Export success depends on many factors, none more important than having an effective way of introducing your service into a foreign market. This may involve using partners.

An export strategy is essential for selecting a target market. It is also important for determining your corporate plan. A good export strategy is never cast in stone.

Lack of planning is one of the main reasons why new exporters fail.
13. How can I build credibility abroad as a service provider?

The single greatest challenge you are likely to face as a service firm from a developing or transition economy is how to be accepted as a credible provider of quality services. To build that credibility, you can use the three general strategies set out below.

Providing objective proof of your competence through:
- Public presentations and speeches;
- A competitive online presence;
- Appropriate licences or certifications for professional staff;
- ISO registration for your firm’s quality management system;
- Awards to your firm or professional staff for excellence;
- Publications by professional staff;
- Listing your firm in well-known and prestigious directories;
- Media coverage of your firm’s activities;
- Strategic alliances with known industry leaders; and
- Participating in online discussion groups.

Offering personal guarantees of your competence through:
- Referrals from well-known contacts;
- Testimonials from satisfied customers; and
- Membership in industry associations.

Providing a positive presentation image by:
- Making a ‘benefits’ statement;
- Building quality into your website and other promotional materials; and
- Showing sensitivity to cultural factors.
14. How can I obtain export-related experience?

The many ways of gaining low-cost export-related experience include:

- Expanding your service delivery to other regions in your country to obtain a grounding in managing the delivery of services to dispersed sites and to diverse ethnic or cultural groups.
- Providing services to foreign firms or intergovernmental organizations (such as the United Nations) in your own market.
- Acting as a subcontractor to experienced exporters in your country.
- Participating in your national bilateral aid projects in neighbouring countries.
- Acting as a prime contractor or subcontractor on internationally financed projects in your country.
- Joining a trade mission to various countries.
15. **How do I contact firms that are successful exporters?**

If you think through your own network, you will probably find that you already know successful exporters. If not, here are some routes through which to make contact:

- The industry and trade associations to which you belong;
- Officials in the international trade department of your bank;
- Government trade officers;
- International trade lawyers;
- Your accountant;
- Your customers; and
- Importers’ associations.

Networking is a good way of identifying firms that have exported successfully. Trade fairs, conferences and industry events are excellent venues for networking.

Industry and trade associations, with their lists of member firms, are likewise good sources of information. Access to this information is often possible through their websites.

**RESOURCE**

**International Trade Centre.** Web page at [www.intracen.org/servicexport](http://www.intracen.org/servicexport). Provides information on how to export services and how to order ITC publications.


16. **How long must I wait before I can expect to see a profit?**

Developing a profitable export initiative takes time and investment. You can accelerate the process by:

- Doing your homework on the target market from your home base before you incur travel expenses.
- Working through your network of contacts and satisfied customers instead of entering a new market cold.

Generally speaking, unless your service can be provided entirely online, it takes three to six trips to the export market to develop an export opportunity. You will reduce your costs if you can offset your travel costs by linking market development trips to travel to, and from, locations where you have existing export contracts.

If you enter the market through a strategic alliance with a local partner, you may find that you can start making profits almost immediately. If, on the other hand, you choose to enter the market independently, incurring the additional costs that entails, you will need at least twice the time it takes on your domestic market to begin to earn profits abroad.

It is worth remembering that it will take time to build up your credibility abroad and that quick profits will therefore be unlikely. An export company must often wait months or even several years before it can begin to see a return on its investment.

In addition, the process of developing a services contract is typically longer than that for merchandise sales. To provide foreign customers with an adequate level of ‘comfort’ with your services, and to speed up market entry, partnering with local firms is usually critical.

If the above points can be factored into your plan, you are more likely to realize a profit quicker.
17. How can my firm best finance its export market development?

In most developing and transition countries, export financing for service firms is a challenge. Most of the financing available is structured for goods exporters. This leaves you with three usual sources of financing for export market development:

- Working capital (i.e. the cash available in your firm);
- Shareholder’s loans (i.e. cash you lend the firm); and
- Creditor debt (e.g. charging airline tickets on a credit card)

Unless you are involved in a capital project or your service has a tangible component (such as computer software), your most likely source of export financing (other than retained earnings) will be your commercial overdraft facility (line of credit) with your bank. It is essential that you discuss your export plans with your bank, remembering that the amount of credit extended will depend on your bank’s perception of risk. Because of the time it takes to develop a new market and the visits abroad that will be required, you will need to be strategic in how you use any credit made available to you.

Once you have an export contract, you may be able to get your customers to prepaid some expenses (e.g. airline tickets, project mobilization payments).

You may find that it is necessary to meet bank officials higher up in the ranks (with bigger signing limits) or bank officials specifically responsible for trade financing in order to obtain the terms you need. If your country has an export development bank, you will want to explore what that facility can offer you. Similarly, be alert to special loan terms (e.g. lower interest rates) for which you may be eligible.

Because of the need to travel abroad in order to build networks and establish credibility, most service firms find financing foreign travel a particular challenge. Hopefully, your firm will have corporate credit cards against which travel expenses can be charged, so that you will not need to use your personal credit card for such purposes.

REFERENCE

Successful Services Exporting: A Handbook for Firms, Associations and Governments. International Trade Centre. Rev. ed. 2001. ITC, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 22 730 0111, Fax: +41 22 733 4439, Email: itcreg@intracen.org, Internet: www.intracen.org. United Nations Publications, Sales Office and Bookshop, Palais des Nations, CH-1211, Geneva 10, Switzerland, Tel: +41 22 917 2614, Fax: +41 22 917 0027, Email: unpubli@unog.ch. United Nations Publications, Room DC 2-853, 2 UN Plaza, New York, NY, United States, Tel: +1 212 963 8302, Fax: +1 212 963 3489, Email: publications@un.org. Chapter 10.


Asian Development Bank Business Opportunities. Web page at www.adb.org/Business/Opportunities. ‘Provides advance information on requirements for goods and services of projects under consideration by ADB.’


European Union. Website at www.europa.eu. Select ACTIVITIES, ENTERPRISE and ENTERPRISE & INDUSTRY for information on procurement, consultations, events, etc.

European Investment Bank. Website at www.eib.org. Select PROJECTS for a list of projects funded by the Bank. Select CONTACT for a list of EIB offices and their addresses.
18. **How do I use the Internet to assist my export initiative?**

The Internet is both a marketing tool and a marketing technique. It gives you an opportunity to present and to provide your services to current and potential customers, clients and partners around the world, enlarging your possibilities immeasurably. It hosts business information exchanges and is an important instrument in the export of services.

Little-known firms can become instantly visible if they use the Internet wisely. Even a small firm can develop a polished and sophisticated web presence and promotion strategy. Potential customers are less concerned about geographical location if they feel the firm they are about to deal with is electronically accessible.

You can use the Internet in at least six ways to assist you in exporting:

- Promoting your firm’s capabilities through a well designed corporate website.
- Enhancing your credibility as an expert by participating in selected online discussion groups.
- Conducting efficient market research online.
- Coordinating the activities of project teams in different locations.
- Holding meetings online with clients.
- Delivering services electronically from a distance.
- Providing market information and intelligence.

The Internet offers many ways to promote your capabilities and build your firm’s reputation. Because the Internet culture is based on the free exchange of information, you can readily participate in news groups and online conferences, launch inexpensive mass marketing initiatives, or develop a website to heighten your credibility.

Email address lists are another tool for promoting your services, advertising awards or upcoming events, or soliciting new customers. They can be used inexpensively to reach large numbers of target customers, especially under a mass market approach.
19. How should my firm plan its transition to e-trade?

As a start, you will need to be sure that your administrative and transactional information is in digital form, that your staff are comfortable with web-based technologies, and that your internal policies support collaboration among staff and with external partners. Then you will want to:

- Identify the key e-marketplaces for your services, subscribe to any free e-newsletters, and start participating in online discussion groups.
- Register in as many free databases or e-marketplaces as possible and then monitor the new customer queries you receive from each source.
- Select a couple of online e-procurement sites and monitor the bidding that takes place for services similar to yours. Test the procurement process by making small purchases and bidding on small contracts.
- Study customers’ needs and expectations. In what ways do they use the Internet? What kinds of interactive online contact do they expect? What portals or e-marketplaces do they visit? Where do they search for expertise? Do they expect a one-stop 24 x 7 service? What are the implications for the type of web presence your firm will need to have?
- Study your competitor’s offerings. Are they already online? If so, in which e-marketplaces are they active? What types of customer interaction do they offer? What are the implications for your firm’s strategy?
- Review current best practices for innovative ideas. If your firm already has a website, test it against best practices.
- Review your current service design and delivery process for one-stop integrated service possibilities. Talk with your partners about how to integrate multiple delivery channels. Determine what changes, if any, need to be made to increase customer satisfaction.
- Determine your objectives for e-trade and establish performance measures to see if your objectives are being met.
- Design (or redesign) your firm’s online presence to reflect the results of the previous steps; then staff that presence as you would an additional brick-and-mortar office.

RESOURCE


E-Trade for Service Firms. Brief. International Trade Centre, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 22 730 0111, Fax: +41 22 733 4439, Email: itcreg@intracen.org, Internet: www.intracen.org/servicesexport.
20. How should my firm prepare to export?

Many firms attempt to export before they are ready to do so and are disappointed when their efforts do not result in leads or contracts. Experienced exporters insist that a great deal of preparation is necessary to make a mark on the trade.

It is important to develop an export plan before attempting to export. The export plan should answer these questions:

- What profit margin do you expect?
- How is the export market unique?
- What resources do you need (staff, financing, etc.)?
- What market entry strategies should you use?

A number of public and private organizations offer export-related assistance in many countries. However, most, if not all, use a model that works well for goods but not for services. You will need to make sure that you are receiving the types of preparatory support appropriate for your service. Sources of assistance include the following:

- Government trade officers;
- Trade and service industry associations, including World Trade Centres;
- Private consultants and trade tutors; and
- Training institutes.

**RESOURCE**

**Export Readiness Diagnostic Tool for Services Exporters.** International Trade Centre. ITC, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 22 730 0111, Fax: +41 22 733 4439, Email: itcreg@intracen.org, Internet: www.intracen.org/serviceexport. Software tool that assists services export firms in assessing their readiness to export.

**International Trade Centre.** Web page at www.intracen.org/serviceexport. Developed by the ITC Trade in Services Unit, this page provides information on how to export services and how to order related ITC publications.
21. What domestic market development strategies will also work abroad?

Often your most successful domestic market development strategies will also work well in export markets. The first question to ask yourself is ‘How do we get business now?’ Then check with a ‘cultural coach’ (i.e. someone who knows your target market well) to see if the same strategies will work there. Here are some strategies that are often portable from one market to another:

- Building your profile by speaking at conferences and industry events;
- Participating in your service industry association to build your profile and establish contacts;
- Active networking at industry events;
- Soliciting references from satisfied customers; and
- Writing articles for the local trade press.

It is true that the more exposure your company has, the better will its profile look to a foreign market. Your firm will no longer be an unknown entity trying to break into a new place; rather, it will have built a niche for itself in the home market or, at the very least, gained enough exposure to be credible. Because of the need for potential customers to believe in the ability of the service provider to perform, establishing good interpersonal relationships is also critical to success.

Services exporters need to develop a wide range of market contacts not only to establish credibility but also to identify potential business. The initial market development process will usually concern itself with promoting the firm’s credibility; marketing specific services comes later. One of the first market development tasks is to identify appropriate venues for networking and showcasing one’s expertise.

**RESOURCE**

*Successful Services Exporting: A Handbook for Firms, Associations and Governments.* International Trade Centre. Rev. ed. 2001. ITC, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 22 730 0111, Fax: +41 22 733 4439, Email: iterreg@intracen.org, Internet: www.intracen.org. United Nations Sales & Marketing Section, Palais des Nations, CH-1211 Geneva 10, Switzerland, Fax: +41 22 97 00 27, Email: unpublish@unog.ch (for orders from Africa, Europe and the Middle East). United Nations Sales & Marketing Section, Room DC2-853, 2 United Nations Plaza, New York, N.Y. 10017, United States, Fax: +1 212 963 3489, Email: publications@un.org (for orders from America, Asia and the Far East). Chapters 4 and 5.

*Export.Gov.* United States Government website at www.export.gov that ‘brings together resources from across the U.S. Government to assist American businesses in planning their international sales strategies and succeed in today’s global marketplace’.
22. Who in my firm needs to support the export plan?

Depending on how your firm is organized, there are likely to be six types of persons who need to give your export initiative their full support:

- **Senior management.** You will need financial resources to fund the plan, an assignment of staff time for export development, and an allocation of senior management time for travel and establishing credibility abroad.

- **Service delivery staff.** You will need to have service delivery staff who are interested in customizing services to other cultures and are willing to travel as needed.

- **Front office support staff.** In order to be accessible to foreign customers, you may need front-office cooperation to provide coverage during extended hours and in different languages.

- **Human resource trainers.** You will need to provide staff with training in the differences in cultural values and business practices between your market and your target market.

- **Market research staff.** You will need to have research staff to track a range of market information on your targeted market.

- **Management information systems staff.** You will need information support for staff who are travelling as well as for culturally appropriate online interactions with strategic allies and customers.
Choosing your market
23. **What makes an export market attractive for my service?**

The factors that make a particular market attractive to an individual firm will vary from firm to firm. In deciding which factors to use in short listing a potential market, consider the following factors:

- A good cultural match for your firm.
- Few or no major competitors.
- A growing market where:
  - Your sector is growing rapidly,
  - Your government officials have good contacts.
- Easy to reach:
  - Direct air connections from home,
  - On the way to a current market.
- Easy to make contacts:
  - You already have local contacts there,
  - Your staff have family or friends there,
  - Will be the site of an upcoming major industry event.
- Easy to establish local presence through:
  - A local partner you already know,
  - A local partner you still need to identify,
  - A commercial ‘mini office’ arrangement,
  - A World Trade Centre complex.
- Easy to service at a distance through:
  - An email address,
  - A website.
24. Which type of market should I consider?

Being export ready depends on a good match between the type of market you choose and the characteristics of your firm. There are three general types of markets to consider.

- **Fast-paced, competitive economies.** In these countries, new customers are willing to deal with strangers (you) as long as they feel confident that you have the expertise to perform well. Efficient service delivery, excellent quality assurance, and a media profile are critical for your success. If you are not fluent in the language, you can work through a local partner to handle linguistic and cultural differences. Examples are Australia, Hong Kong (China), New Zealand, Singapore, the United States and the European Union.

- **Relationship-based, relatively affluent economies.** Customers usually deal only with known suppliers – i.e. firms that they know and trust. Here interpersonal communication skills, cultural sensitivity and linguistic fluency are critical in developing a good relationship with a potential new customer or local partner. Such relationships typically need to be developed first at a senior level, so your senior staff must be prepared to travel extensively. Among these markets are Japan, southern Europe, the Middle East and the other more affluent developing areas.

- **Developing economies where third party funding is often required for larger-scale contracts.** In these countries, the private and the public sectors frequently turn to international financial institutions as sources of funds for large-scale projects. Here, market development takes time, flexibility and political astuteness. Experience in working with a third-party source of funds (e.g. one of the international financial institutions such as the World Bank) will be helpful.
25. How will I know if my service will sell in a particular market?

You will want to ask questions like the following:

- Are there customers with needs similar to those of your current customers?
- Are potential customers complaining that they cannot get the type of service you offer?
- Are potential customers likely to buy your type of service from a foreign firm?
- Are potential customers willing to pay for your type of service?

Remember that you can have a great service, and one that people need, but you will not make a sale unless potential customers believe that you can meet their needs. So make sure that you have referral links to decision-makers to maximize your credibility.

Market research is, more often than not, a key to ascertaining the potential for success of your service in an export market. The research should lead, for one thing, to market intelligence, which is the strategic information that can be created by linking market trends or events in such a way as to enable you to identify new market opportunities. For instance, in order to identify new services that you can develop profitably, you will want to know what unmet needs exist in your target customer groups, and why a potential customer would switch to a foreign supplier.

Your level of export readiness is also an indicator of your potential in a foreign market. An accurate assessment of whether you are ready to enter the global marketplace in terms of resources and knowledge will save you valuable export development time, effort and resources.
Choosing your market

26. How can my firm get the most from market research interviews?

If you decide to issue a contract for market research interviews, here are some tips for you and your contractor to ensure that the outcome is useful:

- **Set objectives.** Before starting, ask yourself, ‘What kind of information will help reduce the risk of entering a new market?’ and ‘What is the respondent likely to know about your potential market?’ Choose some ‘must know’ questions to ask if you cannot conduct a long interview. For critical areas, ask similar questions of more than one person so that you can get a feel for the range of reactions.

- **Revise objectives.** The objectives of an interview may change as you progress. Analyse responses and revise questions as you move forward. Probe further in subsequent interviews. Generally, later interviews are used to fill information gaps, or to confirm views obtained in earlier research.

- **Ask simple, open-ended questions and probe the responses.** Ask open-ended questions such as ‘What types of services are contracted out in your industry?’ You may need to give examples of responses to prompt the interviewee. Avoid questions that elicit a simple yes or no answer, unless that is all you want to know. Also, ask the respondent ‘If you were in my position, whom would you see? In which companies? In what job function? Who, by name?’ Finally, ask if you can call back if you missed asking about something.

- **Help the respondent to be specific.** If respondents say ‘Big’ or ‘Large’ in response to a question, ask them to be more specific. Do they mean 1,000 or 10,000, 10% or 50%? If they respond to a question with ‘We often use this service’, ask ‘How often and in what ways?’

- **Make it interesting.** Most people like to talk about their business. Let them talk, but keep them to the point. Offer some of your experiences to make them feel they are also benefiting from the interview.

- **Keep it short and simple.** Do not take more of the respondent’s time than you need. Cover the key points (the fewer, the better) and then see whether the respondent wants to continue talking.

- **Start with the least important interviews.** Leave key interviews to the last, when you have polished your approach and have a sense of where gaps may exist.

- **Keep track of the interviews.** Take good notes. Expand those notes soon after the interview is over.
27. **Where can I find market information?**

Economic journals such as *The Economist* and *The Financial Times* and reports such as Standard & Poor’s *Industry Surveys* analyse global trends in the services industries.

The Internet is also a good source of information, with many websites providing country profiles detailing national strengths and weaknesses. Various government bodies offer Internet services.

Among the many websites providing market-related information, services and links are the following:

- *The Business*. Website at [www.thebusiness.co.uk](http://www.thebusiness.co.uk). Global business magazine covering UK, Europe and world markets, banking, transportation, politics, utilities, natural resources, technology and telecommunications, pharmaceuticals, and other sectors.

- *Financial Times*. Website at [www.ft.com](http://www.ft.com). Carries features on markets and industries, including services.


- *Industrial Information Network (IIN)* at [www.iin.com.pk](http://www.iin.com.pk) is the first of its kind in Pakistan, aimed at using information technology to connect and facilitate businesses in Pakistan. IIN is the first Pakistani B2B and information portal designed specifically to cater to the online trading and information needs of businesses from various industrial sectors in Pakistan.

Bid opportunities can be found on a wide range of e-marketplaces. A sample list of portals to business-to-business (B2B) marketplaces is given below.

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<th>URL</th>
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<td><a href="http://www.emarketservices.com">www.emarketservices.com</a></td>
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<td><a href="http://www.btobonline.com">www.btobonline.com</a></td>
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<td><a href="http://www.verticalnet.com">www.verticalnet.com</a></td>
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<td><a href="http://www.MFGTrade.com">www.MFGTrade.com</a></td>
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<td><a href="http://www.iin.com.pk">www.iin.com.pk</a></td>
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Some sites for tracking international trends are listed below:

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<td>E-business &amp; technology</td>
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28. How do I obtain information on a particular market?

The source of information will depend a great deal on how you plan to enter the market. Much of the information you will need is increasingly available through the Internet. One of the best initial online sources of information is the World Factbook website of the United States Central Intelligence Agency, www.cia.gov (select the World Factbook and the country of your choice). It carries profiles of countries, peoples, governments, economies, and the communications and transportation sectors.

Sector-specific information can be obtained from local industry associations.

If you plan to set up a local office, the local investment agency or World Trade Centre can probably supply you with the information you need on such matters as:

- Availability of literate skilled workers,
- Typical business expenses and conditions,
- Percentage of foreign ownership allowed, and
- Licensing requirements.

You will also want to enlist the help of your government’s commercial attachés to obtain information on your competitors. You may want to know, for example, what international firms are present, what their best practices are, and whether the government competes with private business in your sector.

It will also be a good idea to look up the country reports or sectoral profiles available from such sources as national chambers of commerce and similar associations.

RESOURCE


29. Where do I find information on market entry restrictions?

You will be able to get much of the information you need on the commitments made under the General Agreement on Trade in Services (GATS) from the website of the World Trade Organization, www.wto.org.

Market entry restrictions have to do with the technical regulations and voluntary standards put forward by each country and they vary from country to country. The Agreement on Technical Barriers to Trade tries to ensure that regulations, standards, testing and certification procedures do not create unnecessary obstacles to trade. It sets out a code of good practice for the preparation, adoption and application of standards by central government bodies.

Be sure to check on visa requirements.

Other sources of information include:

- Government trade officers, and
- Foreign trade staff posted within your country.

Note also that country-specific websites may give the required information. Links to these websites are provided by the following, to cite a few examples:

- **World Chambers Network.** Website at www.worldchambers.com. Has a trade information centre for each continent; carries company files, information on trade opportunities, and trade directories.

- **Trade Port.** Web page at www.tradeport.org/ts/countries/index.html gives access to the Country Library, which has links to trade, financing, political and contact information on a large number of countries from nine regions.

- **Foreign Trade On-Line.** Website at www.foreign-trade.com. Assists manufacturers, exporters and potential exporters by providing information on their services to foreign buyers.
30. Where do I find information on industry standards and regulations for my service industry in a particular market?

Your best source of information will probably be the relevant service industry association, if one exists, or a local strategic partner. Other sources of information include:

- Government trade officers, and
- Foreign trade staff posted within your country.

The chambers of commerce in most countries will also have the information as they have to deal frequently with queries on standards and regulations.

RESOURCE

31. **How do I find out who my competitors are and what they are offering?**

To be internationally competitive, you will want to track potential competitors worldwide to see what kinds of services they are offering. Not only will this let you know what customers are expecting, but it will also give you ideas for how to customize your services profitably. One of the best ways to do this is by monitoring websites that provide benchmarking and best practices information, such as:

- **Benchnet.** Website at [www.benchnet.com](http://www.benchnet.com). An online benchmarking and best practices network.
- **The Benchmarking Network.** Website at [www.benchmarkingnetwork.com](http://www.benchmarkingnetwork.com).

With regard to online presence, you will want to track industry standards as well as your competitors' ratings through sites like the following:

- **BtoB.** Website at [www.netb2b.com](http://www.netb2b.com). Online magazine for marketing and e-commerce strategists.
- **CIO.com.** Website at [www.cio.com](http://www.cio.com). Online resource for information executives.
- **ZDNet E-Commerce.** Website at [www.zdnet.com](http://www.zdnet.com).

In any target market, you will have both local and international competitors. If your government trade officers are not able to help you to identify them, you should be able to do so through directories of industry or trade associations or through local news sources.
Finding your customers
32. **How do I develop a reputation within a specific foreign market?**

You will need to focus on activities to build international credibility and on activities in the target market. Some of the actions you can take are listed below.

**General**

- Speak at international or regional conferences attended by decision-makers from your target market.
- Publish articles in the international journals consulted by persons in your service industry.
- Win an award and publicize it.
- Provide expert advice through an industry e-marketplace or one of the free advice websites (e.g. [www.businesslink.gov.uk](http://www.businesslink.gov.uk), [www.magnet4web.com](http://www.magnet4web.com), [http://www.gbot.net](http://www.gbot.net)).

**Market-specific activities**

- Develop a clear marketing message, appropriate to the market, in the line of: 'Think of us when...'
- Adapt your promotional materials to your target market.
- Identify people you know who can refer you to decision-makers, potential strategy partners, or potential customers in the target market.
- Join the service industry or trade association in your target market and participate in a committee.
- Submit articles to local trade and industry media, including association newsletters and trade journals.
- Arrange speaking opportunities in your target market (e.g. conferences, graduate programmes and association events).
- Participate as an expert in online discussion groups on national or regional portals.
33. How do I find out which trade events would be best for me to attend?

Trade events can be a good way to:

- Meet potential clients and partners to discuss opportunities,
- Showcase your experience, and
- Collect information on your competitors.

If possible, develop an ally within the target market (perhaps a potential strategic partner) who can advise you on a range of issues. You will want to be careful in selecting the events you attend so as to use your time and resources wisely. Other possible sources of information are:

- Websites of relevant trade or industry associations,
- Colleagues who know the target market,
- Government trade officers, and
- Trade journals and newsletters.

Because a strong network is useful, it is essential to approach networking systemically. The most efficient way is to build up your international contacts and to find out what others are doing at events that bring together people with similar interests (such as professional conferences and international seminars). Your service industry association should be able to help you determine which events would be most appropriate. You will be more successful if you contact event organizers ahead of time and ask for a list of participants with contact information.

RESOURCE

Successful Services Exporting: A Handbook for Firms, Associations and Governments. International Trade Centre. Rev. ed. 2001. ITC, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 22 730 0111, Fax: +41 22 733 4439, Email: itcreg@intracen.org, Internet: www.intracen.org, United Nations Sales & Marketing Section, Palais des Nations, CH-1211 Geneva 10, Switzerland, Fax: +41 22 97 00 27, Email: unpubli@unog.ch (for orders from Africa, Europe and the Middle East). United Nations Sales & Marketing Section, Room DC2-853, 2 United Nations Plaza, New York, N.Y. 10017, United States, Fax: +1 212 963 3489, Email: publications@un.org (for orders from America, Asia and the Far East). Chapters 4 and 6.

International Trade Centre. Web page at www.intracen.org/servicesexport. Developed by the ITC Trade in Services Unit, this page provides information on how to export services and how to order related ITC publications.
34. **How do I prepare for an international trade event?**

Take the steps outlined below before, during and after trade shows to increase your chances of securing business.

- **Plan ahead:**
  - Analyse how the trade event fits with your overall marketing plan.
  - Become knowledgeable about your industry in the market where the event is being held: trends, competitors, industry structure and industry associations.
  - Develop clear targets for business development, including targets for the trade event.
  - Develop a list of questions you need answered on the trip.

- **Notify appropriate parties that you are coming:**
  - Maximize the use of your time abroad by writing ahead to contacts you may have, including potential customers, possible strategic partners and industry associations.

- **Plan how you will follow up before you leave:**
  - You will be returning to a backlog of work in the office, and follow-up can get postponed indefinitely. Before you leave, draft standard follow-up letters that can be used quickly on your return and designate support staff to help you in the follow-up.

- **Take ample copies of your company literature and business cards:**
  - You will want to leave behind visual reminders of your firm and its services, so make sure that you do not run short of materials.

- **Send professionals to the trade event:**
  - As you will not have a product to demonstrate, send professional staff to the trade event.

- **Be prepared to act:**
  - Make sure that you maximize your time abroad by taking advantage of free time to develop new leads or make some cold calls. If other firms are ready to talk specifics, be sure that you know what on-the-spot commitments you can make on behalf of your firm.

- **Research options for a strategic presence while you are abroad:**
  - If possible, you should leave the market with the names of potential strategic partners and options for establishing a local address and telephone number.

- **Follow up all possible leads:**
  - Once you are back home, follow up with all parties within 24 hours. You never know who may refer business to you in the future. Do not be disappointed if you do not win immediate business at a trade event. Plan to return regularly to the region.
35. **Should I join an industry or trade association in my target market?**

Joining an industry or trade association in your target market can give you the following benefits:

- Increased credibility as a result of being listed in the association's directory and website,
- A means to becoming known through participation in association events,
- Access to information on local issues and events,
- Access to information on your competitors,
- An easy context for networking, and
- A way to find suitable local partners.

Membership in an industry or trade association in a target market gives you credibility among potential clients. In addition, it offers you access to information that may otherwise not be available to you. More importantly, the information it provides will be targeted to your type of market and therefore more useful to your firm. Finally, membership facilitates networking as trade associations are made up of members with the same interests and provide the means for quicker interaction.
36. **How do I identify possible customers?**

You will probably find that the strategies you use in your home market will work in an export market. Here are some ideas:

- Practise active listening when networking to uncover complaints, identify unmet needs, and determine who may be willing to pay you to meet those needs.
- Ask contacts familiar with the target market about potential customers.
- Request assistance from trade officials in your target market to help you identify potential customers.
- Focus on developing a local strategic partner and then tap into its network.

Researching possible customers in a target market is critical and companies that invest in this type of research increase their chances of succeeding in the international marketplace. The research can identify where your service is likely to sell and in which market segments; and who your domestic and international competitors are. While systematic market research takes time, it will normally pay off in the long run. A serious consideration of the factors involved in exporting in the beginning will save you from misfortunes in the end.

**RESOURCE**


**Trade Port.** Website at www.tradeport.org. Provides comprehensive information on entering foreign markets, finding trade leads, finding an overseas representative, and pursuing international bid opportunities.

**World Trade Point Federation.** Website at www.wtpfed.org. Operated by the United Nations Trade Point Programme, the website lists electronic trading opportunities (select ETOs).

**Global Board of Trade.** Website at www.gbot.net. Its Trade Accelerator service lists trade lists in bulletin boards worldwide; offers business-to-business auction services.
37. **How do I get potential customers to notice my new service?**

Again, you will probably find that most of the strategies that you use in your home market will also work in your target market. Here are some ideas:

- Give talks on the issues that your service addresses,
- Develop a small service that you can provide so that customers can test your delivery,
- Present a demonstration project to potential clients, and
- Develop a media profile through articles about your service.

Some services, because of their nature, are difficult to sell unless the potential buyer has an opportunity to examine them in person. An actual presentation of the services to be offered in the export market will make a difference. Trade shows, fairs, missions and matchmaker delegations provide opportunities for showcasing actual services abroad and stimulate interest in the service provider.

Potential customers are always reassured when they know that they can depend on your services because they have seen your firm in action. This way of enlarging your firm’s profile will help clients remember both the services you offer and how these can be used effectively to meet their specific needs.
38. What should I do first if I want to bid on government contracts?

In many countries, government contracts are reserved for local firms. You should ask your government trade officers about the kinds of contracts you could realistically aspire to win. The easiest way to obtain such contracts is as a subcontractor to a local strategic partner.

Some governments help exporters to identify and assess leads to potential buyers, distributors, joint venture partners, and licensing opportunities in the private and public sectors. They may also have a network of commercial officers posted abroad.

Consult your trade associations. These may have the information you require or may be able to direct you to other entities providing this type of service.

Then you have to find out what to do in order to enter a bid for a contract. Here are some sites that offer information on bidding procedures:


A few examples of online sites for the procurement of support services are listed below.

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<tr>
<th>URL</th>
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<tr>
<td><a href="http://www.buyerzone.com">www.buyerzone.com</a></td>
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<td><a href="http://www.dovebid.com">www.dovebid.com</a></td>
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**RESOURCE**

**Improving SME Access to Public Procurement: The Experience of Selected Countries.** International Trade Centre. 2000. ITC, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 22 730 0111, Fax: +41 22 733 4439, Email: itcreg@intracen.org, Internet: [www.intracen.org](http://www.intracen.org). United Nations Sales & Marketing Section, Palais des Nations, CH-1211 Geneva 10, Switzerland, Fax: +41 22 970 00 27, Email: unpubi@unog.ch (for orders from Africa, Europe and the Middle East). United Nations Sales & Marketing Section, Room DC2-833, 2 United Nations Plaza, New York, N.Y. 10017, United States, Fax: +1 212 963 3489, Email: publications@un.org (for orders from America, Asia and the Far East).

39. Where can I find out about international bidding opportunities?

If you want to do work for an international financial institution (IFI), you will need to develop personal contacts with the IFI officials involved. As a first step, though, you need to be registered with the appropriate IFI, which you can do through its website:

- African Development Bank: [www.afdb.org](http://www.afdb.org)
- Asian Development Bank: [www.adb.org](http://www.adb.org)
- Caribbean Development Bank: [www.caribank.org](http://www.caribank.org)
- Inter-American Development Bank: [www.iadb.org](http://www.iadb.org)

These websites list upcoming projects and provide information on their status.

Initially, you may want to contact established firms that are bidding on the contracts and offer your services as a subcontractor. Working for a knowledgeable prime contractor can give you valuable experience, enable you to establish a track record of success, and thus make you more attractive as a bidder in the future.

IFIs award contracts each year. They frequently arrange for the provision of consulting (feasibility) services to assist firms in the preparation of their project proposals. Under the technical assistance obligations provided for by the General Agreement on Trade in Services, technical consultancy firms in particular may enjoy some advantage when bidding on IFI projects. Requiring the involvement of a local firm as a partner in these projects is becoming increasingly common.
40. How do I find out about the telecommunications infrastructure in my target markets?

For most service exporters, the telecommunications infrastructure is essential both for staying in touch with their offices and for service delivery. Your best sources of up-to-date information on the infrastructure in your target market include:

- Colleagues already working in the market,
- Government trade officials,
- The World Trade Centre network, and
- National portals.

The CIA website is another source of information on telecommunications infrastructures around the world. For instance, it provides data on the number of Internet service providers and telephone connectivity in individual countries. This type of information is directly accessible from www.cia.gov/library/publications/the-world-factbook/index.html.

Domestic government trade offices and websites also offer relevant information on various countries, primarily because they have either done business or are doing business with these countries and have offices and government attachés there.

**RESOURCE**

**TradePort.** Website at [www.tradeport.org](http://www.tradeport.org). Provides comprehensive trade information, trade leads, and company databases. Includes trade events calendar, an interactive tutorial, glossaries and reference guides.

**International Telecommunication Union.** Website at [www.itu.int/ITU-T/index.html](http://www.itu.int/ITU-T/index.html). Offers information on the telecommunications infrastructure worldwide.
Choosing a strategy for exporting services
41. **What is the best way to enter a foreign market?**

You usually have several strategic choices:

- **Export entirely through a virtual presence online.** As doing business via the Internet becomes more widely accepted, you may find this option increasingly attractive. Some services exporters have met their customers only virtually.

- **Export initially to foreigners in your home market.** One of the easiest ways to enter a new market is to sell your services to respected foreigners doing business in your home market and then to get them to refer you to colleagues in the target market.

- **Subcontract to an international industry leader.** By working with a well-known international firm, you can build your own reputation in the target market.

- **Subcontract to an exporter from your country.** Working with an experienced exporter from your country is not exporting per se as you are not being paid by a foreign customer. However, this will save you valuable time in learning about the market and facilitate the subsequent development of your own export business subsequently.

- **Establish an export office abroad on your own.** If you have a unique or known service, it will be best for you to set up your own office in the target market.

- **Enter into a strategic partnership with a local firm.** One of the fastest ways to become known in a target market is to partner a well-known local firm.

You can also enter a foreign market by participating in trade shows and missions, carrying out direct mail campaigns, and advertising.

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**RESOURCE**

**Successful Services Exporting: A Handbook for Firms, Associations and Governments.** International Trade Centre. Rev. ed. 2001. ITC, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 22 730 0111, Fax: +41 22 733 4439, Email: itcreg@intracen.org, Internet: www.intracen.org. United Nations Publications, Sales Office and Bookshop, Palais des Nations, CH-1211, Geneva 10, Switzerland, Tel: +41 22 917 2614, Fax: +41 22 917 0027, Email: unpubli@unog.ch. United Nations Publications, Room DC 2-853, 2 UN Plaza, New York, NY, United States, Tel: +1 212 963 8302, Fax: +1 212 963 3489, Email: publications@un.org. Chapters 7 and 11.

**World Business Exchange Network.** Website at www.wbe.net. A global trade association promoting and teaching the import and export trade.
Choosing a strategy for exporting services

42. How do I enter a market virtually?

By establishing an online presence, you are automatically open for business to customers in foreign markets. But that does not mean that potential customers in a particular market are aware of your virtual presence. You will need to identify the best e-marketplaces in which to create a presence. Websites (other than Yahoo) providing online directories of e-marketplaces that can help you in your search include the following:

- www.b2business.net
- www.emarketservices.com
- www.net2b.com
- www.verticalnet.com

Even if you have only email facilities and no corporate website, you can participate in e-procurement opportunities online through appropriate e-marketplaces.
43. How can I maximize my profitability?

As in your domestic market, there are two ways to increase profit: raise revenues or cut costs. Because of the extra costs involved in exporting, you will want to be sure that you are positioned in a market so that you can charge enough to earn more than your costs. Usually this means competing on quality (or value for money) rather than on price, or offering a unique service for which customers are willing to pay a price premium.

Your costs will usually be lower if you can export a service without leaving your home base. Here you have two options: export cross border electronically, or sell your services to foreigners who come to your home market. Costs can be cut by maximizing the use of tools in hand as well as those that are accessible at low cost. For instance, you should take advantage of the assistance provided by government bodies and trade associations.

Use your firm’s market research findings to find out how you can save on expenditures. To maximize profitability, you must balance your costs and use a plan that is best suited to your market and the service that you will be providing.

Profitability can be affected by the price you set for your services. A formula for establishing a fee for consulting services abroad is given below. You should first determine your break-even (or before-profit) fee, and then add your expected profit margin in order to calculate your export fee.

Calculating the export fee

\[
\text{Domestic break-even fee} + \text{allowance for communications while abroad} + \text{allowance for other non-billable expenses} + \text{allowance to cover financing of receivables} + \text{allowance to cover foreign exchange fluctuations} = \text{Export break-even fee} + \text{expected profit} = \text{Export fee}
\]

Calculating the domestic break-even fee

\[
\frac{A}{B} = \text{Domestic break-even fee}
\]

Where:

\[A = \text{Expenses to be covered by your fee}
\]

[General overheads + contract-specific expenses]

\[B = \text{Number of days you are available each year}
\]

[260 days less statutory holidays, vacation days, sick leave; administration and supervision time; time for record keeping, staff meetings, professional development and business development]

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**RESOURCE**

*Successful Services Exporting: A Handbook for Firms, Associations and Governments.* International Trade Centre. Rev. ed. 2001. ITC, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 22 730 0111, Fax: +41 22 733 4439, Email: itcreg@intracen.org, Internet: www.intracen.org. United Nations Publications, Sales Office and Bookshop, Palais des Nations, CH-1211, Geneva 10, Switzerland, Tel: +41 22 917 2614, Fax: +41 22 917 0027, Email: unpubli@un.org. United Nations Publications, Room DC 2-835, 2 UN Plaza, New York, NY, United States, Tel: +1 212 963 8302, Fax: +1 212 963 3489, Email: publications@un.org. Chapter 11.
Choosing a strategy for exporting services

44. How can I use existing customers to develop export markets?

Satisfied customers in your home market or a foreign market can be extremely helpful to your export efforts by providing:

- Referrals to persons they know in your target market, and
- Testimonials on your services.

If they are familiar with your target market, they may also be able to give you ideas about how to customize your service in order to address cultural issues.

Articles or company reports written by your company or by others, citing testimonials from those who have used your firm, will improve your standing with potential clients. Such persons often need a reference point to assure them that your firm is offering what they require, and that you are able to provide that service to a satisfactory standard.

For export markets, one needs to build on marketing strategies that have worked locally, adapting them to the target markets. One should also set expectations at a level that can always be met and usually exceeded.

One of the factors to manage particularly carefully in export markets is the customers’ confidence that their needs will be met. Customer satisfaction is critical to ongoing success, particularly in view of the importance of repeat business and testimonials. When customers are satisfied, they typically tell five or six others. When they are dissatisfied they communicate this to at least nine others.

Customers with whom one has an ongoing relationship are an important source of referrals and credibility. For example, you can ask them if you can use their names on your client list in promotional materials. In the long run, your success as an exporter will depend on the networks that you build both at home and abroad, encouraging people to recommend your firm to others and to become your advocate.
45. How can I use my country’s national export strategy to assist my export efforts?

First, you will want to review that strategy to see if it addresses your needs as a service exporter. If not, then you may wish to urge your service industry or trade association to lobby for a strategy that is more relevant to your service industry.

Second, you will want to participate in any national trade missions or export promotion efforts that fit with your export development strategy.

One of the challenges for government is to determine what aspects of public policy have an impact on the benefits to be gained from the development of the services sector and the enhanced performance of services exporters. As demands on scarce resources increase, many governments have turned their attention to exporting with a view to generating revenue.

National export promotion strategies sometimes assume wrongly that initiatives developed for goods will address the needs of the services sector as well. Some of the steps that can be taken to ensure that national export promotion plans take the needs of services exporters into account are:

- Ensuring that the service industry association has a voice in export promotion planning and trade policy development
- Identifying key export markets for services and negotiating favourable terms for temporary business entry, and
- Training commercial attachés abroad in how best to promote service exports.

Governments can help ensure the effectiveness of the associations and certain firms by acknowledging them as representatives of the services industry. The involvement of an association can help raise the profile of domestic capabilities and so support the development of the export trade in services.

In effect, the most effective way of using your national export strategy to your advantage would be to involve the government and its bodies as much as possible in the services sector and to show them how important the sector is.

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**RESOURCE**

*Successful Services Exporting: A Handbook for Firms, Associations and Governments.* International Trade Centre. Rev. ed. 2001. ITC, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 22 730 0411, Fax: +41 22 733 4439, Email: itcreg@intracen.org, Internet: www.intracen.org. United Nations Publications, Sales Office and Bookshop, Palais des Nations, CH-1211, Geneva 10, Switzerland, Tel: +41 22 917 2614, Fax: +41 22 917 0027, Email: unpubli@unog.ch; United Nations Publications, Room DC 2-833, 2 UN Plaza, New York, NY, United States, Tel: +1 212 963 8302, Fax: +1 212 963 3489, Email: publications@un.org. Chapters 18, 19 and 20.
46. **When should I work with a local partner?**

You can benefit from working with a local partner when you want to:

- **Enter a target market rapidly.** Associating yourself with an established and respected market leader can give you immediate credibility and make it easier for you to develop business. Also, you may be able to obtain subcontracts from your local partner and thus earn revenues almost immediately.

- **Reduce operating costs.** Sharing office space, using local staff, and reducing travel and communications costs will cut your costs.

- **Meet regulatory requirements.** Some countries require you to have a local presence or joint venture agreement with a local firm in order to sell to their markets.

- **Provide a local contact for your clients.** Working with a well-known local partner can make your services seem more convenient and increase your customers’ level of comfort with buying from a foreign firm.

- **Increase your market knowledge quickly.** Working with a local partner is an easy way to gain an understanding of local culture and business practices.

- **Expand your network.** You should be able to access your partner’s contact network and so become known more quickly.

- **Provide a unique bundled service.** By combining complementary expertise, you and your partner have the opportunity to develop a unique one-stop service for your customers.
47. How should I choose a local partner?

Not all firms interested in partnering you are necessarily good choices. You need to make sure that your local partner is well respected so that you gain respect and status from the association. In addition, you will want to look for a partner who:

- Has values and a philosophy of doing business that match your own.
- Has staff who work well with your staff.
- Has core skills that complement your firm’s skills.
- Respects your expertise and believes it can benefit from the partnership.
- Is willing to invest time and resources in making the partnership work.

Keep in mind that your local partner will also want to work with you in your home market, so pick a firm that will make you more competitive domestically as well.

Networking through your industry association may enable you to find and make contact with complementary service firms in your market abroad.

Alternatively, you can either:

- Hire a consulting firm to find a good match for you, or
- Approach local or regional firms that have just been awarded a major contract and hire them to provide some services to you.

As regards the latter, if things go well and there is a good fit between you and one of these firms, then you can explore partnering opportunities. At a minimum, try to build up some goodwill so that the firm can help you with market entry.
48. What are the common problems that arise when working with local partners?

A number of problems can arise if you have not selected your partner carefully and have neglected to establish basic ground rules for working together.

- **Different market positioning.** Market image and operational priorities are linked to market positioning. If you partner is positioned very differently from you, you will not be able to create and sustain a market image that fits with the type of service you are offering.

- **Different work styles and standards.** You will have difficulty in meeting customers’ needs satisfactorily if you and your partner disagree on matters like timeliness and service quality.

- **Creating local competitors.** If you choose a partner with the same core skills instead of complementary ones, you will find that you are creating a local competitor through your partnership.

- **Lack of investment in the partnership.** Any successful partnership requires an investment of time and resources; otherwise, it will fail.

- **No exit agreement.** Market conditions and company priorities change over time. If you have not made advance provisions for how you can end your arrangement, you may find yourself caught in a continuing unprofitable situation.
49. **How can I make sure that my local partnership will be effective?**

The most important thing for you to do is to test the working relationship before you become publicly identified with your local partner. It is worth investing in trial contracts with various candidates for this partnership to see how they provide services in real situations.

Among the other helpful strategies are the following:

- Create a formal obligations statement, defining roles and responsibilities,
- Set up milestones and deliverables, and track progress against them,
- Make arrangements for evaluating the partnership at regular intervals, and
- Make regular communication a priority.

Partnering multinationals who have won contracts with an international financial institution or have commercial interests in your market will provide greater certainty that your alliance will be effective. However, your firm needs to be clear about the strengths it brings to the alliance. When it enters into a partnership, it will be associating itself with a firm that has its own image.

To achieve profitability and effectiveness abroad you will need to manage your finances and working hours carefully. You will want to team up with partners who have already developed excellent project management systems and are willing to devote time to the relationship.
Cultural considerations
50. Why do cultural differences matter in exporting my service?

The single most common reason for failure in foreign markets is inattention to cultural factors, not the lack of opportunity. People choose to do business with those with whom they feel comfortable. We communicate over 60% of the time through nonverbal cues, most of which are culture specific. Our cultural beliefs and values shape all the assumptions we make, and the business style we adopt.

From a business point of view, culture can be looked upon as a set of rules governing the way transactions are conducted with nationals of particular nations. These rules dictate the etiquette, and communication and negotiating styles in the culture to which they apply.

Understanding and managing these cultural differences are particularly important to a service exporter for several reasons:

- Potential customers will decide on using your services on the basis of whether they feel you can meet their needs. That decision will depend partly on how appropriately you communicate with them.
- Customers will assess the quality of your service from their interactions with you and your staff, which take place in a cultural context. If your behaviour is viewed as culturally inappropriate, customers will be dissatisfied even if the service is technically acceptable.
- You and your staff will tend to interpret your customers’ needs and preferences through your own cultural filter, and you run the risk of guessing these needs incorrectly if you do not understand your customers’ cultural backgrounds.

Whereas goods exporters can work through local agents or distributors who are familiar with the local culture, service exporters need to establish personal relationships with potential customers in order to create credibility in the market. So learning about cultural values and practices is a critical part of preparing to enter a target market.
51. How do cultures differ?

In general, cultures differ in the following ways:

- *Communications style*, or the degree to which people speak their mind rather than imply what they mean.
- *Activities focus*, or the emphasis on strengthening interpersonal relationships or on completing tasks efficiently.
- *Supervisory relations*, or the extent to which a supervisor takes responsibility for a subordinate.
- *Feedback style*, or the way in which criticism is received and provided openly and directly, or privately and face to face.
- *Degree of control*, or the extent to which people believe that they can influence their own destiny or change their environment.
- *Time orientation*, or the extent to which people focus on the past (tradition) or the future (unknown).
- *Technology use*, or the degree to which people value the use of information technology to expedite the provision of services.
- *Power distance*, or the extent to which roles are formalized and differentiated from each other, with one extreme being hierarchical and the other being egalitarian.
- *Risk aversion*, or the degree of comfort with risk taking (risk avoidance being the other extreme).
- *Individualism*, or the balance between individual preferences and collective or group concerns.

When in doubt, it is good practice to be more formal rather than less formal and to follow your host’s lead.
52. What are the main differences in business practices from country to country?

In general, business practices are influenced by cultural differences arising from three main factors:

- Attitudes to interpersonal relationships and to efficient task completion,
- The importance assigned to social status, and
- The degree of risk taking with which people are comfortable.

Business manners and methods, religious customs, dietary practices, humour and dress vary widely from country to country. So before travelling to your target market, you will want to find out some basic ground rules such as:

- **How strangers greet each other.** In some countries, businesspersons are open and informal; in others, formality is a key and you must always use the titles of individuals when referring to them. One must also take into consideration the various types of greetings in use: these may be a handshake, a hug, a kiss and placing the hands in a praying position. Lack of awareness can lead to awkward encounters.

- **How business cards are exchanged.** This is a key part of business protocol in some countries where the card may be treated as a statement of the status of a person. In Japan, for example, you must look at the card carefully after accepting it, read the card giver’s title and the name of the company, acknowledge with a nod that the information has been digested and perhaps even make a relevant comment.

- **Whether or not gifts are expected as tokens of respect and appreciation.** There are cultural norms for gift giving. Some countries have laws setting the legal limits for acceptable ‘gifts’; in others lavish offerings are the practice.

- **What is usual in terms of socializing.** If invited to a social affair, one should accept the invitation as a sign of respect. Many countries consider after-hours events an occasion for getting to know more about company details.

- **How business meetings are conducted.** Meetings are a crucial part of doing business in some countries. In some places, meetings are informal, with constant interruptions and a tone that may seem more appropriate to a social gathering. Others are much more rigid, and you may need to send an agenda and a list of participants from your company. In some countries, punctuality is important, and you must be on time if not somewhat early; in other places, you may be kept waiting by your host for an hour or more.

- **How business relationships usually develop.** Once a relationship has been established with an overseas customer it is important that you work on building and maintaining that relationship. Distance can ‘age’ a contact quickly and render it useless unless communication is maintained. For many companies, this means monthly or quarterly visits to customers or distributors to ensure a high visibility in the marketplace.
53. Where can I find information on business practices and etiquette in particular markets?

Etiquette is deeply entrenched in many cultures and by adhering to it you will be showing respect for your trading partners. It is therefore necessary to understand at least the basic local etiquette for both business and social occasions. Such things as personal space, physical contact, gestures, gifts and basic pleasantries differ from country to country, but every one will appreciate your being knowledgeable about, and your making an effort to accommodate, their particular preferences in these matters.

Many books have been written on doing business in different countries. You may wish to consult some of these. Check your library for sources of information on the cultural aspects of international business. You may also want to consult the following:

- Colleagues from the target market,
- Embassies or High Commissions,
- Foreigners from the target market who are working or studying in your country,
- University programmes for international studies,
- Private consultants who are experts in intercultural communications, and
- Websites, such as:
  - www.eticon.com/busetiq.htm (Eticon, Inc., etiquette consultants)
  - www.jrcanda.com/art_etiquette.html (Export Etiquette)

You will probably find it helpful to spend time with persons from the target market before travelling abroad in order to get a good sense of basic etiquette.
54. What are the implications of culture for the design of my service delivery?

Once you have decided to do business in a foreign market, the next consideration should be how the service is to be delivered to that market. Distribution channels are of paramount importance because they represent the lifeline between the seller and the buyer.

Services can be delivered in any one of four modalities. These are:

- Provider visits client,
- Client visits provider,
- Provider sets up an establishment in the market, and
- Remote delivery.

Since customers will be involved at some point in the service delivery process, they will have to make an effort to become familiar with the new service or service delivery system.

Cultural aspects have an impact on almost every part of the service delivery process involving persons. The following elements must therefore be considered:

- How customers should be greeted.
- The balance between assistance and self-service. Customers from cultures with low risk-aversion, who value speed of delivery, convenience of access, and an increased sense of choice are the most likely to embrace self-service, for example.
- How customers expect to be treated.
- The extent to which the service needs to be customized to customer expectations.
- When and where the service is to be made available.
- The type of follow-up expected.

It is important to select a method of delivery that minimizes cultural resistance. Sometimes only one aspect of the service provision is linked to cultural factors, and it may not be a critical feature. Whatever the case, you need to establish which method of delivery is important to the service you are offering. In some cultures, for example, contracts are viewed as the formal statement of work to be done and standards to be met, payment to be made, schedules and legal framework to be followed. In other cultures, contracts are seen as evidence of an intention to advance formally towards a working relationship.

There is no ‘best modality’ for any one market. You need to look carefully at the advantages and disadvantages of each modality, to consider how a variety of modalities can be applied to the components of your export work, and to discuss the options with your clients.

A good service and customer support network will not only enhance a foreign trader’s reputation, but it will also be an important tool for making the sale in the first place. Good customer service and support can in itself distinguish a foreign company from its competitors. An investment on this aspect will be well worth it.
55. How do I customize my services for a particular market?

Our cultural values provide an unconscious world view according to which we socialize with others. Because of these unconscious internalized guidelines, we are able to live much of our lives without having to make continuous, conscious decisions about how to act. However, when we move into a different culture, we may have to ignore our natural reflexes and consciously learn new behaviours.

In customizing your service to a specific market, you will need to adapt to local ways of doing business and to culturally appropriate means of service delivery. Here are some issues to consider:

- Adapting to local ways of doing business may mean changes in:
  - Business hours,
  - The languages in which assistance is available,
  - The type of delivery locations, and
  - Whether service is provided at a distance or in person.

- For culturally appropriate service delivery, you may need to:
  - Become more, or less, formal and deferential,
  - Give clients a sense of security (no surprises) or a sense of adventure,
  - Make sure that the service is absolutely consistent over time, or help clients experiment with new ideas,
  - Focus primarily on rapid service completion, or on strengthening client relationships,
  - Expect staff to follow a set procedure, or to take initiatives,
  - Take ultimate responsibility for each staff member, or reinforce a sense of individual responsibility and accountability,
  - Treat all clients and staff as equals, or respect differences in status and title,
  - Help staff focus on group goals or on individual objectives.

If your firm plans to market or deliver services online, you will need to identify which cultural practices and languages to accommodate.
56. **Does gender make a difference in doing business abroad?**

Despite an increase in the number of women in business, traditional biases and practices that discriminate against women continue to exist in many countries. In some instances, potential local partners or customers are simply not used to dealing with businesswomen in positions of authority. This may be true even if women are well represented in the political hierarchy. In other instances, cultural practices make it difficult for female services exporters to network or acquire informal market information. It is important to note that the treatment of women residents in a particular country does not necessarily indicate how foreign businesswomen will be dealt with.

Businesswomen all over the world may face problems and feel prejudices in a business situation. However, business is business and if a good business plan is developed for discussion with prospective partners in target countries, presentation by a woman should in principle raise no insurmountable problems. One should nevertheless know that women often have to perform better in order to obtain the same results as men.

On the positive side, since there are fewer international businesswomen than men, a woman is likely to be remembered. In some instances, women find it easier to develop export business because they may appear less threatening than their male colleagues.
57. **What can I do as a businesswoman to overcome prejudices?**

One of the most effective ways of avoiding difficulties is for your male colleagues to write letters of introduction or to arrange meetings for you. Your government trade officers may be helpful in this role.

It is also important to behave as a business associate rather than as a social collaborator to prompt male counterparts to treat you as a business equal. Depending on the circumstances, you may want to restrict the type of socializing you do after hours in large group functions so that no ambiguity arises.

Regardless of the country in which a woman may choose to conduct business, certain rules of thumb apply:

- Dress conservatively,
- Be cautious when dining alone,
- Do not give business gifts unless they can be used by the recipient’s family, and
- Offer to pick up the tab during business lunches or dinners, but do not insist on it.

The Internet can be a useful tool for overcoming cultural taboos in certain countries, such as the prohibition of face-to-face contact between women and male customers. Some services can be delivered over the Web, for example, and the customer need not know the gender of the service provider.

The Internet also provides links to organizations and networks dedicated to supporting women in business. Here are some examples:

- [www.bpw.com.au](http://www.bpw.com.au). The Australian Federation of Business and Professional Women, Inc. works with other countries to encourage international understanding and provides a forum for discussing important issues.
- [www.sbpwa.org.sg](http://www.sbpwa.org.sg). The Singapore Business & Professional Women’s Association is a networking group that promotes the interests of business and professional women in Singapore.
- [www.nafe.com](http://www.nafe.com). This website is run by the National Association of Female Executives in Washington, D.C. The network aims to empower working and professional women.
58. **In what language should I deliver my service?**

Language is central to the communication process and as such it can be a significant barrier to international trade. Being clearly understood by your business partners is of paramount importance whether you are negotiating or drafting a contract, or issuing instructions from your home base.

While English is probably the most commonly used language in international trade it is not spoken everywhere. Although most foreign buyers are willing to conduct business in English, there may be differing levels of comprehension, and different meanings may be attributed to certain words.

More specifically, you will need to use the language that is expected by your potential customers. Depending on the market, this may mean multilingual service delivery. Learn a little bit of the language if possible (your efforts will probably be appreciated), and use the services of competent interpreters for most business dealings. Always be aware of the ambiguity of language – what you say and what is understood are not always the same thing.

In the long term, knowledge of the language of your market may be necessary and acquiring it will give you a substantial competitive edge. It will improve your understanding of the nuances of a particular culture and the needs of the foreign buyer. It can also go a long way towards preventing contractual disputes.
59. Will I need an interpreter?

Unless you are fluent in the local language, you will want to work with an interpreter to make sure that communication goes smoothly. If you live in a country with diverse linguistic communities, you may already be used to working closely with interpreters. If you have not worked with an interpreter before, keep in mind that interpreters can play several roles in addition to interpreting.

- Even if you have some familiarity with the language, using an interpreter can help prevent inadvertent misunderstandings. Also, one of the advantages of working with an interpreter is that the interpreter can coach you on the local culture and business practices.

- The person you are meeting will usually interpret your hiring of an interpreter as a positive sign that you are seriously interested in building a business relationship. It is critical, though, that you spend the money necessary to hire an interpreter who is familiar with your service industry's terminology and who can interpret simultaneously.

- By monitoring the discussions in the local language and noting discrepancies between what is being said and how it is being interpreted, your interpreter can assess for you the vested interests of the other party.

- If you do have some familiarity with the language, using an interpreter can provide you with valuable time to reflect on possible courses of action while interpreting is going on.

It is important to remember that, even though the other party is using an interpreter, the party may be able to understand what you are saying quite well.
60. **How can I work best with an interpreter?**

Your interpreter is a valuable member of your team. Be aware that you get what you pay for, and resist trying to cut costs in this important area. A good simultaneous interpreter specializing in your business is well worth the expenditure. You will benefit greatly from having your own interpreter, rather than sharing your counterpart’s interpreter. You should instruct your interpreter to interpret everything that is said.

Before any meeting requiring interpretation (and ideally before you even arrive in the country), it will help to supply the interpreter with background materials. Remember that interpretation should facilitate your interaction with your counterpart. Here are some tips on these two matters.

- **Before the meeting,** provide the interpreter with:
  - Your corporate literature,
  - A list of the names, titles, and responsibilities of all team members,
  - A synopsis of your objectives in the market,
  - Information on the persons with whom meetings are to be held, and
  - A list of technical terms to be used.

- **During the meeting:**
  - Interact directly with your counterpart (rather than speaking to the interpreter),
  - Use common terminology,
  - Avoid the use of slang or humour, as this can be misinterpreted, and
  - Watch your counterpart’s non-verbal cues (they make up 60% of all communications).

- **For speeches and formal presentations,** supply the interpreter with:
  - A copy of the presentation,
  - A copy of any slides or overheads, and
  - A copy of any handouts.

**It is important to speak at a moderate pace.**
61. What are the main cultural errors committed in the provision of services abroad?

Greater cultural sensitivity is required in the services trade than in the merchandise business. The single most common error is to underestimate the extent to which culture influences how people assess service options and evaluate the services they receive. Other common errors include:

- **Being too informal, such as using first names without permission.** In many countries it is appropriate to use titles until the use of first names is suggested. For example, first names may never be used when doing business in Germany; in Thailand, by contrast, people address one another by their first names (preceded by the Thai word for ‘Mr.’, ‘Mrs.’ or ‘Miss’) and reserve last names for very formal occasions and written communications.

- **Assuming that what works well in your own culture will work in the target market.** In some cultures communications tend to be direct, even if someone’s personal feelings are likely to be hurt. In other cultures such behaviour would have disastrous consequences. In some countries, people give importance to the feelings (or ‘face’) of the individual and avoid causing any personal embarrassment.

- **Allowing too little time for developing a relationship of respect and trust.** In some markets, emphasis may be placed on contractual relationships and the use of the legal system to resolve disputes. In other societies, however, greater emphasis is placed on personal trust between individuals and problems are resolved within the bonds of friendship.
Promotional materials
62. **What kinds of promotional materials will I need?**

At a minimum, you will need business cards and a written description of your capabilities, the types of customers you serve, and the benefits you provide. Depending on how you usually acquire new customers, you may also need:

- Promotional brochures,
- Copies of articles you have published,
- Copies of media coverage of your firm or yourself, and
- A website.

A brochure is an important first tool in the promotion of your services. Before meeting a printer or graphic designer, you should have a precise idea of what you want to appear on the brochure. It should include a clear description of the services you can offer to potential clients, proof of your capability and experience, the benefits associated with the service you provide, and testimonials from existing clients. Your brochure should be as concise as possible, and should look attractive and professional. When discussing the brochure with a creative firm or printer, tell them what your objectives and needs are, and give them an idea of your budget. Be sure that they know what your requirements are, and ask them for any suggestions that fit within your budget to make your brochure more appealing to buyers.

A one-page covering letter introducing yourself and your company should accompany any mailing of your brochure to potential customers. You could also include a copy of any media coverage you or your firm has received. It is best not to send too much information at once, however. Let the potential customers know that you have additional information which you would be happy to send on request.

Increasingly, customers expect to be able to learn about your company online, so a corporate website is a requirement. It is estimated that Internet advertising can reach a global audience at less than 5% of the cost of traditional advertising. A website can market your services to potential customers all over the globe all day, every day. There are many information technology companies that can help you create a website that best suits your needs.

Promotional tools should be used in conjunction with each other in order to attract as large an audience as possible and therefore a wide range of buyers.

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**RESOURCE**

63. What should my promotional materials contain?

Remember that potential customers are looking for reassurance that you can successfully meet their needs. Promotional materials should therefore contain:

- Benefit messages ('Here’s what our service can do for you...').
- Competitive positioning messages ('Here’s how we differ from others...').
- Testimonials from satisfied customers, including government agencies. Be sure to ask the customers if you can use their names in your promotional materials.
- A description of your firm’s capabilities.
- A statement of your experience in similar markets.
- A sample list of former or current customers.
- A list of awards you or your firm has received.
- A list or description of quality assurance certifications.
- A list of industry associations of which your firm is a member.
- Quotes from media coverage.

Your website should carry similar information, as well as educational and other material helpful for the browser. You could include detailed backgrounders on your particular industry, and provide Internet links for further information.

If you are unsure about how to communicate clearly and effectively through your promotional materials, you could enlist the help of professionals. Some advertising and public relations firms offer writing and editing services.
64. **What are the characteristics of a user-friendly website?**

To be competitive in e-trade, it is important for your firm to have an online presence. That does not necessarily mean that you need to pay to have a website designed. You may also be able to address your initial needs for a web presence through an appropriate e-marketplace registration. If you do elect to have your own website, you need to make sure that it is clearly visitor-focused and is updated regularly. The following are characteristic of a user-friendly website:

The website itself should:

- Load in less than three seconds,
- Load text first, then graphics,
- Load each subsequent page in one second,
- Require no extra technology to browse,
- Provide the desired information in two or fewer clicks,
- Display explanatory text when the mouse points to headers,
- Provide immediate value on the first page, and
- Provide for an easy return to the home page.

The website should contain standard assistance features, such as:

- Informational articles and new briefs,
- A search function,
- Answers to frequently asked questions, and
- Links to related sites.

The website should provide free value-added information, such as:

- Strategic tips for success,
- Instructions on ‘how to...’,
- Self-assessment tools,
- Guidelines for decision-making,
- Guidelines for supplier selection, and
- Framework for comparing options.

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**RESOURCE**

[www.freemania.com](http://www.freemania.com), [www.freewebspace.net](http://www.freewebspace.net) and [www.bravenet.com](http://www.bravenet.com) are examples of websites that offer free web hosting and site design.
65. What information do I need on my business card?

Your business card is your most important marketing tool. It will remain with your potential customer long after a meeting. The type of information it contains will not only enable people to contact you but also reinforce your competitive and professional image. At a minimum it should carry:

- Your name, along with relevant professional designations or degrees,
- Your company title,
- Your company name and logo,
- One line describing the type of service your company provides (e.g. ‘Time Management Specialists’)
- Your address, including name of country,
- Your telephone and fax numbers, including country and city codes, and
- Your email and corporate website addresses.

Place as much information on the card as possible, but always leave room for the card’s recipient to make notes on it. If your information will not fit properly or legibly on the front of the card, use the back as well. Fold-over business cards that open up like a mini-brochure are becoming popular. The usual business information is printed on the outside of the card, while the inside contains a more detailed description of the company’s services and the benefits it provides. Regardless of the type of business card you choose, make sure that it is of standard size, so that it can fit into a wallet or a card file system, or be easily stapled to an address file card.

Depending on the market, you may find it helpful to have a bilingual card, with your native language on one side and the major language of the target market on the other.

Some companies put a calendar or metric conversion chart on the back of their cards to encourage their recipients to use the cards frequently.

The business cards in use throughout your company should have a consistent look. Your stationery should be in the same style as your card and should carry the same information. Stationery can also act as an effective and professional marketing tool in your communications with potential and current customers, as well as with others associated with your work (your banker and suppliers, for example).

If your advertising budget is limited, is it best to focus on a business card of quality rather than to use a variety of second-rate materials.

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**RESOURCE**

*Successful Services Exporting: A Handbook for Firms, Associations and Governments.* International Trade Centre. Rev. ed. 2001. ITC, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 22 730 0111, Fax: +41 22 733 4439, Email: itcreg@intracen.org, Internet: www.intracen.org, United Nations Sales & Marketing Section, Palais des Nations, CH-1211 Geneva 10, Switzerland, Fax: +41 22 97 00 27, Email: unpubli@unog.ch (for orders from Africa, Europe and the Middle East). United Nations Sales & Marketing Section, Room DC2-853, 2 United Nations Plaza, New York, N.Y. 10017, United States, Fax: +1 212 963 3489, Email: publications@un.org (for orders from America, Asia and the Far East). Chapter 5.
66. Are my promotional materials of an appropriate quality?

While content is of great importance, the overall physical look of your promotional materials is just as crucial. You want to be sure that these materials convey a world-class impression. To test this, you can do the following:

- Select service firms in your target market and review their promotional materials. Are yours at least as sophisticated?
- Show your promotional materials to colleagues familiar with the target market and ask for their opinion. Find out what they like or do not like about your materials and make appropriate changes.
- Look at your materials as if for the first time. What impression do you get?
- Check that the information they carry, especially your postal, email and Internet addresses and telephone numbers, is clear and complete.
- Check that your website is easy to navigate, is attractively designed and looks professional.

Be sure that your materials are grammatically correct and printed flawlessly, are easy to read, and are in colours appropriate for your target market. Your website should have a highly professional look: if it will not convey an impression of quality, it is best not to have one at all.
67. Do I need to have my promotional materials translated?

Unless the main language of your target market is the same as your own language, you will need to get at least your primary promotional pieces translated. It is almost always better to advertise your services in the language of the export market. Hire a professional translator from the target market as language usage differs from country to country. Words and phrases that have double meanings could seriously damage the image of your company if the promotional materials are not translated by someone who understands the nuances of the culture and language of your target market. Keep in mind that you do not need a literal translation but rather one that captures the spirit of what you are trying to convey.

If you have some knowledge of the language of your target market, you may want to try to translate some of your materials using resources on the Internet. However, it is essential that the translation be edited and verified. There are various Internet sites that provide basic translation services (words, phrases and sometimes longer texts) in various language combinations:

- AltaVista Translation Service, at http://babelfish.altavista.com/translate.dyn
- FreeTranslation.com, at www.freetranslation.com

Many Internet sites offer translation services for a fee. They include:

- Language Professionals, at www.langpro.co.nz. Provides services in Asian, European and Polynesian languages.

Exporters make the common mistake of failing to translate service and sales messages into the language of the target market. Be sure to include these with the promotional pieces that you have translated.

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**RESOURCE**


**Institute of Translation & Interpreting.** Website at www.itu.org.uk. An independent professional association of translators and interpreters in the United Kingdom. Offers an online guide to buying translations, with examples of translation disasters (Translation: Getting it Right); a search directory for translators and interpreters by language combination, subject area and experience required; and a directory, with contact addresses, of qualified translators and interpreters.
Quality assurance
What quality factors matter to customers abroad?

Your customers abroad will want to be sure that their expectations will be met. You will need to shape these expectations by ‘educating’ potential customers about what you can deliver. You will then have to meet those expectations consistently.

In general, customers look for:

- Consistency in service provision,
- On-time delivery,
- Courtesy in business dealings, and
- Appropriateness of the service to their cultural make-up.

In addition, exporters must conform to the technical and other requirements of their markets. By taking the time and making the effort to understand these requirements and then to create a quality monitoring system, your business will avoid the service delivery quality problems associated with entering a new market.
69. **What quality standards are relevant to services exporting?**

The best way to assure potential customers that you can deliver quality services is to be registered to ISO 9001:2000. While most markets do not require registration to this standard, registration does provide a competitive edge.

Your firm may have initiated other quality-related processes such as business process re-engineering (BPR), continuous quality improvement (CQI) and total quality management (TQM). BPR usually calls for a fundamental redesign of a firm’s processes with a view to achieving radical improvements in employee performance and a more efficient use of resources. CQI shifts the focus from the end product or service to the process by which they are created. TQM is a management philosophy that involves all of an organization’s employees in a structured quality system that integrates the business environment, ongoing improvements and changes in organizational culture. While these processes will help you identify what you need to do in order to improve quality, or to provide a particular level of service, or meet specific client expectations, they will not necessarily give you international recognition. Registration to ISO 9001 will.

The adoption of a quality management system (QMS) should form part of your company strategy. Its design and implementation will be influenced by your company’s needs, objectives, the services it provides, the processes it employs, as well as by its size and structure.

**RESOURCE**

**International Trade Centre.** Web page at [www.intracen.org/serviceexport](http://www.intracen.org/serviceexport). Developed by the ITC Trade in Services Unit, this page provides information on how to export services and how to order related ITC publications.

**International Organization for Standardization.** Website at [www.iso.ch](http://www.iso.ch). Provides information on ISO products and services, and standards, including the ISO 9000 series of quality management standards.

**BSI Group.** Website at [www.bsi-global.com](http://www.bsi-global.com). The Group registers management systems worldwide, facilitates the writing of standards for industry and business use, and provides related support services and learning opportunities.
Quality assurance

70. What is ‘quality’ in services?

Quality is a subjective term for which each person has his or her own definition. The International Organization for Standardization (ISO) defines quality as the ‘degree to which a set of inherent characteristics fulfils requirements’. A note on the definition states that the term ‘quality’ can be used with adjectives such as ‘poor’, ‘good’ or ‘excellent’. Another note explains that ‘inherent’, as opposed to ‘assigned’, means existing in something, especially as a permanent characteristic. Many experts in this field believe that the only acceptable level of quality for any product or service is 100%.

Consistency and reliability are the most important quality elements that customers look for in services. Quality management in services is an ongoing process for all firms regardless of size. This continuous attention to quality is good for both the customer and the firm. The imposition of high quality levels minimizes long-term costs and makes staff more detail-oriented.

The application of quality management principles provides direct benefits and contributes to the management of costs and risks. Benefit, cost and risk management considerations are important for a firm, its customers and other interested parties. They have an impact on:

- Customer loyalty;
- Repeat business and referral;
- Operational results such as revenue and market share;
- Flexibility and rapidity of responses to market opportunities;
- Costs and cycle times by bringing about the effective and efficient use of resources;
- The alignment of processes which best achieve the desired results;
- Competitive advantage by improving organizational capacities;
- Understanding by staff of company objectives, their motivation for achieving these objectives and for their participation in continual improvement;
- The confidence of interested parties in the effectiveness and efficiency of the firm, as demonstrated by the financial and social benefits flowing from its performance and reputation, and the product life cycle;
- The creation of value for the company and its suppliers by optimizing costs and the use of resources, and by increasing the flexibility and speed of joint responses to changing markets.

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**RESOURCE**

**International Organization for Standardization.** Website at [www.iso.ch](http://www.iso.ch). Provides information on ISO products and services, and standards, including the ISO 9000 series of quality management standards.

**BSI Group.** Website at [www.bsi-global.com](http://www.bsi-global.com). The Group registers management systems worldwide, facilitates the writing of standards for industry and business use, and provides related support services and learning opportunities.
71. Will a small and medium-sized firm be able to implement ISO 9001:2000?

The ISO 9001:2000 standard in its new simplified format is applicable to all product categories, all sectors, and all sizes of enterprises, including SMEs. It is simple to use, clear in language and easy to understand. It is suitable for small companies, as it does not demand the type of paper bureaucracy needed for the implementation of the 1994 version. Only six documented procedures are now required and the need for other procedures/documents can be decided by the company. Companies are, however, obliged to provide objective evidence that the quality management system (QMS) has been effectively implemented. A small company may be able to describe its entire QMS within a single quality manual covering all the documented procedures required by the standard.

The new standard’s process-based approach tends to ensure that systems are documented and implemented to suit an SME's own way of doing business. Because it does not impose an artificial QMS structure from the outside, it is easier for SMEs to implement. It also makes it less difficult for SMEs managed by their owners to demonstrate ‘top management commitment’ to QMS. Furthermore, it facilitates effective internal communication, better utilization of resources, and clearer understanding by individuals of their roles and responsibilities.

The standard has a provision allowing decisions to be made on the applicability of certain product realization processes covered by its section 7. For example, if the SME has no responsibility for the design and development of the product it provides, it may state this, giving the reasoning behind it, in its quality manual; the certification body, being satisfied that this corresponds to the standard, would then award certification to ISO 9001:2000. Similarly, other product realization processes such as purchasing, product identification and traceability, and control of measuring devices may be excluded if these are not applicable to the type of products or services being provided by the company.

It is possible that SMEs may not have adequate in-house expertise or that they may have other constraints to performing all processes on their own. In such cases, the standard permits the outsourcing of any of the QMS processes, provided the company has control over such processes. The nature of this control will depend on the nature of the outsourced or subcontracted process and the risk involved. For example, the design and development process may be subcontracted to an expert or a specialized agency, inspection/verification of goods purchased may be subcontracted to an inspection agency, and the internal QMS audit can be outsourced. However, overall responsibility for ensuring control over all outsourced processes as per the requirements of the standard would remain with the company's management.

REFERENCE


72. **What is ISO 9000:2000?**

The ISO 9000:2000 series of standards consists of four primary standards supported by several other documents. The four primary standards are:

- ISO 9001:2000, Quality management systems – Requirements
- ISO 19011: 2002, Guidelines for quality and/or environmental management systems auditing.

Standards are reviewed every five years to ensure that they are current and satisfy the needs of users.

ISO 9000 is a starting point for understanding the standards, as it defines the fundamental terms used in the ISO 9000 family. ISO 9001 specifies the requirements for a quality management system through which a company can demonstrate its ability to provide products that fulfil customer requirements and applicable regulatory requirements; it also aims to enhance customer satisfaction. ISO 9004 provides guidance on continual improvement of the quality management system so that the needs and expectations of all interested parties are met. These parties include customers and end-users; company directors and staff; owners and investors; suppliers and partners; and society at large.

ISO 9001 and ISO 9004 are a ‘consistent pair’ of standards that relate modern quality management to an organization’s processes and activities, and emphasize the promotion of continual improvement and achievement of customer satisfaction. ISO 9001, which focuses on the effectiveness of the quality management system in meeting customer requirements, is used for certification or for contractual agreements between suppliers and buyers. ISO 9004 cannot be used for certification as it does not prescribe requirements, but it does provide guidance for the continual improvement of an organization’s performance. ISO 9001 focuses on ‘effectiveness’, i.e. doing the right things, whereas ISO 9004 emphasizes both ‘effectiveness’ and ‘efficiency’, i.e. doing the right thing in the right way.

The ISO 9000 quality management system is generic in nature and is applicable to all sectors, including services, and to organizations of all sizes, including the single entrepreneur. ISO 9001 specifies *what* is required to be done by an organization but does not indicate *how* it should be done, thus giving the enterprise a great deal of flexibility in running its business.

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**RESOURCE**


**ISO 9001:2000, Quality management systems – Requirements.** International Organization for Standardization (ISO), Case postale 56, CH-1211, Geneva 20, Switzerland, Tel: +41 22 749 0111, Fax: +41 22 733 3430, Email: sales@iso.ch, Internet: www.iso.ch. Specifies requirements for a quality management system that can be used for internal application by organizations, or for certification or contractual purposes.
73. **What is an environmental management system and what is ISO 14000?**

An environmental management system (EMS) forms part of a company’s overall management system. It is used to develop the company’s environmental policy and to ensure that it complies with that policy. EMS provides a framework for the firm to identify those aspects of its business that have a significant impact on the environment, to set objectives and targets to minimize this impact, and to develop programmes for achieving targets as well as other operational control measures to ensure compliance with the firm’s environmental policy.

ISO 14001 is an environmental management standard developed by ISO. It does not establish a minimum level of environmental performance. Rather, it requires a company to achieve the objectives for environmental performance that it has set for itself in its environmental policy; and to demonstrate commitment to complying with legislation and to continual improvement.

ISO 14001 consists of a set of generic EMS requirements which are applicable to all types and sizes of organization, and accommodate diverse geographical, cultural and social conditions. It is of use to both manufacturing and services industries, as all business activities have an impact on the environment.

Although it is less likely for a service industry to generate pollutants directly, service companies can turn to EMS to guide them in more efficient use of resources such as water, electricity and paper. Transport companies, for instance, could use less petrol and more efficient and better-tuned engines, and follow routes that are better planned. Services industries that generate waste like scrap paper, unusable spare parts, liquid detergents for maintenance, etc., can apply EMS to manage these waste products effectively, including by recycling.

The components of the ISO 14000 family of standards and guides are listed below:

- ISO 14001:2004, Environmental management systems – Requirements with guidance for use
- ISO 14004: 2004, Environmental management systems – General guidelines on principles, systems and support techniques
- ISO/CD 14005, Environmental management systems – Guidelines for a staged implementation of an environmental management system, including the use of environmental performance evaluation
- ISO 14032:1999, Environmental management – Examples of environmental performance evaluation (EPE)

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**Weighing up Environmental Management Performance Evaluation (EPE).** Dorothy Bowers and Steven Cornish. *ISO Bulletin.* January 2000. International Organization for Standardization (ISO), Case postale 56, CH 1211, Geneva 20, Switzerland, Tel: +41 22 749 0111, Fax: +41 22 749 0947, Email: sales@iso.ch, Internet: [www.iso.ch](http://www.iso.ch). EPE is an internal management process that provides information to facilitate management decisions on an organization’s management performance.
• ISO 14040:2006, Environmental management – Life cycle assessment – Principles and framework
• ISO/TR 14049:2000, Environmental management – Life cycle assessment – Examples of application of ISO 14041 to goal and scope definition and inventory analysis
• ISO 14050:2002, Environmental management – Vocabulary
• ISO/TR 14062:2002, Environmental management – Integrating environmental aspects into product design and development
• ISO 14063:2006, Environmental management – Environmental communication – Guidelines and examples
• ISO 19011:2002, Guidelines for quality and/or environmental management systems auditing
74. How do I decide whether I should be registered to ISO 9001?

Your primary concern should be whether registration would improve your competitiveness and whether being registered would matter to your potential customers. Some entities require their suppliers to have a quality management system in place and specify this in any contract they enter into for the provision of services. Many government agencies are compelled by legislation to award contracts only to companies that operate a quality management system and are registered to ISO 9001. In some instances, registration may provide added assurance to your potential customers that you can deliver to their requirements. It can also give your company a competitive advantage over your unregistered competitors in the international market. It can be used by customers as a means for distinguishing between different levels of suppliers, especially in high-tech industries, where service reliability is essential.

Internally, conformance (if not registration) to a quality management system should streamline your delivery system and help to eliminate re-work. Other potential benefits include improvements in your company’s overall service quality, in staff efficiency, and in the consistency of the service you deliver to your customers. However, you should seek registration only if there is clear management support for the initiative. If your senior professional staff and lead support staff do not feel that registration is necessary for your organization, then it is best to not pursue it.

If you do decide to seek registration, be sure that your organization devises a strategy for how best to achieve, maintain and utilize it. Many firms that apply for ISO 9001 registration, for example, do not gain certification for a variety of reasons. These include the lack of top management commitment, resulting in inadequate resources being assigned to the quality management system, and inappropriate documentation, leading to procedures and instructions that are not easily understood by users.
75. How does one get registered to ISO 9000?

The process of getting registered or certified to ISO 9000 and how to maintain the status once it is achieved is described below.

Step 1. Companies wanting to obtain certification must submit an application to the certification body of their choice. Among the issues to consider when selecting a certification body are the following:

- Whether the nature of accreditation of the certification body is acceptable in the market to which the company wants to export,
- The market image of the certification body, and
- Quotations for the certification and audit fees.

Step 2. The auditor from the certification body meets the company management to gain an understanding of its processes. Normally speaking, then, the certification audit process starts with a review of the company’s quality manual and procedures by the certification body’s auditor, to ensure that the manual covers the requirements of the ISO 9000 standard. This is known as an ‘adequacy audit’ or ‘document review audit’.

The auditor conveys any gaps (nonconformities) found in the documents to the company for action and re-submission of the documents, if required. The certification body also examines, where relevant, the justification provided in the quality manual for excluding certain product realization processes (e.g. if a company does not design a product, it can exclude the requirements of clause 7.3 of ISO 9001:2000, but this would need to be explained in the manual). Such exclusions should be acceptable to the certification body.

Step 3. After satisfactory completion of the document review audit, the auditors undertake the second part of the audit process at the organization’s location at mutually agreed times and dates – certification audits are not surprise visits. The audit at location begins with an ‘opening meeting’. During this meeting, the auditors explain to the management how the audit will be conducted, and when and how the findings will be conveyed to the management.

Step 4. The auditors collect evidence of conformity/nonconformity by observing activities; examining procedures/records; observing ‘housekeeping’ conditions by interviewing the managers and the personnel concerned on a sampling basis. The information gathered through the interviews is verified or tested by the auditors by acquiring the same information from other sources. The auditors visit and verify compliance with the quality management system in all the related departments and functions.

Step 5. The evidence collected by the auditors is compared with the audit criteria (company policies and objectives, manuals, procedures, instructions, contracts, regulations, etc.) and audit findings including nonconformities (NCs), if any, are clarified and reported to the management at the end of the site audit in a formal meeting with the management called a ‘closing meeting’. The nonconformities are graded by the auditors as ‘major’ or ‘minor’. ‘Observations’ are also noted.

A major nonconformity indicates that:

- The company has failed to implement any one part of, or the full, QMS; or
- A specific department of the company has failed to implement the QMS as applicable to the department; or
- A number of minor nonconformities with QMS requirements have been found.

A minor nonconformity is an isolated incident of a failure to comply with a defined process or QMS requirement. An ‘observation’ indicates that, if the situation as found during the audit is not addressed, it may lead to a nonconformity in the future. Where a major nonconformity is found, the recommendation for certification is deferred until corrective action on the same is verified through a follow-up audit.
Step 6. The lead auditor (the leader of the audit team) decides on the team’s recommendations for certification. These recommendations are conveyed verbally to the company in the closing meeting.

Step 7. Based on the recommendations of the lead auditor and after independent review of these recommendations by the certification body, the latter issues a certificate to the organization. The certificate covers the specific scope of the business and the products or services for which the organization has implemented a QMS.

Step 8. The certificate is initially awarded for a period of three years. During this time, the certification body carries out periodic surveillance audits (once or twice a year) on mutually agreed dates. An audit plan for three years indicating the scope of audit in each surveillance audit is transmitted to the company in advance by the certification body. These audits are planned in such a manner that all aspects of the QMS are audited over a period of three years. A re-certification audit is carried out after three years using steps 2 to 7 above.

Step 9. During the period of certification, the certification body may examine records relating to the quality complaints made by customers either direct to the organization or to the certification body, to check if the organization is taking appropriate action(s) to eliminate the cause of such complaints.
76. Where can I find more information on quality standards relevant to my industry?

National standards bodies
The first step is to contact the national standards body (NSB) in your country, which will generally have a standards information centre. NSBs keep a collection of their own standards, and they frequently maintain collections of national, regional and international standards from bodies such as the British Standards Institution (BSI) or the Association française de normalisation (AFNOR).

At standards information centres, you will usually be able to consult catalogues of standards from various standards bodies to see which of them apply to your service in your chosen export market. An NSB will sell you its own standards and will frequently be licensed to sell the standards of other standardizing bodies. If it does not have the standard you require, you can ask it to order the standard from the relevant NSB, but you will have to pay for it.

The ISO 9000:2000 standards are for sale at the ISO Central Secretariat.

The Internet
If you do not have easy physical access to your NSB or if you wish to obtain copies of standards direct from the relevant standards body, you can use the Internet to search for and obtain standards. More and more NSBs are using this medium to sell copies of standards and disseminate information.

The World Standards Services Network (WSSN) is a network of websites of standards organizations around the world. Through the websites of its members, WSSN provides information on international, regional and national standardization and related activities and services. The WSSN site has direct links to the websites of:

- International Organization for Standardization (ISO),
- International Electrotechnical Commission (IEC),
- International Telecommunication Union (ITU),
- National members of ISO and IEC,
- Regional standardizing bodies recognized by ISO, IEC, ITU, and
- Other international standardizing bodies.

Many of the websites of national, regional and international standards bodies linked to WSSN allow you to search for, buy, and download standards online. Even if they do not have the complete standards online, you should be able to consult online catalogues, and then contact your own NSB, or, failing that, an NSB in another country, or the original standards development organization to buy a hard copy of the standard you want.

RESOURCE

BSI Group. Website at www.bsi-global.com. The Group registers management systems worldwide, facilitates the writing of standards for industry and business use, and provides related support services and learning opportunities.
In addition, a number of online resources deal with quality in specific industries or with quality in general:

- American Productivity and Quality Center (www.apqc.org)
- American Society for Quality (www.asq.org/)
- Europa, the European Union server (www.europa.eu)
- Euro Pages (www.europages.com)
- European Organization for Quality (www.eoq.org)
- European Telecommunications Standards Institute (www.etsi.org)
- The Instrumentation, Systems and Automation Society (www.isa.org/)
- Quality Network (www.quality.co.uk)
- Society of Automotive Engineers (www.sae.org/)

**Commercial catalogues**

Several commercial publishers have complete catalogues of standards on CD-ROM. Other publishers, including the standards bodies themselves, offer complete collections of standards (such as those from ISO, IEC, and BSI) on CD-ROM. These are usually expensive.
77. What are the benefits of registration to ISO 9000?

Benefits in the marketplace

- Increased customer confidence,
- Enhanced market image as a leading-edge firm,
- Ability to meet bidding requirements for selected contracts, both domestic and foreign,
- Better communication with suppliers (as part of the quality system),
- Ability to attract major new clients and keep important current clients,
- Decrease in complaints and customer dissatisfaction, and
- Ability to keep up with, or stay ahead of, the competition.

Internal benefits

- Better documentation of processes for delivery control,
- More rigorous staff training,
- Greater staff awareness of the factors that produce customer satisfaction,
- Better selection of qualified subcontractors,
- A rational basis for identifying key staff training needs,
- Reinforcement of good work habits,
- Reduction of operational costs as greater efficiencies are achieved,
- Lower expenditure on re-work or last-minute panics,
- Simplification of routine procedures,
- Improved product design, and
- Increased motivation of employees.
78. What are the costs of ISO 9000 certification?

The costs of obtaining certification can be broken down into direct and indirect costs.

Direct costs cover the following:

- Hiring consultants or external trainers, if required;
- Sending personnel for external training;
- Acquiring relevant national and international standards of the ISO 9000 family and other related books and publications; and
- Acquiring additional equipment, instruments and other resources as identified by the company.

Indirect costs arise from:

- Time spent by the management and other staff in developing the system;
- Reorganization of the processes, including improvements in housekeeping, if required;
- Organizing in-house training;
- Time spent by internal auditors for periodic internal audits;
- Corrective actions, including revision of manuals and procedures, if required; and
- Expenditure on word processing, stationery and other consumables necessary for preparing manuals, documenting procedures, etc.

Some factors can help lower the above costs. They include:

- Having people in the company already conversant with QMS requirements;
- Having documented system-related activities such as work instructions, quality plans and procedures already in place;
- Using consultants only for specific activities like gap analysis, training of auditors and pre-assessment audits, and having in-house staff oversee the remaining activities.

On the other hand, there are factors that can mean higher implementation costs for the company. For example, if your company carries out activities at different locations, or if your company is involved in product design and development, this may increase costs.
Registration

In addition to the cost of implementing a QMS, if you wish to obtain third-party registration, you will have to pay a registration fee to the registration body selected for the purpose. It is advisable to obtain quotations from two or three accredited registration bodies before deciding on a particular registration body. The fee depends on the size of your company, the number of locations, the number of employees, etc. To give an example: in India, the fee charged by accredited registration bodies varies from US$ 3,000 (for a company with about 100 employees) to US$ 5,000 (for companies of about 400 employees). For smaller companies with up to 40 employees, the fee would be approximately US$ 2,000. These estimated fees cover a registration period of three years, including five surveillance audits by the registration body. Bear in mind that you will need to add the cost of the auditors' travel and board and lodging to the basic fee.
Pricing your service
79. How do I set a price for my service in a foreign market?

In pricing your service, you need to take into account both what people expect to pay for the service, your break-even point and the profit you would like to make. Calculate your break-even point by determining how much you need to make per service (or per unit of time) in order to cover both your fixed (overhead) costs and the variable costs linked to providing that service. If you are a professional, calculate your daily break-even fee by adding all your costs and dividing the total by the number of days you have available to provide the service. In estimating the number of days available, take into account the number of days you will need for holidays, business development, professional development and administrative work (which is likely to leave you with between 160 and 185 days available in a year).

Some pricing strategies are described briefly below.

- **Static pricing:** charging all customers the same price.
- **Flexible pricing:** adjusting prices to different types of customers.
- **Full cost-based pricing:** covering the fixed and variable costs of exporting the service.
- **Marginal costing:** covering only the variable costs of production and exporting; overhead and other fixed costs are paid out of domestic sales.
- **Penetration pricing:** keeping your initial export price low in order to gain market share.
- **Market skimming:** keeping prices low to secure quick profits before the competition rushes in.

Your price must cover ‘hidden’ communication and transportation costs and other non-domestic expenses such as the costs arising from currency fluctuations prior to the end of the contract. You need to price your service in the currency most acceptable to your customer.

If the country requires a certain percentage (often between 15% to 30%) of the professional fee to be withheld at source for tax purposes, you will need to build into your price the cost of financing the withheld amount or else find a local presence option to avoid the withholding. As a result of tax treaties, you will probably be able to recover the withheld amount, but this could take up to 18 months.

A list of some of the other costs of exporting a service is given in question 80.
80. What are the most common pricing mistakes?

Setting the right export price is crucial to a successful international sales programme. Prices must be high enough to generate a reasonable profit, yet low enough to be competitive in overseas markets. The basic considerations to be taken into account in setting prices – costs, market demand and competition – are the same for domestic and foreign sales, but there are additional cost factors involved in providing a service abroad.

Neglecting the following cost factors is a common mistake:

- Hidden travel and communication costs,
- Potential currency fluctuations,
- Fees withheld at source,
- The costs of financing receivables that take longer to collect,
- Subcontracting expenses,
- Translation and interpreting costs,
- International postage, fax and telephone costs,
- Market research and credit checks,
- Commissions, training charges, and the other costs of dealing with foreign representatives,
- Consultants’ fees,
- Legal fees (patent and trademark fees, for instance),
- Accounting fees,
- Costs of promotional materials and activities (e.g. video presentations, trade shows)
- Interest, and
- Insurance.

The biggest mistake is to underestimate how long it will take to prepare and deliver a service in an unfamiliar market (taking into account differing holidays, work ethics, etc.)

**RESOURCE**

*Successful Services Exporting: A Handbook for Firms, Associations and Governments.* International Trade Centre. Rev. ed. 2001. ITC, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 22 730 0111, Fax: +41 22 733 4439, Email: itcreg@intracen.org, Internet: [www.intracen.org](http://www.intracen.org), United Nations Sales & Marketing Section, Palais des Nations, CH-1211 Geneva 10, Switzerland, Fax: +41 22 97 00 27, Email: unpubli@unog.ch (for orders from Africa, Europe and the Middle East). United Nations Sales & Marketing Section, Room DC2-853, 2 United Nations Plaza, New York, N.Y. 10017, United States, Fax: +1 212 963 3489, Email: publications@un.org (for orders from America, Asia and the Far East). Chapter 11.
81. **What should you do about an online request for bids?**

Because of the international online environment, it is particularly important that you be careful about the currency in which you are to quote. Most of the online bidding sites allow you to ask questions about the request for bids before you submit your quotation, and it is a good idea to ask questions yourself and to monitor the questions posed by your competitors.

You also need to be careful about the terms of the bidding site. Some allow the ‘customer’ to select a bidder at any time, while others expect no selection to be made until the deadline for submitting bids is past.

The best strategy is to monitor a site for several weeks before you make a serious bid.
82. How important a variable is price in the customer’s purchase decision?

Setting a price that will be competitive in international markets can be a challenge: prices that work in one market may be totally uncompetitive in another. There is no one formula for establishing prices for exported services. However, a number of strategic and technical considerations can be taken into account to enable you to choose an appropriate pricing structure for your market.

As for the domestic market, product demand is the key to setting prices in a foreign market. The following questions must be answered:

- What price will the market bear for a specific service?
- What is the price for your service in your prospective market?
- If your prices seem out of line, try some simple modifications to your service offer to reduce the price.
- Are you selling an excess or obsolete service?
- Are you entering the market with a new or unique service?
- Can your service demand a higher price because of superior quality?
- Are you willing to reduce profits to gain market share for long-term growth?

The role that price plays depends on the type of service you are offering. Here are three examples of how you can price your service for a new market:

- **High-price option.** This approach may be appropriate if you are addressing an unmet need and offering either a unique or a highly customized service. For such a service, customers may be relatively indifferent to price as long as they feel they will be receiving value for money. In fact, they may be willing to pay up to a 10% premium in order to get exactly what they need from you. While this option may limit the market for your product, it will produce good profit margins.

- **Moderate-price option.** This approach is less risky than both the high- and low-price options. You should be able to match your competitors, build a market position and obtain reasonable profit margins.

- **Low-price option.** If you are offering a standard service that is already available in the target market, customers are likely to be extremely price sensitive. In order to increase your market share, you may need to set your prices slightly lower than the competition. In effect, you may need to sacrifice profit in the short term to reach long-term goals.

In deciding how to price your service you must remember that there may be no single ideal strategy for your company and that the best solution may be to draw on a mix of options for each market or service. Remember, too, that as an exporter, you have additional communication and travel costs, and it will be difficult to be profitable if you do not take these into consideration.

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**RESOURCE**

83. How do I find out what my competitors are charging their services?

Few exporters are free to set prices without carefully evaluating their competitor’s pricing policies. The situation is further complicated by the need to make this evaluation for each market you want to enter.

You will want to have the following information:

- How much do your competitors charge for a similar service?
- How many competitors do you have?
- What other foreign countries are you competing against?
- Is a similar service already being offered in the country you are entering?

If you find that you have many competitors, you may have to match or set a price lower than the going price to establish market share.

Colleagues familiar with the target market should be able to answer some of these questions. You can also act as a customer and shop for yourself to find out what prices are being charged for your type of service. When feasible, travelling to the country where your products will be sold will provide an excellent opportunity to gather pricing information. So if you can, visit the area and gather market information first-hand. Alternatively, obtain the information from current customers, government trade officers, embassy staff, your prospective competitor’s subcontractors or suppliers, and overseas agents who deal with services similar to yours.

You may also be able to get standard pricing information from your competitors’ websites and promotional material, trade associations, and trade journals.

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**RESOURCE**

84. How do I negotiate a price for my service?

Exporters too often limit discussions during negotiations to pricing issues. Although pricing is a key factor in any business transaction, a number of other questions need to be clarified before any business proposal can be considered. New exporters tend to compromise on price at the beginning of the discussions, thereby putting themselves in a position of being unable to take advantage of their negotiating strengths. Negotiations on price should be postponed until other aspects of the transaction have been agreed.

Price negotiation tips

- If the buyer indicates that the initial price quoted is too high and a substantial drop is required, the exporter should not hesitate to ask on what basis the reduction is being called for. The initial focus of the discussions should be on the quality and benefits of the service; only after these points have been made should discussions on price be allowed to begin.

- If the buyer indicates that better offers have been received from other exporters, the exporter should request more details on such offers. Exporters should convince the buyer that there could not be a better offer than theirs. On the other hand if there is a counter offer or request for a price discount, the exporter should avoid ‘capitulating’ without simultaneously asking for something in return.

- Exporters should avoid ‘last offers’ from the buyer. If the buyer indicates that the service is acceptable but the price too high, the exporter should agree to discuss the details of the costing while promoting the benefits of the service being offered and stressing its reliability.

- If the buyer immediately accepts the price quoted, the exporter should find out why. Recalculate the costing, check competitors’ prices and contact other buyers to obtain more details on market conditions.

RESOURCE

Financing and getting paid
85. **What terms should be specified in my contract to make sure I get paid?**

The best way to make sure that you will be paid for your services is to have good working relationships with your customers and to deliver quality services. You should ascertain that your customers have a solid financial standing, a good reputation and access to the means for making payments to you. You will want to have some legal protection in the form of a written contract, which should be executed by persons with the legal power to bind both parties to the contract. If the contract has been drawn up in a country other than yours, have it reviewed by competent lawyers in your country as well as in your partner’s country.

Some of the points that a contract should specify are listed below.

- **To avoid disputes on contractual requirements:**
  - A precise description of the service to be delivered,
  - The period or the date for service completion and delivery,
  - Assignment of responsibility for compliance with norms in the export market,
  - *Force majeure* provisions,
  - Exclusion of any terms imposed by law that the parties do not want to apply, and
  - Statement of all other matters agreed by the parties.

- **To facilitate payment:**
  - The amount to be paid, including a statement on who is to be responsible for paying applicable taxes,
  - The currency of payment,
  - The method of payment,
  - Date payment is due, and
  - Interest to be paid if the payment is late.

- **To address payment-related or other disputes:**
  - Applicable law in the event of disputes, or
  - Provision for arbitration if this is desired, which it often is.
86. What terms of payment should I insist on?

Services exporters typically extend to their customers an open account, meaning that they make deliveries of services before they are paid. This way of doing business is feasible if the buyer is well established, has a long and positive payment record and has been checked for creditworthiness. Some of the largest international firms purchase only on open account terms. Because of the high level of risk associated with this type of arrangement, all the terms of payment should be mutually understood and agreed before a contract is signed. It is advisable to stipulate in your contract the number of days from a specific date on which payment should be made.

The payment method that offers the exporter the least risk is cash in advance. Under this method, a buyer pays for the service before it is delivered. Unfortunately, this payment term is not usual in dealings with untested trading partners. Sometimes a buyer will agree to make a partial payment to a service provider when the contract is signed. You may wish to negotiate partial payment arrangements as a means of protecting yourself against default or long delays in payment. Two forms of partial payment are common:

- A mobilization payment at the beginning of a large contract. This type of payment is generally used to provide services exporters with the capital to purchase the equipment and materials they need to begin work. Some buyers link mobilization payments to specific points at the beginning of a project, for example, when a contractor has prepared an adequate work schedule.

- >Milestone= or >work-in-progress= payments made on the basis of costs incurred as the work progresses (and not on completion of part of the work). In some projects, the exporter must have an accounting or billing system that can segregate paid costs from accrued costs to qualify for these payments.
87. How do I arrange for a wire transfer or direct deposit?

The fastest ways to get paid are by cash or by wire transfer to your bank. For payment by wire transfer, your customer will need routing information on your bank and your bank account number. You should obtain this routing information from your bank; sometimes the payment may have to go through a correspondent bank. There may be a charge at each bank in the route, and you may want to factor these charges into your fee.

You will need to provide the following information to your foreign customer:

- The name of your bank,
- Bank branch transit number, including institution code,
- Your bank account number,
- Your bank’s complete street address (including city and country), and
- Your bank’s telephone number.

Your buyer may offer you the option of payment by direct deposit. Direct deposit is useful if you will be receiving multiple or regularly scheduled payments from your buyer. To receive payment by this means, you will generally need to complete a standard form authorizing your buyer to make direct payments into one or more of your bank accounts. The information you will need to provide is the same as for wire transfers. Your payment will typically be available to you on the date scheduled.

Most companies or organizations issue a payment stub. The stub will show how much was deposited into your account, and how much was taken out for taxes, etc. If your buyer does not issue pay stubs, your bank will notify you of the deposit within a couple of days or will provide you with a telephone number that you can use to check the status of your deposits. The amount deposited should also appear on your monthly bank account statement.

Problems with direct deposits are rare, but if one does arise contact your bank. Problems can usually be resolved quickly.
88. How do I encourage my bank to be supportive of my business?

It is often difficult for services exporters to obtain financing support of any kind. If you do get financing, this is likely to come from your bank. The extent to which your bank will be supportive will depend on its evaluation of the risk posed by your business. You can help reassure your bankers that you are a good risk by:

- Reviewing your export strategy with them,
- Giving them information on any awards or honours you have received,
- Providing them with monthly financial statements showing that you are fiscally sound,
- Providing them with detailed projections of earnings and cash flows,
- Supplying them with copies of letters from satisfied customers, and
- Giving them a list of your major customers.

By presenting this information in the beginning, you can give your banker the impression that you are an open and cooperative customer, thereby laying the groundwork for a positive working relationship.

Keeping your bank apprised of your progress is the best way to encourage it to be supportive of your business. If you have made projections of expenditures and earnings, reporting to the bank progress against these projections will render the bank more comfortable with your export activities. You should provide your bank up-to-date news on your operations, the bad as well as the good. When presenting bad news, tell the bank when you first became aware of the problem, what caused it, how you responded to it and what steps you are taking to prevent a recurrence. Honesty with your banker in all matters will enhance your most important asset: your credibility.

If possible, you should occasionally invite your banker to your place of business to familiarize him or her with the services you provide and to meet your employees. If a personal visit is impossible, provide your banker with photographs and a detailed description of your undertakings. By giving your banker first-hand knowledge of your work, he or she can act as your representative within the bank, making referrals to you and answering trade inquiries that will lead to you.

You may find it necessary to meet more senior bank officials (with higher signing limits) or bank officials specifically responsible for trade financing in order to obtain the support you need. It is also important to get to know your banker=s back-up officers and their supervisors. Bank personnel have tended to change positions more often in recent years and, by having a relationship with the people who work with your banker, you may be able to ensure continuity in your banking relationship even when there is a change in personnel.

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 Successful Services Exporting: A Handbook for Firms, Associations and Governments. International Trade Centre. Rev. ed. 2001. ITC, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 22 730 0111, Fax: +41 22 733 4439, Email: itcreg@intracen.org, Internet: www.intracen.org, United Nations Sales & Marketing Section, Palais des Nations, CH-1211 Geneva 10, Switzerland, Fax: +41 22 97 00 27, Email: unpubli@unog.ch (for orders from Africa, Europe and the Middle East). United Nations Sales & Marketing Section, Room DC2-853, 2 United Nations Plaza, New York, N.Y. 10017, United States, Fax: +1 212 963 3489, Email: publications@un.org (for orders from America, Asia and the Far East). Chapter 9.

89. **What type of insurance should I consider for my business?**

As you move out of your familiar domestic market, you will encounter a number of risks that could drain your financial resources. Here are some planning steps that you can take:

- Reduce your legal liability by acquiring professional liability insurance (if available). This type of insurance, also known as *errors and omissions* or *malpractice* insurance, provides protection against loss incurred because of a negligent act, error or omission. Examples are loss of client data, software or systems failure, or claims of non-performance. Fraudulent or malicious acts are usually excluded from coverage. Professional liability insurance is essential for almost anyone who claims to be an expert and is compensated for expertise. Many firms that hire people to provide them with a service or render a professional opinion require these people to carry this type of insurance.

- Cover the risk of unexpected travel expenses by paying for trip cancellation insurance, or acquiring insurance (often part of credit card packages) covering medical emergencies while abroad or the need for you to return home for emergency reasons. Travel medical insurance and trip cancellation insurance can usually be bought in a package from an insurance company or through a travel agency.

- Acquire *key person* insurance (if available) on the major earners in your firm so that cash flow is not disrupted if they become ill or die while abroad. A key person policy is life insurance that names your company as beneficiary in order to keep the company solvent while it recovers from the loss of the person. This type of insurance is not necessary for one-person businesses, but can be of benefit to small businesses with more than a few employees.

- Protect yourself against the risk of non-payment by clients by acquiring an export insurance policy that deals with such a problem, sometimes known as *accounts receivable* insurance or *export credit* insurance. This type of insurance protects the service exporter from non-payment due to commercial risks (buyer bankruptcy, for example) or political risks (such as the outbreak of war or a revolution).

A few insurance companies offer coverage specifically designed for services exporters. The content of these packages varies between insurers, so be sure to ask an insurance company if they carry such insurance and what it covers. Not all risks are insured by these packages; among those that may be excluded are the risk of losses arising from a dispute between the exporter and the buyer.
90. How do I manage foreign exchange risk?

Unless all your customers abroad agree to pay you in your local currency, fluctuations in foreign exchange rates could put you at the risk of receiving less money for your services than you had planned for. A second risk could arise from an appreciation in the value of the foreign currency in which your services are billed, as this would make your product more expensive to sell abroad.

Many international contracts are denominated in United States dollars, Japanese yen, pounds sterling; in January 2002 they will also be denominated in the euro. If your local currency is pegged directly to the currency of your contracts, fluctuations between currencies will be limited. Otherwise, here are some options:

- Invoice your sales contract in the currency in which you incur the bulk of your costs.
- Negotiate for payment in a currency that is not subject to wide fluctuations in value.
- Pay for your exporting expenses in the currency in which you are paid for your services to match revenues and expenses.

Exporters often manage their foreign exchange exposure by hedging. This is accomplished by entering into transactions that create counteracting risk positions that offer protection against currency fluctuations. Hedging techniques can be quite complex, but when large amounts of money are involved, the extra trouble is justifiable. There are several different types of hedging techniques.

- **Forwarding or forward cover** is an arrangement by which two currencies are exchanged at a fixed future date at a rate determined on entering into the arrangement. This has the effect of locking your foreign exchange situation at the future date.

- **Option forward** is a contract that gives exporters the right to carry out a particular exchange rate transaction at any time during a specified period. This enables exporters to take advantage of any gain if the exchange rate favours them. In effect, it allows exporters to choose the best foreign exchange situation for them.

- **Currency swap** is a technique that allows a company to swap debts with another company through a bank to enable both companies to hold debts in their own currencies. A **fixed rate** currency swap occurs when both the borrowing and the exchanging are conducted at a fixed rate. A currency swap usually provides for the exchange of the principal amount borrowed as well as any interest payments. This technique has a drawback in that it can be applied only to large contracts.
91. How do I assess my customer’s ability to pay?

In many ways, you would assess your foreign customers’ ability to pay as you would your domestic customers. The difference is that you are unlikely to have personal knowledge of who is and who is not a good risk. Here are some helpful sources of information:

- Major banks and their overseas branches and correspondents. Many banks rely on independent research companies to provide them with financial and market information on companies from all over the world. One such research company, Dun & Bradstreet, offers various credit assessment, purchasing and marketing services from its website (www.dnb.com).
- Other exporters who know the customer.
- Credit information companies (both public and private). These exist in most countries and issue comprehensive credit reports on commercial buyers for reasonable fees.
- The service industry association in your target market (especially if you have become a member of the association).
- Government trade officers.

You can also ask your potential customer to provide you with a recent set of audited financial statements and accounts (including profit-and-loss accounts, balance sheets and cash-flow statements). A copy of its financial forecast for the next six months may also be helpful. Assure the company that the information will be treated in the strictest confidence. If it is unwilling to give you its income statements, its balance sheet will usually indicate how well capitalized it is and how it pays its bills. Using the balance sheet, divide current assets by current liabilities to calculate current ratio. If the company has a ratio below 1.00, it is paying out more than it expects to collect and doing business with it may be a risk.

Read credit reports carefully. A misinterpretation of a credit report may lead you to do business with a company that is a bad risk, or to refuse a potentially good customer. It is wise to have a credit counsellor (or someone else who is knowledgeable) review the report with you if you are unsure about it.

Once you have made an assessment of a customer’s ability to pay, it is important to be aware that risk remains. Even the most financially sound business can get itself into financial trouble over time. Also, your credit check on the customer may have been faulty or incomplete. It is therefore important to pay close attention to your accounts receivable. By being aware of and dealing with late payments promptly, you may be able to avoid the problems associated with customer non-payment.
92. What should I do if my customer fails to pay?

First, you will need to identify the reason for non-payment. It may be as innocuous as a misplaced invoice or bureaucratic delays in accessing foreign exchange. It is therefore important to make a first contact by telephone, email or post with your customer concerning the failure to pay. The best approach to take at this point is politely to assume that your customer has forgotten the payment, which may happen. Do as much as you can yourself to obtain payment, as external methods of collection will cost you money. If the customer refuses to pay because he or she is dissatisfied with the service, you will need to address his or her complaints. You may have to find out whether the dissatisfaction is caused by insufficiency in the provision of the service or whether the customer is simply using it as an excuse not to pay.

If you have met all your obligations and the customer has no good reason for not paying, then you have several options:

- **Collection through persuasion.** The foreign bank, government finance agency, and/or collection agency are the most likely allies in pressing your claim. Sometimes a letter from your lawyer will yield the same result. Collection agencies can take a large percentage (between 10% and 30%) of the recoverable amount and alienate customers, so they are best used in extreme cases, such as when you have strong reasons to believe that the customer has been untruthful to you about their financial status.

- **Collection through mediation or arbitration.** Your lawyer or the International Chamber of Commerce can provide you with information on arbitration options. The International Court of Arbitration of the International Chamber of Commerce handles many international arbitration cases. Arbitration is usually cheaper than collecting payment through the legal system, and is often much faster. Remember that recourse to arbitration (and the arbitration authority) should be specified in your contracts with customers.

- **Collection through the legal system.** Protest documents are prepared by a notary in the buyer’s city establishing your legal rights against the buyer. Local courts recognize these documents. The courts could then be used to establish your claim and force payment of your outstanding receivables. If you win the case and the buyer continues to refuse to pay, further court proceedings can be initiated at an additional cost to enforce the initial judgement.
Temporary market entry
93. **Under what conditions can I travel freely to other markets?**

You will need to visit your target market for business development purposes and possibly also for service delivery once you have a contract. This means that you will have to cross borders and require the permission of immigration officers. These officers are responsible for blocking the entry of politically undesirable persons, lawbreakers, and unauthorized immigrants and job seekers. While they are trained to recognize and admit tourists, students and documented workers, they are not necessarily able to identify business persons who have the right to enter temporarily under GATS. They will refuse entry to any person who they think will try to find work in their country without the proper authorization.

It is essential that you emphasize the *temporary* nature of your visit and that you are and will remain employed in your home country. You will want to use words like ‘looking for contracts’ or ‘finding new customers’ or ‘finalizing a business deal’.

Since customs regulations vary widely from country to country, travellers are advised to inform themselves in advance on the regulations in each of the countries they will be visiting. Business travellers planning to carry samples or marketing materials with them may be required to pay import duties.

You can help ensure a successful border crossing as a temporary visitor by contacting beforehand your government officials in the country to be visited for information on specific border crossing requirements for longer visits.
94. **How do I find out about restrictions on foreign travel to specific markets?**

The matter of temporary business entry is being seen increasingly as a non-tariff barrier to the services trade. Under GATS, a growing number of countries are allowing business visitors to enter for purposes of attending trade conferences or developing business without a visa or a work permit. However, the arrangements covering such entry are usually entered into on a bilateral basis, so you will need to find out from your foreign trade ministry whether such arrangements are in place.

Some countries require an entry visa even if you are only transiting through them. This is true of a number of airports in countries (like the United States and Kenya) that serve as a hub for onward regional flights.

**Tips on obtaining visas**

- You must hold a current passport (some countries require the passport to be valid at for least six months from the date of travel).
- You must provide a recent photograph.
- You must allow several weeks to obtain a visa.
- As some countries require visas for business travel but not for tourist travel, you should notify the consular authorities that you will be conducting business in the country to be visited.
- Check visa requirements each time you travel to a country because regulations change periodically.

Embassies are essential sources of information on visas and restrictions on business travel.
95. **How do I make my border crossings as easy as possible?**

In order to ensure a successful temporary border crossing into foreign markets, contact your own government officials in that country ahead of time to inquire about requirements. When travelling, carry the following with you:

- Passport, which must be valid for at least six months after the end of stay.
- Visas, both for your destination and any transit countries.
- Proof of job status and credentials such as business cards.
- Proof of meetings to be held and copies of correspondence with persons in the target market as evidence of the legitimacy of your trip.
- Proof that you meet the health requirements of the countries you are visiting (immunizations, etc.).
- Extra passport-size photographs, in case they are needed.

Before you start your trip, make sure that you know your rights in terms of market entry. Carry a copy of any trade agreement that covers your right to enter that market. At the border, your demeanor is important. The following tips may be helpful:

- Act professionally,
- Be deferential,
- Answer only what is asked,
- Do not volunteer information, and
- Remain calm and at ease.

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**Business Traveller Online.** Website at [www.btonline.com](http://www.btonline.com). Select *UK Edition*, then *City Guides*. Offers detailed information on business hours, visa requirements, public holidays, etc.

**Lonely Planet.** Website at [www.lonelyplanet.com](http://www.lonelyplanet.com). Select desired *Destination*, then *Background Info* and *Crossing Borders* for information on visas, customs, etc. Also provides information on *Weather, Time & Place, Culture & History*, etc.
96. How do I find out about public holidays in my target market?

Before visiting potential markets, you should find out when their public holidays take place. Here are some information sources:

- Government trade officials,
- Websites in your target markets,
- Local embassies or consulates,
- General information websites.

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97. **What safety precautions should I take when travelling abroad?**

Take simple precautions. You should, for example:

- Arrange to be met at the airport or use hotel transfer services or taxis from reputable sources.
- Avoid wearing expensive accessories or jewellery.
- Avoid carrying large sums of money.
- Never leave your luggage unattended.
- Not walk alone at night.
- Not disclose your hotel room number to strangers.
- Select good hotels that have business facilities for the use of its customers.
- Carry emergency contact numbers with you.
- Know what to do if your passport is lost or stolen.
- Know what to do if you are arrested or robbed.
- Leave your telephone and fax numbers and an itinerary with someone reliable in your company.
- Make a list of all the documents you are carrying and leave photocopies of your itinerary, reservations, passport, medical prescriptions, airline tickets, traveller’s checks and credit cards with your family or friends.
- Have the proper clothing, pharmaceutical articles, etc. for the countries you are visiting.
- Prepare for adverse weather conditions, where applicable.
- Check immunization requirements.
- Check for travel safety advisories.

The media, both foreign and local, is a good source of up-to-date information on the places you are planning to visit.

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**United States Department of State, Bureau of Consular Affairs.** Website at [http://travel.state.gov/travel/cis_pa_tw/tw/tw_1764.html](http://travel.state.gov/travel/cis_pa_tw/tw/tw_1764.html) provides information on political and other situations in various countries around the globe.
WTO and GATS
98. What is the World Trade Organization?

The World Trade Organization (WTO) came into existence on 1 January 1995. Created as a result of the Uruguay Round of Multilateral Trade Negotiations, which took place between 1986 and 1994, it oversees the multilateral trading system embodied in the WTO Agreements. As of August 2001, it had 142 member countries (accounting for over 90% of world trade) and 31 observers in the process of negotiating membership. About 100 of the member countries are from the developing world. In its preamble, the Marrakesh Agreement Establishing the World Trade Organization lists the WTO’s objectives as follows:

... raising standards of living and ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services while allowing for the optimal use of the world’s resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment ... in a manner consistent with [the Members’] respective needs and concerns at different levels of economic development.

The main function of WTO is to make sure that the movement of international trade is both efficient and reliable. Its other functions include administering the WTO Agreements, acting as a forum for trade negotiations, handling trade disputes, providing assistance and training for developing countries in trade policy issues, monitoring national trade policies and working positively with other international organizations. Its Secretariat in Geneva provides the basic framework for administering the international rules governing the trade in goods and services.

The WTO Agreement consists of about 60 Agreements, annexes, decisions and understandings, of which the three major ones are the General Agreement on Tariffs and Trade (GATT) 1994, the General Agreement on Trade in Services (GATS), and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). In addition, it encompasses separate commitments (called schedules) made by individual Members in specific areas such as customs duties and the markets for services.

WTO provides a clear set of trade obligations for each of its Members and a legal structure for ensuring that these obligations are observed. Decisions are usually arrived at by consensus among Members and are then ratified by member governments. WTO conducts regular reviews of the trade policies of its Members, in part to ensure that trade is governed by transparent regulations and policies. The four biggest traders – the United States, the European Union, Japan and Canada – come under scrutiny every two years.
99. **What is the General Agreement on Trade in Services?**

The General Agreement on Trade in Services (GATS) is a trade agreement that establishes ‘a credible and reliable system of international trade rules [for the services sectors], ensuring fair and equitable treatment of all participants ... stimulating economic activity through guaranteed policy bindings; and promoting trade and development through progressive liberalization.’* It covers all services sectors with the exception of services supplied in the exercise of governmental authority and measures affecting air traffic rights and services. It identifies four modes of supply: cross-border supply, consumption abroad, commercial presence abroad, and the presence of natural persons abroad.

It imposes on its Members basic obligations to accord to the services and service suppliers of all Members ‘treatment no less favourable than that accorded to like services and services suppliers of any other country’ (most-favoured-nation or MFN treatment), and to publish all measures of general application and establish national enquiry points mandated to respond to other Members’ information requests (transparency).

GATS requires each Member to have a schedule of specific commitments which identifies the services for which the Member guarantees market access and national treatment and any limitations that may be attached. Developing countries are given flexibility for opening a smaller number of sectors, liberalizing fewer types of transactions and progressively extending market access in line with their development situation.

The levels of commitments vary significantly among WTO Members. GATS clearly recognizes the rights of Members to regulate the supply of services in the pursuit of their own policy objectives. GATS also allows Members in very specific situations to take or maintain measures negating their commitments. Examples are measures taken by a country in serious external financial difficulties.

The Agreement consists of the main text, the annexes, the Members’ schedules of commitments and the lists of exemptions to the MFN obligation. Among the annexes are the Annex on Article II Exemptions (which sets out the conditions under which Members may impose exemptions to their MFN obligation), and annexes on specific sectors (such as telecommunications, financial services and transport services).

GATS obligations and commitments are enforced under the WTO mechanism. A Member may not withdraw its commitments without compensating the other Members.

GATS also provides for successive rounds of negotiations among its Members to achieve ever higher levels of liberalization.


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**RESOURCE**

**Business Guide to the General Agreement on Trade in Services.** International Trade Centre. Rev. ed. 2000. ITC, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 22 730 0111, Fax: +41 22 733 4439, Email: [itcreg@intracen.org](mailto:itcreg@intracen.org). Internet: [www.intracen.org](http://www.intracen.org). United Nations Sales & Marketing Section, Palais des Nations, CH-1211 Geneva 10, Switzerland, Fax: +41 22 97 00 27; Email: unpubli@unog.ch (for orders from Africa, Europe and the Middle East). United Nations Sales & Marketing Section, Room DC2-853, 2 United Nations Plaza, New York, N.Y. 10017, United States, Fax: +1 212 963 3489, Email: [publications@un.org](mailto:publications@un.org) (for orders from America, Asia and the Far East).

**World Trade Organization.** Website at [www.wto.org](http://www.wto.org). Provides access to the legal text of GATS, schedules of commitments, and lists of MFN exemptions.
100. How does GATS and the WTO Agreement as a whole help me as an exporter of services?

Almost all major export markets and nearly all product and services sectors are covered by the WTO Agreement, which has as its goal the creation of a trading system which is freer, more competitive and beneficial to developing countries. The primary benefit for services exporters is increased transparency and predictability in the rules applicable to international trade.

By enabling exporters to make informed decisions on the basis of known and unchanging conditions of access to individual markets, GATS encourages the improvement of the quality of services, price competitivenes and innovation in services delivery. GATS has begun to improve and is continuing to improve the access of its Members to the enormous international market for services, valued at an estimated US$ 14 trillion annually.

Under the GATS principle of non-discrimination (MFN treatment), a Member must apply to all other Members the same treatment it accords to any of its trading partners. The conditions of market access are set out in negotiated commitments in specified sectors. National treatment is also a negotiated commitment under GATS; in the sectors in which a Member has made a national treatment commitment, it must not operate discriminatory measures benefiting domestic services or service providers.

Exporters in developing countries can take advantage of the information made available under the WTO Agreement to make a realistic assessment of various factors in the markets of interest to them. Current economic policy information, for instance, can be obtained from the WTO trade policy reviews of individual countries. GATS calls upon all developed member countries to establish contact points to assist services suppliers in developing countries by providing technical and commercial information. The GATS schedules of national commitments can be used to compare target markets and to determine the best ways to enter them. By following the progress of relevant WTO negotiations, exporters can learn of possible future regulatory changes in advance and develop business strategies accordingly.

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World Trade Organization. Website at www.wto.org. Provides access to the legal text of GATS, schedules of commitments, and lists of MFN exemptions.
101. Where can I get information on liberalization commitments in my service sector?

Under GATS, each WTO Member is required to submit a schedule of commitments in the services sectors. If you are planning to export your services to a new market, you should review the schedule of commitments for your target market(s) to determine what the market offers in terms of market access and national treatment for your type of service. Unlike GATT, GATS does not oblige Members to extend market access or national treatment across all services sectors to fellow Members. Obligations are negotiated on a sector-by-sector basis and are stated in the Member’s schedule of commitments. GATS does oblige its Members to have a schedule of specific commitments, regardless of how minimal these commitments may be. Given the nature of GATS, schedules of commitments are continually changing.

All schedules of commitments are posted on the WTO website at www.wto.org. Select A-Z list, then Services, schedules, and follow the instructions to search for commitments or exemptions for each country.

The WTO website also provides sector-specific reports on trade liberalization agreements, information on new developments and government procurement opportunities. To obtain this information, go to the WTO website, select A-Z list, select Services, trade in, and select the topics of interest. To access the WTO’s dedicated document dissemination facility, go to the WTO website, select Search and follow the search instructions to find what you want.

A summary of Pakistan’s services commitments is provided in Appendix III.
102. What should I do if I think that my exports of services are being unfairly blocked in foreign markets?

You should report the situation to the government ministry or agency responsible for your country’s international trade in services. Though private firms have no direct access to WTO, any member government that feels that its services sector is being treated unfairly or discriminated against by other Members can bring the matter before the WTO dispute settlement mechanism.

As of 20-August 2007, a total of 366 disputes had been brought to WTO for settlement. Of these, 132 had been initiated by developing countries and 12 jointly by developing and developed countries. None of these dealt primarily with services, though three cases dealing essentially with trade in goods under GATT had significant GATS elements.

The dispute settlement mechanism provides a forum for the resolution of disputes between WTO Members. The first step is for the Member that feels it has been wronged to request bilateral consultations with the alleged offending Member. If the consultations do not resolve the matter within 60 days, the complainant can then request the establishment of a panel, which must complete its work within six months of being formed. The timetable can be modified to take into consideration the product in question; for example, disputes involving perishable goods can be dealt with in three months.

A ruling by the dispute settlement mechanism consists of the adoption of the findings of the panel of experts or an appeal report. The ruling simply interprets whether a government has broken one of the WTO Agreements. Once the ruling has been presented to the Dispute Settlement Body, it must adopt the findings of the report in 60 days unless the respondent Member signals its intention to appeal the report or if the Dispute Settlement Body decides by consensus not to adopt the findings. Appeals are handled by an Appellate Body of three individuals with recognized standing in the areas of law or international trade, and are not affiliated with any government. An appeal normally lasts less than 60 days, and the Appellate Body can uphold, modify or reverse the original findings.

Members found to be violating their obligations are required to bring their measures into compliance with their obligations under the relevant WTO Agreement or provide compensation to the offended Member. They are given what the WTO calls a ‘reasonable period of time’ within which to comply, normally 15 months, but most parties comply within one year. The level of compliance among Members is generally high.

Third parties to disputes are also governed by the WTO’s dispute settlement rules. They do not have as many rights as the original parties to the dispute. They are entitled only to the first written submissions of the Members involved and they cannot appeal the decision of the panel. Also, they cannot take retaliatory measures against the respondent party if it does not comply with the findings of the panel or the decision of the Appellate Body.
Appendices
Appendix I

The services sector in Pakistan

Pakistan is one of the emerging economies of the world. It has shown great economic growth due to dynamism in its industrial, agriculture and services sectors. The services sector alone has continued to perform strongly and has averaged growth of over 8% per annum since 2000.

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Source: Economic Survey of Pakistan, 2006-07

The services sector grew by 8.5% in 2006-07 as against 9.6% growth the previous year. The finance and insurance sector remained the major driver of growth, while better performance in the wholesale and retail trade as well as the transport and communications sectors also contributed.

All components of the services sector registered strong growth in 2006-07, with the exception of ownership of dwellings, and public administration and defense. The finance and insurance sector posted remarkable growth in 2004-05, 2005-06 and 2006-07 with growth of 30.8%, 33.0% and 18.2%, respectively. The wholesale and retail trade, and transport, storage and communications sectors also registered strong growth of 7.1% and 5.8%, respectively.

The growth performance of the various economic sectors over time can be seen in Table I.1 below.
### Table I.1: Growth performance of components of GNP (% growth at constant factor cost)

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<td>1.9</td>
<td>3.9</td>
<td>1.5</td>
<td>0.4</td>
<td>1.1</td>
</tr>
<tr>
<td>- Livestock</td>
<td>5.3</td>
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<td>2.9</td>
<td>2.3</td>
<td>7.5</td>
<td>4.3</td>
</tr>
<tr>
<td>- Fishing</td>
<td>7.3</td>
<td>3.6</td>
<td>3.4</td>
<td>2.0</td>
<td>0.6</td>
<td>20.5</td>
<td>4.2</td>
</tr>
<tr>
<td>- Forestry</td>
<td>6.4</td>
<td>5.2</td>
<td>11.1</td>
<td>-3.2</td>
<td>-32.4</td>
<td>-43.7</td>
<td>-3.8</td>
</tr>
<tr>
<td>2. Mining &amp; Quarrying</td>
<td>9.5</td>
<td>2.7</td>
<td>6.6</td>
<td>15.6</td>
<td>10.0</td>
<td>4.6</td>
<td>5.6</td>
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<tr>
<td>3. Manufacturing</td>
<td>8.2</td>
<td>4.8</td>
<td>6.9</td>
<td>14.0</td>
<td>15.5</td>
<td>10.0</td>
<td>8.4</td>
</tr>
<tr>
<td>- Large scale</td>
<td>8.2</td>
<td>3.6</td>
<td>7.2</td>
<td>18.1</td>
<td>19.9</td>
<td>10.7</td>
<td>8.8</td>
</tr>
<tr>
<td>- Small scale*</td>
<td>8.4</td>
<td>7.8</td>
<td>6.3</td>
<td>6.2</td>
<td>6.3</td>
<td>8.3</td>
<td>7.7</td>
</tr>
<tr>
<td>4. Construction</td>
<td>4.7</td>
<td>2.6</td>
<td>4.0</td>
<td>-10.7</td>
<td>18.6</td>
<td>5.7</td>
<td>17.2</td>
</tr>
<tr>
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<td>10.1</td>
<td>7.4</td>
<td>-11.7</td>
<td>56.8</td>
<td>-5.7</td>
<td>-23.8</td>
<td>-15.2</td>
</tr>
<tr>
<td><strong>Services Sector</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Transport</td>
<td>6.2</td>
<td>5.1</td>
<td>4.3</td>
<td>3.5</td>
<td>3.4</td>
<td>6.9</td>
<td>5.8</td>
</tr>
<tr>
<td>7. Wholesale &amp; Retail Trade</td>
<td>7.2</td>
<td>3.7</td>
<td>6.0</td>
<td>8.3</td>
<td>12.0</td>
<td>8.7</td>
<td>7.1</td>
</tr>
<tr>
<td>8. Finance &amp; Insurance</td>
<td>6.0</td>
<td>5.8</td>
<td>-1.3</td>
<td>9.0</td>
<td>30.8</td>
<td>33.0</td>
<td>18.2</td>
</tr>
<tr>
<td>9. Ownership of Dwellings</td>
<td>7.9</td>
<td>5.3</td>
<td>3.3</td>
<td>3.5</td>
<td>3.5</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>10. Public Administration &amp; Defense</td>
<td>5.4</td>
<td>2.8</td>
<td>7.7</td>
<td>3.2</td>
<td>0.6</td>
<td>10.0</td>
<td>6.9</td>
</tr>
<tr>
<td>11. Services</td>
<td>6.5</td>
<td>6.5</td>
<td>6.2</td>
<td>5.4</td>
<td>6.6</td>
<td>6.3</td>
<td>8.5</td>
</tr>
<tr>
<td>12. GDP</td>
<td>6.1</td>
<td>4.6</td>
<td>4.7</td>
<td>7.5</td>
<td>9.0</td>
<td>6.6</td>
<td>7.0</td>
</tr>
<tr>
<td>13. GNP</td>
<td>5.5</td>
<td>4.0</td>
<td>7.5</td>
<td>6.4</td>
<td>8.7</td>
<td>6.4</td>
<td>6.9</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan, 2006-07

Value added in the wholesale and retail trade is based on the margins taken by traders on the transaction of commodities traded in the wholesale and retail market. In 2006-07, the gross value added in wholesale and retail trade increased by 7.1% over the previous year, compared to 8.6% growth in 2005-06. Value added in the transport, storage and communications sector is based primarily on the profits and losses of Pakistan Railways, Pakistan International Airlines and other airlines, Pakistan Post & Courier Services, Pak Telecom and motor vehicles of different kinds on the road. In 2006-07, this sector grew by 5.7% compared to 6.9% in 2005-06. The increase resulted primarily from strong consumer demand for mobile phones, Internet services of Pak Telecom, and motor vehicles on road.

Public administration and defense posted growth of 6.9% in 2006-07, while ownership of dwellings grew by 3.5% and the social services sector by 8.5%. The construction sector continued its strong showing, partly helped by activity in the private housing market, spending on physical infrastructure, and reconstruction activities in earthquake affected areas.

Telecom, energy (oil, gas and power), financial services, trade, construction, chemicals, food and personal services were the major recipients of FDI, accounting for almost 88% or US$3.7 billion. The telecom sector was the single largest recipient of FDI with US$1.4 billion, followed by the financial services (US$871 million), energy sector (US$85 million), food services (US$492 million), wholesale and retail trade (US$133.9 million), construction (US$117.1 million), personal services (US$74.1 million) and cement (US$15.2 million).
Services sector contribution to real GDP growth

Pakistan’s economic growth is broad-based and is shared by all the major sectors of the economy. However, a major contribution towards growth has come from the services sector, which has emerged as a growth powerhouse over the past few years. The commodity producing sectors (agriculture and industry) have contributed two-fifths while the services sector contributed the remaining three-fifths of the 2006-07 real GDP growth of 7.0%. Agriculture and industry contributed 30.2%, or 2.9% percentage points, while the remaining 59.8%, or 4.2 percentage points, came from the services sector. Within the commodity producing sectors, agriculture contributed 1.1 percentage points or 15.1% to overall growth, while industry contributed 1.8 percentage points or 22.7% (see Table I.2 and Figure I.1 for details). The services sector has contributed the bulk of GDP growth for some time.

Table I.2: Sectoral contribution to GDP growth (% points at constant factor cost)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>1.0</td>
<td>0.6</td>
<td>1.5</td>
<td>0.4</td>
<td>1.1</td>
</tr>
<tr>
<td>Industry</td>
<td>1.0</td>
<td>3.8</td>
<td>3.1</td>
<td>1.3</td>
<td>1.8</td>
</tr>
<tr>
<td>- Manufacturing</td>
<td>1.1</td>
<td>2.3</td>
<td>2.7</td>
<td>1.8</td>
<td>1.6</td>
</tr>
<tr>
<td>Services</td>
<td>2.7</td>
<td>3.1</td>
<td>4.4</td>
<td>4.9</td>
<td>4.2</td>
</tr>
<tr>
<td>Real GDP</td>
<td>4.7</td>
<td>7.5</td>
<td>9.0</td>
<td>6.6</td>
<td>7.0</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan, 2006-07

Pakistan’s reliance on agriculture is minimizing with the passage of time. It is encouraging to note that the contribution of wholesale and retail trade is increasing. It contributed 19.4% or 1.4 percentage points to GDP in 2006-07. This sector is highly labour-intensive and this higher growth may have contributed to the rise in employment and income levels of people attached to the sector.

Composition of GDP

The composition or structure of GDP has undergone considerable change during the last three and a half decades (see Table 1.2 above for details). The commodity producing sector’s share, which accounted for almost 62% of GDP in 1969-70, declined to almost 46% in 2006-07 — a decline of 16 percentage points.

It is estimated that the contribution of agriculture to overall GDP will shrink rapidly in the next five to ten years because of the faster growth of both the industry and services sectors. Over the last six years, the impetus for growth has largely come from the services and the manufacturing sectors. The share of manufacturing in GDP remained stagnant at around 16% for 33 years until 2002-03. Its contribution to GDP has surged only during the last three years - rising from 16.3% in 2002-03 to 19.1% in 2006-07, an increase of almost 3.1 percentage points.

Within the services sector, almost all components raised their contribution to GDP over the last three and half decades, but have remained more or less stagnant since 2000-01.

Structure of the SME sector in Pakistan

The small and medium enterprise (SME) sector is defined by size rather than a uniformity of business process or markets. The advantages and ills of this mode of business are mostly associated with size. Size gives SMEs the flexibility to survive in difficult economic conditions; it also helps them to create jobs at a lower capital cost. Together these two advantages foster income stability, growth and employment in an economy.
The definition of SMEs in Pakistan (see Table I.3) was formalized in the recent announcement of the SME Policy of Pakistan.

Table I.3: SME definition in Pakistan

<table>
<thead>
<tr>
<th>Sector</th>
<th>Employment</th>
<th>Annual Sales</th>
<th>Productive Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing, Services &amp; Trade</td>
<td>Up to 250 persons</td>
<td>Up to PKR 250 million</td>
<td>Up to PKR 25 million</td>
</tr>
</tbody>
</table>

Source: SME Policy, 2007. (US$ 1 = PKR 60)

The annual Economic Census, conducted by the Federal Bureau of Statistics (FBS), provides useful information about the size, growth pattern, composition and ownership trends in the SME sector in this country. According to the Economic Census of Establishment Pakistan 2005, there were 3.2 million economic establishments operating in Pakistan, of which 2.96 million comprised less than 99 employees. Therefore, 93% of entities fell into the category of SMEs.

SMEs have a pervasive presence across the economy with varying density. The wholesale & retail trade and restaurants & hotels sector has the lion’s share (53%) followed by other services (27%) and the manufacturing sector 19.7% (see Figure I.2 below). SMEs in the manufacturing sector are generally not capital intensive in nature. Instead the majority consists of labour intensive set ups involved in providing support services to larger manufacturing units catering to niche consumer markets.

As for the pattern of ownership in the SME sector, 96.8% of enterprises are sole proprietorship concerns (or partnerships).

Putting the above information together, SMEs are mainly concentrated in the trade and services sector with manufacturing comprising just a quarter of the whole. Most are personally or family owned and managed businesses.

Figure I.2: SME major sub-sectors

Source: Economic Census of Pakistan 2005

Services sub-sectors

A closer look on the composition of sub-sectors that contribute most to the services sector shows that retail trade, wholesale trade, research and educational consultancy services, restaurants and hotels, financial, construction, and some business services, such as computer and information technology (IT) services, and professional services, such as engineering, legal and accounting services. IT and related services are the most significant in terms of scope and scale of export markets and the extent to which these services are currently being delivered. Professional services, such as legal and accounting, is a
promising sector. While it is rare to find a Pakistani architectural firm with an office abroad, a handful of engineering companies have extended their presence outside Pakistan. Medical and health services are delivering primarily to foreign nationals in the domestic market.

Table I.4: Statistics by economic sector, 2005

<table>
<thead>
<tr>
<th>Economic sector</th>
<th>Median employment</th>
<th>Median sales (PKR)</th>
<th>Number of firms</th>
<th>Total sales (PKR)</th>
<th>Total employment</th>
<th>Contrib. to employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Trade</td>
<td>2</td>
<td>216,000</td>
<td>1,439,340</td>
<td>697,298,877,664</td>
<td>2,371,419</td>
<td>28.47%</td>
</tr>
<tr>
<td>Research Services &amp; Institutions</td>
<td>2</td>
<td>72,000</td>
<td>311,545</td>
<td>43,919,690,727</td>
<td>1,360,015</td>
<td>16.33%</td>
</tr>
<tr>
<td>Personal &amp; Household services</td>
<td>2</td>
<td>72,000</td>
<td>463,728</td>
<td>51,576,177,143</td>
<td>820,281</td>
<td>9.85%</td>
</tr>
<tr>
<td>Government (excl. Defense)</td>
<td>6</td>
<td>108,000</td>
<td>21,207</td>
<td>5,073,952,619</td>
<td>466,445</td>
<td>5.48%</td>
</tr>
<tr>
<td>Restaurants &amp; Hotels</td>
<td>2</td>
<td>180,000</td>
<td>145,922</td>
<td>43,151,511,256</td>
<td>344,654</td>
<td>4.14%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>2</td>
<td>480,000</td>
<td>89,574</td>
<td>274,603,864,296</td>
<td>212,207</td>
<td>2.55%</td>
</tr>
<tr>
<td>Real Estate &amp; Business services</td>
<td>2</td>
<td>180,000</td>
<td>49,926</td>
<td>22,838,542,584</td>
<td>130,828</td>
<td>1.57%</td>
</tr>
<tr>
<td>Communication</td>
<td>1</td>
<td>144,000</td>
<td>49,892</td>
<td>12,706,640,967</td>
<td>117,340</td>
<td>1.41%</td>
</tr>
<tr>
<td>Recreation &amp; Cultural services</td>
<td>1</td>
<td>84,000</td>
<td>52,994</td>
<td>6,851,800,206</td>
<td>88,378</td>
<td>1.06%</td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>6</td>
<td>720,000</td>
<td>8,252</td>
<td>33,248,144,612</td>
<td>69,445</td>
<td>0.83%</td>
</tr>
<tr>
<td>Transport Storage</td>
<td>3</td>
<td>288,000</td>
<td>12,151</td>
<td>10,517,242,726</td>
<td>54,047</td>
<td>0.65%</td>
</tr>
<tr>
<td>Manufacturing, Paper &amp; Paper</td>
<td>3</td>
<td>300,000</td>
<td>10,735</td>
<td>19,554,739,689</td>
<td>42,169</td>
<td>0.51%</td>
</tr>
<tr>
<td>Production/ Printing &amp; Publishing</td>
<td>2</td>
<td>62,400</td>
<td>3,155</td>
<td>30,532,582</td>
<td>11,682</td>
<td>0.14%</td>
</tr>
<tr>
<td>Water Works &amp; Supplies</td>
<td>2</td>
<td>480,000</td>
<td>874</td>
<td>1,453,666,072</td>
<td>6,235</td>
<td>0.07%</td>
</tr>
<tr>
<td>Insurance</td>
<td>4</td>
<td>108,000</td>
<td>965</td>
<td>285,074,354</td>
<td>2,486</td>
<td>0.03%</td>
</tr>
<tr>
<td>Const., Rep &amp; Maintenance</td>
<td>2</td>
<td>120,000</td>
<td>653</td>
<td>1,215,859,094</td>
<td>2,065</td>
<td>0.02%</td>
</tr>
<tr>
<td>Drainage, Hydraulics</td>
<td>2</td>
<td>360,000</td>
<td>288</td>
<td>58,037,651</td>
<td>529</td>
<td>0.01%</td>
</tr>
<tr>
<td>Building Construction</td>
<td>2</td>
<td>22,800</td>
<td>30</td>
<td>1,246,032</td>
<td>421</td>
<td>0.01%</td>
</tr>
<tr>
<td>Construction/Repair/Maintenance of Streets,</td>
<td>5</td>
<td>108,000</td>
<td>102</td>
<td>1,863,900</td>
<td>387</td>
<td>0.00%</td>
</tr>
<tr>
<td>Roading</td>
<td>2</td>
<td>300,000</td>
<td>10</td>
<td>2,088,050</td>
<td>27</td>
<td>0.00%</td>
</tr>
<tr>
<td>Electricity Gas &amp; Water</td>
<td>6</td>
<td>90,300</td>
<td>14</td>
<td>180,600</td>
<td>26</td>
<td>0.00%</td>
</tr>
<tr>
<td>Financing, Insurance, Real Estate &amp; Business</td>
<td>4</td>
<td>42,000</td>
<td>6</td>
<td>710,400</td>
<td>14</td>
<td>0.00%</td>
</tr>
<tr>
<td>Groups</td>
<td>3</td>
<td>480,000</td>
<td>1</td>
<td>480,000</td>
<td>3</td>
<td>0.00%</td>
</tr>
<tr>
<td>Community Social &amp; Personal services</td>
<td>3</td>
<td>204,000</td>
<td>10</td>
<td>2,088,050</td>
<td>27</td>
<td>0.00%</td>
</tr>
<tr>
<td>Construction Repair, Maintenance of Railway P</td>
<td>2</td>
<td>90,300</td>
<td>14</td>
<td>180,600</td>
<td>26</td>
<td>0.00%</td>
</tr>
<tr>
<td>Construction Group</td>
<td>4</td>
<td>42,000</td>
<td>1</td>
<td>480,000</td>
<td>3</td>
<td>0.00%</td>
</tr>
<tr>
<td>Transport Storage &amp; Communications</td>
<td>181</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>181</td>
<td>0.00%</td>
</tr>
<tr>
<td>Construction Repair, Maintenance of Pipe Lines</td>
<td>3</td>
<td>-</td>
<td>5</td>
<td>-</td>
<td>3</td>
<td>0.00%</td>
</tr>
<tr>
<td>Construction, Repair, Maintenance of Sports Premises</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Source: Economic Census of Pakistan, Federal Bureau of Statistics (FBS) – tabulated by SMEDA.
The courier services sector stands out in terms of scale, and the Internet-related services sector distinguishes itself in terms of scope. Environmental services have significant exports in the area of environmental impact assessments. The banking sector is very prominent, while securities and asset management firms are also actively involved in international transactions mainly to solicit funds from foreign institutional and private investors. The insurance sector lags behind compared to the rest of the financial sector. Communications, distribution and transport services are significant in terms of scale of services traded but their supply is limited.

**Pakistan’s exports of services**

Pakistan’s exports of commercial services in 2005-06 represented just 0.1% (US$3.75 billion) of world services exports. Imports of commercial services amounted to US$8.15 billion.

Services sector exports increased by 25% during 2004-05 and again by 13% during 2005-06. The star performers were sub-sectors dominated by small and medium enterprises (SMEs), namely computer software exports, professional (other business) services and travel services (see Table I.5).

Services were predominantly exported to the United States of America (USA), the European Union (EU) and Middle East countries.

**Table I.5: Services exports (US$ million)**

<table>
<thead>
<tr>
<th>Description</th>
<th>2003-04</th>
<th>2004-05</th>
<th>2005-06*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Transportation</td>
<td>864.0</td>
<td>1062.0</td>
<td>1066.1</td>
</tr>
<tr>
<td>2. Travel</td>
<td>164.2</td>
<td>176.6</td>
<td>215.7</td>
</tr>
<tr>
<td>3. Communication services</td>
<td>204.0</td>
<td>331.0</td>
<td>198.0</td>
</tr>
<tr>
<td>4. Construction services</td>
<td>12.4</td>
<td>23.5</td>
<td>16.3</td>
</tr>
<tr>
<td>5. Insurance services</td>
<td>19.3</td>
<td>25.2</td>
<td>28.5</td>
</tr>
<tr>
<td>6. Financial services</td>
<td>21.4</td>
<td>39.4</td>
<td>70.0</td>
</tr>
<tr>
<td>7. Computer &amp; Information services</td>
<td>40.5</td>
<td>46.7</td>
<td>71.6</td>
</tr>
<tr>
<td>8. Royalties &amp; License Fees</td>
<td>10.1</td>
<td>12.7</td>
<td>33.2</td>
</tr>
<tr>
<td>9. Other Business services</td>
<td>202.2</td>
<td>285.1</td>
<td>390.8</td>
</tr>
<tr>
<td>10. Personal, Cultural &amp; Recreational services</td>
<td>1.4</td>
<td>1.3</td>
<td>1.9</td>
</tr>
<tr>
<td>11. Government services (not included elsewhere)</td>
<td>1106.4</td>
<td>1314.5</td>
<td>1657.2</td>
</tr>
<tr>
<td><strong>Total Exports</strong></td>
<td>2645.9</td>
<td>3318.1</td>
<td>3749.1</td>
</tr>
</tbody>
</table>

* Provisional figures.

Source: State Bank of Pakistan Annual Report 2006

**Table I.6: Services exports – sub-sectoral detail (US$ million)**

<table>
<thead>
<tr>
<th>Description</th>
<th>2003-04</th>
<th>2004-05</th>
<th>2005-06*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Travel services</td>
<td>164.2</td>
<td>176.61</td>
<td>215.71</td>
</tr>
<tr>
<td>Official travel</td>
<td>0.2</td>
<td>0.67</td>
<td>3.96</td>
</tr>
<tr>
<td>Other official travel</td>
<td>0.0</td>
<td>0.97</td>
<td>0.34</td>
</tr>
<tr>
<td>Commercial travel</td>
<td>0.4</td>
<td>0.62</td>
<td>0.69</td>
</tr>
<tr>
<td>Non-official delegations</td>
<td>0.2</td>
<td>0.6</td>
<td>0.1</td>
</tr>
<tr>
<td>Medical</td>
<td>2.9</td>
<td>1.85</td>
<td>1.66</td>
</tr>
</tbody>
</table>
Pakistan’s imports of services

The imports of services increased by 23% during 2005-06, i.e. from US$6,613 million to US$8,152 million. The major services imported included other business services (36%), transport (35%) and travel (17%) services. Services were predominantly imported from the United States (US), the European Union (EU) and Middle East countries. It is interesting to note that services imports are predominately from the same countries, where Pakistan exports its services. The following table provides details of imports of commercial services in 2005-06.

### Table I.7: Pakistan services imports, 2005-06 (US$ million)

<table>
<thead>
<tr>
<th>Description</th>
<th>2003-04</th>
<th>2004-05</th>
<th>2005-06*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Transportation</td>
<td>1754.0</td>
<td>2280.0</td>
<td>2856.4</td>
</tr>
<tr>
<td>2. Travel</td>
<td>1198.0</td>
<td>1171.9</td>
<td>1400.9</td>
</tr>
<tr>
<td>3. Communication services</td>
<td>38.4</td>
<td>59.4</td>
<td>100.5</td>
</tr>
<tr>
<td>4. Construction services</td>
<td>18.9</td>
<td>5.5</td>
<td>144.2</td>
</tr>
<tr>
<td>5. Insurance services</td>
<td>81.0</td>
<td>101.6</td>
<td>127.3</td>
</tr>
<tr>
<td>6. Financial services</td>
<td>77.0</td>
<td>77.4</td>
<td>133.3</td>
</tr>
<tr>
<td>7. Computer &amp; Information services</td>
<td>12.0</td>
<td>26.7</td>
<td>42.9</td>
</tr>
</tbody>
</table>

* Provisional figures.
Source: State Bank of Pakistan Annual Report 2006
<table>
<thead>
<tr>
<th>Description</th>
<th>2003-04</th>
<th>2004-05</th>
<th>2005-06*</th>
</tr>
</thead>
<tbody>
<tr>
<td>8. Royalties &amp; License Fees</td>
<td>47.0</td>
<td>106.8</td>
<td>99.7</td>
</tr>
<tr>
<td>9. Other Business services</td>
<td>534.0</td>
<td>2501.8</td>
<td>2943.6</td>
</tr>
<tr>
<td>10. Personal, Cultural &amp; Recreational services</td>
<td>0.5</td>
<td>7.5</td>
<td>5.4</td>
</tr>
<tr>
<td>11. Government services (not included elsewhere)</td>
<td>201.0</td>
<td>274.0</td>
<td>297.8</td>
</tr>
<tr>
<td></td>
<td><strong>3961.8</strong></td>
<td><strong>6612.7</strong></td>
<td><strong>8151.9</strong></td>
</tr>
</tbody>
</table>

* Provisional figures.
Source: State Bank of Pakistan Annual Report 2006

**Issues faced by the services sector**

Unlike the manufacturing sector, services are a live concert. Things happen in the theatre of services on the spot. There are no pre-recorded events that can be corrected and refined later on. Hence issues related to services cannot be discussed in a static context, i.e. as a formal list of impediments, accessibilities and constraints. The analysis following reflects the dynamism of services markets and the culture and environment that shapes them, particularly in developing societies.

**A view of the services market**

"While dealing with a service giver, I am constantly gripped by a fear of being cheated. I have to play extra vigilant; as the fear is not just about the conscious wrong doing on the part of a service giver but also about his skill and ability to deliver the right quality stuff".

These remarks were made in the course of a series of focus group meetings conducted by SMEDA in the course of adaptation of this publication. Feedback received during these meetings threw interesting light on the issues of service delivery. These issues are reflected below.

**Lack of standardization**

Services are not standardized. Legislation protecting consumers is still at a very early stage and there are no strong traditions to support customers seeking recompense or damages from a services deliverer. International quality certifications are systems-based requiring a lot of documentation, besides being expensive. There is a need for a simple but effective mechanism, at the level of the sectoral or professional associations, to certify the quality of services and thereby ensure adherence to a consistent set of quality standards.

**Free entry and unemployment**

With rising unemployment, services businesses requiring a minimum level of skill, a small capital outlay and virtually no registration are an easy option for investment to earn a living. With scores of people entering the lower end of the market, competition is high and the range of pricing limited. Therefore, livelihoods are squeezed from the thin margin left after meeting all costs and overheads. Expecting such a market to be quality conscious is an illusion.

**Deficiency of trained HR**

Apart from a few organized sub sectors, like banking, medicine and engineering, there are no credible training institutions offering courses in the skills required for the services sector. Resultantly, most of the artisans in trades like electricians, mechanics, drivers, tailors, barbers, cooks, masons, etc, are trained on the job. The level and quality of skill acquired by them is inconsistent and uneven depending on the source and environment of learning.
**Informational asymmetry**

In the absence of professional and quality certification, the customer doesn’t have adequate information about the pricing structures for various grades of services. Nor is she/he fully aware of their availability.

**Lack of IP protection**

Informal and open services markets are not conducive to intellectual property protection, particularly as protection through copyrights, patents, trade marks, etc, are not yet much in vogue in the developing world. This has multiple consequences, such as:

- Hindering brand development
- Discouraging innovation
- Frequent copying and plagiarism discouraging competition and progress and availability of services to people at lower cost.

**Constrained access to formal finance**

Access to formal finance is a challenge for all the SMEs in Pakistan. SMEs find themselves on the wrong side of the collateral-based lending paradigm of the banking industry. The problem is further exacerbated in the case of the services industry. In the absence of tangible assets to mortgage as security, and a lack of tradition for valuation of intangible assets and their use as security for borrowing, services businesses find themselves further excluded from the domain of formal finance.

**Lack of international gateway**

International gateway provides the back up support for Internet based transactions. Absence of an international gateway in Pakistan hinders potential for e-business. Export of services also suffers in this context.

In the course of the focus group meeting SMEDA also distributed a questionnaire specifically designed to gather feedback on the issues related to exports of services. The respondents included banks, hospitality firms, educational institutions, IT firms, medical and engineering firms and other miscellaneous service firms. Following is a brief account of the findings.

- **Level of competition in your sub-sector**
  
  With the exception of the service monopolies in the public sector, like utility companies and health, education and other social service networks financed by the Government, competition ranged from medium to intense and even fierce in various segments of the private sector services provider’s market. Competition among banks was intense. Among legal and accounting firms and IT businesses it was medium to intense. Competition among media, advertising and marketing firms was also quite intense. One can make a distinction between lower and upper end of the market: competition among the lower end firms serving the majority of services needs was quite intense and even fierce. There was also a rural-urban differential in the degree of competition.

- **How do you market your services?**

  Use of marketing methods was quite divergent. Banks made intense use of all means of marketing, including personal contacts, media, seminars and quality services. Legal and accounting firms and IT firms generally only rely on personal contacts. You do not see much advertisement in the media regarding ERP solutions, etc. Education, hospitality, construction, etc, services make a medium use of media.

- **Impact of taxation**

  The survey threw an interesting light on the impact of taxation. Not all the respondents were sufficiently clear about the number and level of taxes that affected them. More importantly, the views on the incidence of taxation on their businesses and profit margins were also inconsistent. For instance, with the exception of one bank all respondents were silent regarding the impacts of multiple taxation.
• **Impediments in import of inputs**

Most respondents either ignored or replied no to this question. One university listed problems with the import of lab equipment and research journals. Otherwise, firms from the banking, hospitality, advertising and marketing, broadcasting and information and, most importantly, IT sector reported no impediments whatsoever.

• **Incentives offered by the Government**

All banks and the majority of legal and accounting firms said that the Government offered no incentives. One education sector respondent mentioned recognition as an incentive, although the meaning of this was unclear: perhaps they were referring to recognition of degree awarding status as the incentive. Among hospitality businesses, one mentioned incentives such as institutional development, faculty arrangement and reference material. In broadcasting and information, one radio station received financial incentives: the rest answered no. In the IT sector, incentives included a training and certifications subsidy, and foreign exchange remittance.

• **Availability of information regarding setting up a business**

There were mixed replies, with a slight tilt towards the negative, i.e. that good information is not always readily available. When asked about their sources of information, most respondents indicated institutions and government agencies, such as the State Bank of Pakistan (SBP), Central Bureau of Revenue (CBR), Tourism Development Corporation of Pakistan (TDCP), Trade Development Authority of Pakistan (TDAP), Pakistan Software Export Board (PSEB), and Institute of Cost & Management Accountants of Pakistan (ICMAP).

• **Mode of services delivery**

Some firms who had earlier said they were not services exporters reported here services that fell into the category of exports of services. There is confusion in roles and understanding about what falls into the domain of services exports.

**Conclusion**

Despite our general habit of talking about services in a structured manner, the truly dynamic spirit of the sector needs to be understood. Services are a mix of a few formal and many informal establishments. The economics of these markets is defined within a situation where the market doesn’t have backward linkages with standardized skill development institutions. Assurance of quality is lacking and awareness about IP issues is still thin. All these factors shape the context of exports in services and our expectations in this regard.

**Building a services export base in Pakistan**

The services sector is a large contributor to the GDP growth rate. Over the years it has shown a tremendous potential for growth and has evolved into an economic sector of considerable know-how. The share of Pakistan’s services exports in the global export of services is negligible, seemingly though it has the capacity to grow, if an organised campaign is unleashed to promote the sector. Government of Pakistan has, with the assistance of the European Community (EC) Trade Related Technical Assistance programme (TRTA), implemented by the International Trade Centre (ITC), undertaken a series of integrated initiatives to build the services sector in Pakistan.

• **Successful Services Exporting** training courses were launched in collaboration with EPB (now TDAP) in June 2005 (Karachi) and September 2005 (Karachi and Lahore). In addition two training programs (Karachi and Lahore) were organised in September 2006 by SMEDA in which services exporters and industry association representatives participated. The training was designed to increase the awareness of participants regarding opportunities for Pakistani services exporters, enhance knowledge about services exporting fundamentals, and improve the skills needed for services exports.
A Services Capacity Report\(^1\) looking at the export potential of the sector was completed in September 2005. This comprehensive study of five sectors — information technology services, financial services, construction and architectural services, professional services, and medical and health services — presents important information on services trade activity in Pakistan and provides useful insights into the strengths and weaknesses of the services market, including market opportunities and infrastructure challenges.

A Services Export Roadmap\(^2\) was initiated in October 2005. The Roadmap, developed following extensive consultation with service firms and trade facilitating ministries. It identifies practical, achievable means to expand Pakistan's exports in services by increasing institutional support, streamlining the regulatory environment, improving the availability and quality of key services inputs, and providing better trade information. Improving services exports would thereby deliver a range of economic development benefits, including:

- Increased foreign exchange earnings
- The competitiveness and innovation of service firms
- Stronger domestic capacity and decreased reliance on imports
- Lower demands for start-up capital from SME service firms
- A more competitive goods export sector due to input of higher-quality services
- More jobs for skilled and semi-skilled people (expanding the domestic workforce and stemming the 'brain drain').

A number of workshops and seminars were held throughout the TRTA programme, at which the draft Services Export Roadmap was discussed. A services seminar in Karachi in May 2005 identified private sector trade interests, while a GATS conference held in Lahore in November 2005 discussed the key issues at play in the negotiations under the General Agreement on Trade in Services (GATS) at the World Trade Organisation (WTO). National Services Workshops in Karachi in May and December 2006 brought together public officials and private sector representatives of service associations and service firms to discuss the enhancement of service firm competitiveness and Pakistan's services export potential, as well as the WTO GATS negotiations. The December 2006 seminar also looked at methods of collecting and reporting of services statistics in Pakistan.\(^3\)

The key actions put forward in the Services Export Roadmap are given below.

**Table I.8: Services Export Roadmap key strategic areas**

<table>
<thead>
<tr>
<th>Key strategic areas</th>
<th>Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase Institutional Support</td>
<td>• Strengthen associations</td>
</tr>
<tr>
<td></td>
<td>• Build services awareness and capability in the Trade Development Authority of Pakistan (TDAP)</td>
</tr>
<tr>
<td></td>
<td>• Improve services focus in other relevant organizations</td>
</tr>
<tr>
<td></td>
<td>• Establish special developmental organization</td>
</tr>
<tr>
<td>Streamline Regulatory Environment</td>
<td>• Review the domestic regulatory environment</td>
</tr>
<tr>
<td></td>
<td>• Improve public-private consultation</td>
</tr>
<tr>
<td></td>
<td>• Integrate private sector priorities into multilateral trade negotiating objectives</td>
</tr>
</tbody>
</table>

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\(^1\) Services Capacity in Pakistan: A national report, ITC, September 2005.


\(^3\) The Statistical System of Pakistan for reporting on International Trade in Services, ITC, December 2006.
<table>
<thead>
<tr>
<th>Key strategic areas</th>
<th>Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthen Service Input Infrastructure</td>
<td>- Match human resource supply with demand</td>
</tr>
<tr>
<td></td>
<td>- Improve the financial lending environment for services</td>
</tr>
<tr>
<td></td>
<td>- Further Improve the Telecom infrastructure, delivery systems and processes</td>
</tr>
<tr>
<td></td>
<td>- Improve utility provision and expand transport</td>
</tr>
<tr>
<td>Provide Better Information</td>
<td>- Classify services revenue as per the UN Interagency Task Force Framework</td>
</tr>
<tr>
<td></td>
<td>- Establish physical and online resource centres to provide commercially valuable information to services exporters</td>
</tr>
<tr>
<td></td>
<td>- Create greater national awareness of services export potential among providers and people with support roles</td>
</tr>
</tbody>
</table>


In addition, a number of government agencies provide specific programmes for the benefit of services sector. See Appendix IV for further information.

**The way forward**

During consultations with services sector stakeholders, it was suggested that the Government should initially focus on services sub-sectors with good export potential, and boost exports in these sub-sectors by providing targeted interventions. Five priority sub-sectors were identified, as follows:

1. Business Process Outsourcing (data processing, call centers, etc.)
2. IT (software development and solutions)
3. Accounting, Legal, Financial and other Consultancy Services
4. Medical Tourism
5. Architecture and Construction Services

It is proposed that the following strategy may be adopted for realizing the potential of these sub-sectors.

**Setting up a services development company**

It is recommended that a company be established that is focused on development of cross-sectoral diversity of services sub-sectors. Currently, a number of different ministries and departments are undertaking services sector development initiatives involving duplication of efforts at times. In order to focus on this fast growing sector of our economy and avoid duplication of effort, it is desirable to set up an independent company overseeing the needs of this sector and launching collective programs, projects and initiatives that would have a positive impact on the sector’s development.

**Building a conducive environment**

Currently Pakistan has no specific regulations for the services sector. This has encouraged entrepreneurs to set up businesses without any service standardization and quality assurance to customers. These anomalies may be curtailed once the services development company, mentioned above, is established followed by implementation of the recommendations contained in the National Services Roadmap.

**Build quality human resources**

The key to advancement in the services sector is to build quality human resources. In order to meet the demand for skilled professionals in the domestic market, vocational training institutes should be encouraged to provide skills development training, along with an improvement in the level of education taught at professional colleges/universities. Creation of industry-academia linkages would allow the introduction of new subjects and options to meet the HR requirements of services exporters.
Capacity building of government organizations and associations to provide business development services to services entrepreneurs

In order to assist the services sector to export, there is a need to set up independent desks in all concerned government ministries, departments and agencies to focus on the constraints and issues facing the services sector. Working side-by-side, these desks should work to strengthen the associations and build strong networks with service providers and service facilitators, like Chamber of Commerce and Industry, SMEDA and trade associations.
Appendix II

Pakistan and the GATS

GATS

The General Agreement on Trade in Services (GATS), one of the World Trade Organization (WTO) Agreements, governs world services trade. The GATS spells out the international multilateral rules for trade in services. The rules were negotiated by the Governments themselves and, thereby, set out the framework within which firms and individuals can operate. It became part of the WTO regime in January 1995 and is one of international agreements enforced by the WTO's 151 members. GATS aims to open up the services sector comprehensively to global trade and competition.

The broad range of services covered by world trade rules, through the GATS, is organized according to twelve (12) broad categories given below. The 12 main sectors are further divided into 154 sub-sectors. The full GATS services sectoral classification list is contained in Appendix V:

- Business
- Communications
- Construction and engineering
- Distribution
- Education
- Environment
- Financial services
- Health and social services
- Tourism
- Sports, culture and entertainment
- Transport
- Other services – anything else outside the above sectors.

The coverage of GATS is extensive – it includes postal services, services related to scientific research, architecture, publishing, etc! In short, many, if not most, aspects of our everyday life – from access to water, electricity, sports and recreation— are likely to be affected by GATS. This means that, through GATS, the fulfilment of some of our most basic needs will be governed by world trade rules and subjected to the drive for open and fair competition in world markets.

Under the GATS rules, a service can be traded in following four ways, known as "modes of supply”:

- **Mode 1 - Cross-border supply** - This refers to the flow of services from the territory (country) of one WTO Member into the territory (country) of another Member in such a way that does not require the physical movement of supplier or consumer. Examples of this include international telephone calls, courier and Internet services.

- **Mode 2 - Consumption abroad** – This involves movement of the consumer to the country of the supplier. Examples of this kind of consumer include tourists and patients going abroad for treatment.
- **Mode 3 - Foreign commercial presence** – This refers to situations in which service providers locate their businesses and operations in a country or territory other than their own. Establishing a presence includes ownership or lease of premises. Examples include bank branches, subsidiaries of foreign insurance companies or hotel chains.

- **Mode 4 - Movement of natural persons (MNP)** – This consists of persons of one Member entering the territory (country) of another Member to supply a service. As such, it refers to the provision of services that require the temporary movement of “natural persons” or overseas workers, e.g., an actress or construction worker. Mode 4 deserves special attention for the Asia-Pacific region because of its implications on the huge, largely unskilled numbers of overseas workers who seek jobs abroad.

The GATS has two parts: the framework agreement containing the general rules and disciplines (such as modes of supply mentioned above); and the national “schedules” that list individual countries’ specific commitments on access to their domestic markets by foreign suppliers. The individual country commitment schedules are available on the WTO website and should be reviewed by a services exporter in its initial research on a particular market to gain prior knowledge regarding the extent of market access given in its area of services expertise. Details of Pakistan’s services commitments are provided at the end of this section.

Initially, Pakistan lacked an adequate infrastructure base in the services sector; what little it had was mainly concentrated in the public sector. These services were being run in an inefficient manner, which caused businesses to suffer due to increased cost of business. In response, the Government embarked on a programme of economic deregulation and liberalization in the early 1990s. Privatization in the banking, insurance, telecommunication and transport sectors brought in private capital for the improvement of aging infrastructure. Resultantly, Pakistani producers now have access to modern infrastructure in certain areas, so essential to be globally competitive. For example, following the liberalization of the telecom sector, today Pakistan has a state of the art telecommunication system in place.

The benefits of services liberalization extend far beyond the service industries themselves; they are felt through their effects on all other economic activities. The main benefits that countries have attained through services liberalization include:

1. **Improvements in economic performance.** With more players in the market to provide services, liberalization spurs competition, making service providers excel in their roles leading to an efficient services infrastructure, which is a strategically important input for all sectors, goods and services.

2. **Development.** Access to world-class services helps exporters and producers in developing countries to capitalize on their competitive strength, whatever the goods and services they are selling. They can build on foreign investment and expertise to advance in international services markets – from tourism and construction to software development and health care.

3. **Consumer savings.** There is strong evidence in many services, not least telecoms, that liberalization leads to lower prices, better quality and wider choice for consumers.

4. **Faster innovation.** Countries with liberalized services markets have seen greater product and process innovation.

5. **Greater transparency and predictability.** A country’s commitments in its WTO services schedule amount to a legally binding guarantee that foreign firms will be allowed to supply their services under stable conditions. This gives everyone with a stake in the sector—producers, investors, workers and users—a clear idea of the rules of the game. They are able to plan for the future with greater certainty, which encourages long-term investment.

6. **Technology transfer.** Services commitments at the WTO help to encourage foreign direct investment (FDI). Such FDI typically brings with it new skills and technologies that spill over into the wider economy in various ways. Domestic employees learn the new skills (and spread them when they leave the firm). Domestic firms adopt the new techniques. And firms in other sectors that use services-sector inputs such as telecoms and finance benefit too.
Given that liberalisation of trade in services benefits economies in the short as well as the long run, Pakistan is actively pursuing an agenda of liberalisation of trade in services through unilateral, reciprocal negotiations, regional integration agreements and bilateral free trade agreements. Pakistan has received requests from its trading partners for provision of market access and national treatment to foreign service suppliers, either bilaterally or plurilaterally, during the Doha Round of WTO negotiations. The national schedule of commitments offered by Pakistan lists those services it wishes to guarantee access to foreign suppliers. All commitments apply on a non-discriminatory basis to all WTO Members. In addition to provision of information regarding the services committed, the schedules limit the degree to which foreign services providers can operate in our market. For example, a country making a commitment to allow foreign banks to operate in its territory may limit the number of banking licenses to be granted (a market access limitation). It might also fix a limit on the number of branches a foreign bank may open (a national treatment limitation). Pakistan’s schedule of specific services commitments is provided at the end of this section.

**Pakistan’s objectives**

Pakistan’s objectives for its services sector are reflected in the comprehensive liberalization regime being negotiated at the WTO, and in Pakistan’s opening commitments offer. These commitments were far-reaching, and the following chart gives them in detail. Pakistan has made significant progress in implementing its liberalization commitments in many services. But implementation is not yet complete and has not been without problems. Its transparent regulatory process and simpler licensing and operating requirements continue to attract foreign providers of services in Pakistan, in addition to its efficient telecom infrastructural facilities.

Pakistan is well aware of the benefits of liberalization of the services sector, in terms of new entrants, local as well as foreign, and the important gains likely to stem from increased competition and efficiency of production, as Pakistan has experienced in its ‘telecommunications sector’. The Government of Pakistan is following a conscious policy, as have other developing countries, of liberalizing its trade and investment regimes to promote growth through increasing value added exports. No negative effects have been experienced as a result of autonomous liberalization in the services sectors. The Government wishes to ‘lock in’ its commitments in the services sectors, thereby reinforcing its policy in both ‘goods’ and ‘services’ sectors and giving a positive signal to international investors of its predictable, transparent and stable business environment.

Mode 4 liberalization has not progressed in a way that allows developing countries like Pakistan to use their comparative advantage in low and medium skill labour-intensive services, since strict and discretionary visa and licensing requirements, lack of recognition of qualifications, burdensome procedures and economic need tests act as barriers. Pakistan has tabled a number of papers, together with a group of developing countries, on these issues. For example, a December 2005 paper on Mode 4 related issues (WTO document TN/S/W/57) offered practical suggestions on how developed countries can make substantial Mode 4 commitments without worrying about security related issues or the concern that short term workers may turn into illegal immigrants.

Pakistan’s offensive interests lie in getting predictable market access for its Mode 4 temporary service providers globally. Its interests also lie in Mode 1 in the area of Business Process Outsourcing (BPO). So it is seeking full commitments from WTO Members in Mode 1 and Mode 4 to remove all barriers to market entry.

**Pakistan’s GATS offer**

In the Uruguay Round, Pakistan made commitments in six sectors, namely business services, financial services, communication services, health and related services, construction and related engineering services, and tourism and travel related services. A total of 42 sub-sectors were scheduled with limitations.
During the current Doha Round of negotiations a request-offer approach has been adopted. According to this approach, Member countries make their initial requests to other countries for opening up their service sectors. Pakistan received initial requests from 19 countries: US, European Communities (EC), Australia, China, Japan, Korea, Switzerland, Hong Kong, Norway, Poland, Mauritius, Malaysia, Singapore, Canada, India, Malaysia, Mauritius, Egypt and Bahrain.

Pakistan submitted its initial GATS offer in May 2005. The offer took into consideration the initial market access requests as well as revised requests made by its trading partners including, \textit{inter alia}, Australia, EC, Switzerland, Singapore, and US. Pakistan’s initial offer was submitted after consultations by the Ministry of Commerce with the respective stakeholders.

Pakistan’s offer is conditional on the market access Pakistan receives in other areas of the WTO negotiations. It also retains the right to add, remove or modify any element of its offer until a final agreement that meets Pakistan’s objectives is reached.

The highlights of Pakistan’s initial offer are:

- Equity limit increased from 51% to 60% unless specified otherwise.
- No restriction on acquisition of real estate by non-Pakistani entities.
- Categories for ‘intra corporate transferees’ and ‘business visitors’ have been defined to facilitate the temporary entry of business visitors and other service suppliers. Reasonable/generous time periods have been allocated to facilitate such temporary ‘stays’ and ‘visits’.
- Considerable improvements have been proposed:
  - In telecommunication services, a number of restrictions in Modes 1, 2, 3 have been removed. Online services and mobile telephone services have been offered as new proposed commitments.
  - In construction and related engineering services, the equity limit has been raised to 51% from 40% and restrictions removed in Mode 2.
  - In financial services, the offer entails no limit on volume of deposits and other repayable funds mobilized by foreign banks. Existing foreign banks as well as new ones will be allowed to open up to 25 branches. ATMs are not to be treated as separate branches. Transmission of permissible funds, including foreign currency, can be effected through banks having an authorized dealers’ license. Commercial banks incorporated in Pakistan and branches of foreign banks can undertake leasing business provided it is not their core and major line of business. Financial institutions can undertake portfolio management services through their locally incorporated subsidiaries and financial and investment advisory services through subsidiary companies.
  - In integrated engineering, the equity limit has been raised to 51% and equity and joint partnership restriction restrictions removed for companies registered with the Securities and Exchange Commission of Pakistan.
  - In computer and related services, the limitation on Mode 1 has been removed.
  - In tourism services, improved market access commitments are proposed in Modes 1 and 2.
  - In hotels and restaurants, and travel agencies and tour operator services, removal of market access limitations is proposed in Modes 1 and 2.
• New commitments have been proposed in the business services, distribution services, educational services, and environmental services sectors. In business services, commitments are proposed in the legal services and accounting, auditing and bookkeeping services, architectural services, veterinary services and services provided by midwives, nurses, physiotherapists and para medics sub-sectors. Furthermore, computer related services, research and development services, rental and leasing services, printing and publishing, agriculture storage facilities and rangeland services have been proposed for making commitments. In communications, commitments are proposed in courier services while in distribution services, retailing and wholesaling services are proposed for making commitments.
# Pakistan’s GATS Commitments

## Pakistan’s schedule of specific commitments

<table>
<thead>
<tr>
<th>Sector or Sub-sector</th>
<th>Limitations on Market Access</th>
<th>Limitations on National Treatment</th>
<th>Additional Commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. HORIZONTAL COMMITMENTS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALL SECTORS INCLUDED IN THIS SCHEDULE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3) (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 fifty one per cent unless a different percentage is inscribed against a particular sector or sub-sector</td>
<td>3) Acquisition of real estate by non-Pakistani entities and/or persons is subject to authorization on a case-by-case basis keeping into account the purpose and location of the undertaking</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(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.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4) Unbound, except for measures concerning the entry or temporary stay of natural persons up to a maximum of fifty per cent in superior categories (namely, Executives and Specialists) in an undertaking. 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 into Pakistan, and shall be transferred to render services to the</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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4 Source: Ministry of Commerce, WTO Wing. This document has been prepared, in English only, under the Secretariat’s own responsibility and without prejudice to the positions of Members and to their rights and obligations under the WTO.

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<table>
<thead>
<tr>
<th>Sector or Sub-sector</th>
<th>Limitations on Market Access</th>
<th>Limitations on National Treatment</th>
<th>Additional Commitments</th>
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<tbody>
<tr>
<td></td>
<td>juridical person in Pakistan.</td>
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<tr>
<td>(i) Executives are:</td>
<td>Persons within an organization who primarily direct the management of the organization or establish goals and policies for the organization or a major component or function of the organization, exercise wide latitude in decision-making, and receive only general supervision or direction from higher level executives, or the Board of Directors.</td>
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<tr>
<td>(ii) Specialists are:</td>
<td>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</td>
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</tbody>
</table>

**SECTOR SPECIFIC COMMITMENTS**

1. **BUSINESS SERVICES**

<table>
<thead>
<tr>
<th>Services incidental to agriculture &amp; forestry (excluding fishing and hunting) (CPC No. 881+882)</th>
<th>Limitations on Market Access</th>
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<th>Additional Commitments</th>
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</thead>
<tbody>
<tr>
<td>1) Unbound</td>
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<td>2) Unbound*</td>
<td>2) Unbound*</td>
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<td>3) None</td>
<td>3) None</td>
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<td>4) Unbound except as indicated under horizontal measures</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Services incidental to mining (CPC No. 883+5115)</th>
<th>Limitations on Market Access</th>
<th>Limitations on National Treatment</th>
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<tr>
<td>1) Unbound</td>
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<td>2) Unbound*</td>
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<td>3) None</td>
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<th>Sector or Sub-sector</th>
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<th>Additional Commitments</th>
</tr>
</thead>
</table>
| Engineering services for building infrastructures: harbours, dams, hydal power, and airports, only (CPC No. 8672) | 1) Unbound  
2) Unbound*  
3) (i) Maximum of 40 per cent foreign shareholding in engineering consultancy companies;  
(ii) Subject to partnership and/or joint venture with Pakistani engineers or engineering companies.  
4) Unbound except as indicated under horizontal measures | 1) Unbound  
2) Unbound*  
3) None  
4) Unbound except as indicated under horizontal measures |  
| Integrated engineering services (CPC No. 8673)                                      | 1) Unbound  
2) Unbound*  
3) (i) Maximum of 40 per cent foreign shareholding in engineering consultancy companies;  
(ii) Subject to partnership and/or joint venture with Pakistani engineers or engineering companies.  
4) Unbound except as indicated under horizontal measures | 1) Unbound  
2) Unbound*  
3) None  
4) Unbound |  
| B. Computer & Related Services                                                      | Consultancy services related to the installation of computer hardware (CPC No. 841)         | 1) Unbound  
2) Unbound  
3) None  
4) Unbound except as indicated under horizontal measures | 1) Unbound  
2) Unbound  
3) None  
4) Unbound except as indicated under horizontal measures |  
| Software implementation services (CPC No. 842)                                       | 1) Unbound  
2) None  
3) None  
4) Unbound except as indicated under horizontal measures | 1) Unbound  
2) None  
3) None  
4) Unbound except as indicated under horizontal measures |  

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</thead>
</table>
| Data processing services  
(CPC No. 843) | 1) Unbound  
2) None  
3) None  
4) Unbound except as indicated under horizontal measures | 1) Unbound  
2) None  
3) None  
4) Unbound except as indicated under horizontal measures | | |
| Data base services  
(CPC No. 844) | 1) Unbound  
2) None  
3) None  
4) Unbound except as indicated under horizontal measures | 1) Unbound  
2) None  
3) None  
4) Unbound except as indicated under horizontal measures | | |
| R&D services on natural sciences  
(CPC No. 851) | 1) Unbound  
2) None  
3) None  
4) Unbound except as indicated under horizontal measures | 1) Unbound  
2) None  
3) None  
4) Unbound except as indicated under horizontal measures | | |
| Technical testing and analysis services  
(CPC No. 8676) | 1) Unbound*  
2) None  
3) None  
4) Unbound except as indicated under horizontal measures | 1) Unbound*  
2) None  
3) None  
4) Unbound except as indicated under horizontal measures | | |

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## 2. COMMUNICATION SERVICES

### C. Telecommunications services

General conditions of this schedule: This offer is subject to the following general conditions:

- Policy, regulatory and operation functions are separate and compliance is necessary.
- All services to be provided in Pakistan shall require a licence from the Regulatory authority established under the law.
- Operators and Service providers may be granted licence in accordance with the local legislation.
- The number of operators, service providers and licensees may be limited due to technical constraints.
- The confidentiality of International Total Accounting Rate (TAR) shall be maintained.
- The bilateral agreements on accounting rates shall be in accordance with ITU guidelines.
- Up to 100% foreign investment on licensed services may be permitted.
- This schedule on basic telecommunications does not include any broadcasting services.

<table>
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<tr>
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<th>Limitations on National Treatment</th>
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<tbody>
<tr>
<td>Local, domestic long distance and international services, for public:</td>
<td>Until 2003, no bypass of PTCL network and PTCL shall have exclusivity.</td>
<td>None as of 1.1.2004.</td>
<td>About 12% stake of the Pakistan Telecommunication Corporation (PTC), the sole operator for all basic Telecommunication Services was sold to the national and international buyers in 1994-95.</td>
</tr>
</tbody>
</table>

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5 Broadcasting service is defined as a radio communication service in which the transmissions are intended for direct reception by the general public. This service may include sound transmission, television transmissions or other types of transmissions. In Pakistan Telecom Law, like many other countries, broadcasting is not part of basic telecommunication services.

6 The GMPCCS/Satellite operators shall be reputed to pass traffic via Pakistan PSTN through transit and Gateway exchanges, especially in case of overseas communication from Pakistan. Any operation contrary to this shall be termed as ‘bypass’.

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<tr>
<td>(a) Voice telephone services</td>
<td>1) All telecommunication services shall be provided by licensed operators subject to the exclusivity period of 7 years for basic telephony services under the law in favour of PTCL. This exclusivity shall expire by the year 2003. None as of 1.1.2004. 2) Alternative practices such as call back are not allowed. Country direct card service can only be permitted by mutual agreement with the licensed operator. 3) Unbound 4) Unbound except as indicated in horizontal section.</td>
<td>1) Unbound</td>
<td>The Corporation has been, inter alia, converted into a limited company namely Pakistan Telecommunication Company Ltd (PTCL) with effect from 1 January 1996 through the promulgation of a law. Bound with US$ 150 million have been floated with an option to convert them into PTCL shares.</td>
</tr>
<tr>
<td>Packet-switched data, E-mail, Internet and Intranet services</td>
<td>1) Unbound</td>
<td>2) Unbound</td>
<td></td>
</tr>
<tr>
<td>(c) Circuit-switched data transmission services</td>
<td>2) None</td>
<td>3) None</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3) Subject to technical constraints, the regulatory authority to grant licences and authorizations to private companies for operation of domestic VSAT, data, E-mail, Internet &amp; Intranet services in addition to the licences already granted.</td>
<td>4) Unbound except as indicated in horizontal section.</td>
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<td></td>
<td>4) Unbound except as indicated in horizontal section.</td>
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</table>
| (d) VSAT for domestic data services | 1) The regulatory authority to grant licences and authorizations to private companies for operation of VSAT for domestic data, E-mail, Internet and Intranet services in addition to the licences already granted | 1) None | The Pakistan Telecommunication Authority is responsible to:  
- Regulate telecommunication services.  
- Grant and renew licences.  
- Promote & protect the interests of consumers  
- Promote efficient cost effective & competitive services.  
- Regulate tariffs.  
- Prescribe standards  
- Determine terms of interconnection agreements. |
|                     | 2) None | 2) None | | |
|                     | 3) None | 3) None | | |
|                     | 4) Unbound except as indicated in the horizontal section | 4) Unbound except as indicated in the horizontal section | |
| (e) Telex services  | 1) None | 1) None | | |
|                     | 2) None | 2) None | | |
|                     | 3) None | 3) None | | |
|                     | 4) Unbound except as indicated in horizontal section. | 4) Unbound except as indicated in horizontal section. | |
| (f) Telegraph services | 1) The regulatory authority shall grant licences and authorizations to private companies for operation of Telegraph services using PTCL infrastructure until 2003. | 1) None | | |
|                     | 2) None | 2) None | | |
|                     | 3) None | 3) None | | |
|                     | 4) Unbound except as indicated in horizontal section. | 4) Unbound except as indicated in horizontal section. | |
| (g) Facsimile services | 1) None | 1) None | | |
|                     | 2) None | 2) None | | |
|                     | 3) None | 3) None | | |
|                     | 4) Unbound except as indicated in horizontal section. | 4) Unbound except as indicated in horizontal section. | |

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<td>(h) Private leased circuit services</td>
<td>1) Pakistan Telecommunication Company Limited, except for domestic VSAT, is the exclusive service provider for seven years. This exclusivity shall expire by the year 2003. None as of 1.1.2004.</td>
<td>1) Unbound</td>
<td>The frequency allocation Board established under the law is responsible to allocate and assign frequency spectrum for telecommunication, broadcasting public and private wireless services and classify radio telecommunication services.</td>
</tr>
<tr>
<td></td>
<td>2) None</td>
<td>2) None</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3) Pakistan Telecommunication Company Limited, except for domestic VSAT, is the exclusive service provider for seven years. This exclusivity shall expire by the year 2003.</td>
<td>3) Unbound</td>
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<td></td>
<td>4) Unbound except as indicated in horizontal section</td>
<td>4) Unbound except as indicated in horizontal section</td>
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</tr>
<tr>
<td>(i) Video conferencing telemedicine and tele-education terminal end services</td>
<td>1) The regulatory authority shall grant licences and authorizations to private companies for operation of video-conferencing, tele-education and telemedicine services, using PTCL network until seven years.</td>
<td>1) None</td>
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<td></td>
<td>2) None</td>
<td>2) None</td>
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<td>3) None</td>
<td>3) None</td>
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<td>4) Unbound except as indicated in horizontal section</td>
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</table>
| (j) Trunked radio service | 1) The regulatory authority to grant licences and authorizations to private companies for operation of Trunked Radio service in addition to the licences already granted using PTCL network until 2003.  
2) None  
3) None  
4) Unbound except as indicated in horizontal section | 1) None | - Manufacture of Fibre/Optic/copper cables  
- Manufacture of telephone sets, terminal equipment answering machine etc.  
- Manufacture of jointing material or copper/optic cables  
Regulatory Authority shall grant licences on competitive basis as per telecom law and regulations.  
Regulatory Authority may grant licences for satellite based services on following conditions:  
(a) Frequency clearance by Board  
(b) Security and sovereignty regulations  
(c) Availability of ITUT/R standards  
(d) Resolution of cross-border communication issues; and  
(e) Resolution of Customs procedures |
| (k) Satellite based telephony services, including value added services operating over satellite | 1) Maintaining PTCL exclusivity for seven years on basic and international telephony services and safeguarding PSTN bypass licences shall be granted  
2) None  
3) None  
4) Unbound except as indicated in horizontal section | 1) None | 2) None  
3) None except for technical, sovereignty, security constraints and safeguarding PSTN bypass  
4) Unbound except as indicated in horizontal section |

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<th>Limitations on National Treatment</th>
<th>Additional Commitments</th>
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</thead>
</table>
| On-line information and data base retrieval (CPC No. 7523) | 1) None  
2) Unbound  
3) (a) As in measures applicable to all sectors  
(b) Subject to use of Pakistan Telecommunication Corporation network  
4) Unbound except as indicated under horizontal measures | 1) None  
2) Unbound  
3) None  
4) Unbound except as indicated under horizontal measures | |
| On-line information and/or data processing (CPC No. 843) | 1) Unbound  
2) Unbound  
3) (a) As in measures applicable to all sectors  
(b) Subject to use of Pakistan Telecommunication Corporation network  
4) Unbound except as indicated under horizontal measures | 1) Unbound  
2) Unbound  
3) None  
4) Unbound except as indicated under horizontal measures | |

3. CONSTRUCTION AND RELATED ENGINEERING SERVICES

B. Construction Work for Civil Engineering for bridges, elevated highways, tunnels and subways (CPC No. 5132)

1) Unbound*  
2) Unbound*  
3) (i) As in measures applicable to all sectors;  
(ii) Subject to partnership and/or joint venture with Pakistani engineers or engineering companies.  
4) Unbound except as indicated under horizontal measures

1) Unbound*  
2) Unbound*  
3) None  
4) Unbound

Construction Work for Civil Engineering for waterways, harbours, dams and other waterworks (CPC No. 5133)

1) Unbound*  
2) Unbound*  
3) (i) As in measures applicable to all sectors;  
(ii) Subject to partnership and/or joint venture with Pakistani engineers or engineering companies.  
4) Unbound except as indicated under horizontal measures

1) Unbound*  
2) Unbound*  
3) None  
4) Unbound

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7. **FINANCIAL SERVICES**

Pakistan undertakes the Commitments on Financial Services in terms of the provisions of Part III of the Agreement. These commitments are based on the understanding outlined in Article XIX of the Agreement, and are subject to the availability of similar commitments from large number of countries of significance to Pakistan. For these reasons, Pakistan does not consider itself to be prevented from adopting or enforcing non-discriminatory measures aiming at protecting the soundness and integrity of banking and insurance industry.

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<tr>
<td><strong>A. Insurance and Insurance-related Services</strong></td>
<td></td>
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</tr>
<tr>
<td>Life</td>
<td>1) Unbound 2) Unbound 3) (a) Bound for the existing foreign insurance services providers as to their scope of operations and equity structure. (b) Maximum of 25% of foreign shareholding in existing life insurance companies. (c) Foreign equity in new life insurance companies permitted up to 51%. 4) Unbound except as indicated under horizontal measures.</td>
<td>1) Unbound 2) Unbound 3) Unbound</td>
<td></td>
</tr>
<tr>
<td>Non-life</td>
<td>1) Unbound 2) Unbound 3) Bound for the existing foreign insurance services providers as to their scope of operations and equity structure. 4) Unbound except as indicated under horizontal measures.</td>
<td>1) Unbound 2) Unbound 3) Unbound</td>
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</tr>
<tr>
<td>Reinsurance services</td>
<td>1) None 2) Unbound 3) Unbound 4) Unbound except as indicated under horizontal measures.</td>
<td>1) Unbound 2) Unbound 3) Unbound 4) Unbound except as indicated under horizontal measures.</td>
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<tr>
<td>Reinsurance services and retrocession (CPC 81299)</td>
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<tr>
<td><strong>B. Financial Services (excl. insurance)</strong></td>
<td>The commitments in Financial Services are given to the nationals and financial institutions of the Members whose laws and policies do not bar the provision of similar commitments to the Pakistani nationals and financial institutions.</td>
<td>Provisions of all banking and financial services in Pakistan are subject to the injunctions regarding Islamic banking as pronounced by the competent courts in Pakistan.</td>
<td></td>
</tr>
<tr>
<td><strong>I. Banking</strong>&lt;br&gt;(a) Acceptance of deposits and other repayable funds from the public in Pakistan</td>
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<td></td>
<td>1) Unbound</td>
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<td></td>
<td>2) Unbound</td>
<td>2) Unbound</td>
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<tr>
<td></td>
<td>3) (i) Bound for the volume of deposits and other repayable funds mobilised by foreign banks in Pakistan as at the time of conclusion of the Negotiations on 12 December 1997.&lt;br&gt;(ii) Foreign banks (other than those already operating their branches in Pakistan as on 12 December 1997) permitted to accept deposits and other repayable funds from public by setting up locally incorporated limited companies with foreign equity ownership up to 49%. Licence to undertake commercial banking business required from the Central Bank. The Licence to foreign banks will be issued on the basis of same eligibility criteria as applicable to domestic commercial banks. The minimum paid-up capital required to undertake banking business by foreign banks shall not be more than what is required by the domestic commercial banks, i.e. US$11.5 million.</td>
<td>3) The shares held by foreign nationals and foreign financial institutions in their locally incorporated subsidiaries not transferable without the prior written approval of the Central Bank.</td>
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<td>(b) Lending of all types including consumer credit, mortgage, factoring, credit and financing commercial transaction</td>
<td>(iii) Bound for the number of branches of foreign banks operating in Pakistan as at the conclusion of the Negotiation on 12 December 1997. Change in the controlling shareholders of the foreign banks operating their branches in Pakistan may require new licence. Other foreign banks will be allowed up to three branches at the place of their choice. ATM's installed at the branch premises not treated as a separate branch. (iv) Prior permission in writing of the Central Bank is required by any person for holding beneficial ownership of 5% or more of the paid-up capital of any bank/financial institution. (v) Representation of foreign nationals on the Board of Directors allowed in proportion to their share holding. 4) Unbound</td>
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<td></td>
<td>1) Unbound</td>
<td>1) Unbound</td>
<td>1) Unbound</td>
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<td></td>
<td>2) Unbound</td>
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<td>2) Unbound</td>
</tr>
<tr>
<td></td>
<td>3) (i) Bound for the total volume of foreign banks’ assets in Pakistan at the time of the conclusion of the Negotiations on 12 December 1997. (ii) Investments in shares of existing domestic banks permitted to foreign nationals/foreign financial institutions for trading purposes. Acquisition of management control of existing public sector banks considered on case-by-case basis under specific Sale-Purchase Agreements to be approved by the Central Bank.</td>
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<td>3) Lending by banks to companies controlled by non-residents is subject to the borrowing entitlements of the foreign companies as determined by foreign exchange rules applicable from time to time.</td>
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<tr>
<td></td>
<td>Employment of foreign nationals in banks and financial institutions operating in Pakistan require prior clearance of the Central Bank.</td>
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<tr>
<td>(c) All payment and money transmission services including traveller cheques and banker’s draft (but excluding credit, charge and debit cards)</td>
<td>1) Unbound</td>
<td>1) Unbound</td>
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<td></td>
<td>2) Unbound</td>
<td>2) Unbound</td>
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<tr>
<td></td>
<td>3) Foreign banks branches operating in Pakistan at the conclusion of the Negotiation on 12 December 1997 and banks incorporated in Pakistan permitted to undertake all payment and money transmission services.</td>
<td>3) Unbound</td>
<td></td>
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<td></td>
<td>4) Unbound except as indicated under horizontal measures.</td>
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<tr>
<td>(d) Guarantees and commitments</td>
<td>1) Unbound</td>
<td>1) Unbound</td>
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<td></td>
<td>2) Unbound</td>
<td>2) Unbound</td>
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<tr>
<td></td>
<td>3) Guarantees and commitments in foreign currency and those undertaken in favour or on behalf of non-resident to be governed by foreign exchange laws.</td>
<td>3) Unbound</td>
<td></td>
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<tr>
<td></td>
<td>4) Unbound except as indicated under horizontal measures.</td>
<td>4) Unbound except as indicated under horizontal measures.</td>
<td></td>
</tr>
<tr>
<td>(e) Trading, for own account only of: money market instruments; foreign exchange; transferable securities; other negotiable instruments.</td>
<td>1) Unbound</td>
<td>1) Unbound</td>
<td></td>
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<tr>
<td></td>
<td>2) Unbound</td>
<td>2) Unbound</td>
<td></td>
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<tr>
<td></td>
<td>3) (i) The issue, sale and purchase of foreign currency and traveller cheques is allowed to commercial banks licensed as Authorized Dealer.</td>
<td>3) Unbound</td>
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<tbody>
<tr>
<td>(ii) Foreign banks allowed to set up joint ventures with local persons with equity participation up to 50% after obtaining Licence from the State Bank to undertake the sale and purchase of foreign currency and traveller cheques. (iii) Transmission of permissible funds including foreign currency can be effected only through authorized banking channels. (iv) Commercial banks incorporated in Pakistan and the branches of foreign banks in operation as on 12 December 1997 allowed to operate in call money market.</td>
<td>4) Unbound except as indicated under horizontal measures.</td>
<td>4) Unbound except as indicated under horizontal measures.</td>
<td></td>
</tr>
<tr>
<td>(f) Participation in issues of all kinds of securities including only public underwriting and placement as agent and provision of services related to such issues</td>
<td>1) Unbound</td>
<td>1) Unbound</td>
<td></td>
</tr>
<tr>
<td>2) Unbound</td>
<td>2) Unbound</td>
<td>3) Unbound</td>
<td></td>
</tr>
<tr>
<td>3) Branches of foreign banks in operation as on 12 December 1997 and banks (including investment banks) incorporated in Pakistan permitted to arrange and participate in any public issue and underwriting of securities up to 30% of the total paid-up capital of the issuer or 30% of their respective paid-up capital whichever is less. All investments in shares made as a consequence of underwriting commitments must be reported forthwith to the Central Bank, and is required to be disinvested within 30 days of the investments as approved by the Central Bank.</td>
<td>4) Unbound except as indicated under horizontal measures.</td>
<td>4) Unbound except as indicated under horizontal measures.</td>
<td></td>
</tr>
</tbody>
</table>

* Unbound due to lack of technical feasibility.

<table>
<thead>
<tr>
<th>Sector or Sub-sector</th>
<th>Limitations on Market Access</th>
<th>Limitations on National Treatment</th>
<th>Additional Commitments</th>
</tr>
</thead>
</table>
| (g) Settlement and clearing services for negotiable instruments (cheques, bills and promissory notes only) | 1) Unbound  
2) Unbound  
3) All commercial banks are required to be members of the clearing system operated/approved by Central Bank to effect interbank settlements.  
4) Unbound except as indicated under horizontal measures. | 1) Unbound  
2) Unbound  
3) Unbound | 4) Unbound except as indicated under horizontal measures. |

II. Leasing  
1) Unbound  
2) Unbound  
3) Foreign leasing companies will be permitted to set up subsidiary leasing companies in Pakistan with shareholding not exceeding 51% of the total capital to undertake operational leasing including cross-border leasing. Resource mobilization from the domestic market to be governed by the same rules and regulations as applicable to domestic mobilization of resources.  
4) Unbound except as indicated under horizontal measures. | 1) Unbound  
2) Unbound  
3) None | 4) Unbound except as indicated under horizontal measures. |

III. Asset Management: the following only:  
(a) Cash or portfolio management;  
(b) All forms of collective investment management; and  
(c) Custodial & depository services.  
1) Unbound  
2) Unbound  
3)  
(i) Entities licensed by the Central Bank and banks incorporated in Pakistan can undertake portfolio management services through their locally incorporated subsidiaries set up for the purpose with shareholding in such subsidiaries up to 51%.  
(ii) Management of foreign currency assets will be governed by the foreign exchange regulations applicable from time to time.  
4) Unbound except as indicated under horizontal measures. | 1) Unbound  
2) Unbound  
3) None | 4) Unbound except as indicated under horizontal measures. |

* Unbound due to lack of technical feasibility.

<table>
<thead>
<tr>
<th>Sector or Sub-sector</th>
<th>Limitations on Market Access</th>
<th>Limitations on National Treatment</th>
<th>Additional Commitments</th>
</tr>
</thead>
</table>
| IV. Financial and investment advisory services | 1) Unbound  
2) Unbound  
3) Banks incorporated in Pakistan will be permitted to undertake financial and advisory services through subsidiary companies set up for this purpose with shareholding up to 100% provided that transactions undertaken/services provided by such subsidiaries do not create any financial obligations whether contingent or otherwise on the balance sheet of the holding company or otherwise.  
4) Unbound | 1) Unbound  
2) Unbound  
3) None |  |
| | | 4) Unbound except as indicated under horizontal measures. | |
| V. Provision and transfer of financial information and financial data | 1) Unbound, except for the provision of publicly available data and financial information on corporate entities by institutional providers having commercial presence in Pakistan.  
2) Unbound  
3) Unbound  
4) Unbound except as indicated under horizontal measures. | 1) Unbound  
2) Unbound  
3) Unbound  
4) Unbound except as indicated under horizontal measures. |  |
| | | 1) Unbound  
2) Unbound  
3) Unbound  
4) Unbound except as indicated under horizontal measures. |  |

8. HEALTH AND RELATED SOCIAL SERVICES

A. Hospital services (CPC No. 9311) | 1) Unbound*  
2) None  
3) (a) As in measures applicable to all sectors  
(b) Subject to Pakistan Medical and Dental Council Regulations  
4) Unbound except as indicated under horizontal measures | 1) Unbound*  
2) None  
3) None  
4) Unbound except as indicated under horizontal measures |  |
| | | 1) Unbound*  
2) None  
3) None  
4) Unbound except as indicated under horizontal measures | |

* Unbound due to lack of technical feasibility.

<table>
<thead>
<tr>
<th>Sector or Sub-sector</th>
<th>Limitations on Market Access</th>
<th>Limitations on National Treatment</th>
<th>Additional Commitments</th>
</tr>
</thead>
</table>
| Medical and dental services (CPC No. 9312) | 1) Unbound*  
2) None  
3) (a) As in measures applicable to all sectors  
(b) Subject to Pakistan Medical and Dental Council Regulations  
4) Unbound except as indicated under horizontal measures | 1) Unbound*  
2) None  
3) None  
4) Unbound except as indicated under horizontal measures | |

<table>
<thead>
<tr>
<th>9. TOURISM &amp; TRAVEL RELATED SERVICES</th>
<th></th>
</tr>
</thead>
</table>
| A. Hotels and restaurants (including catering) (CPC No. 614-643) | 1) Unbound*  
2) Unbound  
3) None  
4) Unbound except as indicated under horizontal measures | 1) Unbound*  
2) Unbound  
3) None  
4) Unbound except as indicated under horizontal measures | |
| B. Travel agencies and tour operator services (CPC No. 7471) | 1) Unbound  
2) Unbound  
3) None  
4) Unbound except as indicated under horizontal measures | 1) Unbound  
2) Unbound  
3) None  
4) Unbound except as indicated under horizontal measures | |

* Unbound due to lack of technical feasibility.

Appendix III

National laws and regulations of interest to services exporters

Pakistan’s service providers, as with other business people, need to be thoroughly familiar with national legislation regulating the business environment. There are no laws specific to the services export sector. Rather, legislation pertaining to the services sector and its relevance in the trading sphere in Pakistan is contained in various general statutes.

Tax law is a vital area of compliance for service providers. The Income Tax Ordinance 2001, the Federal Excise Act 2005, and the Provincial Sales Tax Ordinance read with the Sales Tax Act 1990 are significant laws concerning the taxes and duties axes levied on service providers.

These statutes identify the various services and consequently the liability of service providers to be taxed on the provision of their services. The statues specify tax structures for the services rendered, identify the services that are liable to tax, provide special procedures to be followed by different service providers in computing their tax liabilities, and the mode and manner of registration with the authorities regulating these taxes.

The taxation of professional services is covered by provincial legislation specific to where the services are provided. These provincial enactments prescribe fixed tax structures according to the type of service provided.

Service providers must also meet their responsibilities under these statutes, such as registration, and maintenance of records and books of accounts. Penalties can be imposed for failure to meet these responsibilities.

The tax year in Pakistan runs from 1 July of the preceding year to 30 June of the following year. The latter year is then specified as the tax/financial year. For example, the tax year 2007 is the period of 12 months from 1 July 2006 to 30 June 2007.

Labour laws also form a vital area of compliance for service providers since these laws regulate the relationship between the employer and the employee and provide for working conditions.

Following are summaries of the key tax and labour laws and regulations that are relevant to Pakistan’s services exporters.

Tax laws

Income tax

The Income Tax Ordinance 2001 regulates the chargeability, computation, payment and recovery of income tax on the total income of residents, non-residents and permanent establishments in Pakistan. The ordinance applies to individuals, associations of persons (AOP), and companies. Every individual or AOP whose income exceeds a threshold amount must file an annual return of total income with the Commissioner of Income Tax. Every company is required to furnish an annual return of income.

Taxable income is the total income of a person for the tax year, excluding income not chargeable to tax, and deductions admissible under the Zakat and Usher Ordinance 1980, The Workers Welfare Funds Ordinance 1971, and the Workers Participation Fund under the Companies Profit (Workers Participation) Act 1968.
Total income is the sum of a person’s income from the following sources:

- Salary
- Income from property
- Income from business
- Capital gains
- Income from other sources.

Income tax is computed in the following manner:

- Step 1: Calculate the income received from all sources.
- Step 2: Calculate the deductions available under the ordinance, i.e. expenditure incurred in earning income, Zakat paid, etc.
- Step 3: Calculate the tax liability on the basis of applicable rates of tax given in the First Schedule to the ordinance.
- Step 4: Adjust the amount of advance/withholding tax paid from the amount of income tax arrived at.
- Step 5: The result will be the income tax liability of, or refund due to, an individual, AOP or company.

In case of a tax liability, the amount of the liability must be paid through the State Bank of Pakistan or designated branches of the National Bank of Pakistan on Tax payment Challan IT 31 (A, B, C, D).

In case of a refund, a company must complete and file its annual income tax return, after which it can contact the Commissioner of Income Tax to get the refund.

**Tax on payment for rendering of services**

Payments received for services provided by accountants, architects, dentists, doctors, engineers, interior decorators and lawyers, other than as an employee, are subject to deduction of tax at source at the rate of 6% of the gross amount. Specific rules apply to taxation on payments for services provided by insurance businesses (see Fourth Schedule) and by brokerage and commission houses, transport businesses and telecommunication services (see First Schedule, Part IV).

Payments received by an exporter or an export house, including payments advanced to a resident person or the permanent establishment in Pakistan of a non-resident person, for the provision of services such as stitching, dying, printing, embroidery, washing, sizing, and weaving are subject to tax at specified rates (see First Schedule, Part III, Division IV).

Service providers must provide their National Tax Number (NTN) to the person making payment and deducting withholding tax. If a NTN is not provided, the service provider’s computerized National Identity Card (CNIC) will be used for the deduction of income tax. Where neither a NTN nor a CNIC is provided, income tax will be deducted at the rate of 8% instead of 6%.

Tax is also imposed on any Pakistan-sourced royalty or fee received by a non-resident person for technical services provided. The rate of tax imposed on payments to non-residents is 15% of the gross amount of the royalty/fee for the technical services.

Non-resident persons receiving payment for the provision of services as an owner or charterer of ships or aircraft for the carriage of passengers, livestock, mail or goods are also liable to tax (see First Schedule, Part I, Division V).
Maintenance of records

Taxpayers providing services must maintain the following records:

- Serially numbered invoices/receipts for each transaction containing taxpayer’s name or business name, profession, NTN and sales tax registration number, if any, details of services rendered or provided and the amount charged, the name and address of the client.
- Daily appointment and engagement diary in respect of clients.
- Daily record of receipts, sales, payments, purchases and expenses.
- Vouchers of purchase and expenses.

Penalties

Penalties can be imposed under the ordinance for the following acts and omissions of taxpayers:

- Failure to furnish a return or statement.
- Non-payment of tax.
- Concealment of income
- Failure to maintain records.
- Non-compliance with notices served by income tax authorities.
- Making false or misleading statements.
- Failure to give notice of discontinuation of business.


Federal excise duty

The provision of services is generally exempt from the payment of excise duty, although some services are exempted on certain conditions (see Third Schedule, Annex 11). Those services, utilities and facilities originating from Pakistan and its tariff areas that are subject to excise duty are defined under the Federal Excise Act 2005 or the Pakistan Customs Tariff.

According to the Act, services provided in Pakistan, as specified in the Act and the Customs Act 1969 (First Schedule, Chapter 98, Annex A), are subject to excise duty of 15% of the value of the services provided, except the services specified in Annex B that are charged duty at the rate specified therein.

Every person providing services subject to excise duty is responsible for levying and collecting the duty from the person to whom the services are provided or from whom payment is received.

The Federal Excise Rules 2005 specify special procedures for the payment of excise duties by insurance companies, shipping agents and advertising agents, and a special procedure for the collection of duties on telecommunication services.

A person providing services that are subject to excise duty must register with the Collector of Federal Excise in the area where the head office of his/her business premises is situated. However, a person who is already registered under the Sales Tax Act 1990, irrespective of the annual turnover of the services provided, is not be required to register again under the Federal Excise Act 2005.

Excise duty is paid monthly. Every registered person must prepare a Challan in Form T.R.6 (in triplicate) and present it at a bank in the jurisdiction of the Federal Excise Collector where he/she is registered. The amount of duty due for the month must be deposited at the time of presenting the Challan.
Within three days of payment of the monthly duty, the registered person must file a monthly return (on Form FE-IV) with the Collector of Federal Excise in his/her jurisdiction.

**Maintenance of records**

Every registered person must maintain records of transactions at his/her business premises, including records of sales, stocks inventories, contracts, records of imports and exports, and invoices specifying the following:

- Name, address and registration number of the buyer and seller.
- Date of issue of invoice.
- Description of services.
- Values, both exclusive and inclusive of excise duties.
- Amount of excise duty.

**Penalties**

Penalties can be imposed under the Federal Excise Act 2005 for the following offences:

- Fraudulent evasion or failure to make payment of duty.
- Filing of incorrect returns.
- Counterfeiting and/or making untrue declarations in any document required under the Act.
- Failure or refusal to give information required by the Act to relevant Authorities.
- Illegal manufacture, storage or removal of goods in a manner other than that prescribed by the Act.
- Dealing with any goods with intent to defraud the Government.
- Availing the adjustment of duty not admissible under the Act.
- Manipulation of data stored in a computer to defeat the provisions of the Act.


**Sales tax on services**

Sales tax on services is levied at the provincial level and in the Islamabad Capital Territory. It is governed by the following ordinances:

- N.W.F.P Sales Tax Ordinance 2000
- Baluchistan Sales Tax Ordinance 2000
- Punjab Sales Tax Ordinance 2000
- Sindh Sales Tax Ordinance 2000
- Islamabad Capital Territory (Tax on Services) Ordinance 2001.

Section 3 of the respective ordinances provides that sales tax will be charged, levied and paid at the rate of 15% on the provision of services specified in the schedules to the respective ordinances. The specified services are:
- Services provided by hotels, marriage halls, lawns, clubs and caterers.
- Advertisements on TV and radio, excluding some education and public service advertisements.
- Services provided or rendered by persons authorized to transact business on behalf of others, e.g. customs agents, ship chandlers, and stevedores.
- Courier services.
- Services provided or rendered for personal care by beauty parlours, beauty clinics, slimming clinics.
- Services provided or rendered by laundries and dry cleaners.

Persons providing the services specified above must register with the Collector of Sales Tax where their business office is located.

The registered person must file a monthly return of the sales tax charged and collected for services provided during that month. The sales tax must be paid at the time of filing the return. The tax can be paid either through deposit in a bank designated by the Central Bureau of Revenue (CBR) or through any other mode prescribed by the CBR.

The following provisions of the Sales Tax Act 1990 also apply to the respective sales tax ordinances:
- Manner, time and mode of payment.
- Registration and de-registration.
- Keeping of records and audits.
- Enforcement and adjudication.
- Penalties and prosecution.
- All other allied and ancillary matters.

**Maintenance of records**

The Sales Tax Act requires that records maintained must include records of all supplies, purchases, exempted supplies, invoices, etc. The records must be retained for a period of 3 years following the end of the tax period to which they relate.

**Penalties**

Penalties can be imposed under the Sales Tax Act 1990 for the following offences:
- Not filing a sales tax return.
- Repeating erroneous calculation in the return.
- Unauthorized and/or non-issuance of invoice.
- Not submitting the summary of sale and purchase invoices.
- Non-payment of tax within the stipulated time.
- Failure to apply for registration.
- Non-maintenance of records.
- Failure of compliance with notices served under the Sales Tax Act.
- Submission of false or forged documents.
- Manipulation of data stored in the computer.
• Obstruction of an officer in the performance of his/her duties in relation to the Act.
• Contravention of any conditions, limitations, or restrictions prescribed by the Act.


**Taxes on professional services**

Under the legislation, professional services include the services provided by medical and legal practitioners, accountants, architects, engineers, auditors, etc. They are taxed in accordance with legislation enacted separately by each province. Professional tax is payable annually. The provincial Collectors of Sales Tax and Federal Excise collect and enforce the tax on professional services.

**Punjab**

The Punjab Finance Act 1977 (Second Schedule) regulates the taxes on professions, trades, callings and employments. If a person is engaged in rendering more than one type of service, he/she will pay tax for the profession with the highest tax rate.

Following are the rates of professional tax currently applicable in Punjab:

<table>
<thead>
<tr>
<th>Professional tax categories</th>
<th>Rates of tax (PKR per annum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Consultants or Specialists/Dental Surgeons:</td>
<td></td>
</tr>
<tr>
<td>(a) Within the metropolitan and municipal corporation limits</td>
<td>7,000</td>
</tr>
<tr>
<td>(b) Others</td>
<td>5,000</td>
</tr>
<tr>
<td>Registered Medical Practitioners:</td>
<td></td>
</tr>
<tr>
<td>(a) Within the metropolitan and municipal corporation limits</td>
<td>1,500</td>
</tr>
<tr>
<td>(b) Others</td>
<td>1,000</td>
</tr>
<tr>
<td>Others, including Homeopaths, Ayurvedics and Hakeems:</td>
<td></td>
</tr>
<tr>
<td>(a) Within the metropolitan and municipal corporation limits</td>
<td>1,000</td>
</tr>
<tr>
<td>(b) Others</td>
<td>500</td>
</tr>
<tr>
<td>Auditing Firms (per professionally qualified person):</td>
<td></td>
</tr>
<tr>
<td>(a) Within metropolitan and municipal corporation limits</td>
<td>3,000</td>
</tr>
<tr>
<td>(b) Others</td>
<td>2,000</td>
</tr>
<tr>
<td>Management and Tax Consultants, Architects, Engineering, Technical and Scientific Consultants:</td>
<td></td>
</tr>
<tr>
<td>(a) Within metropolitan and municipal corporation limits</td>
<td>3,000</td>
</tr>
<tr>
<td>(b) Others</td>
<td>2,000</td>
</tr>
<tr>
<td>(a) Members of Stock Exchanges</td>
<td>5,000</td>
</tr>
<tr>
<td>(b) Money changers</td>
<td></td>
</tr>
<tr>
<td>(i) Within metropolitan and municipal corporations limits</td>
<td>3,000</td>
</tr>
<tr>
<td>(ii) Others</td>
<td>1,000</td>
</tr>
<tr>
<td>(c) Real estate agents or motor vehicle dealers</td>
<td></td>
</tr>
<tr>
<td>(i) Within metropolitan and municipal corporations limits</td>
<td>10,000</td>
</tr>
<tr>
<td>(ii) Others</td>
<td>5,000</td>
</tr>
<tr>
<td>Professional tax categories</td>
<td>Rates of tax (PKR per annum)</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>(d) Recruiting agents:</td>
<td></td>
</tr>
<tr>
<td>(i) Within metropolitan and municipal corporation limits</td>
<td>10,000</td>
</tr>
<tr>
<td>Carriage of Goods and Passengers by Road:</td>
<td></td>
</tr>
<tr>
<td>(a) Within the metropolitan and municipal corporation limits</td>
<td>2,000</td>
</tr>
<tr>
<td>(b) Others</td>
<td>1,000</td>
</tr>
<tr>
<td>Health Clubs and Gymnasiums:</td>
<td></td>
</tr>
<tr>
<td>(a) Within the metropolitan and municipal corporation limits</td>
<td>2,000</td>
</tr>
<tr>
<td>(b) Others</td>
<td>1,000</td>
</tr>
<tr>
<td>Contractors, Builders and Property Developers, who in one financial year Supply Goods and Services of the value:</td>
<td></td>
</tr>
<tr>
<td>(i) Exceeding PKR 1 million but not exceeding PKR 10 million</td>
<td>3,000</td>
</tr>
<tr>
<td>(ii) Exceeding PKR 10 million but not exceeding PKR 50 million</td>
<td>5,000</td>
</tr>
<tr>
<td>(iii) Exceeding PKR 50 million</td>
<td>10,000</td>
</tr>
</tbody>
</table>

Sindh

Professional tax is levied on businesses, professions, trades, callings or employments specified in the Sindh Finance Act 1964 (Seventh Schedule).

Following are the rates of professional tax currently applicable in Sindh province:

<table>
<thead>
<tr>
<th>Professional tax categories</th>
<th>Rates of tax (PKR per annum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All persons liable to Income Tax:</td>
<td>150</td>
</tr>
<tr>
<td>All limited companies with paid-up capital &amp; reserve:</td>
<td></td>
</tr>
<tr>
<td>(i) Not exceeding PKR 10 million</td>
<td>10,000</td>
</tr>
<tr>
<td>(ii) Exceeding PKR 10 million but not exceeding PKR 25 million</td>
<td>15,000</td>
</tr>
<tr>
<td>(iii) Exceeding PKR 25 million but not exceeding PKR 50 million</td>
<td>20,000</td>
</tr>
<tr>
<td>(iv) Exceeding PKR 50 million but not exceeding PKR 100 million</td>
<td>50,000</td>
</tr>
<tr>
<td>(v) Exceeding PKR 100 million but not exceeding PKR 200 million</td>
<td>75,000</td>
</tr>
<tr>
<td>(vi) Exceeding PKR 200 million</td>
<td>100,000</td>
</tr>
<tr>
<td>All establishments other than limited companies with annual turnover:</td>
<td></td>
</tr>
<tr>
<td>(i) Not exceeding PKR 0.5 million</td>
<td>500</td>
</tr>
<tr>
<td>(ii) Exceeding PKR 0.5 million but not exceeding PKR 5 million</td>
<td>1,500</td>
</tr>
<tr>
<td>(iii) Exceeding PKR 5 million but not exceeding PKR 25 million</td>
<td>2,500</td>
</tr>
<tr>
<td>(iv) Exceeding PKR 25 million but not exceeding PKR 100 million</td>
<td>5,000</td>
</tr>
<tr>
<td>(v) Exceeding PKR 100 million but not exceeding PKR 500 million</td>
<td>10,000</td>
</tr>
<tr>
<td>(vi) Exceeding PKR 500 million but not exceeding PKR 1000 million</td>
<td>30,000</td>
</tr>
<tr>
<td>(vii) Above PKR 1000 million</td>
<td>100,000</td>
</tr>
</tbody>
</table>
Professional tax categories | Rates of tax (PKR per annum)
---|---
Establishments not liable to income tax | 500
All petrol pumps | 2,500

**Balochistan**

The West Pakistan Finance Act 1977 regulates the tax on professional services in the province of Balochistan. This tax is levied at a fixed rate of PKR 100 per annum for all professions, trades, callings and employments.

**N.W.F.P**

The North West Frontier Province Finance Act 1991, as amended by the Finance Ordinance 2002, specifies the taxes levied in the NWFP on professional services as follows:

<table>
<thead>
<tr>
<th>Professional tax categories</th>
<th>Rates of tax (PKR per annum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All persons engaged in any profession, trade, calling or employment, other than those specifically mentioned hereinafter in the North West Frontier Province, including employees of the Federal or Provincial Government whose monthly income or earning:</td>
<td></td>
</tr>
<tr>
<td>a) Exceeds PKR 6000 but does not exceed PKR 10,000</td>
<td>100</td>
</tr>
<tr>
<td>b) Exceed PKR 10,000 but does not exceed PKR 20,000</td>
<td>150</td>
</tr>
<tr>
<td>c) Exceeds PKR 20,000</td>
<td>200</td>
</tr>
<tr>
<td>All limited companies, modarabas, funds, and any other body corporate with paid-up capital or paid-up capital* and reserves in the preceding year, which ever is more:</td>
<td></td>
</tr>
<tr>
<td>a) Exceeding PKR 10 million</td>
<td>10,000</td>
</tr>
<tr>
<td>b) Exceeding PKR 10 million but not exceeding PKR 25 million</td>
<td>15,000</td>
</tr>
<tr>
<td>c) Exceeding PKR 25 million but not exceeding PKR 50 million</td>
<td>20,000</td>
</tr>
<tr>
<td>d) Exceeding PKR 50 million but not exceeding PKR 100 million</td>
<td>50,000</td>
</tr>
<tr>
<td>e) Exceeding PKR 100 million but not exceeding PKR 200 million</td>
<td>75,000</td>
</tr>
<tr>
<td>f) Exceeding PKR 200 million</td>
<td>100,000</td>
</tr>
<tr>
<td>* Paid-up capital in the case of foreign banks shall be the minimum paid-up capital as determined by the State Bank of Pakistan.</td>
<td></td>
</tr>
<tr>
<td>Persons, other than companies, owning factories, commercial establishments, private educational institutions and private hospitals with ten or more employees</td>
<td>1,500</td>
</tr>
<tr>
<td>Holders of import and or export license, liable to income tax in the preceding year with annual turnover:</td>
<td></td>
</tr>
<tr>
<td>a) Not exceeding PKR 50,000</td>
<td>2,000</td>
</tr>
<tr>
<td>b) Exceeding PKR 50,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Clearing agents licensed or approved as custom house agents</td>
<td>1,500</td>
</tr>
<tr>
<td>Travel Agents:</td>
<td></td>
</tr>
<tr>
<td>a) IATA</td>
<td>7,500</td>
</tr>
<tr>
<td>b) Non-IATA</td>
<td>3,000</td>
</tr>
<tr>
<td>Restaurants liable to sales tax</td>
<td>7,500</td>
</tr>
</tbody>
</table>
### Professional tax categories

<table>
<thead>
<tr>
<th>Professional tax categories</th>
<th>Rates of tax (PKR per annum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising Agencies</td>
<td>5,000</td>
</tr>
<tr>
<td>Doctors:</td>
<td></td>
</tr>
<tr>
<td>(a) Specialists</td>
<td>1,500</td>
</tr>
<tr>
<td>(b) Non-specialists, including medical practitioners, hakeems and homeopaths</td>
<td>500</td>
</tr>
<tr>
<td>Clinical Laboratories, including pathological and chemical laboratories:</td>
<td></td>
</tr>
<tr>
<td>(a) Located in Peshawar, Mardan,Charsadda and Abbottabad</td>
<td>7,500</td>
</tr>
<tr>
<td>(b) Located in other places</td>
<td>1,500</td>
</tr>
<tr>
<td>Contractors, suppliers and consultants, who, during the preceding financial year supplied to the Federal or any Provincial Government, or any local authority, goods, commodities, or rendered services of the value:</td>
<td></td>
</tr>
<tr>
<td>(a) Exceeding PKR 10,000 but not exceeding PKR 1 million</td>
<td>2,000</td>
</tr>
<tr>
<td>(b) Exceeding PKR 1 million but not exceeding PKR 2.5 million</td>
<td>3,000</td>
</tr>
<tr>
<td>(c) Exceeding PKR 2.5 million</td>
<td>10,000</td>
</tr>
<tr>
<td>Petrol Pumps:</td>
<td></td>
</tr>
<tr>
<td>(a) In urban areas</td>
<td>1,000</td>
</tr>
<tr>
<td>(b) In rural areas</td>
<td>500</td>
</tr>
<tr>
<td>All establishments, including video shops, real estate shops/agencies, car dealers, not liable to income tax in the preceding financial year</td>
<td>1,000</td>
</tr>
</tbody>
</table>

Taxes on hotels are levied at a rate of 5% of the room rent per lodging unit per day on the basis of 50% of the total number of lodging units available in the hotel to be taxed. The tax is levied and collected annually. Taxes on hotels situated on hill stations are assessed for the first four business months in a year, i.e. 1 May to 31 August.

Detailed information about the application of professional taxes is available from the aforementioned statutes and from the tax personnel serving at the CBR offices situated in various cities. Their telephones numbers and addresses, along with other information on taxes can be obtained from the CBR website at www.cbr.gov.pk.

### Labour Laws

It is essential for participants in the service sector to comply with national labour laws. These laws set standards for workplace conditions and wages, assign levies, and also regulate the relationship between the employer and the employee.

Following are the primary labour laws applicable to persons providing or rendering services.

#### The Minimum Wages Ordinance 1961

This law provides the machinery for the establishment of minimum wage rates. Under the ordinance, a Minimum Wages Board recommends to the provincial government minimum wage rates for workers in any particular industry. The recommendations are made according to directives issued by the provincial government or in the face of changing economic or living conditions. No recommendation is reviewed earlier than one year or later than three years from the date it was made. On reviewing the recommendations from the Board, the provincial government notifies the minimum wage rates in the official gazette. The wages determined vary according to the numerous industries and are to be paid on a monthly basis.
Pakistan Minimum Wages for Unskilled Workers Ordinance 1969

This law prescribes the minimum wage rates that must be paid to an unskilled worker. This law applies to establishments employing 50 or more workers. The minimum wage for unskilled workers employed in any industry was fixed by the Government for the tax year 2006-07 at PKR 4000 per month.

West Pakistan (Industrial and Commercial) Standing Orders Ordinance 1968

This ordinance provides minimum service conditions for specified establishments. It applies to establishments employing 10 or more workers. It sets out the terms and conditions of service to be met by an employer, like issuance of tickets to permanent employees, publication in writing of working time, holidays, pay days, rate of wages, provision of terms and conditions of service, etc.

Employees Old Age Benefits Act 1976

This Act concerns the widows’ pension, old age pension, old age grants and invalidity pension. It applies to every industry or establishment that employs 10 or more people and continues to apply even if the number of people is subsequently reduced to less than 10.

The Act requires an employer to contribute to the department 6% of salary, subject to a maximum of PKR 180 per month, for every employee having a monthly salary of at least PKR 4000. The department also receives PKR 40 every month from the salary of that employee through the employer. The department referred to is the Employees Old Age Benefits institution set up for the purpose of receiving the contributions under the Act.

An employer to which the Act applies must register with the institution, maintain records and submit returns for inspection by the relevant authorities.

West Pakistan Shops and Establishment Ordinance 1969

This ordinance prescribes the basic standards of living, payment of wages, working hours and overtime, weekly and festival holidays, and termination of employment and ancillary matters, in relation to all retail establishments, except for one-person shops. The ordinance requires applicable establishments to register with the deputy chief inspector appointed under the ordinance for the area within which such establishment is situated and for the employer to maintain records and registers in accordance with the Act.

Detailed information about compliance with the above labour laws can be downloaded from SMEDA’s website at http://www.smeda.org/info.php?id=22.
Appendix IV

Information sources for services exporters

A number of organizations — federal and provincial government ministries and agencies, business associations, industry associations, professional associations, chambers of commerce and industry — promote Pakistan’s services sector and provide assistance to services exporters. Some of the more prominent organizations that provide SMEs with information on the various issues, areas and agreements relating to trade and export of services under the WTO-GATS regime are given below.

The updated online version of the following list can be accessed on SMEDA’s website at www.smeda.org.pk and on the Industrial Information Network website at www.iin.com.pk.

Federal Government ministries and agencies

**Ministry of Industries, Production & Special Initiatives (MOIPSI)**
Tel.: +92 51 921 2164, 922 3131, 920 4031
Email: minister@moip.gov.pk
Website: www.moip.gov.pk

**WTO Cell**
Mr. Muhammad Shahid, Deputy Secretary
Tel.: +92 51 920 2094, Fax: +92 51 920 5130
Email:muhammad_pk_2002@yahoo.com

MOIPSI is responsible for national industrial planning and policy.

The **WTO Cell** is responsible for providing specific information on the impact of WTO laws, including GATS, in Pakistan and evaluating their impact on future policies.

**Ministry of Commerce (MOC)**
Block “A”, Pak-Secretariat, Islamabad
Tel.: +92 51 920 5708
Fax: +92 51 920 5241
Email: mincom@commerce.gov.pk
Website: www.commerce.gov.pk

**WTO Wing**
Mrs. Yasmin Masood, Joint Secretary
Tel.: +92 51 920 1953
Fax: +92 51 921 3785
Email: yasmin_msd@yahoo.com

The **WTO Wing** is responsible for preparing GATS negotiating positions/policy guidelines for Pakistan’s negotiators at the WTO mission Geneva, in consultation with other stakeholder ministries/departments. It organizes, and participates in, services awareness raising events in coordination with international organizations.

**Trade Development Authority of Pakistan (TDAP)**
[formerly Export Promotion Bureau (EPB)]
5th floor, Block A, Finance & Trade Centre, PO Box 1293, Shahrah-e-Faisal, Karachi 75200
Tel.: +92 21 111 444 111 or 920 6487-90,
Fax: +92 21 111 372 725
Email: tdap@tdap.gov.pk
Website: www.tdap.gov.pk

**WTO Cell**
Mr. Mujeeb Khan, Head
Tel.: +92 21 920 2186, Fax: +92 21 920 7206
Email: mujeeb.khan@wto-pakistan.org

TDAP provides information for exporters, including exporters and international buyers databases, trade association contacts, export statistics and trends, government policies and procedures, a fax-on-demand information service, and a calendar of events.

TDAP’s **WTO Cell** collects, analyses and disseminates information on WTO/MTS issues including GATS and trade in services, researches and analyses threats and opportunities offered for Pakistan’s exporters, advocates for exporters in their relations with the government, assists the government with trade policy formation, and engages in an outreach programme.
State Bank of Pakistan (SBP)
Pakistan Central Directorate, I.I. Chundrigar Road, Karachi, 74400
Tel.: 111-727-111
Email: info@sbp.org.pk
Website: www.sbp.org.pk

SBP functions include the issue of notes, regulation and supervision of the financial system, bankers’ bank, lender of the last resort, banker to Government, and conduct of monetary policy.

It is also responsible for Pakistan’s initial GATS offer submitted to the WTO negotiations in May 2005, and for the GATS in relation to the financial sector.

Board of Investment (BOI)
Ataturk Avenue, G-5/1, Islamabad
Tel.: +92 51 920 6161, 922 1824
Fax: +92 51 920 3281, 921 7665
Email: mail@pakboi.gov.pk
Website: www.pakboi.gov.pk

BOI provides information on doing services business in Pakistan (including official investment policies and regulations), investment opportunities, incentives, facilities, foreign missions in Pakistan, Pakistani embassies overseas, and BOI offices.

Small and Medium Enterprise Development Authority (SMEDA)
6th floor, LDA Plaza, Egerton Road, Lahore 54000
Tel.: +92 42 111 111 456
Fax: +92 42 630 4926-27
Email: servicesinfo@smeda.org.pk
Website: www.smeda.org.pk

SMEDA is the agency responsible for the development of SMEs in Pakistan. With regards to Trade in Services, SMEDA is involved in conducting research to analyse opportunities for the services sector, advocating for services SMEs at different tiers of government, contributing SME-related incentives to the annual trade policy and engaging in an outreach programme. Moreover, it provides basic services sector information and business development services to SMEs in trade in services.

Central Board of Revenue (CBR)
Constitution Avenue, G-5, Islamabad
Tel.: +92 51 111 227 227
Fax: +92 51 920 7540
Email: helppline@cbr.gov.pk
Website: www.cbr.gov.pk

CBR is responsible for (i) formulation and administration of fiscal policies, (ii) levy and collection of federal taxes and (iii) quasi-judicial function of hearing of appeals. Services SMEs may refer to CBR for tax rates and tax submission.

Securities and Exchange Commission of Pakistan (SECP)
National Insurance Corporation Building, Jinnah Avenue, Islamabad 44000
Tel.: +92-51-920 7091
Fax: +92-51-920 4915
Email: enquiries@secp.gov.pk
Website: www.secp.gov.pk

SECP is responsible for regulation of corporate sector and capital markets, supervision and regulation of insurance companies and non-banking finance companies and private pensions. It is also responsible for the GATS in relation to insurance and the capital markets.

Pakistan Software Export Board (PSEB)
2nd Floor, Evacuee Trust Complex, F-5, Aga Khan Road, Islamabad 44000, Pakistan
Tel.: +92 51 920 4074
Fax: +92 51 920 4075
Email: info@pseb.org.pk
Website: www.pseb.org.pk

PSEB is responsible for accelerating growth in the information technology (IT) and IT enabled services industry. PSEB develops creative synergies between government, industry and academia by providing timely and relevant policy input and by supporting the IT industry to sustain momentum in this vital sector of the national economy.
Engineering Development Board (EDB)

5-A, Constitution Avenue, SEDC Building (STP), Sector F-5/1, Islamabad
Tel.: +92 51 920 5595-98
Fax: +92 51 920 5595-98
Email: webmaster@edb.gov.pk
Website: www.engineeringpakistan.com

EDB provides information on the expertise provided by Pakistan-based engineering companies and the Ministry of Industries, Production & Special Initiatives.

Federation of Pakistan Chambers of Commerce & Industry (FPCCI)

Website: www.fpcci.com.pk

FPCCI Head Office, Karachi
Federation House, Main Clifton, Karachi
Tel.: +92 21 587 3691, 93-94, Fax: +92 21 587 4332
Email: fpcci@cyber.net.pk

FPCCI Zonal Office, Lahore
50-A Tufail Road, Lahore Cantt, Lahore
Tel.: +92 42 667 0970-71, Fax: +92 42 667 0972
Email: fpcci@brain.net.pk

FPCCI Liaison Office, Islamabad
1st floor, Chamber House, G-8/1, Aiwan-e-Sanat-o-Tijarat Road, Islamabad
Tel.: +92 51 225 891-93, Fax: +92 51 225 1894
Email: fpcci.isb@cyber.net.pk

FPCCI Zonal Office, Peshawar
Suites 9 & 10, 2nd floor, Azam Towers, Jamrud Road, Peshawar
Tel.: +92 91 570 4291-2, Fax: +92 91 584 6259
Email: fpccipsh@dslplus.net.pk

FPCCI performs a number of export and investment promotional activities and functions, e.g.:
- Sponsoring business and investment delegations to foreign countries
- Organizing Pakistan’s participation in international fairs and exhibitions
- Maintaining liaison with Pakistan diplomatic and commercial missions abroad
- Exchanging information relating to trade, industry and economy with foreign chambers and institutions
- Encouraging competition among leading exporters by awarding annual Export Trophy Awards
- Mediating in the resolution of commercial disputes between Pakistani and foreign businessmen

Karachi Chamber of Commerce & Industry (KCCI)

Aiwan-e-Tijarat Road, off Shahrah-e-Liaquat, Karachi 74000
Tel.: +92 21 241 9736
Fax: +92 21 241 0915
Email: resdept@cyber.net.pk
Website: www.kcci.org.pk

WTO Committee

Mr. Mohammad Ishaq Subhani
Additional Secretary and Director, Research

LCCI’s role is to promote trade and industry in order to contribute to economic development. LCCI acts as a bridge between government and the business community and plays an important role, on behalf of its Members, in policy formulation.

The WTO Cell and other services sub-sector committees provides general information as well as information relating to the recent developments, negotiations and their impacts on Pakistan’s exporters and importers. It also offers access to ITC’s market analysis tools.
Provincial Government WTO resources

Government of Balochistan

WTO Unit
Mr. Ghulam Rasoon
Director General, Agriculture Extension
Email: dg_agric@yahoo.co.uk
Agriculture Extension Department
Saryab Road, Ranhi Bagh, Quetta, Balochistan
Tel.: +92 81 921 1500, Fax: +92 81 921 1506

Government of North-West Frontier Province (NWFP)

WTO Unit
Mr. Mohammad Zulfiqar, Coordinator
Email: zulfi64@yahoo.com
Agriculture, Livestock & Cooperative Department
Peshawar
Tel.: +92 91 921 0433, Fax: +92 91 921 0033

Government of the Punjab

WTO Cell
Mr. Amjad Saleem, Chief
Email: wtocell_agri@yahoo.com
Agriculture Department, Room No. 152, 2nd floor,
Agriculture House, 21 Davis Road, Lahore
Tel.: +92 42 920 3501, Fax: +92 42 920 3504
Planning and Development Department, Civil
Secretariat, Lahore
Tel.: +92 42 921 0491, Fax: +92 42 921 0120

WTO Cell
Mr. Ejaz Hussain, Chief
Tel: 042-9210477 Fax: 042-9210338
Email: m_ih@yahoo.com

Government of Sindh

WTO Unit
Mr. Arif Khairy
Deputy Secretary, Technical
Agriculture Department, Government of Sindh, Karachi
Tel.: +92 21 921 2050, Fax: +92 21 921 1469

Other important agencies & organizations

Higher Education Commission (HEC) www.hec.gov.pk
National Engineering Services Pakistan (Pvt.) Limited (NESPAK) www.nespak.com.pk
National Productivity Organization (NPO) www.npo.gov.pk
Pakistan Council for Science & Industrial Research (PCSIR) www.pcsir.gov.pk
Pakistan Electronic Media Regulatory Authority (PEMRA) www.pemra.gov.pk
Pakistan Intellectual Property Organisation (PIPO) www.ipo.gov.pk
Pakistan Standards & Quality Control Authority (PSQCA) www.psqca.com.pk
Pakistan Telecommunication Authority (PTA) www.pta.gov.pk
Pakistan Engineering Council (PEC) www.pec.org.pk
Pakistan Export Finance Guarantee Agency (PEFGA) www.pefg.org
Skill Development Council (SDC) () www.sdc.com.pk
Technical Education & Vocational Training Authority (TEVTA) www.tevta.gov.pk
Appendix V

GATS services sectoral classification list

The comprehensive list of sectors and sub-sectors covered under the GATS was compiled by the WTO in July 1991, and may be subject to further modification in the light of developments in the services negotiations and ongoing work elsewhere. The purpose of preparing a comprehensive list was to facilitate the Uruguay Round negotiations, ensuring cross-country comparability and consistency of the commitments undertaken. Although optional, most Members follow this classification, which in some sectors (maritime transport, financial services, and telecommunications) is being complemented by alternative models. The 160 sub-sectors are defined as aggregate of the more detailed categories contained in the United Nations provisional Central Product Classification (CPC). Recourse to the CPC categories helps to improve clarity over the scope of the commitments actually undertaken; for each sector number, the CPC provides a brief description of what is actually covered.

The list is given below.

<table>
<thead>
<tr>
<th>Services sectors and sub-sectors</th>
<th>Corresponding Central Product Classification (CPC)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. BUSINESS SERVICES</strong></td>
<td>Section B</td>
</tr>
<tr>
<td><strong>A. Accounting, auditing and bookkeeping services</strong></td>
<td></td>
</tr>
<tr>
<td>a. Legal Services</td>
<td>861</td>
</tr>
<tr>
<td>b. Accounting, auditing and bookkeeping services</td>
<td>862</td>
</tr>
<tr>
<td>c. Taxation Services</td>
<td>863</td>
</tr>
<tr>
<td>d. Architectural services</td>
<td>8671</td>
</tr>
<tr>
<td>e. Engineering services</td>
<td>8672</td>
</tr>
<tr>
<td>f. Integrated engineering services</td>
<td>8673</td>
</tr>
<tr>
<td>g. Urban planning and landscape architectural services</td>
<td>8674</td>
</tr>
<tr>
<td>h. Medical and dental services</td>
<td>9312</td>
</tr>
<tr>
<td>i. Veterinary services</td>
<td>932</td>
</tr>
<tr>
<td>j. Services provided by midwives, nurses, physiotherapists and paramedical personnel</td>
<td>93191</td>
</tr>
<tr>
<td>k. Other</td>
<td></td>
</tr>
<tr>
<td><strong>B. Computer and Related Services</strong></td>
<td></td>
</tr>
<tr>
<td>a. Consultancy services related to the installation of computer hardware</td>
<td>841</td>
</tr>
<tr>
<td>b. Software implementation services</td>
<td>842</td>
</tr>
<tr>
<td>c. Data processing services</td>
<td>843</td>
</tr>
<tr>
<td><strong>C. Research &amp; Development Services</strong></td>
<td></td>
</tr>
<tr>
<td>a. R&amp;D services on natural sciences</td>
<td>851</td>
</tr>
<tr>
<td>b. R&amp;D services on social sciences and humanities</td>
<td>852</td>
</tr>
<tr>
<td>c. Interdisciplinary R&amp;D services</td>
<td>853</td>
</tr>
</tbody>
</table>

* Indicates that the service specified is a component of a more aggregated CPC item specified elsewhere in this classification list.

** Indicates that the service specified constitutes only a part of the total range of activities covered by the CPC concordance (e.g. voice mail is only a component of CPC item 7523).
<table>
<thead>
<tr>
<th>Services sectors and sub-sectors</th>
<th>Corresponding Central Product Classification (CPC)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>D. Real Estate Services</strong></td>
<td></td>
</tr>
<tr>
<td>a. Involving own or leased property</td>
<td>821</td>
</tr>
<tr>
<td>b. On a fee or contract basis</td>
<td>822</td>
</tr>
<tr>
<td><strong>E. Rental/Leasing Services without Operators</strong></td>
<td></td>
</tr>
<tr>
<td>a. Relating to ships</td>
<td>83103</td>
</tr>
<tr>
<td>b. Relating to aircraft</td>
<td>83104</td>
</tr>
<tr>
<td>c. Relating to other transport equipment</td>
<td>83101 + 83102 + 83105</td>
</tr>
<tr>
<td>d. Relating to other machinery and equipment</td>
<td>83106-83109</td>
</tr>
<tr>
<td>e. Other</td>
<td></td>
</tr>
<tr>
<td><strong>F. Other Business Services</strong></td>
<td></td>
</tr>
<tr>
<td>a. Advertising services</td>
<td>871</td>
</tr>
<tr>
<td>b. Market research and public opinion polling services</td>
<td>864</td>
</tr>
<tr>
<td>c. Management consulting service</td>
<td>865</td>
</tr>
<tr>
<td>d. Services related to management consulting</td>
<td>866</td>
</tr>
<tr>
<td>e. Technical testing and analysis services</td>
<td>8676</td>
</tr>
<tr>
<td>f. Services incidental to agriculture, hunting and forestry</td>
<td>881</td>
</tr>
<tr>
<td>g. Services incidental to fishing</td>
<td>882</td>
</tr>
<tr>
<td>h. Services incidental to mining</td>
<td>883 + 5115</td>
</tr>
<tr>
<td>i. Services incidental to manufacturing</td>
<td>884-885 (exc. for 88442)</td>
</tr>
<tr>
<td>j. Services incidental to energy distribution</td>
<td>887</td>
</tr>
<tr>
<td>k. Placement and supply services of personnel</td>
<td>872</td>
</tr>
<tr>
<td>l. Investigation and security</td>
<td>873</td>
</tr>
<tr>
<td>m. Related scientific and technical consulting services</td>
<td>8675</td>
</tr>
<tr>
<td>n. Maintenance and repair of equipment (not including maritime vessels, aircraft or other transport equipment)</td>
<td>633 + 8861-8866</td>
</tr>
<tr>
<td>o. Building-cleaning services</td>
<td>874</td>
</tr>
<tr>
<td>p. Photographic services</td>
<td>875</td>
</tr>
<tr>
<td>q. Packaging services</td>
<td>876</td>
</tr>
<tr>
<td>r. Printing, publishing</td>
<td>88442</td>
</tr>
<tr>
<td>s. Convention services</td>
<td>87909*</td>
</tr>
<tr>
<td>t. Other</td>
<td></td>
</tr>
<tr>
<td><strong>2. COMMUNICATION SERVICES</strong></td>
<td></td>
</tr>
<tr>
<td><strong>A. Postal Services</strong></td>
<td>7511</td>
</tr>
<tr>
<td><strong>B. Courier Services</strong></td>
<td>7512</td>
</tr>
<tr>
<td><strong>C. Telecommunications Services</strong></td>
<td></td>
</tr>
<tr>
<td>a. Voice telephone services</td>
<td>7521</td>
</tr>
<tr>
<td>b. Packet-switched data transmission services</td>
<td>7523**</td>
</tr>
<tr>
<td>c. Circuit-switched data transmission services</td>
<td>7523**</td>
</tr>
<tr>
<td>d. Telex services</td>
<td>7523**</td>
</tr>
</tbody>
</table>

* Indicates that the service specified is a component of a more aggregated CPC item specified elsewhere in this classification list.

** Indicates that the service specified constitutes only a part of the total range of activities covered by the CPC concordance (e.g. voice mail is only a component of CPC item 7523).
<table>
<thead>
<tr>
<th>Services sectors and sub-sectors</th>
<th>Corresponding Central Product Classification (CPC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>e. Telegraph services</td>
<td>7522</td>
</tr>
<tr>
<td>f. Facsimile services</td>
<td>7521** + 7529**</td>
</tr>
<tr>
<td>g. Private leased circuit services</td>
<td>7522** + 7523**</td>
</tr>
<tr>
<td>h. Electronic mail</td>
<td>7523**</td>
</tr>
<tr>
<td>i. Voice mail</td>
<td>7523**</td>
</tr>
<tr>
<td>j. On-line information and data base retrieval</td>
<td>7523**</td>
</tr>
<tr>
<td>k. Electronic data interchange (EDI)</td>
<td>7523**</td>
</tr>
<tr>
<td>l. Enhanced/value-added facsimile services, incl. store and forward, store and retrieve</td>
<td>7523**</td>
</tr>
<tr>
<td>m. Code and protocol conversion</td>
<td>n.a.</td>
</tr>
<tr>
<td>n. On-line information and/or data processing (incl. transaction processing)</td>
<td>843**</td>
</tr>
<tr>
<td>o. Other</td>
<td></td>
</tr>
</tbody>
</table>

**D. Audiovisual Services**
- a. Motion picture and video tape production and distribution services 9611
- b. Motion picture projection service 9612
- c. Radio and television services 9613
- d. Radio and television transmission services 7524
- e. Sound recording n.a.
- f. Other

**E. Other**

3. **CONSTRUCTION AND RELATED ENGINEERING SERVICES**
- A. General Construction Work for Buildings 512
- B. General Construction Work for Civil Engineering 513
- C. Installation and Assembly Work 514 + 516
- D. Building Completion and Finishing Work 517
- E. Other 511 + 515 + 518

4. **DISTRIBUTION SERVICES**
- A. Commission Agents' Services 621
- B. Wholesale Trade Services 622
- C. Retailing Services 631-632, 6111 + 6113 + 6121
- D. Franchising 8929
- E. Other

5. **EDUCATIONAL SERVICES**
- A. Primary Education Services 921
- B. Secondary Education Services 922

* Indicates that the service specified is a component of a more aggregated CPC item specified elsewhere in this classification list.
** Indicates that the service specified constitutes only a part of the total range of activities covered by the CPC concordance (e.g. voice mail is only a component of CPC item 7523).
<table>
<thead>
<tr>
<th>Services sectors and sub-sectors</th>
<th>Corresponding Central Product Classification (CPC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>C. Higher Education Services</td>
<td>923</td>
</tr>
<tr>
<td>D. Adult Education</td>
<td>924</td>
</tr>
<tr>
<td>E. Other Education Services</td>
<td>929</td>
</tr>
<tr>
<td>6. ENVIRONMENTAL SERVICES</td>
<td></td>
</tr>
<tr>
<td>A. Sewage Services</td>
<td>9401</td>
</tr>
<tr>
<td>B. Refuse Disposal Services</td>
<td>9402</td>
</tr>
<tr>
<td>C. Sanitation and Similar Services</td>
<td>9403</td>
</tr>
<tr>
<td>D. Other</td>
<td></td>
</tr>
<tr>
<td>7. FINANCIAL SERVICES</td>
<td></td>
</tr>
<tr>
<td>A. All Insurance and Insurance-related Services</td>
<td>812**</td>
</tr>
<tr>
<td>a. Life, accident and health insurance services</td>
<td>8121</td>
</tr>
<tr>
<td>b. Non-life insurance services</td>
<td>8129</td>
</tr>
<tr>
<td>c. Reinsurance and retrocession</td>
<td>81299*</td>
</tr>
<tr>
<td>d. Services auxiliary to insurance (including broking and agency services)</td>
<td>8140</td>
</tr>
<tr>
<td>B. Banking and Other Financial Services (excl. Insurance)</td>
<td></td>
</tr>
<tr>
<td>a. Acceptance of deposits and other repayable funds from the public</td>
<td>81115-81119</td>
</tr>
<tr>
<td>b. Lending of all types, incl., inter alia, consumer credit, mortgage credit, factoring and financing of commercial transaction</td>
<td>8113</td>
</tr>
<tr>
<td>c. Financial leasing</td>
<td>8112</td>
</tr>
<tr>
<td>d. All payment and money transmission services</td>
<td>81339**</td>
</tr>
<tr>
<td>e. Guarantees and commitments</td>
<td>81199**</td>
</tr>
<tr>
<td>f. Trading for own account or for account of customers, whether on an exchange, in an over-the-counter market or otherwise, the following:</td>
<td></td>
</tr>
<tr>
<td>- money market instruments (cheques, bills, certificate of deposits, etc.)</td>
<td>81339**</td>
</tr>
<tr>
<td>- foreign exchange</td>
<td>81333</td>
</tr>
<tr>
<td>- derivative products incl., but not limited to, futures and options</td>
<td>81339**</td>
</tr>
<tr>
<td>- exchange rate and interest rate instruments, incl. products such as swaps, forward rate agreements, etc.</td>
<td>81339**</td>
</tr>
<tr>
<td>- transferable securities</td>
<td>81321*</td>
</tr>
<tr>
<td>- other negotiable instruments and financial assets, incl. bullion</td>
<td>81339**</td>
</tr>
<tr>
<td>g. Participation in issues of all kinds of securities, incl. under-writing and placement as agent (whether publicly or privately) and provision of service related to such issues</td>
<td>8132</td>
</tr>
<tr>
<td>h. Money broking</td>
<td>81339**</td>
</tr>
<tr>
<td>i. Asset management, such as cash or portfolio management, all forms of collective investment management, pension fund management, custodial depository and trust services</td>
<td>8119** + 81323*</td>
</tr>
</tbody>
</table>

* Indicates that the service specified is a component of a more aggregated CPC item specified elsewhere in this classification list.

** Indicates that the service specified constitutes only a part of the total range of activities covered by the CPC concordance (e.g. voice mail is only a component of CPC item 7523).
j. Settlement and clearing services for financial assets, incl. securities, derivative products, and other negotiable instruments
   81339** or 81319**
k. Advisory and other auxiliary financial services on all the activities listed in Article 1B of MTN.TNC/W/50, incl. credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy
   8131 or 8133
l. Provision and transfer of financial information, and financial data processing and related software by providers of other financial services
   8131

C. Other

8. HEALTH RELATED AND SOCIAL SERVICES (other than those listed under 1.A.h-j.)
   A. Hospital Services
   9311
   B. Other Human Health Services
   9319 (other than 93191)
   C. Social Services
   933
   D. Other

9. TOURISM AND TRAVEL RELATED SERVICES
   A. Hotels and Restaurants (incl. catering)
   641-643
   B. Travel Agencies and Tour Operators Services
   7471
   C. Tourist Guides Services
   7472
   D. Other

10. RECREATIONAL, CULTURAL AND SPORTING SERVICES (other than audiovisual services)
    A. Entertainment Services (incl. theatre, live bands and circus services)
    9619
    B. News Agency Services
    962
    C. Libraries, Archives, Museums and Other Cultural Services
    963
    D. Sporting and Other Recreational Services
    964
    E. Other

11. TRANSPORT SERVICES
    A. Maritime Transport Services
    a. Passenger transportation
    7211
    b. Freight transportation
    7212
    c. Rental of vessels with crew
    7213
    d. Maintenance and repair of vessels
    8868**
    e. Pushing and towing services
    7214
    f. Supporting services for maritime transport
    745**

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### Services sectors and sub-sectors

#### B. Internal Waterways Transport Services
- a. Passenger transportation 7221
- b. Freight transportation 7222
- c. Rental of vessels with crew 7223
- d. Maintenance and repair of vessels 8868**
- e. Pushing and towing services 7224
- f. Supporting services for internal waterway transport 745**

#### C. Air Transport Services
- a. Passenger transportation 731
- b. Freight transportation 732
- c. Rental of aircraft with crew 734
- d. Maintenance and repair of aircraft 8868**
- e. Supporting services for air transport 746

#### D. Space Transport Services
- a. 733

#### E. Rail Transport Services
- a. Passenger transportation 7111
- b. Freight transportation 7112
- c. Pushing and towing services 7113
- d. Maintenance and repair of rail transport equipment 8868**
- e. Supporting services for rail transport services 743

#### F. Road Transport Services
- a. Passenger transportation 7121 + 7122
- b. Freight transportation 7123
- c. Rental of commercial vehicles with operator 7124
- d. Maintenance and repair of road transport equipment 6112 + 8867
- e. Supporting services for road transport services 744

#### G. Pipeline Transport Services
- a. Transportation of fuels 7131
- b. Transportation of other goods 7139

#### H. Services Auxiliary to all Modes of Transport
- a. Cargo-handling services 741
- b. Storage and warehouse services 742
- c. Freight transport agency services 748
- d. Other

#### I. Other Transport Services

**12. OTHER SERVICES NOT INCLUDED ELSEWHERE** 95 + 97 + 98 + 99

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** Indicates that the service specified constitutes only a part of the total range of activities covered by the CPC concordance (e.g. voice mail is only a component of CPC item 7523).
ITC: The Development Partner for Export Success

ITC mission
ITC enables small business export success in developing countries by providing, with partners, trade development solutions to the private sector, trade support institutions and policy-makers.

ITC strategic objectives
- Enterprises: Strengthen the international competitiveness of enterprises.
- Trade support institutions: Develop the capacity of trade service providers to support businesses.
- Policy-makers: Support policy-makers in integrating the business sector into the global economy.

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The European Union is a major player in international co-operation and development aid. It is also the world's largest humanitarian aid donor. The European Community (EC) has political and financial responsibility for over 11% of the world's public aid (ODA).

The primary aim of the EC's development policy is the eradication of poverty. To enhance its impact, the EC is targeting its assistance on six priority areas:
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- Regional integration and co-operation
- Support to macroeconomic policies and equitable access to social services
- Transport
- Food security and sustainable rural development
- Institutional capacity building, good governance and the rule of law.

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- Human rights
- Gender equality
- Environment
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SMEDA: Turn Potential into Profits!

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- Policy formulation to encourage the growth of SMEs
- Facilitation of Business Development Services to SMEs
- Set up and manage a service provider's database
- Conducting sector studies and analysis for

For more information:
International Trade Centre (ITC)
Palais des Nations
1211 Geneva 10, Switzerland
Tel.: +41 22 730 0111
Fax: +41 22 733 4439
Email: intracen@intracen.org
Internet: www.intracen.org

For more information:
European Commission
European Aid Co-operation Office
B-1049 Brussels, Belgium
Tel.: +32 2 296 9497
Fax: +32 2 299 6407
Email: europaid-info@cec.eu.int
Internet: http://europa.eu.int/comm/europeaid

For more information:
Small and Medium Enterprise Development Authority (SMEDA)
8th Floor, LDA Plaza, Egerton Road, Lahore
54000, Pakistan
Telephone: +92 42 111-111-456
Fax: +92 42 630 4526-7
Email: helpdesk@smeda.org.pk
Internet: www.smeda.org.pk

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