

OECD WORKING PARTY ON THE INFORMATION ECONOMY

**ICTs and globalisation:
the impact of China and India on smaller
developing countries**

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“New developments and perspectives”

Julian Arkell

Consultant

International Trade and Services Policy

Services Globalisation: reactions to dominance of China and India

**Market Study issues for Sri Lanka:
in UK and UAE**

Professional services being off-shored

Developing country policies:

in UAE, Sri Lanka, Thailand, Vietnam

Government agencies

Private sector associations

International institutions

Statistical classifications for ITC services

Conclusion: governmental support aims

Outsourcing by UK professional and business services: a survey

- Law Society
- Institute of Chartered Accountants of England & Wales
- Chartered Institute of Management Accountants
- Royal Institute of British Architects
- Engineering Council of the UK
- Royal Institution of Chartered Surveyors
- General Medical Council
- UK Inter-Professional Group (of 30 professional bodies)
- Association of Consultants and Engineers
- British Consultants and Construction Bureau
- National Outsourcing Association

A significant alternative market to large scale call centres and BPO

- **Lawyers**
 - investment and land purchase advice, contract drafting, legal research and opinions, transactions, clerical work
- **Accountants**
 - book-keeping, draft accounts, management accounts
- **Architects / Engineers**
 - detailed designs and calculations, costing of quantities
- **Quantity Surveyors**
 - sub-contracting the costing of designs of architects & engineers
- **Management Consultants**
 - Local research, clerical and accounting work

UK: cross-cutting issues

- **Market saturated and competitive**
 - drives outsourcing
 - unlikely possibilities for setting up firms in UK (GATS Mode 3)
 - niche market opportunities for developing countries
- **GATS Modes 1 and 4 supplies linked**
 - cross-border supply and movement of natural persons
- **EU harmonisation of qualifications**
 - third country nationals find it difficult to be accepted
- **Visa and work permits**
 - approvals only in a few selected occupations in UK
- **Mutual recognition agreements for qualifications**
 - Architects: Commonwealth of Nations agreement
 - Engineers: Washington Accord, now includes a few DCs

Service characteristics sought from small developing countries

- Low risk: counter client concerns about intangibles
- Quality brand image of country and infrastructure
- Fluency in English; familiarity with system of law
- Quality of personnel: qualifications and experience
- ISO 9,000 and other QA standards: his needs assistance
- Professional associations: recognition of qualifications
- Continuity of internet connections to country
- Data security and data privacy
- Offer of customised skills, services packages
- Service level agreements

Sri Lanka: government action

- **Export Development Board:**
 - National Council for Export Development
 - Government support for services:
 - Focus on software and the professions
 - Research on markets abroad
- **Ministry of Advanced Technology:** e-government, MRAs
- **Department of Commerce:** representation abroad, market intelligence and promotion
- **Board of Investment:** inward FDI – incentives, shortcuts
- **Foreign Employment Bureau:**
registration of workers going abroad
- **Census and Statistics Department:**
lack of statistics

Sri Lanka: private sector action

- Software Exporters Association:
 - Government initiated: 65 exporters of software products
- IT Enabled Services Association:
 - 30,000 workers in BPO centres
 - markets in India, Dubai and Scandinavia
- Organisation of Professional Associations
 - umbrella organisation for 38 associations
 - markets in UK, Australia, Singapore, Thailand, Bangladesh, Maldives
 - **generally NO**: marketing training, contacts abroad, websites, access to tender calls

Sri Lanka: infrastructure

- Electricity transmission: supply continuity a problem
- Transport infrastructure: poor roads, railways
- Information and Communication Technology Agency (ICTA): World Bank funded
 - Telecoms: connectivity, pricing issues, 2 data cables
 - E-government for an e-society
 - Information infrastructure to attract FDI, low volume
 - Branding Sri Lanka as second destination after India
 - Disaster recovery for mission critical operations
 - Market development for niche firms: boutique offers

UAE: the Dubai Outsource Zone

- Subsidiary of Ruler's Dubai Holding Agency
 - run as a company by the Crown Prince
- Establish partnerships with countries
- IT enabled for outsourcing (next to the IT City)
 - General IT Exhibition (GITEX, largest in Middle East)
- Not trying to compete with India, Philippines
 - higher value-added end of outsourcing chain
 - disaster recovery back-up, quality consultancy, payment gateway, sales and marketing offices for region
 - Dubai as “best city in India”!
- Dominated by construction boom activities

Thailand: between India & China

- **Government policies and support**
 - Ministry of Information & Communication Technology
 - Software Industry Promotion Agency (SIPA):
 - 15 years of support; now 600 firms in sector
 - National contest to compete in Asia, RFID technology
 - Stands supported at CEBIT, COMDEX
 - National Electronics and Computer Technology Centre (NECTEC):
 - survey for SIPA supply side data, not marketing
 - National Statistics Office: planning to collect data on exports & imports
- **Trade agreements:** AFTA; BIMST; gateways: Bahrain, Peru
- **Private sector initiatives:**
 - Association of Thai ICT Industries
 - Association of Oceania & Information Organisations
 - Consulting, design, coding, implementation, after sales

Vietnam: China's neighbour

- **National Economic Plan: 2006-2010**
 - Priorities initially for tourism, transport, banking, insurance
 - ITC Sector now to be promoted to compete in SE Asia, given revealed competitiveness
 - General Statistics Office
 - Surveys of economically active entities
 - First sector survey of ICT firms just completed: indicators to be developed further
 - Data on ICT exports and imports to be developed

International institutions

- **World Trade Organisation**
 - Requests on cross-border and movement of natural persons
- **International Trade Centre**
 - Country studies and support to governments, trade associations and firms
 - Shift away from large-scale BPO operations for smaller countries
 - Identify specialised capabilities, higher value-addition, higher value-retention, reinforce existing skill-sets consistent with outsourcing requirements, strengthen legal data protection and telecoms infrastructure
- **UNCTAD**
 - Sector support for developing countries
- **UN Statistics Division**
 - Definitions of ICT and IT-enabled services

Classification of ITC for BOP: measuring international trade

- IMF Balance of Payments Manual - revision of 5th version:
 - ICT products to be combined with Computer and Information Services, into a new **Information Technology Services** group, with four sub-divisions:
 - Telecommunications
 - Computer services
 - Internet provision services
 - Other information provision services

Computer / IT services

- **Computer programming and consultancy services, which generate systems and application software and support**
- **Data processing services which host, support and manage business processes**
- Computer systems management
- Maintenance and repair service of computer and peripheral equipment
- Web search portals
- Licensing of rights to use computer software
- Leasing or rental services of office machinery
- Packaged software, covering systems software and application software (goods)

– Information courtesy of Hugh Henderson, formerly Statistics Canada

Competing with China and India: governmental support aims in DCs

- **Allocate resources to build capacity:** physical, information
- **Coordinate actions between institutions and agencies** that regulate and support trade in services
- **Create public/private consultation and dialogue:** umbrella organisation for exporters
- **Encourage firms to be proactive** and take business risks
- **Ease exchange controls**, permit foreign currency accounts
- **Simplify regulation of persons temporarily working abroad**
 - need for APEC-style pre-authorisation entry cards
- **FDI incentive schemes and differing tax rates**
 - one stop shop for inward investment to avoid confusion
- **Collect statistics to formulate and implement:**
 - Trade policies: need for data on exports, imports, foreign affiliates
 - Evaluation of target export markets and defensive interests