

**Statement by Mr. Rubens Ricupero
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UNCTAD and Mode 4

Thank you very much for having invited me. You know that I had already been invited to previous meetings but, unfortunately, I was not in Geneva so I could not participate. It is a great pleasure to be among you today and it strikes me that it is probably only in Geneva that one could have such a richness of perspectives in addressing these matters. I could hardly think of another international centre where you would have so many complementary angles to tackle these extremely complex matters. In that context, I would like to underscore the particular perspective of our organization, UNCTAD, which looks at this subject from the trade perspective. One should remember that trade is not only about goods, but that it is also, and increasingly so, about services. Thus one should consider the perspective of trade in services, particularly in terms of the General Agreement on Trade and Services, in what is called "Mode 4", which is the temporary movement of natural persons to provide and to supply services. This kind of abstruse denomination is in effect very simple. When the GATS was negotiated in the Uruguay Round - and at the time I was the representative of my country here, so I participated in the negotiations - there was a need to classify the different ways - modes - of trading in services. Of course, one of those ways was through a commercial presence, which is investment.

Another way was to sell services from a distance. Well, Mode 4 was exactly a way of supplying services through the presence, the temporary presence, of a natural person and this is what was included in the GATS. It thus accepted the idea of mobility that should complement and give symmetry to the movement of capital and to the movement of goods.

Well, perhaps the first problem that arises when you try to look at things from that particular perspective is that you have to map out the precise dimensions of the problems you are facing. And I would suggest to you that the first problem is exactly to try to draw the borders between what is immigration policy and what is trade policy. This is not as easy a matter as it may seem, because, as you know, immigration is not only about permanent migration but also about temporary migration. And temporary migration is what gives rise to the confusion. What is the difference between temporary migration and the provision of services? Well, in the Annex to the GATS - an Annex suggested by a number of developed countries on the movement of natural persons, - there is a definition of this case saying that those are natural persons seeking non-permanent entry to supply services abroad. This is not entirely satisfactory, but it may provide the beginning of a distinction between the temporary movement of people to supply services on the one hand and migration on the other. I would suggest that one of the tasks of the migration specialist is to establish this link between migration and trade policy needs. We need to consider how this temporary movement of persons in the service context could be reflected in the national policy and migration policy approaches, because - as you in your Organization know very well, not all countries are able to accommodate these needs in their migration regimes - and we need to ensure that, in each case, a clear definition is established vis-à-vis temporary movement.

The second problem, which I would like to address, is the misperception that this is a particularly delicate or complicated issue, more so than other issues in trade policy. There is a very widespread perception that liberalization in goods or services in general is less of a challenge than is

liberalization of Mode 4, and I would like to argue that this is not true. Generally speaking, people have this misperception because of the possible effects of Mode 4 on wage depression, but the fact of the matter is that liberalization in goods or in financial services also forces countries to pay for adjustments and this need to pay for adjustment has not been a reason to recoil from liberalization. Indeed, since even the majority of developing countries, who do not have the possibility of providing social safety nets, have been asked to liberalize, it must also be the case here in this second category that this is not an insurmountable problem. It is not more difficult in itself than other matters of trade liberalization and there is a possible win-win outcome, and this is my third point.

There is also misperception that liberalization of Mode 4 is only to the benefit of the sending countries, not of the receiving countries. The receiving countries are wrongly perceived as only suffering the costs and not reaping the benefits. Well, this is wrong. You know that many economic studies have shown that in this particular area of migration in general and Mode 4 in particular, we could potentially have the greatest global welfare gains, more than in the area of goods or services in general. Professor Alan Winters, who is a well-recognized authority in this matter, has estimated that the potential global welfare gains from increasing the labour quotas of developed countries by just 3% would be 156 billion dollars per year. And this is also the area where they said liberalization stands to bring the most in terms of gains. Professor Dani Rodrik also very well known in this field, has shown that because of the substantial liberalization already achieved in markets for goods and in financial assets, the international price differences are now very small. Prices may differ by a factor of 2 to 1 or 3 to 1 in markets for goods and financial assets whereas in the case of wages of a comparable individual across markets, the difference is by up to a factor of 10 to 1. So then is a for greater potential for gains in welfare.

Finally, we consider that there is a very strong link between liberalization of Mode 4 and gains in the supply capabilities of developing countries in general. The liberalization of Mode 4 is probably the most important contribution that can result from trade negotiations, for the benefit of developing countries in general. You know that a lot is already occurring in terms of outsourcing and offshoring to developing countries. Some cases are very well known, like India, for instance. But I would like to leave you with the thought that there are two areas that are central to the international debate right now. One is the relationship between trade and poverty. And the second one, a crucial related issue, is the relationship between trade and gender. I would like to conclude by saying that when the current round of trade negotiations was launched in Doha, the inclusion of a commitment to the liberalization of Mode 4 was a litmus test for developing countries and for the so-called development content of the Doha work programme. The fact that, so far, negotiations have not moved much in this area and, indeed, that liberalization in Mode 4 has been treated as an orphan, gives rise to serious concern about what one could call the "development deficit" in the current trade negotiations. This was also reflected in the regrettable outcome of the Cancun Ministerial. I would like to stress that we have to move in this area if we are to prove our sincerity in addressing development concerns. Let us not forget that, after the Uruguay round of the GATS, the agreement on services was put to its first test, and developing countries were able to deliver what the industrialized countries asked from them, which were the two landmark agreements. The first one on basic telecommunications services and a second one on basic financial and banking services. Both were extremely difficult because in many developing countries those areas had been closed to foreigners, and in many cases they were state monopolies. Nevertheless developing countries accepted to agree on those two areas very fast after the Singapore Ministerial meeting and so far we have not seen anything that comes close to that in terms of movement of natural persons. So it is high time now that we should deliver and have a meaningful outcome in this area.

Thank you very much.